VERMILLION • INCORPORATED

2009 Annual Report
&
2010 Proxy Statement

Dear Shareholders,

During the past eighteen months, Vermillion has undergone a remarkable transformation that was enabled by the FDA clearance of OVA1™. This achievement allowed us to successfully emerge from Chapter 11 bankruptcy protection, strengthen our balance sheet, generate revenue, and begin the process of expanding our menu of diagnostic tools that satisfy significant unmet clinical needs.

On September 11, 2009, OVA1 became the first and only FDA-cleared test for the pre-operative assessment of ovarian tumors. This set the wheels in motion for us to employ a multi-pronged strategy designed to restructure and revitalize the Company. To that end, we focused on strengthening the corporate balance sheet, ensuring a successful launch of OVA1, and laying the groundwork for expansion of our commercial opportunities.

STRENGTHENING OUR BALANCE SHEET

- We exchanged 428,906 shares of our common stock for $7,100,000 in principal and $732,000 in interest related to the convertible senior notes due September 1, 2011 (the "7.00% Notes"). From October 21, 2009 through November 19, 2009, $4,400,000 in principal related to the 7.00% Notes were converted into 220,000 shares of Vermillion's common stock. This conversion of debt to equity was a key component of the transformational strategy.
- We completed a $43 million private placement financing on January 7, 2010, with the participation of well-respected and knowledgeable health care investors. This was completed by our internal team, which allowed more of the proceeds to remain within the Company.
- We emerged from bankruptcy protection on January 22, 2010, while keeping the existing equity intact.
- Our launch of OVA1 triggered a $3 million forgiveness on our development loan with Quest Diagnostics.
- We were relisted on The NASDAQ Global Market on July 6, 2010. This achievement was important in order to obtain enhanced market maker support, more efficient access to institutional investors and investment capital, improved liquidity and greater visibility for the Company within the investment community.

LAUNCHING OVA1

- Along with our Strategic Alliance partner Quest Diagnostics, the world's largest diagnostics reference laboratory, we launched OVA1 on March 9, 2010.
- On March 11, 2010, Medicare announced that it would cover OVA1. In our experience, this is one of the fastest timeframes in which this has been accomplished and is a reflection of OVA1's value proposition. Medicare is covering OVA1 at $516.25, which is approximately 80% of the list price of $650.00. Coverage by Medicare strengthens our ability to obtain coverage from additional payers.
- The OVA1 launch was timed to coincide with the annual meeting of the Society of Gynecologic Oncologists, who are experts in the treatment of ovarian cancer. At the meeting, our colleagues gave two plenary presentations that described the weaknesses of the current strategies for assessing ovarian tumors and the manner in which OVA1 helps to address those weaknesses. OVA1 increased sensitivity for malignancy by 20% over clinical impression based on currently available tools. Moreover, OVA1 strengthens the prediction that cancer is absent, with a negative predictive value of 93%.
- We have built an internal sales force of twelve experienced salespeople who act as subject matter experts to work closely with our colleagues at Quest Diagnostics. Additionally, our marketing teams have developed programs such as print and web advertising, continuing medical education (CME) courses, and key opinion leader (KOL) speaker bureaus. Working together, we have been able to increase physician awareness, which has had a direct impact on accelerating the OVA1 penetration ramp.
- Given our short time in the market, we are pleased to see a steady improvement in adoption. With the addition of our new and talented sales personnel, along with recently implemented marketing initiatives, we fully expect these efforts to accelerate revenue growth over the remainder of 2010 and into 2011. We believe the long-term market opportunity of over one million tests per year remains very compelling and are driving hard to tap into this as quickly as possible.

BUILDING OUR FUTURE

- We have been issued critical patents in the field of ovarian cancer as well as in other disease areas that may help protect our potential diagnostic products. In ovarian cancer, we were issued patents #7,510,842 and #7,605,003. Additionally, counterparts to these patents have been issued in various

other jurisdictions. In Alzheimer's disease, we were issued patents #7,794,948 and #7,749,716, which cover various biomarkers that may be useful for its diagnosis. We have also received a notice of issuance of a US patent for peripheral artery disease (PAD) biomarkers.

- We obtained CE marking for OVA1 on September 20, 2010, which is a key pre-requisite to launching the test in Europe.
- We continue to invest in research and development. Most notably, we have a research and license agreement in place with Dr. Daniel Chan, with whom we developed OVA1, to develop a next-generation test, OVA2, which is designed to improve clinical specificity while maintaining the high clinical sensitivity of OVA1. We have also commenced an intended-use study to validate a multi-marker algorithm for the assessment of individuals at risk for PAD, a test (VASCLIR™) that has already been accepted by Quest Diagnostics for further development and commercialization.

THE ROADMAP TO SUCCESS

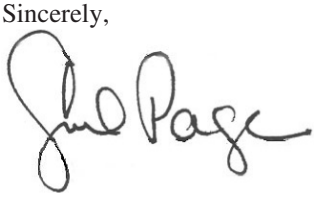
OVA1 remains our key near-term growth driver, and our efforts are directed at accelerating market adoption in the United States while working to launch the test in other territories. However, our vision is that Vermillion will become a diversified provider of high-value diagnostic tests that help physicians diagnose, treat and improve outcomes for patients. We will accomplish this goal through a combination of our internal R&D pipeline as well as potential external opportunities, whether they be in-licensing, small acquisitions or distribution agreements. This should allow us to leverage our unique business model of being a software-centric diagnostic company with R&D collaborations with leading academic institutions and a great distribution partner in Quest.

Over the next twelve months, the following initiatives will be key for the management team as we focus on creating shareholder value:

- First and foremost is the goal of driving market adoption of OVA1. We will accomplish this through our well-trained sales infrastructure and our marketing programs such as the KOL initiative, the CME program, and expanding our physician and public awareness campaigns.
- A key driver of market adoption will be the acceptance of the OVA1 clinical trial manuscript by a peer-reviewed journal. This is underway and is a primary goal of our Clinical Affairs department.
- Both Quest and Vermillion are determined to broaden reimbursement coverage. We recently added a reimbursement executive to spear the internal efforts as well as the coordination with Quest in this area.
- We expect to be launching OVA1 internationally in a select group of countries. Our initial strategy includes working with Quest in England, India and Mexico. We are also currently evaluating other territories in Europe, Asia and South America with other potential business partners.
- Our OVA2 and PAD programs are progressing and form the basis of an exciting pipeline to follow OVA1.
- Lastly, we are now and will continue to evaluate business development opportunities with the potential to add new technologies or products as part of our diversification strategy.

As we think about the future, Vermillion will focus on building and implementing those programs that create shareholder value. The OVA1 domestic launch is going very well and will accelerate as our marketing and reimbursement initiatives drive increased awareness of the test. Additionally, a strengthened management team, evolving pipeline, strong balance sheet and a focused expansion strategy give me confidence that we can achieve our goal of being a leading provider of high-value molecular diagnostic products. I look forward to updating you on our continuing progress and thank you for your support.

Sincerely,



Gail S. Page
Executive Chairman, Chief Executive Officer and President

VERMILLION INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON FRIDAY, DECEMBER 3, 2010

Dear Stockholder:

NOTICE IS HEREBY GIVEN that the 2010 Annual Meeting of the Stockholders of Vermillion, Inc., a Delaware corporation ("Vermillion" or "the Company"), will be held on Friday, December 3, 2010 at 8:00 a.m. (Central Standard Time), at the Hampton Inn, 2013 FM 620 South, Lakeway, Texas 78734 for the following purposes:

1. To elect Gail S. Page and John F. Hamilton as Class III directors, each to serve for a two-year term and until his or her successor is duly elected and qualified, and to elect Dr. William C. Wallen as Class I director to the Company's Board of Directors, to serve for a three-year term and until his successor is duly elected and qualified (Proposal 1);
2. To approve the Company's 2010 Stock Incentive Plan (Proposal 2);
3. To ratify the selection of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2010 (Proposal 3); and
4. To transact such other business as properly may be brought before the Annual Meeting or any adjournment thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this Notice.

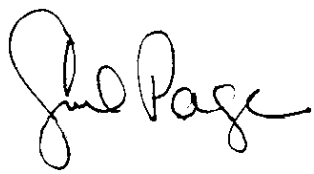
The Board of Directors has fixed the close of business on October 15, 2010 as the record date for determining the stockholders entitled to receive notice of, and to vote at, the Annual Meeting or any adjournment thereof. A complete list of such stockholders will be available for examination by any stockholder for any purpose germane to the Annual Meeting during ordinary business hours at the Company's executive offices at 12117 Bee Caves Road, Building Two, Suite 100, Austin, Texas 78738 for a period of 10 days before the Annual Meeting.

All stockholders are cordially invited to attend the Annual Meeting in person. To ensure your representation at the Annual Meeting, you are urged to sign and date the attached proxy card and return it in the enclosed pre-addressed postage-paid envelope. Any stockholder attending the Annual Meeting may vote in person even if that stockholder has returned a proxy.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on December 3, 2010

The proxy statement and our annual report on Form 10-K for the year ended December 31, 2009 are available at http://www.vermillion.com.

By Order of the Board of Directors



Gail S. Page
Chief Executive Officer

Austin, Texas
October 20, 2010

YOUR VOTE IS IMPORTANT. IN ORDER TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING, YOU ARE URGED TO SIGN AND DATE THE ATTACHED PROXY CARD AND RETURN IT IN THE ENCLOSED PRE-ADDRESSED POSTAGE-PAID ENVELOPE AS SOON AS POSSIBLE.

VERMILLION, INC.

12117 Bee Caves Road, Building Two, Suite 100
Austin, Texas 78738

PROXY STATEMENT

Annual Meeting of Stockholders to be Held on December 3, 2010

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

General

The enclosed proxy is solicited on behalf of the Board of Directors (the "Board") of Vermillion, Inc., a Delaware corporation ("the Company," "we," "us" or "our"), for use at our 2010 Annual Meeting of Stockholders (the "Annual Meeting") to be held on December 3, 2010 at 8:00 a.m. (Central Standard Time). The Annual Meeting will be held at the Hampton Inn, 2013 FM 620 South, Lakeway, Texas 78734. The Notice of the Company's 2010 Annual Meeting, this proxy statement, the accompanying proxy card and the Company's Annual Report on Form 10-K for the year ended December 31, 2009 will first be mailed to stockholders on or about October 29, 2010, and are also available online at http://www.vermillion.com. The Company's principal executive offices are located at 12117 Bee Caves Road, Building Two, Suite 100, Austin, Texas 78738 and the telephone number is (512) 519-0400.

Record Date; Outstanding Shares

The voting securities entitled to vote at the Annual Meeting consist of only shares of common stock. Only stockholders of record at the close of business on October 15, 2010 (the "Record Date") are entitled to notice of and to vote at the Annual Meeting. At the close of business on the Record Date, there were 10,416,085 shares of Vermillion common stock, par value $0.001 per share, issued and outstanding and entitled to vote.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use by delivering to the Company at its principal executive offices (12117 Bee Caves Road Building Two, Suite 100, Austin, Texas 78738, Attention: Investor Relations) either a written notice of revocation or a duly executed proxy card bearing a later date, or attending the meeting and voting in person. Attendance at the meeting will not, by itself, revoke a proxy. For shares held in street name by beneficial owners, they may change their votes by submitting new voting instructions to their brokers, banks, or other nominees or, if they have obtained legal proxies from their brokers, banks, or other nominees giving them the right to vote their shares at the Annual Meeting, by attending the Annual Meeting and voting in person.

Solicitation of Proxies

This solicitation of proxies is made by the Company and all related costs will be borne by the Company. In addition, the Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone or facsimile.

Quorum; Abstentions; Broker Non-Votes

Holders of a majority of the outstanding shares entitled to vote must be present, in person or by proxy, at the Annual Meeting in order to have the required quorum for the transaction of business. If the shares present, in person and by proxy, at the meeting do not constitute the required quorum, the meeting may be adjourned to a subsequent date for the purpose of obtaining a quorum. When a proxy card is properly dated, executed and returned, the shares represented by such proxy card are counted in determining whether a quorum exists, even if the shares are voted "ABSTAIN" or "WITHHELD."

The proposal to elect the nominees for director set forth herein requires, with respect to the election of each nominee, the affirmative vote of a plurality of the shares present at the meeting in person or by proxy and entitled to vote. Shares voted "ABSTAIN" or "WITHHELD" are not counted as votes cast and, thus, will have no effect on the vote to elect the nominees for director. The proposals to approve the Company's 2010 Stock Incentive Plan (the "2010 Plan") and to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm both require the affirmative vote of a majority of the shares present at the meeting in person or by proxy and entitled to vote. Thus, shares voted "ABSTAIN" or "WITHHELD" will have the same effect as votes AGAINST the approval of the two proposals.

A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to such proposal and has not received voting instructions from the beneficial owner. Broker non-votes are counted for purposes of determining whether a quorum exists for the transaction of business, but are not treated as entitled to vote and, therefore, are not counted for purposes of determining the number of votes cast with respect to the particular proposal. Accordingly, broker non-votes will make a quorum more readily obtainable, but do not affect the outcome of the vote on the proposal.

If shares are held in street names by beneficial owners, their brokers, banks, or nominees will include a voting instruction card with this proxy statement. They should vote their shares by following the instructions provided on the voting instruction card. An important change in the New York Stock Exchange rules went into effect and is effective for this year's Annual Meeting. Pursuant to the rule change, brokers are no longer permitted to vote in the election of directors if the broker has not received instructions from the beneficial owner. Accordingly, it is particularly important that beneficial owners instruct their brokers how they wish to vote their shares regarding the election of directors.

Voting

Each share of common stock outstanding on the Record Date is entitled to one vote on all matters. Stockholders do not have cumulative voting rights.

When a proxy card is properly dated, executed and returned, the shares represented by such proxy card will be voted at the Annual Meeting in accordance with the instructions of the stockholder as set forth on the proxy card. If no specific instructions are given, the shares will be voted (1) FOR the election of the nominees for director set forth herein, (2) FOR the approval of the Company's 2010 Plan, (3) FOR the ratification of the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010, and (4) at the discretion of the individuals designated as proxies on the proxy card on such other business as may properly come before the Annual Meeting or any adjournment thereof.

Attendance at the Annual Meeting

Attendance at the Annual Meeting will be limited to stockholders as of the Record Date. Each stockholder may be asked to present valid picture identification, such as a driver's license or passport. Stockholders holding stock in brokerage accounts or by a bank or other nominee may be required to show a brokerage statement or account statement reflecting stock ownership as of the Record Date.

Householding of Proxy Materials

Some banks, brokers and other nominee record holders may be "householding" our proxy statements and annual reports. This means that only one copy of our proxy statement and annual report to stockholders may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of either document to you if you call or write to us at our principal executive offices, 12117 Bee Caves Road, Building Two, Suite 100, Austin, Texas 78738, Attn: Investor Relations, telephone: (512) 519-0400. If you want to receive separate copies of the proxy statement or annual report to stockholders in the future, or if you are receiving multiple copies and would like to receive only one copy per household, you should contact your bank, broker, or other nominee record holder, or you may contact us at the above address and telephone number.

Submission of Stockholder Proposals for the 2011 Annual Meeting

Stockholders are entitled to present proposals for action at a forthcoming meeting if they comply with Rule 14a-8 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Stockholder proposals intended to be presented by such stockholders at the Company's 2011 Annual Meeting of stockholders must be received by the Company no later than January 1, 2011. Stockholders interested in submitting such a proposal are advised to retain knowledgeable legal counsel with regard to the detailed requirements of the applicable securities laws.

YOUR VOTE IS EXTREMELY IMPORTANT, NO MATTER HOW MANY OR HOW FEW SHARES YOU OWN. PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT TODAY IN THE ENCLOSED PRE-ADDRESSED POSTAGE-PAID ENVELOPE.

IMPORTANT: If your shares are held in the name of a brokerage firm, bank, nominee or other institution, only it can sign a proxy card with respect to your shares and only upon specific instructions from you. Please return the enclosed proxy card to your broker or bank and contact the person responsible for your account to ensure that a proxy card is voted on your behalf.

PROPOSAL ONE: ELECTION OF DIRECTORS

Our Board of Directors currently consists of six directors. The directors are divided into three classes having staggered three-year terms, so that the term of one class expires at each annual meeting of stockholders. The term of the Class I director will expire at this Annual Meeting, and therefore one nominee is proposed for election as Class I director at this Annual Meeting, to hold office until the annual meeting in 2013 and until his successor is duly elected and qualified. Due to the fact that we did not hold an annual meeting in 2009, two Class III directors' terms have already expired as of this Annual Meeting. Two nominees are therefore proposed for election as Class III directors at this Annual Meeting, to hold office until the annual meeting of 2012 and until their respective successors are duly elected and qualified. If any of the Board's nominees are unable or decline to serve as director, the proxies will be voted for any substitute nominee who shall be designated by the Board. It is not expected that any of the Board's nominees will be unable to or will decline to serve as director.

Nominees for Director

Class III Director Nominees to the Board:

Name	Age	Position with Vermillion
Gail S. Page	55	Chair of the Board, Chief Executive Officer
John F. Hamilton	66	Director

Class I Director Nominee to the Board:

Name	Age	Position with Vermillion
William C. Wallen, Ph.D.	67	Director, Chair of Nominating and Governance Committee, Member of Audit Committee and Compensation Committee

Required Vote; Recommendation

The three nominees receiving the highest number of affirmative votes of the outstanding shares of common stock, present or by proxy, will be elected as directors so long as a quorum is present. Accordingly, a nominee will be elected if the number of votes cast for that nominee exceeds the number of votes withheld from such nominee. Votes withheld from a particular nominee and broker non-votes will be counted for purposes of determining whether a quorum exists but, because directors are elected by a plurality vote, will have no impact on the vote with respect to that nominee.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE ELECTION OF ALL NOMINEES NAMED ABOVE. IF YOU SIGN AND RETURN THE ENCLOSED PROXY CARD, UNLESS YOU DIRECT TO THE CONTRARY ON THAT CARD, THE SHARES REPRESENTED BY THAT PROXY CARD WILL BE VOTED "FOR" THE ELECTION OF ALL NOMINEES LISTED ABOVE.

INFORMATION REGARDING THE BOARD OF DIRECTORS, COMMITTEES, AND CORPORATE GOVERNANCE

Biographical Information of Our Directors

The Company's Board of Directors currently consists of six directors. The directors are divided into three classes having staggered three-year terms, so that the term of one class expires at each annual meeting of stockholders. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of an equal number of directors. The classes are currently comprised as follows:

- *Class I directors.* William C. Wallen, Ph.D. is a Class I director, whose term is expiring at this 2010 Annual Meeting;
- *Class II directors.* James S. Burns, Peter S. Roddy and Carl Severinghaus are Class II directors, whose terms will expire at the annual meeting of stockholders held in 2011; and
- *Class III directors.* John F. Hamilton and Gail S. Page are Class III directors, whose terms expired in 2009. They continued to serve as Class III directors in 2010.

Class III Directors Nominated for Election to a Two-Year Term Expiring at the 2012 Annual Meeting of Stockholders

Gail S. Page, age 55, has been a director of Vermillion since December 2005. Ms. Page joined Vermillion in January 2004 as President of the Company's Diagnostics Division and an Executive Vice President of Vermillion, and was promoted to President and Chief Operating Officer of Vermillion in August 2005. Subsequently, Ms. Page became the President and Chief Executive Officer of Vermillion in December 2005 and served in this capacity until her resignation on March 27, 2009 due to Vermillion's bankruptcy proceeding. In connection with Vermillion's emergence from bankruptcy, Ms. Page was reappointed as Chief Executive Officer of Vermillion on February 1, 2010. From October 2000 to January 2003, Ms. Page was Executive Vice President and Chief Operating Officer of Luminex Corporation. From 1988 to 2000, Ms. Page held various senior level management positions with Laboratory Corporation of America ("LabCorp"). In 1993, Ms. Page was named Senior Vice President, Office of Science and Technology at LabCorp, responsible for the management of scientific affairs in addition to the diagnostics business segment. Additionally, from 1995 to 1997, Ms. Page headed the Cytology and Pathology Services business unit for LabCorp. From 1988 to 2000, Ms. Page was a member of the Scientific Advisory Board at LabCorp and chaired the committee from 1993 to 1997. Prior to her years at LabCorp and its predecessor, Roche Biomedical, Ms. Page worked in various functions in the academic field and the diagnostics industry. Ms. Page received her A.S. in Medical Technology in combination with a Cardiopulmonary Technology Diploma from the University of Florida. Ms. Page also completed an executive management course at the Kellogg School of Management at Northwestern University.

The Board has nominated Ms. Page for her intimate knowledge of our business and extensive experience in the management and development of biotechnology companies. Ms. Page's role as Chief Executive Officer of our Company gives her strong knowledge of the Company's strategy, markets, competitors and operations. She also brings significant experience in commercializing, sales and marketing of diagnostic products.

John F. Hamilton, age 66, has been a director of Vermillion since April 2008. From 1997 until his retirement in 2007, Mr. Hamilton served as Vice President and Chief Financial Officer of Depomed, Inc. Mr. Hamilton began his career in international banking with The Philadelphia National Bank and Crocker National Bank, and went on to hold senior financial positions at several biopharmaceutical companies including Glyko, Inc., which is now BioMarin Pharmaceuticals, and Chiron Corporation. Mr. Hamilton sits on the regional Board of Directors of the Association of Bioscience Financial Officers, and is past-president of the Treasurers Club of San Francisco. Mr. Hamilton received his M.B.A. from the University of Chicago and B.A. in International Relations from the University of Pennsylvania.

The Board has nominated Mr. Hamilton for his extensive experience in finance and capital markets gained through his education and his senior financial positions at various biopharmaceutical companies. Mr. Hamilton brings to the Board significant strategic and financial expertise and leadership experience.

Class I Director Nominated for Election to a Three-Year Term Expiring at the 2013 Annual Meeting of Stockholders

William C. Wallen, Ph.D., age 67, was appointed to Vermillion's Board of Directors on February 1, 2010 and serves as Chairman of the Company's Nominating and Governance Committee. Additionally, he is a member of Vermillion's Audit Committee and Compensation Committee, and served on its Scientific Advisory Board from April 2006 until February 2010 when he joined the Board of Directors. Dr. Wallen served as the Senior Vice President and Chief Scientific Officer of IDEXX Laboratories, Inc. ("IDEXX") beginning September 2003, and retired from IDEXX on March 3, 2010. Commencing in December 2008, Dr. Wallen took on the position of leading its infectious disease product manufacturing operations. Dr. Wallen led IDEXX's pharmaceutical products business from September 2003 until IDEXX sold certain product lines and restructured that business in 2008. Prior to joining IDEXX, Dr. Wallen held various positions with Bayer Corporation, most recently as Senior Vice President, Research and Development, and Head, Office of Technology for the Diagnostics Division of Bayer Healthcare. From 2001 to 2003, Dr. Wallen served as Senior Vice President and Head of Research, Nucleic Acid Diagnostics Segment; from 1999 to 2001, as Senior Vice President of Research and Development Laboratory Testing Segment; and from 1993 to 1999, as Vice President of Research and Development, Immunodiagnostic and Clinical Chemistry Business Units. Before joining Bayer Corporation, from 1990 to 1993, Dr. Wallen was Vice President, Research and Development at Becton Dickinson Advanced Diagnostics. Dr. Wallen is a member of the American Association of Clinical Chemistry, the American Society for Microbiology, American Association for Cancer Research, The Leukemia society of America, and the New York Academy of Science. Dr. Wallen has authored or co-authored 55 scientific papers and articles covering topics in immunology, virology, oncology and detection methodologies. Dr. Wallen received his B.S. in Zoology and M.S. in Microbiology from Michigan State University, and Ph.D. in Molecular Biology from University of Arizona College of Medicine.

The Board has nominated Dr. Wallen for his extensive experience in research and development and corporate governance matters in the diagnostics industry. The Board believes that Dr. Wallen's background in managing public companies gives him the qualification and skills to serve as a director of the Company and a key member of the Board's Audit, Compensation, and Nominating and Governance Committees.

Class II Directors Continuing in Office until the 2011 Annual Meeting of Stockholders

James S. Burns, age 63, has been a director of Vermillion since June 2005. Mr. Burns is currently President, Chief Executive Officer and director of AssureRx, Health, Inc., a personalized medicine company which specializes in pharmacogenetics for neuropsychiatric disorders. Prior to joining AssureRx, Health, Inc., Mr. Burns was the President and Chief Executive Officer of EntreMed, Inc. from June 2004 to December 2008, and a director from September 2004 to December 2008. Mr. Burns was a co-founder and, from 2001 to 2003, served as President and as Executive Vice President of MedPointe, Inc., a specialty pharmaceutical company that develops, markets and sells branded prescription pharmaceuticals. From 2000 to 2001, Mr. Burns served as a founder and Managing Director of MedPointe Capital Partners, a private equity firm that led a leveraged buyout to form MedPointe Pharmaceuticals. Previously, Mr. Burns was a founder, Chairman, President and Chief Executive Officer of Osiris Therapeutics, Inc., a biotech company developing therapeutic stem cell products for the regeneration of damaged or diseased tissue. Mr. Burns has also been Vice Chairman of HealthCare Investment Corporation and a founding General Partner of Healthcare Ventures L.P., a venture capital partnership specializing in forming companies building around new pharmaceutical and biotechnology products; Group President at Becton Dickinson and Company, a multidivisional biomedical products company; and Vice President and Partner at Booz Allen & Hamilton, Inc., a multinational consulting firm. Mr. Burns is a director of Symmetry Medical Inc. (NYSE: SMA), a supplier of products and services to orthopedic and other medical device companies, and a director of the International BioResources Group and the American Type Culture Collection (ATCC). Mr. Burns received his B.S. and M.S. in Biological Sciences from the University of Illinois, and M.B.A. from DePaul University.

The Board has concluded that based on Mr. Burns' extensive experience in the diagnostics industry, current and prior directing and management experience and education, he has the qualification and skills to serve as a director of the Company.

Peter S. Roddy, age 50, was appointed to Vermillion's Board of Directors and Audit Committee on February 18, 2010. Mr. Roddy has served as Vice President and Chief Financial Officer of Pain Therapeutics, Inc. since July 2004, and as its Chief Financial Officer since November 2002. From 1990 to 2002, Mr. Roddy held a variety of senior management positions at COR Therapeutics, Inc. (now part of Takeda Pharmaceutical Company Limited), a biopharmaceutical company, including Senior Vice President, Finance and Chief Financial Officer between 2000 and 2002. Prior to 1990, Mr. Roddy held a variety of positions at Price Waterhouse & Company, Hewlett Packard Company and MCM Laboratories, Inc. Mr. Roddy received his B.S. in Business Administration from the University of California, Berkeley.

The Board has concluded that based on Mr. Roddy's extensive experience in the life science industry, including relevant experience as an executive officer and chief financial officer, as well as experience at a major accounting firm, he has the qualifications and skills to serve as a director of the Company and Chairman of the Audit Committee.

Carl Severinghaus, age 58, was appointed to Vermillion's Board of Directors on March 3, 2010 and serves as its Compensation Committee Chairman. In addition, he is a member of its Audit Committee and Nominating and Governance Committee. Mr. Severinghaus has held the position of President of Tecan Americas since 2009. He is responsible for the sales and operations for the Americas Sales Regions, including U.S., Canada, and South America. From 2007 to 2008, he was Senior Vice President of International Sales, responsible for the worldwide sales and operations of the direct and OEM sales channels. Since 2007, he has served as a member to the Executive Committee of Tecan, an internal Board responsible for implementing the Board of Directors' worldwide strategies and goals. He was President and General Manager of Tecan from 1999 to 2006, and Vice President of Sales and National Sales Manager from 1991 to 1998. Prior to joining Tecan, he held National Sales Manager position at American Monitor Corporation from 1980 to 1991. Mr. Severinghaus received his Bachelor of Fine Arts degree in Communications and Public Speaking from Drake University in 1974. He is a member of the Analytical & Life Science Systems Association, the Association for Laboratory Science, and the American Association for Clinical Chemistry.

The Board has concluded that Mr. Severinghaus' demonstrated executive level management and commercial operations skills, both domestically and internationally, make him a valuable component of a well-rounded Board and a key member of the Board's Audit, Compensation, and Nominating and Governance Committees.

Independence of the Board of Directors

The Company has identified the following directors as independent directors.

Name	Board	Audit Committee	Compensation Committee	Nominating and Governance Committee
John F. Hamilton (1)	●			
James S. Burns (1)	●			
William C. Wallen, Ph.D. (2)	●	●	●	Chair
Peter S. Roddy (2)	●	Chair		
Carl Severinghaus (2)	●	●	Chair	●

(1) Due to the fact that Mr. Hamilton and Mr. Burns received compensation pursuant to the Debtor's Incentive Plan in fiscal year 2010 as described under "Executive Compensation—Compensation Discussion and Analysis" below, there is uncertainty as to whether they are independent directors in fiscal year 2010, as defined by NASDAQ Listing Rule 5605(a)(2). The Board has treated Mr. Hamilton and Mr. Burns as independent directors with respect to Board member positions, but has not treated them as independent directors with respect to Committee member positions.

(2) The Board has determined that Dr. Wallen, Mr. Roddy and Mr. Severinghaus are independent directors as defined by NASDAQ Listing Rule 5605(a)(2).

Board Leadership Structure

The Board does not have a policy regarding the separation of the roles of Chief Executive Officer and Chairman of the Board as the Board believes it is in the best interest of the Company to make that determination based on the position and direction of the Company and the membership of the Board. The Board has determined that having the Company's Chief Executive Officer serve as Chairman is in the best interest of the Company's stockholders. This structure makes the best use of the Chief Executive Officer's extensive knowledge of the Company and its industry, as well as fostering greater communication between the Company's management and the Board.

Role in the Board in Risk Oversight

The Board is involved in oversight of risks that could affect the Company. This oversight is conducted primarily through committees of the Board, and particularly the Audit Committee and Nominating and Governance Committee, but the full Board has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Company.

Meetings of the Board of Directors

Our Board establishes overall policies and standards and reviews the performance of management. During the fiscal year ended December 31, 2009, the Board held thirteen meetings and took action by unanimous written consent on four occasions. Each Board member attended 75% or more of the aggregate meetings of the Board, on which he or she served, held during the period for which he or she was a director. Applicable NASDAQ listing standards require that the independent directors meet from time to time in executive session. In fiscal 2009, our independent directors met in regularly scheduled executive sessions at which only independent directors were present. It is our policy to request that all Board members attend the annual meeting of stockholders. Due to the bankruptcy proceeding in 2009, we did not hold an annual meeting in 2009.

Audit Committee

The Audit Committee of the Board was established by the Board to oversee the Company's corporate accounting and financial reporting processes, systems of internal control over financial reporting and the quality and integrity of the Company's financial statements and reports. In addition, the Audit Committee oversees the qualification, independence and performance of the Company's independent registered public accounting firm. The Audit Committee also recommends to the Board the appointment of our independent registered public accounting firm.

The Audit Committee is currently composed of three directors: Mr. Roddy, Chairman, Dr. Wallen and Mr. Severinghaus. The Audit Committee is governed by a written Audit Committee Charter adopted by the Board. The Audit Committee charter can be found in the Investor Relations section of the Company's website at http://www.vermillion.com. Due to the Company's bankruptcy proceeding, the Audit Committee did not meet in 2009.

The Board has determined that all members of the Company's Audit Committee are independent, as the term is currently defined in NASDAQ Listing Rules 5605(a)(2). The Board has determined that Mr. Roddy qualifies as an "audit committee financial expert," as defined in applicable rules. The Board made a qualitative assessment of Mr. Roddy's level of knowledge and experience based on a number of factors, including his experience as the chief financial officer of several companies.

Compensation Committee

The Compensation Committee of the Board acts on behalf of the Board to review, adopt and oversee our compensation strategy, policies, plans and programs. The Compensation Committee reviews and recommends to

the Board for approval the compensation (*i.e.*, salary, bonus and stock-based compensation grants) and other terms of employment or service of our Chief Executive Officer and other executive officers, reviews with management the Company's Compensation Discussion and Analysis for inclusion in the Company's proxy statements and other Securities and Exchange Commission (the "SEC") filings, and administers our 2010 Plan. The Compensation Committee has the authority to retain compensation consultants to assist in its evaluation of executive and director compensation, including the authority to approve the consultant's reasonable fees and other retention terms.

The Compensation Committee is currently composed of two directors: Mr. Severinghaus, Chairman, and Dr. Wallen. The Board has determined that both members of the Company's Compensation Committee are independent pursuant to NASDAQ Listing Rule 5605(a)(2). The Compensation Committee has adopted a written charter that can be found in the Investor Relations section of the Company's website at http://www.vermillion.com. Due to the Company's bankruptcy proceeding the Compensation Committee did not meet in 2009.

The performance and compensation process and specific determinations of the Compensation Committee with respect to executive compensation for 2009 and for certain elements of compensation for 2010 are described in greater detail in the Compensation Discussion and Analysis section of this proxy statement.

Compensation Committee Interlocks and Insider Participation

None of the members of Vermillion's Compensation Committee was an officer or employee of Vermillion, was formerly an officer of Vermillion or had any relationship with Vermillion, except that the Company has entered into indemnification agreements with each of its directors, which require the Company to indemnify its directors to the fullest extent permitted by law in the State of Delaware.

None of Vermillion's executive officers serves as a member of the Board of Directors or Compensation Committee of any entity that has one or more of its executive officers serving as a member of Vermillion's Board of Directors or Compensation Committee.

Compensation Policies and Practices regarding Risk Management

In fulfilling its role in assisting the Board in its risk oversight responsibilities, the Compensation Committee believes that the Company's compensation policies and practices do not motivate imprudent risk taking. Specifically, the Compensation Committee reviewed the following features of our compensation programs that guard against excessive risk-taking:

- the Company's annual incentive compensation is based on balanced performance metrics that promote disciplined progress towards longer-term Company goals;
- the Company does not offer significant short-term incentives that might drive high-risk investments at the expense of long-term Company value; and
- the Company's compensation awards are capped at reasonable and sustainable levels, as determined by a review of the Company's economic position and prospects, as well as the compensation offered by comparable companies.

Nominating and Governance Committee

Our Nominating and Governance Committee currently consists of Dr. Wallen, Chairman and Mr. Severinghaus. The Nominating and Governance Committee did not meet during 2009 due to the Company's bankruptcy proceeding.

The Nominating and Governance Committee is responsible for identifying individuals qualified to serve as members of the Board, recommending to the independent members of the Board nominees for election as our directors, and providing oversight with respect to corporate governance and ethical conduct. The Board has determined that both Dr. Wallen and Mr. Severinghaus are "independent directors" as currently defined in NASDAQ Listing Rule 5605(a)(2). Our director nomination process meets applicable NASDAQ requirements because our director nominees are selected by the independent members of the Board. The Nominating and Governance Committee has adopted a written charter that can be found in the Investor Relations section of the Company's website at http://www.vermillion.com.

The information below describes the criteria and process that the Nominating and Governance Committee uses to evaluate candidates to the Board.

Board Membership Criteria

The Nominating and Governance Committee is responsible for assessing the appropriate balance of experience, skills and characteristics required of the Board. Nominees for director are selected on the basis of depth and breadth of experience, knowledge, integrity, ability to make independent analytical inquiries, understanding of our business environment, the willingness to devote adequate time to Board duties, the interplay of the candidate's experience and skills with those of other Board members, and the extent to which the candidate would be a desirable addition to the Board and any Committees of the Board. Although there is no specific policy regarding diversity in identifying director nominees, both the Nominating and Governance Committee and the Board seek the talents and backgrounds that would be most helpful to us in selecting director nominees. In particular, the Nominating and Governance Committee, when recommending director candidates to the full Board for nomination, may consider whether a director candidate, if elected, assists in achieving a mix of Board members that represents a diversity of background and experience.

Stockholders Proposals for Nominees

The Nominating and Governance Committee will consider written proposals from stockholders for nominees for director. Any such nominations should be submitted to the Nominating and Governance Committee c/o the Corporate Secretary of our Company and should include (at a minimum) the following information: (a) all information relating to such nominee that is required to be disclosed pursuant to Regulation 14A under the Exchange Act, including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (b) the name(s) and address(es) of the stockholder(s) making the nomination and the number of shares of our common stock which are owned beneficially and of record by such stockholder(s); and (c) appropriate biographical information and a statement as to the qualifications of the nominee, and should be submitted in the time frame described under "Information About the Annual Meeting and Voting—Submission of Stockholder Proposals for the 2011 Annual Meeting" above.

Process for Identifying and Evaluating Nominees

The Nominating and Governance Committee initiates the process for identifying and evaluating nominees to the Board by identifying a slate of candidates who meet the criteria for selection as nominees and have the specific qualities or skills being sought based on input from members of the Board, management and, if the Nominating and Governance Committee deems appropriate, a third-party search firm. Candidates are evaluated by the Nominating and Governance Committee on the basis of the factors described above under "*Board Membership Criteria*." With respect to candidates for initial election to the Board, the Nominating and Governance Committee also reviews biographical information and qualifications and checks the candidates' references. Qualified candidates are interviewed by at least one member of the Nominating and Governance Committee. Serious candidates meet, either in person or by telephone, with all members of the Nominating and Governance Committee and as many other members of the Board as practicable.

Using the input from interviews and other information obtained, the Nominating and Governance Committee evaluates which of the prospective candidates is qualified to serve as a director and whether the committee should recommend to the independent members of the Board that the Board nominate, or elect to fill a vacancy with, a prospective candidate. Candidates recommended by the Nominating and Governance Committee are presented to the independent members of the Board for selection as nominees to be presented for the approval of the stockholders or for election to fill a vacancy. The Nominating and Governance Committee expects that a similar process will be used to evaluate nominees recommended by stockholders.

Nominees to the Board of Directors for the Annual Meeting.

The nominees for the Annual Meeting were recommended for selection by the Nominating and Governance Committee and were selected by the independent members of the Board.

Code of Ethics

The Company has adopted the Vermillion, Inc. Code of Ethics that applies to all officers, directors and employees of the Company. The Code of Ethics is available under the Investor Relations section of our website at http://www.vermillion.com. We will disclose on our website any waiver of, or amendment to, the Code of Ethics.

Stockholder Communications

Stockholders of the Company may communicate directly with the Board of Directors in writing, addressed to:

Board of Directors
c/o Corporate Secretary
Vermillion, Inc.
12117 Bee Caves Road, Building Two, Suite 100
Austin, Texas 78738

The Corporate Secretary will review each stockholder communication. The Corporate Secretary will forward to the entire Board (or to members of a committee thereof, if the communication relates to a subject matter clearly within that committee's area of responsibility) each communication that (a) relates to the Company's business or governance, (b) is not offensive and is legible in form and reasonably understandable in content, and (c) does not merely relate to a personal grievance against the Company, a director, a member of the management, or other employees of the Company, or to further a personal interest not shared by the other stockholders generally.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Committee Report [1]

The Company's executive compensation program for its named executive officers ("NEOs") is administered by the Compensation Committee of the Board of Directors. The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed that analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

This report is provided by the following independent directors of the Compensation Committee:

Carl Severinghaus, Chairman
William C. Wallen

Compensation Discussion and Analysis

Named Executive Officers

The NEOs for the year ended December 31, 2009, were as follows:

Name	Positions
Gail S. Page	Executive Chair of the Board; President and Chief Executive Officer
Eric T. Fung, M.D., Ph.D.	Vice President and Chief Scientific Officer
Simon C. Shorter, Ph.D.	Vice President, Corporate Business Development

Compensation Philosophy and Objectives

The goal of the Company's compensation program for its NEOs is the same for the overall Company, which is to foster compensation policies and practices that attract, engage and motivate high caliber talent by offering a competitive pay and benefits program. The Company is committed to a total compensation philosophy and structure that provides flexibility in responding to market factors; rewards and recognizes superior performance; attracts highly skilled, experienced and capable employees; and is fair and fiscally responsible.

The Compensation Committee has designed and implemented compensation programs for the Company's NEOs to reward them for their leadership excellence, for sustaining the Company's financial and operating performance, to align their interests with those of Vermillion's stockholders and to encourage them to remain with the Company for long and productive careers.

Most of the Company's compensation elements simultaneously fulfill one or more performance, alignment or retention objectives.

Method for Determining Compensation Amounts

With the exception of 2009, where the Compensation Committee did not meet due to the bankruptcy proceeding, the Compensation Committee annually reviews and approves (1) annual base salaries, (2) annual incentive bonuses, including specific goals and percentages, (3) equity compensation, and (4) employee benefit programs for the NEOs.

1 The information provided under the heading "Compensation Committee Report" shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that it is specifically incorporated by reference into a document filed under the Securities Act of 1933, as amended (the "Securities Act") or the Exchange Act.

In making compensation decisions other than for 2009, the Compensation Committee considers the following:

- *Company Performance.* The Compensation Committee reviews the Company's operational performance and the achievement of its pre-established goals for the fiscal year.
- *Executives' Performance.* The Compensation Committee evaluates an executive's performance during the year including leadership qualities, responsibilities, and contribution to the Company's performance. The relative importance of each factor varies among the Company's NEOs depending on their positions and the particular operations or functions for which they are responsible.
- *Compensation Consultant and Survey.* The Compensation Committee relies on general executive compensation information received from the Company's human resource consultant. The Compensation Committee uses formal and informal compensation surveys to benchmark the compensation of the Company's NEOs against the compensation levels for executive officers of companies of similar size and market segments.
- *Recommendations of the Chief Executive Officer*. The Compensation Committee considers the recommendations of the Company's Chief Executive Officer, who assesses the performance of the other NEOs and adjustments to their base salary and other elements of compensation.

Compensation Components

The compensation of each NEO consists primarily of the following four major components:

- base salary;
- annual bonus;
- equity incentive awards; and
- employee benefits programs, including:
  - severance and change in control benefits; and
  - perquisites and other benefits

Base salaries and annual bonuses are designed to reward annual achievements and be commensurate with the executives' scope of responsibilities, demonstrated leadership abilities and management experience and effectiveness. Other elements of compensation focus on motivating and challenging the executives to achieve superior, longer-term, sustained results.

Base Salaries. Overall average base salaries are targeted at the 50th percentile of the companies with which the Company competes for labor talent. The Compensation Committee normally adjusts the base salaries for the NEOs in April of each calendar year. In 2009, due to the bankruptcy proceeding and the drastic cost-cutting measures that the bankruptcy proceeding entailed, base salaries were reduced and/or eliminated and NEOs were terminated and retained as consultants to the extent absolutely critical.

Annual Bonuses. Consistent with the Company's objectives to tie a significant portion of the NEOs' total compensation to the Company's performance, the Compensation Committee normally approves specific corporate goals for incentive bonuses. The bonus plan is generally structured as follows, with changes made from year to year to reflect changing business needs and competitive circumstances:

- At the beginning of each fiscal year, the Compensation Committee establishes performance measures and goals, which typically include milestones and targets. The Compensation Committee typically assigns a weight value based upon the overall goals in order to ensure a balanced approach to the various factors applied to determining bonus amounts.

- Also at the beginning of each fiscal year, the Compensation Committee establishes payout targets for each NEO. The Compensation Committee generally establishes the individual payout targets for each NEO based on the executive's position, level of responsibility and a review of the compensation information of other companies. Under the terms of the Company's Chief Executive Officer's employment agreement, Ms. Page is eligible for a discretionary bonus of up to 50% of her annual base salary, based on meeting objectives to be established by the Compensation Committee.
- After the close of each fiscal year, the Compensation Committee assesses the performance of each NEO against the pre-established metrics for the Company. Each NEO receives a bonus based on his or her individual payout target and the Company's performance relative to the specific performance goal.

The Company's incentive bonuses are measured against corporate goals which generally include Company targets, product development and management team building. In 2009, however, given that the Company had very little cash, and significant debt and expenses, no incentive bonuses were contemplated, promised, or paid to the NEOs due to the bankruptcy proceeding.

Equity Incentive Compensation. The equity component of the Company's executive compensation program is designed to fulfill its performance alignment and retention objectives. The Company previously maintained the Vermillion, Inc. 2000 Stock Plan (the "2000 Stock Plan"), which expired in 2010. Stock options granted under the 2000 Stock Plan provided participants with the right to purchase shares of Vermillion's common stock at a predetermined exercise price. Proposal 2 below describes the 2010 Plan by which the Company will make future equity awards.

In general, the NEOs receive incentive stock option grants at the time of hire; annually thereafter, they receive non-qualified stock options, as recommended by the Compensation Committee. Stock option grants are based on individual performance and contributions toward the achievement of the Company's business objectives, as well as overall Company performance. The number of underlying shares that may be purchased pursuant to the stock options granted to each NEO varies based on the executive's position and responsibilities. In addition, amounts are determined by comparing the level of equity-based compensation that is awarded to executives of competing companies.

Employee Benefits Programs. The Company's employee benefits program primarily consists of two components: (1) severance and change in control arrangements and (2) perquisites and other benefits.

Severance and Change in Control Arrangements. The Compensation Committee believes that executive officers have a greater risk of job loss or modification as a result of a change in control transaction than other employees. Accordingly, Vermillion's employment agreement with the Chief Executive Officer includes change of control provisions, and Vermillion has also entered into change in control agreements with its other executive officers under which they will receive certain payments and benefits upon qualifying terminations that follow a change in control. The principal purpose of the change in control agreements is to provide executive officers with appropriate incentives to remain with the Company before, during and after any change in control transaction by providing the executive officers with security in the event their employment is terminated or materially changed following a change in control. By providing this type of security, the change in control agreements help ensure that the executive officers support any potential change in control transaction that may be in the best interests of Vermillion's stockholders, even while the transaction may create uncertainty in the executive officer's personal employment situation. The Compensation Committee believes that the payment of salary and benefits for one year for the chief executive officer, nine months for other NEOs and six months for other executive officers is reasonable and appropriate to achieve the desired objectives of the agreements.

Perquisites and Other Benefits. The Company's NEOs participate in its standard employee benefits programs including medical, dental, life, short-term and long-term disability insurance, and flexible spending accounts. In addition, the Company offers a health expense reimbursement program to its NEOs, and its Chief Executive Officer receives a monthly cash car allowance.

Interrelationship of Compensation Elements

The Compensation Committee does not adhere to rigid formulas when determining the amount and mix of compensation elements. Compensation elements for each executive are reviewed in a manner that optimizes the executive's contribution to the Company and reflects an evaluation of the compensation paid by the Company's competitors. The Compensation Committee reviews both current pay and the opportunity for future compensation to achieve an appropriate mix between equity incentive awards and cash payments in order to meet its objectives. However, prior stock compensation gains are not considered in setting future compensation levels. The mix of compensation elements is designed to reward recent results and motivate long-term performance through a combination of cash and equity incentive awards.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code (the "Code") disallows a tax deduction to publicly-held companies for certain compensation in excess of $1,000,000 paid to the Company's chief executive officer and three other officers (other than the chief financial officer) whose compensation is required to be reported to the Company's stockholders pursuant to the Exchange Act. Certain performance-based compensation approved by Vermillion's stockholders, including option grants under the 2000 Stock Plan, generally is not subject to the deduction limit. It is the Compensation Committee's policy to maximize the effectiveness of the Company's executive compensation in this regard.

The Company has granted stock options as incentive stock options in accordance with Section 422 of the Code subject to the volume limitations contained in the Code. Generally, the exercise of an incentive stock option does not trigger any recognition of income or gain to the holder. If the stock is held until at least one year after the date of exercise (or two years from the date the option is granted, whichever is later), all of the gain on the sale of the stock, when recognized for income tax purposes, will be capital gain, rather than ordinary income, to the recipient. Consequently, the Company does not receive a tax deduction. For stock options that do not qualify as incentive stock options, the Company is entitled to a tax deduction in the year in which the stock options are exercised equal to the spread between the exercise price and the fair market value of the stock for which the stock option was exercised. The holders of the non-qualified stock options are generally taxed on this same amount in the year of exercise.

Named Executive Officer Compensation

President and Chief Executive Officer. On December 31, 2005, Vermillion entered into an employment agreement with Ms. Page as its President and Chief Executive Officer. Under the terms of her original employment agreement, Ms. Page had an initial base salary of $350,000, as adjusted by the Board of Directors from time to time; was eligible for a bonus of up to 50% of her base salary that is based on the achievement of reasonable performance-related goals as determined by the Board of Directors; had an initial option grant to purchase 40,000 shares of Vermillion's common stock at $9.00 per share; and had an annual car allowance of $10,000. On November 18, 2008, Ms. Page's employment agreement was amended and restated to reflect her current annual base salary of $364,000 and to comply with (or be exempted from) the applicable requirements of Section 409A of the Code. Ms. Page's employment with Vermillion was for an unspecified duration and constituted "at-will" employment. At the option of either Vermillion or Ms. Page, with or without notice, the employment relationship may be terminated at any time, with or without cause (as defined in the employment agreement) or for any or no cause. If Vermillion terminates Ms. Page's employment for reasons other than for cause, or if Ms. Page terminates her employment for good reason (as defined in the employment agreement), Ms. Page, upon executing a release of claims in favor of Vermillion, will be entitled to receive (i) continued payment of base salary for a period of 12 months, (ii) immediate vesting of 24-months of any options previously granted by Vermillion in addition to a 24-month period after termination to exercise any or all of her vested options to purchase Vermillion's common stock; and (iii) continued health and dental benefits paid by Vermillion until the earlier of 12 months after termination or the time that Ms. Page obtains employment with

reasonably comparable or better health and dental benefits. Additionally, if Ms. Page's employment is terminated by Vermillion for reasons other than for cause or by her for good reason with the 12-month period following a change in control (as defined in the employment agreement), Ms. Page will receive (i) continued payment of base salary for a period of 12 months, (ii) immediate 100% vesting of any then unvested options previously granted by Vermillion in addition to a period after termination at the discretion of Vermillion to exercise any or all of her vested options to purchase Vermillion's common stock; and (iii) continued health and dental benefits paid by Vermillion until the earlier of 12 months after termination or the time that Ms. Page obtains employment with reasonably comparable or better health and dental benefits. Ms. Page's employment agreement also contains a "nonsolicitation" clause, which provides that, in the event that Ms. Page's employment is terminated, she is prohibited from directly or indirectly soliciting or encouraging any employee or contractor of the Company or its affiliates to terminate employment with or cease providing services to the Company or its affiliates; and prohibited from soliciting or interfering with any person engaged by the Company as a collaborator, partner, licensor, licensee, vendor, supplier, customer or client to the Company's detriment. As a result of the bankruptcy, severance amounts became due to Ms. Page, who was asked to resign from the Company on March 27, 2009. After she was asked to resign, Ms. Page worked as a consultant for Vermillion from March 2009 to January 2010. Pursuant to the terms of the consulting agreement between Vermillion and Ms. Page, she was paid $230 per hour for her services as a consultant.

In connection with the Company's emergence from bankruptcy, Ms. Page was reappointed as Chief Executive Officer of the Company on February 1, 2010. On September 28, 2010, Ms. Page's employment agreement was further amended and restated to increase her annual base salary from $364,000 to $385,000.

Other Named Executive Officers. Employment of the NEOs other than Ms. Page was for an unspecified duration and constituted "at-will" employment, allowed the NEO by notifying the Company or the Company with or without notice to terminate the NEO's employment with the Company at any time and for any reason whatsoever. Accordingly, upon a termination, the NEOs other than Ms. Page would receive their accrued salary, earned bonus, unreimbursed expenses and other entitlements to the date of termination, unless the Compensation Committee determined to provide additional severance payments. In addition to their initial base salaries and initial option grant to purchase shares of Vermillion's common stock, the NEOs were eligible for a bonus as a percentage of their base salary based on the achievement of reasonable performance-related goals as determined by the Board of Directors.

On August 26, 2008, Vermillion entered into separate employee severance agreements with Dr. Fung and Dr. Shorter. Each severance agreement provides certain severance benefits to the employee in the event that Vermillion terminates the employee's employment without cause or the employee resigns from his employment for good reason. The severance benefits provided for in the agreements with Dr. Fung and Dr. Shorter include (i) continued payment of the employee's base salary, as then in effect, payable over a period of nine months following the date of termination, (ii) immediate, accelerated vesting of 24 months of any options previously granted by Vermillion to the employee and (iii) continuation of health and dental benefits through COBRA premiums paid by Vermillion directly to the COBRA administrator for a period of nine months following the date of termination. Each severance agreement also provides that, in the event the employee's employment is terminated by Vermillion for reasons other than cause or by the employee for good reason within the 12-month period following a change in control, then, in addition to the severance benefits described above, any then-unvested shares under Vermillion's stock option plans then held by the employee will fully vest immediately upon the date of such termination. Payment of the severance benefits under these agreements will be conditioned on the employee's continued compliance with the provisions of each employee's proprietary information and inventions agreement and will be delayed as required by Section 409A of the Code.

As a result of the bankruptcy, severance amounts became due to Dr. Shorter, who was asked to resign from the Company on March 27, 2009. No severance amounts became due to Dr. Fung, who resigned from the Company on March 19, 2009. After his resignation, Dr. Fung worked as a consultant for Vermillion from September 2009 to January 2010. Based on the consulting agreement between Vermillion and Dr. Fung, he was paid $137.50 per hour for his services as a consultant.

In connection with the Company's emergence from bankruptcy, Dr. Fung was reappointed as the Company's Senior Vice President, Chief Science Officer on February 1, 2010. On September 28, 2010, the Company entered into an employment agreement with Dr. Fung. Pursuant to the terms of the employment agreement, the Company will pay Dr. Fung an annual salary of at least $275,000. He will be eligible for a bonus of up to 50% of his base salary for achievement of reasonable performance-related goals to be defined by the Company's Chief Executive Officer or the Board of Directors. In the event Dr. Fung is terminated without cause or for good reason (as defined in the employment agreement), he is entitled to receive (i) continued payment of base salary for a period of 9 months, (ii) immediate vesting of 24-months of any options previously granted by the Company in addition to a 24-month period after termination to exercise any or all of his vested options to purchase the Company's common stock; and (iii) continued health and dental benefits paid by the Company until the earlier of 9 month after termination or the time that Dr. Fung obtains employment with reasonably comparable or better health and dental benefits. Additionally, if Dr. Fung's employment is terminated without cause or for good reason with the 12-month period following a change in control (as defined in the employment agreement), then, in addition to the three severance obligations due to Dr. Fung as described above, 50% of any then-unvested options previously granted by the Company to Dr. Fung will vest upon the date of such termination, and the period of time for their exercise will be at the discretion of the Company.

Summary Compensation Table

The compensation earned by the NEOs for the years ended December 31, 2009 and 2008 was as follows:

Name and Principal Position	Fiscal Year	Salary	Bonus	Stock Award	Option Awards [6]	Non-Equity Incentive Plan Compensation [7]	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total ($)
Gail S. Page	2009	$87,323	$—	$—	$211,247	$—	$—	$611,520 [1]	$910,090
Director, President and Chief Executive Officer (Principal Executive Officer)	2008	364,550	—	—	207,109	—	—	29,278 [2]	600,937
Eric T. Fung, M.D., Ph.D.	2009	49,767	—	—	190,194	—	—	79,082 [3]	319,043
Vice President and Chief Scientific Officer	2008	220,550	—	—	91,165	—	—	1,203 [4]	312,918
Simon C. Shorter, Ph.D.	2009	48,990	—	—	9,246	—	—	179,922 [5]	238,157
Vice President, Corporate Business Development	2008	204,550	—	—	49,251	—	—	1,772 [4]	255,573

(1) Amount represents Ms. Page's accrued severance of $365,753, consulting income of $189,856, health expense reimbursement program of $562, COBRA payment of $2,252, car allowance of $5,557, and PTO payout of $47,540. Due to the bankruptcy proceeding, Ms. Page was not paid for her service as Executive Chair of the Board of Directors.

(2) Amount represents Ms. Page's health expense reimbursement program of $538 and car allowance of $28,740.

(3) Amount represents Dr. Fung's consulting income of $45,038 and PTO payout of $34,044.

(4) Amount represents amounts paid through the Company's health expense reimbursement program.

(5) Amount represents Dr. Shorter's health care reimbursement payment of $1,098, PTO payout of $25,087, and accrued severance of $153,737.

(6) For awards of option, the aggregate grant date fair value is computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718 (column (f)).

(7) Amount represents annual performance bonus.

For the years ended December 31, 2009 and 2008, the NEOs did not exercise any stock options. The outstanding equity awards held by the NEOs as of December 31, 2009, were as follows:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options – Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options	Option Exercise Price	Option Expiration Date [1]	Number of Shares or Units of Stock that have not Vested	Market Value of Shares or Units of Stock that have not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested
Gail S. Page	44,270	80,730	—	$ 2.30	7/17/2018	—	—	—	—
	23,998	12,001	—	14.70	4/25/2017	—	—	—	—
	21,874	3,126	—	12.00	6/6/2016	—	—	—	—
	39,999	—	—	9.00	12/19/2015	—	—	—	—
	12,500	—	—	21.90	8/4/2015	—	—	—	—
	9,999	—	—	29.60	2/8/2015	—	—	—	—
	24,998	—	—	92.70	1/7/2014	—	—	—	—
Eric T. Fung, M.D., Ph.D.	14,166	25,834	—	2.30	7/17/2018	—	—	—	—
	15,998	8,001	—	14.70	4/25/2017	—	—	—	—
	6,562	938	—	12.00	6/6/2016	—	—	—	—
	999	—	—	9.00	12/19/2015	—	—	—	—
	2,000	—	—	21.90	8/4/2015	—	—	—	—
	2,800	199	—	18.00	4/5/2015	—	—	—	—
	999	—	—	37.00	9/15/2014	—	—	—	—
	2,499	—	—	74.70	6/3/2014	—	—	—	—
	1,999	—	—	86.40	4/1/2014	—	—	—	—
	1,000	—	—	96.00	6/5/2013	—	—	—	—
	1,500	—	—	43.50	2/13/2013	—	—	—	—
	500	—	—	45.30	6/6/2012	—	—	—	—
	499	—	—	56.00	11/8/2011	—	—	—	—
	599	—	—	63.80	6/7/2011	—	—	—	—

(1) Stock options vest ratably on a monthly basis either over a 24 month, 48 month or 60 month period, commencing on the date of the grant. Each option expires 10 years after the date of the grant or, in the case of an incentive stock option, such shorter term as may be provided in the applicable agreement.

Director Compensation

Pursuant to a compensation program that was approved by the Board of Directors on June 11, 2008, outside directors (i.e., non-employee directors) are compensated for their service as (1) a member of the Board of Directors, (2) a member of any committee of the Board of Directors, (3) a chair of any committee of the Board of Directors, and (4) the Executive Chairman of the Board of Directors. Periodically, the Compensation Committee reviews and determines the adequacy of the current compensation program for outside directors, and based upon the results of their analysis, the Compensation Committee will make recommendations in regards to the compensation program for outside directors to the Board of Directors. The 2008 compensation program for outside directors was as follows:

- each new outside director receives an option grant to purchase 25,000 shares of Vermillion's common stock, which vests monthly over a 24-month period, upon attendance of their first Board of Directors' meeting;

- continuing outside directors receive an annual option grant to purchase 18,000 shares of Vermillion's common stock, which vests monthly over a 12-month period, on the date of the annual meeting of Stockholders;
- the Executive Chairman of the Board of Directors receives an annual option grant to purchase 10,000 shares of Vermillion's common stock, which vests monthly over a 12-month period, on the date of the annual meeting of Stockholders;
- the chairperson of the Audit Committee receives an annual option grant to purchase 5,000 shares of Vermillion's common stock, which vests over a 12-month period, on the date of the annual meeting of Stockholders;
- the chairperson for each the Compensation Committee, and the Nominating and Governance Committee receives an annual option grant to purchase 2,500 shares of Vermillion's common stock, which vests over a 12-month period, on the date of the annual meeting of stockholders; and
- continuing outside directors receive, at his or her choice, either: (1) payment in the amount of $20,000 with payments being made on a quarterly basis on the last day of each calendar quarter, as long as such person continues to act as a director, or (2) an additional option to purchase 12,500 shares of Vermillion's common stock.

The 2008 compensation program was not followed during the pendency of the Company's bankruptcy proceeding in 2009. After the resignation of four directors in March 2009, the Board was composed of Ms. Page, Mr. Burns and Mr. Hamilton. None of them were compensated for cash, nor were they granted any option awards, except for Mr. Hamilton, who was paid $5,000 for the year of 2009. In recognition of their services during the bankruptcy proceeding, the Bankruptcy Court approved a Debtor's Incentive Plan on April 14, 2010. Under the Debtor's Incentive Plan, the Company was directed to distribute an aggregate of $5,000,000 in cash and 302,541 shares of restricted stock to these three directors. The total Debtor's Incentive Plan cash payments and restricted stock awards are to be allocated to Ms. Page, Mr. Burns and Mr. Hamilton on a 60%-20%-20% basis, respectively. Such Debtor's Incentive Plan compensation is not attributable to the three directors as compensation for the year of 2009 because the Company did not receive approval to make the awards (and did not in fact make any cash or restricted stock awards) until April 2010. The restricted stock awards do, however, provide for retroactive vesting credit for 1/24th of the total award on each monthly anniversary of the vesting commencement date (June 22, 2009). As of September 30, 2010, the Company distributed 35,295 shares to Mr. Burns and 35,295 shares to Mr. Hamilton pursuant to the Debtor's Incentive Plan. The Company will report all Debtor's Incentive Plan compensation in relevant SEC filings for the fiscal year ending December 31, 2010.

The compensation earned by Vermillion's outside directors for the year ended December 31, 2009 was as follows:

Name	Fees Earned or Paid in Cash [1]	Stock Awards	Option Awards [2]	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
James S. Burns	$ —	$—	$12,100	$—	$—	$—	$12,100
Kenneth L. Conway	—	—	4,260	—	—	—	4,260
Rajen K. Dalal	—	—	4,260	—	—	—	4,260
John F. Hamilton	5,000	—	19,853	—	—	—	24,853
James L. Rathmann	—	—	5,410	—	—	—	5,410
John A. Young	—	—	3,877	—	—	—	3,877
Total	$5,000	$—	$49,760	$—	$—	$—	$54,760

(1) All outside directors, except John F. Hamilton, elected to receive their fees for the year ended December 31, 2009, in the form of options to purchase Vermillion's common stock in lieu of cash.

(2) For awards of option, the aggregate grant date fair value is computed in accordance with FASB ASC Topic 718 (column (f)).

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information known to the Company regarding beneficial ownership of its common stock as of September 30, 2010, by (1) each person known by the Company to be the beneficial owner of five percent or more of the outstanding shares of the common stock, (2) each director of the Company as of September 30, 2010, (3) each Named Executive Officer as of December 31, 2009, and (4) all directors and executive officers as of September 30, 2010 as a group. All shares are subject to the named person's sole voting and investment power except where otherwise indicated. Unless otherwise noted below, the address of each beneficial owner listed in the table is c/o Vermillion, Inc., 12117 Bee Caves Road, Building Two, Suite 100, Austin, Texas 78738.

Beneficial ownership is determined in accordance with Rule 13d-3(d)(1) under the Exchange Act. Shares of common stock, which are issued and outstanding, are deemed to be beneficially owned by any person who has or shares voting or investment power with respect to such shares. Shares of common stock which are issuable upon exercise of options or warrants are deemed to be issued and outstanding and beneficially owned by any person who has or shares voting or investment power over such shares only if the options or warrants in question are exercisable within 60 days of September 30, 2010, and, in any event, solely for purposes of calculating that person's percentage ownership of the common stock (and not for purposes of calculating the percentage ownership of any other person).

The number of shares of common stock deemed outstanding and used in the denominator for determining percentage ownership for each person equals (i) 10,416,085 shares of common stock outstanding as of September 30, 2010, plus (ii) such number of shares of common stock as are issuable pursuant to options, warrants or convertible securities held by that person (and excluding options, warrants and convertible securities held by other persons) which may be exercised within 60 days of September 30, 2010.

Name and Address of Beneficial Owner	Number of Common Stock Shares Beneficially Owned	Percentage of Outstanding Shares Beneficially Owned
Beneficial Owners more than 5%:		
Phronesis Partners, L.P. [1][2] 180 E. Broad Street #1704 Columbus, OH 43215	771,090	7.40%
Quest Diagnostics Incorporated [3] 1290 Wall Street West Lyndhurst, NJ 07071	1,271,071	11.74%
S.A.C. Capital Associates [4] 72 Cummings Point Road Stamford, CT 06902	1,015,000	9.74%
Columbia Wanger [5] 227 W. Monroe St. Suite 3000 Chicago, IL 60606	919,254	8.83%
Directors and Named Executive Officers:		
James S. Burns [6]	83,258	*
John F. Hamilton [7]	72,858	*
Eric T. Fung, M.D., Ph.D. [8]	94,385	*
Gail S. Page [9]	349,621	3.25%
Simon Shorter, Ph.D. [10]	750	*
All Directors and Executive Officers as a Group [11] (8 persons)	606,972	5.55%

* Less than 1%.

(1) Based on information set forth in the Schedule 13G/A filed by Phronesis Partners, L.P. with the SEC on February 17, 2010.

(2) James E. Wiggins is the general partner of Phronesis Partners, L.P. and exercises sole voting and investment control over the shares owned by Phronesis Partners, L.P

(3) Includes 410,476 shares issuable pursuant to warrants exercisable within 60 days of September 30, 2010. Quest Diagnostics Incorporated is a publicly-held company. Quest Diagnostics Incorporated's executive officers are responsible for running the business of the company and thus, exercise voting and investment control over the shares and warrants owned by Quest Diagnostics Incorporated.

(4) Based on information set forth in the Schedule 13G filed by S.A.C. Capital Associates with the SEC on January 12, 2010.

(5) Based on information set forth in the Form N-CSRS filed by Wanger Advisors Trust with the SEC on August 27, 2010, and in the Form N-CSRS filed by Columba Acorn Trust with the SEC on August 30, 2010.

(6) Includes 40,400 shares issuable upon exercise of options exercisable within 60 days of September 30, 2010, and 7,563 shares of restricted stock that will be vested within 60 days of September 30, 2010.

(7) Includes 30,000 shares issuable upon exercise of options exercisable within 60 days of September 30, 2010, and 7,563 shares of restricted stock that will be vested within 60 days of September 30, 2010.

(8) Includes 89,797 shares issuable upon exercise of options exercisable within 60 days of September 30, 2010, and 2,521 shares of restricted stock that will be vested within 60 days of September 30, 2010.

(9) Includes 217,659 shares issuable upon exercise of options exercisable within 60 days of September 30, 2010, and 128,580 shares of restricted stock that will be vested within 60 days of September 30, 2010.

(10) Dr. Shorter resigned from the Company on March 19, 2009.

(11) In addition to Directors and Named Executive Officers, the group also includes Sandra A. Gardiner, who was appointed as Vice President, Chief Financial Officer on April 19, 2010, William Creech, who was appointed as Vice President, Sales and Marketing on March 19, 2010, and Ashish Kohli, who was appointed as Vice President Corporate Strategy on September 30, 2010.

Transactions with Related Persons

For the years ended December 31, 2009 and 2008, the Company did not engage in nor is the Company currently proposed to engage in any transaction or series of similar transactions to which the Company was or is to be a party in, which the amount involved exceeds $120,000 and in which any director, executive officer, holder of more than 5% of Vermillion's common stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest other than (1) compensation agreements and other arrangements, which are described in "Executive Compensation," and (2) the transactions described below.

Relationship with Quest Diagnostics Incorporated

Strategic Alliance Agreement

Quest Diagnostics Incorporated ("Quest") is a significant stockholder of Vermillion. On July 22, 2005, Vermillion and Quest entered into a strategic alliance agreement (the "Strategic Alliance Agreement") to develop and commercialize up to three diagnostic tests from Vermillion's product pipeline (the "Strategic Alliance"). The Strategic Alliance Agreement was set to expire on the earlier of (i) the three-year anniversary of the agreement, which was July 22, 2008, and (ii) the date on which Quest commercializes three diagnostic tests. On July 21, 2008, Vermillion and Quest amended the Strategic Alliance Agreement to extend the term of the agreement to end on the earlier of (i) September 1, 2008 and (ii) the date on which Quest commercializes the three diagnostic tests. On October 24, 2008, Vermillion and Quest amended the Strategic Alliance Agreement to extend the term of the agreement to end on the earlier of (i) September 1, 2009 and (ii) the date on which Quest makes its third development election. On October 7, 2009, Vermillion and Quest amended the Strategic Alliance Agreement (the Strategic Alliance Agreement and the July 21, 2008, October 24, 2008 and October 7, 2009 amendments are collectively referred to as the "Amended Strategic Alliance Agreement") to extend the term of the agreement to end on the earlier of (i) October 7, 2012 and (ii) the date on which Quest makes its third development election. On October 7, 2009, Vermillion and Quest amended the strategic alliance agreement to extend the term of the agreement to end on the earlier of (i) October 7, 2012 and (ii) the date on which Quest commercializes the three diagnostic tests. To date, Quest has selected only two diagnostic tests, which are the peripheral artery disease ("PAD") blood test ("VASCLIR™") and the OVA1™ ovarian tumor triage test (the "OVA1 Test"), to commercialize. Pursuant to the Amended Strategic Alliance Agreement, Quest will have the non-exclusive right

to commercialize each of these tests on a worldwide basis, with exclusive commercialization rights in each exclusive territory, as this term is defined in the Amended Strategic Alliance Agreement, beginning on the date each test is first commercialized and ending on the third anniversary of the date that such test is cleared or approved by the United States Food and Drug Administration ("FDA"). As part of the Strategic Alliance, there is a royalty arrangement under which Quest will pay royalties to Vermillion based on fees earned by Quest for applicable diagnostic services, and Vermillion will pay royalties to Quest based on Vermillion's revenue from applicable diagnostic products.

Credit Agreement

On July 22, 2005, in connection with the Strategic Alliance Agreement, Quest provided Vermillion with a $10,000,000 secured line of credit, which is collateralized by certain of Vermillion's intellectual property and may only be used for payment of certain costs and expenses directly related to develop and commercialize up to three diagnostic tests from Vermillion's product pipeline. Under the terms of this secured line of credit, the interest rate is at the prime rate plus 0.5% and is payable monthly. Upon default on any principal or interest payment, the interest rate is increased to prime plus 2.0%. This secured line of credit also contains provisions for Quest to forgive portions of the amounts borrowed that corresponds to the Company's achievement of certain milestones related to development, regulatory approval and commercialization of certain diagnostic tests. The amounts to be forgiven and the corresponding milestones we must achieve are:

(i) $1,000,000 for each application that allows a licensed laboratory test to be commercialized, with a maximum of three applications for $3,000,000;

(ii) $3,000,000 for the earlier of the FDA clearance of the first diagnostic test kit or commercialization of the first diagnostic test kit; and

(iii) $2,000,000 upon each FDA clearance of up to two subsequent diagnostic test kits but no later than the first commercialization of each such diagnostic test kit, with a maximum forgiveness of $4,000,000 for two diagnostic test kits.

If not otherwise forgiven, the principal amount outstanding and any unpaid interest of this secured line of credit will become due and payable on October 7, 2012.

The Company achieved the milestone for FDA clearance of the first diagnostic test kit when the OVA1 Test was cleared by the FDA in September 2009. While the Company was under Chapter 11 bankruptcy protection, it had not paid accrued interest on the secured line of credit and was therefore in default. In January 2010, Vermillion emerged from bankruptcy and cured the default upon payment of accrued interest, and as a result of the cure, the principal on the secured line of credit was reduced by $3,000,000 to $7,000,000. The Company is in discussions with Quest regarding the achievement of an additional $1,000,000 forgiveness milestone related to the OVA1 Test under the terms of the Amended Strategic Alliance Agreement.

In connection with the Company's Chapter 11 bankruptcy proceeding on October 16, 2009, the Bankruptcy Court gave final approval for Vermillion to enter into a Debtor-In-Possession Credit and Security Agreement (the "Loan Agreement") with Quest and to assume under Section 365 of the United States Bankruptcy Code (the "Bankruptcy Code") the Amended Strategic Alliance Agreement. In connection with the assumption of the Amended Strategic Alliance Agreement, Vermillion also assumed certain other agreements with Quest related to the Amended Strategic Alliance Agreement, including the pre-petition warrants for the purchase of Vermillion's common stock. Under the Loan Agreement, Quest agreed to provide a debtor-in-possession loan to Vermillion of up to $1,500,000 (the "DIP Financing"). The DIP Financing was secured by a first lien on substantially all of Vermillion's assets and bore interest at the prime rate plus 0.5% per annum. The DIP Financing was to mature at the effective date of a plan of reorganization or February 28, 2010, if earlier. Under the Loan Agreement, Vermillion was bound by customary affirmative and negative covenants, including covenants with respect to the use of the funds provided by Quest, and customary events of default—including non-payment, breach of

covenants and material breach of the Amended Strategic Alliance Agreement—that may have resulted in acceleration of outstanding amounts, if any, under the Loan Agreement. The Company received $400,000 under this agreement on October 27, 2009. On January 22, 2010, the Company repaid the $400,000 and interest of $4,000, which terminated the Loan Agreement.

Amendments to 2005 Stock Purchase Agreement

In connection with the Strategic Alliance Agreement, Vermillion sold 622,500 shares of its common stock and a warrant to purchase up to an additional 220,000 shares of its common stock with an exercise price of $35.00 per share and expiration date of July 22, 2010, to Quest for net proceeds of $14,954,000. The related stock purchase agreement provided certain registration rights, whereby Quest may demand that its shares of Vermillion's common stock be registered under the Securities Act by Vermillion, or Quest may elect that its shares of Vermillion's common stock be included in another registration statement under the Securities Act if filed by Vermillion, subject to various conditions. On January 12, 2006, the warrant to purchase 220,000 shares of Vermillion's common stock held by Quest was amended to clarify that the total number of shares of Vermillion's common stock purchased pursuant to the stock purchase agreement and issuable upon exercise of the warrant will at no time exceed 19.90% of the total number of outstanding shares of Vermillion's common stock, provided that Quest may, prior to or concurrently with the exercise of the warrant, sell such number of shares of Vermillion's common stock that, after the exercise of the warrant and such sale of shares, Quest would not own more than 19.90% of Vermillion's common stock.

On August 29, 2007, Vermillion completed a private placement sale of 2,451,309 shares of its common stock and warrants to purchase up to an additional 1,961,047 shares of its common stock with an exercise price of $9.25 per share and expiration date of August 29, 2012, to a group of new and existing investors for $20,591,000 in gross proceeds (collectively referred to as the "August 29, 2007, Private Placement Sale") In connection with Quest's participation in the August 29, 2007, Private Placement Sale, Vermillion amended the warrant to purchase an additional 220,000 shares of Vermillion's common stock that was originally issued to Quest on July 22, 2005. Pursuant to the terms of the amendment, the exercise price for the warrant to purchase 220,000 shares of Vermillion's common stock was reduced from $35.00 per share to $25.00 per share and the expiration date of was extended from July 22, 2010, to July 22, 2011.

Relationship with S.A.C. Capital Associates

On January 7, 2010, the Company completed a private placement sale of 2,327,869 shares of its common stock at a price of $18.4932 per share with a group of investors for $43,049,858.40 in gross proceeds (the "January 7, 2010, Private Placement Sale"). In connection with the January 7, 2010, Private Placement Sale, S.A.C. Capital Associates acquired 1,015,000 shares of the Company's common stock.

Relationship with Columbia Wanger

In connection with the January 7, 2010, Private Placement Sale of the Company, Columbia Wanger acquired 973,327 shares of the Company's common stock.

Directors and Executive Officers

The Company has entered into indemnification agreements with each of its directors and executive officers, which require the Company to indemnify its directors and officers to the fullest extent permitted by law in the State of Delaware.

Review and Approval of Transactions with Related Persons

The Company's written corporate governance guidelines require all members of the Board of Directors to inform the Audit Committee of the Board of Directors of all types of transactions between themselves (directly or indirectly) and the Company, prior to their conclusion, even if such transactions are in the ordinary course of business. The Audit Committee reviews and approves all related party transactions for which Audit Committee approval is required by NASDAQ Listing Rules and other applicable laws. The guidelines also provide that the Board of Directors should ensure that there is no abuse of corporate assets or unlawful related party transactions. Vermillion's corporate governance guidelines are posted under the Investor Relations section of our website at http://www.vermillion.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Vermillion's executive officers and directors, and persons who own more than 10% of a registered class of Vermillion's equity securities, to file reports of ownership and changes in ownership with the SEC and with any national securities exchange on which such securities are traded or quoted. Executive officers, directors and such stockholders are required by SEC regulations to furnish Vermillion with copies of all Section 16(a) forms they file. As a practical matter, Vermillion assists its directors and officers by completing and filing Section 16 reports on their behalf. Based solely on a review of the copies of such reports furnished to Vermillion, and the written representations of its directors and executive officers, Vermillion believes that its directors and executive officers, and persons who own more than 10% of a registered class of Vermillion's equity securities, complied with all applicable filing requirements for the year ended December 31, 2009.

PROPOSAL TWO: APPROVAL OF THE COMPANY'S 2010 STOCK INCENTIVE PLAN

Introduction

The Company's Board of Directors believes that in order to attract and retain the services of outstanding executives and employees, it is necessary to have the ability and flexibility to provide a comprehensive incentive plan. Accordingly, the Board of Directors, subject to approval of the Company's stockholders, has adopted a 2010 Stock Incentive Plan (the "2010 Plan"). Stockholder approval of the 2010 Plan is necessary to ensure that the 2010 Plan meets both the stock exchange listing requirements for shares of the Company's common stock, and the requirements of the Code, including the limitation under Section 162(m) of the Code on the deductibility of executive compensation and the requirements under Section 422 of the Code for issuing incentive stock options. The Company will grant awards under the 2010 Plan across a wide base of its employees, Board members and consultants.

Summary of the 2010 Plan

The following is a summary of the material terms and conditions of the 2010 Plan. This summary does not purport to be a complete description of the 2010 Plan and is qualified in its entirety by reference to the full text of the 2010 Plan. A copy of the 2010 Plan is attached to this proxy statement as Appendix A and is incorporated herein by reference.

Purpose. The purposes of the 2010 Plan are (i) to enhance the Company's ability to attract highly qualified personnel; (ii) to strengthen its retention capabilities; (iii) to enhance the long-term performance and competitiveness of the Company; and (iv) to align the interests of participants in the 2010 Plan with those of the Company's stockholders.

Administration. The 2010 Plan will be administered by the Compensation Committee (the "Committee"), provided that the Board of Directors may act in lieu of the Committee on any matter. The Committee will hold meeting at such times and places as it may determine and will make such rules and regulations for the conduct of its business as it deems advisable.

Eligibility. Awards may be granted to employees, directors and consultants of the Company. The Committee will decide who should receive awards and what kind of awards they should receive.

Authorized Number of Shares. The 2010 Plan authorizes the issuance of 1,322,983 shares of the Company's common stock, subject to adjustment as provided in the 2010 Plan for stock splits, stock dividends, recapitalization, and other similar events.

Replenishment, Counting of Shares. Any shares reserved for the 2010 Plan awards will again be available for future awards if the shares for any reason will never be issued to a participant pursuant to an award (for example, due to its settlement in cash rather than in shares, or the award's forfeiture, cancellation, expiration, or net settlement without the issuance of shares). Further, and to the extent permitted under applicable law, the maximum number of shares available for delivery under the 2010 Plan shall not be reduced by any shares issued under the 2010 Plan through the settlement, assumption, or substitution of outstanding awards or obligations to grant future awards as a condition of the Company's or an affiliate's acquiring another entity. On the other hand, shares that a person owns and tenders in payment of all or part of the exercise price of an award or in satisfaction of applicable withholding taxes shall not increase the number of shares available for future issuance under the 2010 Plan.

Types of Awards. The Committee may grant the following types of awards under the 2010 Plan: stock options; share appreciation rights; restricted shares, restricted share units, and unrestricted shares; deferred share units; performance and cash-settled awards, and dividend equivalent rights.

Stock Options. A stock option is the right to purchase one or more shares of common stock at a specified price, as determined by the Committee. The Committee may grant non-qualified stock options ("Non-ISO") and incentive stock options ("ISO") under the 2010 Plan. A stock option is exercisable at such times and subject to such terms and conditions as the Committee determines. The exercise price of a stock option will not be less than 100% of the fair market value of a share of common stock on the date that the option is granted. Unless otherwise provided in applicable award agreements, options granted under the 2010 Plan are required to be exercised within 90 days after termination of the participant's continuous service (one year if termination is due to death, disability or retirement). No option will remain exercisable beyond 10 years after its grant date. ISOs may only be granted to employees (including officers who are employees) of the Company or an affiliate that is a "parent corporation" or "subsidiary corporation" within the meaning of Code Section 424. The 2010 Plan also provides that ISO treatment may not be available for stock options that become first exercisable in any calendar year to the extent the fair market value of the underlying shares of common stock that are the subject of the option exceeds $100,000. Furthermore, the exercise price of ISOs may not be less than 110% of the fair market value of the underlying shares of common stock subject to the option for employees that own more than ten percent of the Company's shares of common stock on the grant date.

Share Appreciation Rights. A share appreciation right ("SAR") is a right to receive an amount in any combination of cash or shares equal in value to the excess of the fair market value of the shares covered by such SAR on the date of exercise over the aggregate exercise price of the SAR for such shares. SARs may be granted freestanding or in tandem with related options. The exercise price of an SAR granted in tandem with an option will be equal to the exercise price of the related option, and may be exercised for all or part of the shares covered by such option upon surrender of the right to exercise the equivalent portion of the related option. Any SAR granted in tandem with an ISO must contain such terms as may be required to comply with the provisions of Code Section 422. The exercise price of a freestanding SAR will be not less than the fair market value of a share of common stock on the date the SAR is granted. No SAR will remain exercisable beyond 10 years after its grant date.

Restricted Shares, Restricted Share Units and Unrestricted Shares Awards. Restricted shares and restricted share units ("RSU") are awards of common stock that are subject to substantial risks of forfeiture for a period of time and upon such other terms and conditions as the Committee determines. The Committee may make restricted share and RSU awards with or without the requirement for payment of cash or other consideration. To the extent provided in the applicable award, a participant may irrevocably elect to defer the receipt of all or a percentage of the shares that would have been transferred to the participant both more than 12 months after the date of the participant's deferral election and upon the vesting of an RSU award. Unrestricted shares are awards of common stock which shall vest in full upon the grant date or such other date as the Committee may determine or which the Committee may issue pursuant to any program under which one or more eligible person elect to pay for such shares or to receive unrestricted shares in lieu of cash bonuses that would otherwise be paid.

Deferred Share Units: The Committee may make deferred share unit ("DSU") awards to eligible persons and may permit eligible persons to irrevocably elect, on an election form provided by and acceptable to the Committee, to forego the receipt of cash or other compensation (including the shares deliverable pursuant to any RSU award) and in lieu thereof to have the Company credit to an internal Plan account a number of DSUs having a fair market value equal to the shares and other compensation deferred. These credits will be made at the end of each calendar quarter (or other period determined by the Committee) during which compensation is deferred. Each participant shall be 100% vested at all times in any shares subject to DSUs. The Company shall settle a participant's DSU award by delivering one share for each DSU, in five substantially equal annual installments that are issued before the last day of each of the five calendar years that end after the date on which the participant's continuous service ends for any reason. The participant may elect a different form of distribution, only on a form provided by and acceptable to the Committee, that permits the participant to select any combination of a lump sum and annual installments that are triggered by, and completed within ten years following the last day of the participant's continuous service. In the event that a participant suffers an unforeseeable emergency, the participant may apply to the Committee for an immediate distribution of all or a portion of the participant's DSUs.

Performance /Cash-Settled Awards. The Committee may grant performance awards, including performance units to any eligible person, including performance unit awards that have substantially the same financial benefits and other terms and conditions as options, SARs, RSUs, or DSUs, but are settled only in cash. The Committee may, at the time of grant of a performance unit, designate such award as a performance compensation award in order that such award constitutes and has terms and conditions that are designed to qualify as "qualified performance-based compensation" under Code Section 162(m). With respect to such performance compensation award, the Committee shall establish, in writing, a performance period, performance measures and performance formula. A participant may be eligible to receive payment in respect of a performance compensation award only to the extent that the performance measure for such award is achieved and the performance formula as applied against such performance measure determines that all or some portion of such participant's award has been earned for the performance period. The maximum performance award and the maximum performance compensation award that any one participant may receive for any one performance period shall not exceed 25% of total number of shares reserved for issuance under the 2010 Plan, or for performance units to be settled in cash, U.S. $2,000,000. The Committee may permit a participant who is a member of a select group of management or highly compensated employees (within the meaning of the Employee Retirement Income Security Act) to irrevocably elect, on a form provided by and acceptable to the Committee, to defer the receipt of all or a percentage of the cash or shares that would otherwise be transferred to the participant upon the vesting of the award.

Dividend Equivalent Rights. A dividend equivalent right shall entitle an eligible person who has received an award to be credited with dividends that the Company declares and pays (in cash, shares, or other securities) to its stockholders of record between the grant date and the settlement date of the award. Any dividend equivalent rights arising from cash dividends shall be immediately deemed to be reinvested in shares having a fair market value equal to such cash dividends. The Company shall settle dividend equivalent rights by issuing shares to a participant to the extent they were previously credited to the participant as dividend equivalent rights and are attributable to shares that the participant is either purchasing pursuant to the exercise of an option or SAR, or receiving a settlement of another award. The Committee may provide for an earlier or later settlement event for dividend equivalent rights, and complete or partial settlement in cash rather than in shares.

Taxes; Withholding. As a condition to the receipt of any award or any distribution in connection therewith, participants shall make such arrangements as the Company may require for the satisfaction of any applicable federal, state, local, or foreign withholding tax obligations that may arise in connection with the awards.

Non-Transferability of Awards. Awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. During the life of the participant, awards are exercisable only by the holder, by the duly-authorized legal representative of a holder who is disabled, or by a permitted transferee. The Committee may in its discretion provide in an award agreement that an award in the form of a Non-ISO, a share-settled SAR, restricted shares, or performance shares may be transferred, on such terms ad conditions as the Committee deems appropriate, either by instrument to the participant's immediate family, by instrument to an inter vivos or testamentary trust in which the award is to be passed to the participant's designated beneficiaries, or by gift to charitable institutions.

Forfeiture and Clawback. Unless otherwise provided in an agreement granting an award, the Company has the following recourse against a participant who does not comply with certain employment-related covenants, either during employment or for certain periods after ceasing to be employed: the Company may terminate any outstanding, unexercised, unexpired, unpaid, or deferred awards; rescind any exercise, payment or delivery pursuant to the award; or recapture any shares (whether restricted or unrestricted) or proceeds from the participant's sale of shares issued pursuant to the award. These remedies are also generally available to the Company for awards that would have had a lower grant level, vesting, or payment if a participant's fraud or misconduct had not caused or partially caused the need for a material financial restatement by the Company or any affiliate. In addition, all awards or proceeds from the sale of awards, made or earned pursuant to the 2010 Plan will be subject to the right of the Company to full recovery (with reasonable interest thereon) in the event

that the Board determines reasonably and in good faith that any participant's fraud or misconduct has caused or partially caused the need for a material restatement of the Company's financial statements for any fiscal year to which the award relates.

Change in Capital Structure. In the event of a change in the outstanding shares of common stock due to a stock-split, reverse stock-split, stock dividend, combination, recapitalization or reclassification of the shares, merger, consolidation, change in form of organization, or any other increase or decrease in the number of issued shares effected without receipt of consideration by the Company, the Committee shall equitably adjust the number of shares covered by each outstanding award, the number of shares that have been authorized for issuance under the 2010 Plan but as to which no awards have yet been granted, and the exercise or other price per share covered by each outstanding award.

Change in Control. In the event of a change in control but subject to the terms of any award agreements or employment-related agreements between the Company or any affiliates and any participant, each outstanding award shall be assumed or a substantially equivalent award shall be substituted by the surviving or successor company or a parent or subsidiary of such successor company upon consummation of the transaction. Notwithstanding the foregoing, instead of having outstanding awards be assumed or replaced with equivalent awards by the successor company, the Committee may in its sole and absolute discretion and authority, (i) accelerate the vesting of awards so that awards shall vest (and, to the extent applicable, become exercisable) as to the shares that otherwise would have been unvested and provide that repurchase rights of the Company with respect to shares issued pursuant to an award shall lapse as to the shares subject to such repurchase right; (ii) arrange or otherwise provide for the payment of cash or other consideration to participants in exchange for the satisfaction and cancellation of outstanding awards (with the Committee determining the amount payable to each participant based on the fair market value, on the date of the change in control, of the award being cancelled, based on any reasonable valuation method selected by the Committee); (iii) terminate all or some awards upon the consummation of the transaction, provided that the Committee shall provide for vesting of such awards in full as of a date immediately prior to consummation of the change in control. To the extent that an award is not exercised prior to consummation of a transaction in which the award is not being assumed or substituted, such award shall terminate upon such consummation; and (iv) make such other modifications, adjustments or amendments to outstanding awards or the 2010 Plan as the Committee deems necessary or appropriate.

Plan Amendment and Termination. The Board of Directors may amend or terminate the 2010 Plan as it shall deem advisable; provided that no change shall be made that increases the total number of shares reserved for issuance pursuant to awards unless such change is authorized by the stockholders of the Company.

Term of Plan. If not sooner terminated by the Board, the 2010 Plan shall terminate at the close of business on the date ten years after February 8, 2010, the effective date. No awards shall be made under the 2010 Plan after its termination; however, termination of the Plan shall not affect the Committee's ability to exercise the powers granted to it with respect to awards granted under the Plan prior to the date of such termination.

Federal Income Tax Aspects of the 2010 Plan

This is a brief summary of the United States federal income tax aspects of awards that may be made under the 2010 Plan based on existing U.S. federal income tax laws as of the date of this proxy statement. This summary provides only the basic tax rules and is not intended as, and should not be relied upon, as tax guidance for participants in the 2010 Plan. It does not describe the implications, if any, of a number of special tax rules, including, without limitation, the alternative minimum tax, the golden parachute tax rules under Sections 280G and 4999 of the Code, and foreign, state and local tax laws. In addition, this summary assumes that all awards are exempt from, or comply with, the rules under Section 409A of the Code regarding nonqualified deferred compensation. Changes to the tax laws could alter the tax consequences described below.

Incentive Stock Options (ISO). The grant of an ISO will not be a taxable event for the participant or for the Company. A participant will not recognize taxable income upon exercise of an ISO (except that the alternative minimum tax may apply), and any gain realized upon a disposition of common stock received pursuant to the exercise of an ISO will be taxed as long-term capital gain if the participant holds the shares of common stock for at least two years after the date of grant and for one year after the date of exercise (the "holding period requirement"). The Company will not be entitled to any business expense deduction with respect to the exercise of an ISO, except as discussed below. For the exercise of an option to qualify for the foregoing tax treatment, the participant generally must exercise the option while the participant is our employee or an employee of our subsidiary or, if the participant has terminated employment, no later than three months after the participant terminated employment. If all of the foregoing requirements are met except the holding period requirement mentioned above, the participant will recognize ordinary income upon the disposition of the common stock in an amount generally equal to the excess of the fair market value of the common stock at the time the option was exercised over the option exercise price (but not in excess of the gain realized on the sale). The balance of the realized gain, if any, will be capital gain. Vermillion will generally be allowed a business expense deduction when and to the extent the participant recognizes ordinary income, subject to the restrictions of Section 162(m) of the Code.

Non-Qualified Options("Non-ISO"). The grant of a Non-ISO will not be a taxable event for the participant or Vermillion. Upon exercising a Non-ISO, a participant will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the common stock on the date of exercise. Upon a subsequent sale or exchange of shares acquired pursuant to the exercise of a Non-ISO, the participant will have taxable capital gain or loss, measured by the difference between the amount realized on the disposition and the tax basis of the shares of common stock (generally, the amount paid for the shares plus the amount treated as ordinary income at the time the option was exercised). Subject to the restrictions of Section 162(m) of the Code, the Company will be entitled to a business expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Stock Appreciation Rights. There are no immediate tax consequences of receiving an award of stock appreciation rights under the 2010 Plan. Upon exercising a stock appreciation right, a participant will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the common stock on the date of exercise. Subject to the restrictions of Section 162(m) of the Code, the Company will be entitled to a business expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Unrestricted Stock Awards. Upon receipt of an unrestricted stock award, a participant generally will recognize compensation taxable as ordinary income in an amount equal to the excess of the fair market value of the shares at such time over the amount, if any, paid by the participant with respect to the shares. Subject to the restrictions of Section 162(m) of the Code, the Company will be entitled to a business expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Restricted Shares. A participant who is awarded restricted stock will not recognize any taxable income for federal income tax purposes in the year of the award, provided that the shares of common stock are subject to restrictions (that is, the restricted stock is nontransferable and subject to a substantial risk of forfeiture). However, the participant may elect under Section 83(b) of the Code to recognize ordinary income in the year of the award in an amount equal to the fair market value of the common stock on the date of the award (less the purchase price, if any), determined without regard to the restrictions. If the participant does not make such a Section 83(b) election, the fair market value of the common stock on the date the restrictions lapse (less the purchase price, if any) will be treated as ordinary income to the participant and will be taxable in the year the restrictions lapse. A participant who is awarded shares that are not subject to restrictions will recognize ordinary income equal to the fair market value of the shares on the date of the award. Subject to the restrictions of Section 162(m) of the Code, the Company will be entitled to a business expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

Restricted Share Units, Performance/Cash-Settled Awards. The taxation of these awards will depend on the specific terms of the award. Generally, the award of restricted share units, performance/cash-settled awards will have no federal income tax consequences for Vermillion or for the participant. Generally, the payment of the award is taxable to a participant as ordinary income. Subject to the restrictions of Section 162(m) of the Code, Vermillion will be entitled to a business expense deduction in the same amount and generally at the same time as the participant recognizes ordinary income.

New Plan Benefits

The number of awards that an employee, consultant, or director may receive under the 2010 Plan is in the discretion of the Committee and therefore cannot be determined in advance.

Required Vote; Recommendation

The proposal to approve the 2010 Incentive Plan will require the affirmative vote of holders of a majority of the shares of common stock present in person or represented by proxy at the Annual Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE STOCKHOLDERS VOTE "FOR" THE APPROVAL OF THE COMPANY'S 2010 STOCK INCENTIVE PLAN.

PROPOSAL THREE: RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR VERMILLION

The Audit Committee of the Board has selected PricewaterhouseCoopers LLP, an independent registered public accounting firm, to audit our financial statements for the year ending December 31, 2010, and recommends that stockholders vote for ratification of such selection. Notwithstanding this selection, the Audit Committee, in its discretion, may direct the appointment of a new independent registered public accounting firm at any time during the year if the Audit Committee feels that such a change would be in our best interests of our stockholders. In the event of a negative vote on ratification, the Audit Committee may reconsider its selection.

PricewaterhouseCoopers LLP has been engaged as the Company's independent registered public accounting firm since 1994. Representatives of PricewaterhouseCoopers LLP plan to attend the Annual Meeting and will be available to answer appropriate questions from stockholders and, although they do not expect to do so, they will have the opportunity to make a statement if they so desire.

Audit Fees and Non-Audit Fees

The following is a summary of the fees and services provided for fiscal years 2009 and 2008.

	2009	2008
Audit fees [1][5]	$ —	$556,000
Audit-related fees [2][5]	—	23,000
Tax fees [3][5]	—	—
All other fees [4]	2,500	2,000
Total	$2,500	$581,000

(1) Audit fees include fees for professional services rendered in connection with the annual audit of the Company's Annual Report on Form 10-K, the reviews of the Company's Quarterly Reports on Form 10-Q, and the review of the Company's Registration Statements on Form S-1 and Form S-3.

(2) Audit-related fees include assurance related services not included in audit fees, including certain complex transactions entered into or proposed by the Company.

(3) Tax fees include fees for tax compliance, tax planning and advisory services to the Company and its international subsidiaries.

(4) All other fees include fees for reference materials and publications.

(5) There were no fees incurred or billed in fiscal year 2009 due to the Company's bankruptcy proceeding.

Audit Committee Pre-Approval of Policies and Procedures

The Audit Committee is responsible for appointing, compensating and overseeing the work of the independent auditor. The Audit Committee has established a pre-approval procedure for all audit and permissible non-audit services to be performed by PricewaterhouseCoopers LLP. The pre-approval policy requires that requests for services by the independent registered public accounting firm be submitted to the Company's Chief Financial Officer ("CFO") for review and approval. Any requests that are approved by the CFO are then aggregated and submitted to the Audit Committee for approval at a meeting of the Audit Committee. Requests may be made with respect to either specific services or a type of service for predictable or recurring services.

All audit, audit-related, tax and other services, which include all permissible non-audit services, provided to the Company by PricewaterhouseCoopers LLP were pre-approved by the Audit Committee. Additionally, the Audit Committee concluded that the provision of those services by PricewaterhouseCoopers LLP was compatible with the maintenance of the independent registered public accounting firm's independence.

Required Vote; Recommendation

The affirmative vote of a majority of the shares present at the Annual Meeting either in person or by proxy and entitled to vote is required to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE FOR THE RATIFICATION OF THE SELECTION OF PRICEWATERHOUSECOOPERS LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2010.

REPORT OF THE AUDIT COMMITTEE [2]

The Audit Committee reviews the Company's financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including the system of internal financial controls. Management has represented to the Audit Committee that the Company's consolidated financial statements for the fiscal year ended December 31, 2009 were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the audited financial statements of the Company with management of the Company and PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm. In addition, the Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board ("PCAOB") in Rule 3200T. The Audit Committee has also received from PricewaterhouseCoopers LLP the written disclosures and the letter required by the applicable requirements of the PCAOB regarding PricewaterhouseCooper LLP's communications with the audit committee concerning independence and has discussed with PricewaterhouseCoopers LLP the firm's independence from the Company and its management. Based on the foregoing, the Audit Committee has recommended to the Board, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 for filing with the SEC. The Audit Committee and the Board also have recommended the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the year ending December 31, 2010.

This report is provided by the following independent directors of the Audit Committee:

Peter Roddy, Chairman
William Wallen, Ph.D.
Carl Severinghaus

Annual Report

A copy of the Annual Report of the Company for the 2009 Fiscal Year has been mailed concurrently with this proxy statement to all stockholders entitled to notice of and to vote at the Annual Meeting. The Annual Report is not incorporated into this proxy statement and is not considered proxy solicitation material.

Form 10-K

The Company filed an Annual Report on Form 10-K with the SEC on May 20, 2010. Stockholders may obtain a copy of this report, free of charge, by writing to Vermillion, Inc., Attn: Investor Relations, 12117 Bee Caves Road, Building Two, Suite 100, Austin, Texas 78738. In addition, copies of our annual, quarterly and current reports are available at http://www.vermillion.com.

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2 The material in this report is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of Vermillion under the Securities Act, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

OTHER MATTERS

Except as otherwise indicated, information contained herein is given as of September 30, 2010. Our management and our Board know of no matters to come before the Annual Meeting other than the matters referred to in the Notice of Annual Meeting of Stockholders. The persons named in the enclosed proxy will vote the shares represented thereby in accordance with the recommendation of the Board as to any proposal properly presented at the Annual Meeting, or if no recommendation is made by the Board, then pursuant to the authority granted in the proxy.

The matters to be considered at the Annual Meeting are of great importance to our stockholders. Accordingly, you are urged to read and carefully consider the information presented in this proxy statement, and to sign and date the enclosed proxy card and return it today in the enclosed pre-addressed postage-paid envelope.

IMPORTANT NOTE

Your vote is important, no matter how many or how few shares you hold. Please sign and date the enclosed proxy card and return it today in the enclosed pre-addressed postage-paid envelope. Please do not complete any subsequently delivered proxy cards unless they are solicited by the Company. If your shares are held in street name, only your broker or bank can vote your shares and only upon receipt of your specific instructions. Please return the enclosed proxy card to your broker and contact the person responsible for your account to ensure that a proxy card is voted on your behalf.

APPROVAL

The contents of this proxy statement and the sending thereof to the stockholders have been approved and authorized by the Board of Directors of the Company.

BY ORDER OF THE BOARD OF DIRECTORS

Gail S. Page
Chief Executive Officer

Austin, Texas
October 20, 2010

VERMILLION, INC.

2010 STOCK INCENTIVE PLAN

Plan Document

1. Introduction.

(a) *Purpose.* Vermillion, Inc. (the "Company") hereby establishes this equity-based incentive compensation plan to be known as the "Vermillion, Inc. 2010 Stock Incentive Plan" (the "Plan"), for the following purposes: (i) to enhance the Company's ability to attract highly qualified personnel; (ii) to strengthen its retention capabilities; (iii) to enhance the long-term performance and competitiveness of the Company; and (iv) to align the interests of Plan participants with those of the Company's stockholders. This Plan is intended to serve as the sole source for all future equity-based awards to those eligible for Plan participation.

(b) *Effective Date.* This Plan shall become effective immediately upon Board approval (the "Effective Date"), *provided* that the Company's ability to award ISOs under this Plan shall be subject to and contingent on the Plan's receipt of stockholder approval by a vote of a majority of the votes cast (or by such other stockholder vote that the Committee determines to be sufficient for the issuance of ISOs according to the Company's governing documents and Applicable Law) at a meeting of the Company's stockholders that is duly held within one year after the date on which the Board approves the Plan.

(c) *Definitions*. Terms in the Plan and any Appendix that begin with an initial capital letter have the defined meaning set forth in *Appendix I* or elsewhere in this Plan, in either case unless the context of their use clearly indicates a different meaning.

(d) *Effect on Other Plans, Awards, and Arrangements*. This Plan is not intended to affect and shall not affect any stock options, equity-based compensation, or other benefits that the Company or its Affiliates may have provided, or may separately provide in the future, pursuant to any agreement, plan, or program that is independent of this Plan.

(e) *Appendices*. Incorporated by reference and thereby part of the Plan are the definitions set forth in Appendix I hereof.

2. Types of Awards. The Plan permits the granting of the following types of Awards according to the Sections of the Plan listed here:

Section 5	Stock Options
Section 6	Share Appreciation Rights ("SARs")
Section 7	Restricted Shares, Restricted Share Units ("RSUs"), and Unrestricted Shares
Section 8	Deferred Share Units ("DSUs")
Section 9	Performance and Cash-settled Awards
Section 10	Dividend Equivalent Rights

3. Shares Available for Awards.

(a) *Generally*, Subject to Section 13 below, a total of 1,322,983 Shares shall be available for issuance under the Plan. The Shares deliverable pursuant to Awards shall be authorized but unissued Shares, or Shares that the Company otherwise holds in treasury or in trust.

(b) *Replenishment; Counting of Shares.* Any Shares reserved for Plan Awards will again be available for future Awards if the Shares for any reason will never be issued to a Participant or Beneficiary pursuant to an Award (for example, due to its settlement in cash rather than in Shares, or the Award's forfeiture, cancellation, expiration, or net settlement without the issuance of Shares). Further, and to the extent permitted under Applicable Law, the maximum number of Shares available for delivery under the Plan shall not be reduced by any Shares issued under the Plan through the settlement, assumption, or substitution of outstanding awards or obligations to grant future awards as a condition of the Company's or an Affiliate's acquiring another entity. On the other hand, Shares that a Person owns and tenders in payment of all or part of the exercise price of an Award or in satisfaction of applicable Withholding Taxes shall not increase the number of Shares available for future issuance under the Plan.

(c) *ISO Share Reserve.* The number of Shares that are available for ISO Awards shall not exceed the total number set forth in Section 3(a) above (as adjusted pursuant to Section 13 of the Plan, and as determined in accordance with Code Section 422).

4. Eligibility.

(a) *General Rule*. Subject to the express provisions of the Plan, the Committee shall determine from the class of Eligible Persons those Persons to whom Awards may be granted. Each Award shall be evidenced by an Award Agreement that sets forth its Grant Date and all other terms and conditions of the Award, that is signed on behalf of the Company (or delivered by an authorized agent through an electronic medium), and that, if required by the Committee, is signed by the Eligible Person as an acceptance of the Award. The grant of an Award shall not obligate the Company or any Affiliate to continue the employment or service of any Eligible Person, or to provide any future Awards or other remuneration at any time thereafter.

(b) *Option and SAR Limits per Person.* During the term of the Plan, no Participant may receive Options and SARs that relate to more than 25% of the maximum number of Shares issuable under the Plan as of its Effective Date, as such number may be adjusted pursuant to Section 13 below.

(c) *Replacement Awards*. Subject to Applicable Law (including any associated stockholder approval requirements), the Committee may, in its sole discretion and upon such terms as it deems appropriate, require as a condition of the grant of an Award to a Participant that the Participant, with the Participant's consent, surrender for cancellation some or all of the Awards or other grants that the Participant has received under this Plan or otherwise. An Award conditioned upon such surrender may or may not be the same type of Award, may cover the same (or a lesser or greater) number of Shares as such surrendered Award, may have other terms that are determined without regard to the terms or conditions of such surrendered Award, and may contain any other terms that the Committee deems appropriate. In the case of Options and SARs, these other terms may not involve an exercise price that is lower than the exercise price of the surrendered Option or SAR unless the Company's stockholders approve the grant itself or the program under which the grant is made pursuant to the Plan.

5. Stock Options.

(a) *Grants.* Subject to the special rules for ISOs set forth in the next paragraph, the Committee may grant Options to Eligible Persons pursuant to Award Agreements setting forth terms and conditions that are not inconsistent with the Plan, that may be immediately exercisable or that may become exercisable in whole or in part based on future events or conditions, that may include vesting or other requirements for the right to exercise the Option, and that may differ for any reason between Eligible Persons or classes of Eligible Persons, *provided* in all instances that:

(i) the exercise price for Shares subject to purchase through exercise of an Option shall not be less than 100% of the Fair Market Value of the underlying Shares on the Grant Date; and

(ii) no Option shall be exercisable for a term ending more than ten years after its Grant Date.

(b) *Special ISO Provisions*. The following provisions shall control any grants of Options that are denominated as ISOs.

(i) *Eligibility.* The Committee may grant ISOs only to Employees (including officers who are Employees) of the Company or an Affiliate that is a "parent corporation" or "subsidiary corporation" within the meaning of Code Section 424.

(ii) *Documentation.* Each Option that is intended to be an ISO must be designated in the Award Agreement as an ISO, *provided* that any Option designated as an ISO will be a Non-ISO to the extent the Option fails to meet the requirements of Code Section 422. In the case of an ISO, the Committee shall determine on the Date of Grant the acceptable methods of paying the exercise price for Shares, and it shall be included in the applicable Award Agreement.

(iii) *$100,000 Limit.* To the extent that the aggregate Fair Market Value of Shares with respect to which ISOs first become exercisable by a Participant in any calendar year (under this Plan and any other plan of the Company or any Affiliate) exceeds U.S. $100,000, such excess Options shall be treated as Non-ISOs. For purposes of determining whether the U.S. $100,000 limit is exceeded, the Fair Market Value of the Shares subject to an ISO shall be determined as of the Grant Date. In reducing the number of Options treated as ISOs to meet the U.S. $100,000 limit, the most recently granted Options shall be reduced first. In the event that Code Section 422 is amended to alter the limitation set forth therein, the limitation of this paragraph shall be automatically adjusted accordingly.

(iv) *Grants to 10% Holders*. In the case of an ISO granted to an Employee who is a Ten Percent Holder on the Grant Date, the ISO's term shall not exceed five years from the Grant Date, and the exercise price shall be at least 110% of the Fair Market Value of the underlying Shares on the Grant Date. In the event that Code Section 422 is amended to alter the limitations set forth therein, the limitation of this paragraph shall be automatically adjusted accordingly.

(v) *Substitution of Options*. In the event the Company or an Affiliate acquires (whether by purchase, merger, or otherwise) all or substantially all of outstanding capital stock or assets of another corporation or in the event of any reorganization or other transaction qualifying under Code Section 424, the Committee may, in accordance with the provisions of that Section, substitute ISOs for ISOs previously granted under the plan of the acquired company *provided* (A) the excess of the aggregate Fair Market Value of the Shares subject to an ISO immediately after the substitution over the aggregate exercise price of such shares is not more than the similar excess immediately before such substitution, and (B) the new ISO does not give additional benefits to the Participant, including any extension of the exercise period.

(vi) *Notice of Disqualifying Dispositions*. By executing an ISO Award Agreement, each Participant agrees to notify the Company in writing immediately after the Participant sells, transfers or otherwise disposes of any Shares acquired through exercise of the ISO, if such disposition occurs within the earlier of (A) two years of the Grant Date, or (B) one year after the exercise of the ISO being exercised. Each Participant further agrees to provide any information about a disposition of Shares as may be requested by the Company to assist it in complying with any applicable tax laws.

(c) *Method of Exercise.* Each Option may be exercised, in whole or in part (*provided* that the Company shall not be required to issue fractional shares) at any time and from time to time prior to its expiration, but only pursuant to the terms of the applicable Award Agreement, and subject to the times, circumstances and conditions for exercise contained in the applicable Award Agreement. Exercise shall occur by delivery of both written notice of exercise to the secretary of the Company, and payment of the full exercise price for the Shares being

purchased. The methods of payment that the Committee may in its discretion accept or commit to accept in an Award Agreement include:

(i) cash or check payable to the Company (in U.S. dollars);

(ii) other Shares that (A) are owned by the Participant who is purchasing Shares pursuant to an Option, (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option is being exercised, (C) are all, at the time of such surrender, free and clear of any and all claims, pledges, liens and encumbrances, or any restrictions which would in any manner restrict the transfer of such shares to or by the Company (other than such restrictions as may have existed prior to an issuance of such Shares by the Company to such Participant), and (D) are duly endorsed for transfer to the Company;

(iii) a net exercise by surrendering to the Company Shares otherwise receivable upon exercise of the Option;

(iv) a cashless exercise program that the Committee may approve, from time to time in its discretion, pursuant to which a Participant may elect to concurrently provide irrevocable instructions (A) to such Participant's broker or dealer to effect the immediate sale of the purchased Shares and remit to the Company, out of the sale proceeds available on the settlement date, sufficient funds to cover the exercise price of the Option plus all applicable taxes required to be withheld by the Company by reason of such exercise, and (B) to the Company to deliver the certificates for the purchased Shares directly to such broker or dealer in order to complete the sale; or

(v) any combination of the foregoing methods of payment.

The Company shall not be required to deliver Shares pursuant to the exercise of an Option until the Company has received sufficient funds to cover the full exercise price due and all applicable Withholding Taxes required by reason of such exercise.

Notwithstanding any other provision of the Plan to the contrary, no Participant who is a Director or an "executive officer" of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

(d) *Exercise of an Unvested Option*. The Committee in its sole discretion may allow a Participant to exercise an unvested Option, in which case the Shares then issued shall be Restricted Shares having analogous vesting restrictions to the unvested Option.

(e) *Termination of Continuous Service*. The Committee may establish and set forth in the applicable Award Agreement the terms and conditions on which an Option shall remain exercisable, if at all, following termination of a Participant's Continuous Service. The Committee may waive or modify these provisions at any time. To the extent that a Participant is not entitled to exercise an Option at the date of his or her termination of Continuous Service, or if the Participant (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified in the Award Agreement or below (as applicable), the Option shall terminate and the Shares underlying the unexercised portion of the Option shall revert to the Plan and become available for future Awards.

The following provisions shall apply to the extent an Award Agreement does not specify the terms and conditions upon which an Option shall terminate when there is a termination of a Participant's Continuous Service:

Reason for terminating Continuous Service	**Option Termination Date**
(I) By the Company for Cause, or what would have been Cause if the Company had known all of the relevant facts.	Termination of the Participant's Continuous Service, or when Cause first existed if earlier.
(II) Disability of the Participant.	Within one year after termination of the Participant's Continuous Service.

Reason for terminating Continuous Service	Option Termination Date
(III) Retirement of the Participant after age 65 with five years or more of Continuous Service.	Within one year after termination of the Participant's Continuous Service.
(IV) Death of the Participant during Continuous Service or within 90 days thereafter.	Within one year after termination of the Participant's Continuous Service.
(V) Other than due to Cause or the Participant's Disability, Retirement, or Death.	Within 90 days after termination of the Participant's Continuous Service.

If there is a Securities and Exchange Commission blackout period (or a Committee-imposed blackout period) that prohibits the buying or selling of Shares during any part of the ten day period before the expiration of any Option based on the termination of a Participant's Continuous Service (as described above), the period for exercising the Options shall be extended until ten days beyond when such blackout period ends. Notwithstanding any provision hereof or within an Award Agreement, no Option shall ever be exercisable after the expiration date of its original term as set forth in the Award Agreement.

(f) *Buyout*. The Committee may at any time offer to buy out an Option, in exchange for a payment in cash or Shares, based on such terms and conditions as the Committee shall establish and communicate to the Participant at the time that such offer is made. In addition, but subject to any stockholder approval requirement of Applicable Law as well as to any Applicable Law that would adversely affect a Participant whose Award is cashed-out, if the Fair Market Value for Shares subject to an Option is more than 33% below their exercise price for more than 30 consecutive business days, the Committee may unilaterally terminate and cancel the Option either (i) by paying the Participant, in cash or Shares, an amount not less than the Black-Scholes value of the vested portion of the Option being cancelled, (ii) by irrevocably committing to grant, on any date the Committee designates, a new Award other than an Option or SAR, or (iii) by irrevocably committing to grant a new Option, on a designated date on or after such termination and cancellation of such Option (but only if the Participant's Continuous Service has not terminated prior to such designated date), on substantially the same terms as the cancelled Option, *provided* that the per Share exercise price for the new Option shall equal the per Share Fair Market Value of a Share on the date the new grant occurs.

6. SARs.

(a) *Grants.* The Committee may grant SARs to Eligible Persons pursuant to Award Agreements setting forth terms and conditions that are not inconsistent with the Plan; *provided* that:

(i) the exercise price for the Shares subject to each SAR shall not be less than 100% of the Fair Market Value of the underlying Shares on the Grant Date;

(ii) no SAR shall be exercisable for a term ending more than ten years after its Grant Date; and

(iii) each SAR shall, except to the extent an SAR Award Agreement provides otherwise, be subject to the provisions of Section 5(e) relating to the effect of a termination of Participant's Continuous Service and Section 5(f) relating to buyouts, in each case with "SAR" being substituted for "Option."

(b) *Settlement.* Subject to the Plan's terms, an SAR shall entitle the Participant, upon exercise of the SAR, to receive Shares having a Fair Market Value on the date of exercise equal to the product of the number of Shares as to which the SAR is being exercised, and the excess of (i) the Fair Market Value, on such date, of the Shares covered by the exercised SAR, over (ii) an exercise price designated in the SAR Award Agreement. Notwithstanding the foregoing, an SAR Award Agreement may limit the total settlement value that the Participant will be entitled to receive upon the SAR's exercise, and may provide for settlement either in cash or in any combination of cash or Shares that the Committee may authorize pursuant to an Award Agreement. If, on the date on which an SAR or portion thereof is to expire, the Fair Market Value exceeds the per Share exercise price of such SAR, then the SAR shall be deemed exercised and cancelled without any payment in settlement thereof; subject to any specific provision to the contrary within an Award Agreement.

(c) *SARs related to Options*. The Committee may grant SARs either concurrently with the grant of an Option or with respect to an outstanding Option, in which case the SAR shall extend to all or a portion of the Shares covered by the related Option, and shall have an exercise price that is not less than the exercise price of the related Option. An SAR shall entitle the Participant who holds the related Option, upon exercise of the SAR and surrender of the related Option, or portion thereof, to the extent the SAR and related Option each were previously unexercised, to receive payment of an amount determined pursuant to Section 6(b) above. Any SAR granted in tandem with an ISO will contain such terms as may be required to comply with the provisions of Code Section 422.

(d) *Effect on Available Shares.* At each time of an exercise of an SAR that is settled in Shares, only those Shares that are issued or delivered in settlement of the exercise shall be counted against the number of Shares available for Awards under the Plan; *provided* that the number of Shares that are issued or delivered pursuant to the exercise of an SAR shall not exceed the number of Shares specified in the Award Agreement as being subject to the SAR Award.

7. Restricted Shares, RSUs, and Unrestricted Share Awards.

(a) *Grant.* The Committee may grant Restricted Share, RSU, or Unrestricted Share Awards to Eligible Persons, in all cases pursuant to Award Agreements setting forth terms and conditions that are not inconsistent with the Plan. The Committee shall establish as to each Restricted Share or RSU Award the number of Shares deliverable or subject to the Award (which number may be determined by a written formula), and the period or periods of time (the "Restriction Period") at the end of which all or some restrictions specified in the Award Agreement shall lapse, and the Participant shall receive unrestricted Shares (or cash to the extent provided in the Award Agreement) in settlement of the Award. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability, and such restrictions may lapse separately or in combination at such times and pursuant to such circumstances or based on such criteria as selected by the Committee, including, without limitation, criteria based on the Participant's duration of employment, directorship or consultancy with the Company, individual, group, or divisional performance criteria, Company performance, or other criteria selection by the Committee. The Committee may make Restricted Share and RSU Awards with or without the requirement for payment of cash or other consideration. In addition, the Committee may grant Awards hereunder in the form of Unrestricted Shares which shall vest in full upon the Grant Date or such other date as the Committee may determine or which the Committee may issue pursuant to any program under which one or more Eligible Persons (selected by the Committee in its sole discretion) elect to pay for such Shares or to receive Unrestricted Shares in lieu of cash bonuses that would otherwise be paid.

(b) *Vesting and Forfeiture.* The Committee shall set forth, in an Award Agreement granting Restricted Shares or RSUs, the terms and conditions under which the Participant's interest in the Restricted Shares or the Shares subject to RSUs will become vested and non-forfeitable. Except as set forth in the applicable Award Agreement or as the Committee otherwise determines, upon termination of a Participant's Continuous Service for any reason, the Participant shall forfeit his or her Restricted Shares and RSUs to the extent the Participant's interest therein has not vested on or before such termination date; *provided* that if a Participant purchases Restricted Shares and forfeits them for any reason, the Company shall return the purchase price to the Participant to the extent either set forth in an Award Agreement or required by Applicable Law.

(c) *Certificates for Restricted Shares.* Unless otherwise provided in an Award Agreement, the Company shall hold certificates representing Restricted Shares and dividends (whether in Shares or cash) that accrue with respect to them until the restrictions lapse, and the Participant shall provide the Company with appropriate stock powers endorsed in blank. The Participant's failure to provide such stock powers within ten days after a written request from the Company shall entitle the Committee to unilaterally declare a forfeiture of all or some of the Participant's Restricted Shares.

(d) *Section 83(b) Elections*. A Participant may make an election under Code Section 83(b) (the "Section 83(b) Election") with respect to Restricted Shares. A Participant who has received RSUs may, within ten days

after receiving the RSU Award, provide the Committee with a written notice of his or her desire to make Section 83(b) Election with respect to the Shares subject to such RSUs. The Committee may in its discretion convert the Participant's RSUs into Restricted Shares, on a one-for-one basis, in full satisfaction of the Participant's RSU Award. The Participant may then make a Section 83(b) Election with respect to those Restricted Shares; *provided* that the Participant's Section 83(b) Election will be invalid if not filed with the Company and the appropriate U.S. tax authorities within 30 days after the Grant Date of the RSUs replaced by the Restricted Shares.

(e) *Deferral Elections for RSUs*. To the extent specifically provided in an Award Agreement, a Participant may irrevocably elect, in accordance with Section 8 below, to defer the receipt of all or a percentage of the Shares that would otherwise be transferred to the Participant both more than 12 months after the date of the Participant's deferral election and upon the vesting of an RSU Award. If the Participant makes this election, the Company shall credit the Shares subject to the election, and any associated Shares attributable to Dividend Equivalent Rights attached to the Award, to a DSU account established pursuant to Section 8 below on the date such Shares would otherwise have been delivered to the Participant pursuant to this Section.

(f) *Issuance of Shares upon Vesting*. As soon as practicable after vesting of a Participant's Restricted Shares (or of the right to receive Shares underlying RSUs), the Company shall deliver to the Participant, free from vesting restrictions, one Share for each surrendered and vested Restricted Share (or deliver one Share free of the vesting restriction for each vested RSU), unless an Award Agreement provides otherwise and subject to Section 11 regarding Withholding Taxes. No fractional Shares shall be distributed, and cash shall be paid in lieu thereof.

8. DSUs.

(a) *Elections to Defer*. The Committee may make DSU awards to Eligible Persons pursuant to Award Agreements (regardless of whether or not there is a deferral of the Eligible Person's compensation), and may permit select Eligible Persons to irrevocably elect, on a form provided by and acceptable to the Committee (the "Election Form"), to forego the receipt of cash or other compensation (including the Shares deliverable pursuant to any RSU Award) and in lieu thereof to have the Company credit to an internal Plan account a number of DSUs having a Fair Market Value equal to the Shares and other compensation deferred. These credits will be made at the end of each calendar quarter (or other period determined by the Committee) during which compensation is deferred. Notwithstanding the foregoing sentence, a Participant's Election Form will be ineffective with respect to any compensation that the Participant earns before the date on which the Election Form takes effect. For any Participant who is subject to U.S. income taxation, the Committee shall only authorize deferral elections under this Section (i) pursuant to written procedures, and using written Election Forms, that satisfy the requirements of Code Section 409A, and (ii) only by Eligible Persons who are Directors, Consultants, or members of a select group of management or highly compensated Employees (within the meaning of ERISA).

(b) *Vesting*. Unless an Award Agreement expressly provides otherwise, each Participant shall be 100% vested at all times in any Shares subject to DSUs.

(c) *Issuances of Shares*. Unless an Award Agreement expressly provides otherwise, the Company shall settle a Participant's DSU Award, by delivering one Share for each DSU, in five substantially equal annual installments that are issued before the last day of each of the five calendar years that end after the date on which the Participant's Continuous Service ends for any reason, subject to –

(i) the Participant's right to elect a different form of distribution, only on a form provided by and acceptable to the Committee, that permits the Participant to select any combination of a lump sum and annual installments that are triggered by, and completed within ten years following, the last day of the Participant's Continuous Service, and

(ii) the Company's acceptance of the Participant's distribution election form executed at the time the Participant elects to defer the receipt of cash or other compensation pursuant to Section 8(a), *provided* that the Participant may change a distribution election through any subsequent election that (A) the Participant delivers to the Company at least one year before the date on which distributions are otherwise scheduled to commence pursuant to the Participant's initial distribution election, and (B) defers the commencement of distributions by at least five years from the originally scheduled distribution commencement date.

Fractional shares shall not be issued, and instead shall be paid out in cash.

(d) *Emergency Withdrawals*. In the event that a Participant suffers an unforeseeable emergency within the contemplation of this Section, the Participant may apply to the Committee for an immediate distribution of all or a portion of the Participant's DSUs. The unforeseeable emergency must result from a sudden and unexpected illness or accident of the Participant, the Participant's spouse, or a dependent (within the meaning of Code Section 152) of the Participant, casualty loss of the Participant's property, or other similar extraordinary and unforeseeable conditions beyond the control of the Participant. The Committee shall, in its sole and absolute discretion, determine whether a Participant has a qualifying unforeseeable emergency, may require independent verification of the emergency, and may determine whether or not to provide the Participant with cash or Shares. Examples of purposes which are not considered unforeseeable emergencies include post-secondary school expenses or the desire to purchase a residence. In no event will a distribution be made to the extent the unforeseeable emergency could be relieved through reimbursement or compensation by insurance or otherwise, or by liquidation of the Participant's nonessential assets to the extent such liquidation would not itself cause a severe financial hardship. The amount of any distribution hereunder shall be limited to the amount necessary to relieve the Participant's unforeseeable emergency plus amounts necessary to pay taxes reasonably anticipated as a result of the distribution. The number of Shares subject to the Participant's DSU Award shall be reduced by any Shares distributed to the Participant and by a number of Shares having a Fair Market Value on the date of the distribution equal to any cash paid to the Participant pursuant to this Section. For all DSUs granted to Participants who are U.S. taxpayers, the term "unforeseeable emergency" shall be interpreted in accordance with Code Section 409A.

(e) *Termination of Service*. For purposes of this Section, a Participant's "Continuous Service" shall only end when the Participant incurs a "separation from service" within the meaning of Treasury Regulations § 1.409A-1(h). A Participant shall be considered to have experienced a termination of Continuous Service when the facts and circumstances indicate that either (i) no further services will be performed for the Company or any Affiliate after a certain date, or (ii) that the level of bona fide services the Participant will perform after such date (whether as an Employee, Director, or Consultant) are reasonably expected to permanently decrease to no more than 50% of the average level of bona fide services performed by such Participant (whether as an Employee, Director, or Consultant) over the immediately preceding 36-month period (or full period of services to the Company and its Affiliates if the Participant has been providing such services for less than 36 months).

9. Performance and Cash-Settled Awards.

(a) *Performance Units*. Subject to the limitations set forth in paragraph (b) hereof, the Committee may in its discretion grant Performance Awards, including Performance Units to any Eligible Person, including Performance Unit Awards that (i) have substantially the same financial benefits and other terms and conditions as Options, SARs, RSUs, or DSUs, but (ii) are settled only in cash. All Awards hereunder shall be made pursuant to Award Agreements setting forth terms and conditions that are not inconsistent with the Plan.

(b) *Performance Compensation Awards*. Subject to the limitations set forth in this Section, the Committee may, at the time of grant of a Performance Unit, designate such Award as a "Performance Compensation Award" (payable in cash or Shares) in order that such Award constitutes, and has terms and conditions that are designed to qualify as, "qualified performance-based compensation" under Code Section 162(m). With respect to each such Performance Compensation Award, the Committee shall establish, in writing within the time required under

Code Section 162(m), a "Performance Period," "Performance Measure(s)", and "Performance Formula(e)" (each such term being defined below). Once established for a Performance Period, the Performance Measure(s) and Performance Formula(e) shall not be amended or otherwise modified to the extent such amendment or modification would cause the compensation payable pursuant to the Award to fail to constitute qualified performance-based compensation under Code Section 162(m).

A Participant shall be eligible to receive payment in respect of a Performance Compensation Award only to the extent that the Performance Measure(s) for such Award is achieved and the Performance Formula(e) as applied against such Performance Measure(s) determines that all or some portion of such Participant's Award has been earned for the Performance Period. As soon as practicable after the close of each Performance Period, the Committee shall review and certify in writing whether, and to what extent, the Performance Measure(s) for the Performance Period have been achieved and, if so, determine and certify in writing the amount of the Performance Compensation Award to be paid to the Participant and, in so doing, may use negative discretion to decrease, but not increase, the amount of the Award otherwise payable to the Participant based upon such performance

(c) *Limitations on Awards*. The maximum Performance Award and the maximum Performance Compensation Award that any one Participant may receive for any one Performance Period, without regard to time of vesting or exercisability, shall not together exceed 25% of the number of Shares reserved under Section 3, as adjusted pursuant to Section 13 below (or, for Performance Units to be settled in cash, U.S. $2,000,000. The Committee shall have the discretion to provide in any Award Agreement that any amounts earned in excess of these limitations will be credited as DSUs or as deferred cash compensation under a separate plan of the Company (*provided* in the latter case that such deferred compensation either bears a reasonable rate of interest or has a value based on one or more predetermined actual investments). Any amounts for which payment to the Participant is deferred pursuant to the preceding sentence shall be paid to the Participant in a future year or years not earlier than, and only to the extent that, the Participant is either not receiving compensation in excess of these limits for a Performance Period, or is not subject to the restrictions set forth under Code Section 162(b).

(d) *Definitions*.

(i) "*Performance Formula*" means, for a Performance Period, one or more objective formulas or standards established by the Committee for purposes of determining whether or the extent to which an Award has been earned based on the level of performance attained or to be attained with respect to one or more Performance Measure(s). Performance Formulae may vary from Performance Period to Performance Period and from Participant to Participant and may be established on a stand-alone basis, in tandem or in the alternative.

(ii) "*Performance Measure*" means one or more of the following selected by the Committee to measure Company, Affiliate, and/or business unit performance for a Performance Period, whether in absolute or relative terms (including, without limitation, terms relative to a peer group or index): basic, diluted, or adjusted earnings per share; sales or revenue; earnings before interest, taxes, and other adjustments (in total or on a per share basis); basic or adjusted net income; returns on equity, assets, capital, revenue or similar measure; economic value added; working capital; total stockholder return; and product development, product market share, research, licensing, successfully completion clinical trials, submission of applications with the U.S. Food and Drug Administration ("FDA") for new tests, receipt from the FDA of clearance for new tests, commercialization of new tests, litigation, human resources, information services, mergers, acquisitions, sales of assets of Affiliates or business units. Each such measure shall be, to the extent applicable, determined in accordance with generally accepted accounting principles as consistently applied by the Company (or such other standard applied by the Committee) and, if so determined by the Committee, and in the case of a Performance Compensation Award, to the extent permitted under Code Section 162(m), adjusted to omit the effects of extraordinary items, gain or loss on the disposal of a business segment, unusual or infrequently occurring events and

transactions and cumulative effects of changes in accounting principles. Performance Measures may vary from Performance Period to Performance Period and from Participant to Participant, and may be established on a stand-alone basis, in tandem or in the alternative.

(iii) "*Performance Period*" means one or more periods of time (of not less than one fiscal year of the Company), as the Committee may designate, over which the attainment of one or more Performance Measure(s) will be measured for the purpose of determining a Participant's rights in respect of an Award.

(e) *Deferral Elections*. At any time prior to the date that is both at least six months before the close of a Performance Period (or shorter or longer period that the Committee selects) with respect to a Performance Award and at which time vesting or payment is substantially uncertain to occur, the Committee may permit a Participant who is a member of a select group of management or highly compensated employees (within the meaning of ERISA) to irrevocably elect, on a form provided by and acceptable to the Committee, to defer the receipt of all or a percentage of the cash or Shares that would otherwise be transferred to the Participant upon the vesting of such Award. If the Participant makes this election, the cash or Shares subject to the election, and any associated interest and dividends, shall be credited to an account established pursuant to Section 8 hereof on the date such cash or Shares would otherwise have been released or issued to the Participant pursuant to this Section.

10. Dividend Equivalent Rights. To the extent expressly provided in an Award Agreement, a Dividend Equivalent Right shall entitle an Eligible Person who has received an Award to be credited with dividends that the Company declares and pays (in cash, Shares, or other securities) to its stockholders of record between the Grant Date and the settlement date of the Award. Any Dividend Equivalent Rights arising from cash dividends shall be immediately deemed to be reinvested in Shares having a Fair Market Value equal to such cash dividends (unless an Award Agreement provides otherwise). The Company shall settle Dividend Equivalent Rights by issuing Shares to a Participant to the extent they were previously credited to the Participant as Dividend Equivalent Rights and are attributable to Shares that the Participant is either purchasing pursuant to the exercise of an Option or SAR, or receiving as settlement of another Award. Notwithstanding the foregoing, the Committee may in an Award Agreement or modification thereto provide for (i) an earlier or later settlement event for Dividend Equivalent Rights, and (ii) complete or partial settlement in cash rather than in Shares.

11. Taxes; Withholding.

(a) *General Rule.* Participants are solely responsible and liable for the satisfaction of all taxes and penalties that may arise in connection with Awards, and neither the Company, any Affiliate, nor any of their employees, directors, or agents shall have any obligation to mitigate, indemnify, or to otherwise hold any Participant harmless from any or all of such taxes. The Company's obligation to deliver Shares (or to pay cash) to Participants pursuant to Awards is at all times subject to their prior or coincident satisfaction of all required Withholding Taxes. Except to the extent otherwise either provided in an Award Agreement or thereafter authorized by the Committee, the Company or any Affiliate will satisfy required Withholding Taxes that the Participant has not otherwise arranged to settle before the due date thereof –

(i) first from withholding the cash otherwise payable to the Participant pursuant to the Award;

(ii) then by withholding and cancelling the Participant's rights with respect to a number of Shares that (A) would otherwise have been delivered to the Participant pursuant to the Award, and (B) have an aggregate Fair Market Value equal to the Withholding Taxes (such withheld Shares to be valued on the basis of the aggregate Fair Market Value thereof on the date of the withholding); and

(iii) finally, withholding the cash otherwise payable to the Participant by the Company.

The number of Shares withheld and cancelled to pay a Participant's Withholding Taxes will be rounded up to the nearest whole Share sufficient to satisfy such taxes, with cash being paid to the Participant in an amount equal to the amount by which the Fair Market Value of such Shares exceeds the Withholding Taxes.

(b) *U.S. Code Section 409A.* To the extent that the Committee determines that any Award granted under the Plan is subject to Code Section 409A, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Code Section 409A. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date. Notwithstanding any provision of the Plan to the contrary, the Committee may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate (i) to exempt the Award from Code Section 409A and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) to comply with the requirements of Code Section 409A and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

(c) *Unfunded Tax Status.* The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Person pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Person any rights that are greater than those of a general creditor of the Company or any Affiliate, and a Participant's rights under the Plan at all times constitute an unsecured claim against the general assets of the Company for the collection of benefits as they come due. Neither the Participant nor the Participant's duly-authorized transferee or Beneficiaries shall have any claim against or rights in any specific assets, Shares, or other funds of the Company.

12. Non-Transferability of Awards.

(a) *General.* Except as set forth in this Section, or as otherwise approved by the Committee, Awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. The designation of a death Beneficiary by a Participant will not constitute a transfer. An Award may be exercised, during the lifetime of the holder of an Award, only by such holder, by the duly-authorized legal representative of a holder who is Disabled, or by a transferee permitted by this Section.

(b) *Limited Transferability Rights.* The Committee may in its discretion provide in an Award Agreement that an Award in the form of a Non-ISO, a Share-settled SAR, Restricted Shares, or Performance Shares may be transferred, on such terms and conditions as the Committee deems appropriate, either (i) by instrument to the Participant's "Immediate Family" (as defined below), (ii) by instrument to an inter vivos or testamentary trust (or other entity) in which the Award is to be passed to the Participant's designated beneficiaries, or (iii) by gift to charitable institutions. Any transferee of the Participant's rights shall succeed and be subject to all of the terms of the applicable Award Agreement and the Plan. "Immediate Family" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, and shall include adoptive relationships.

(c) *Death*. In the event of the death of a Participant, any outstanding Awards issued to the Participant shall automatically be transferred to the Participant's Beneficiary (or, if no Beneficiary is designated or surviving, to the person or persons to whom the Participant's rights under the Award pass by will or the laws of descent and distribution).

13. Change in Capital Structure; Change in Control; Etc.

(a) *Changes in Capitalization.* The Committee shall equitably adjust the number of Shares covered by each outstanding Award, and the number of Shares that have been authorized for issuance under the Plan but as to which no Awards have yet been granted or that have been returned to the Plan upon cancellation, forfeiture, or expiration of an Award, as well as the exercise or other price per Share covered by each such outstanding Award, to reflect any increase or decrease in the number of issued Shares resulting from a stock-split, reverse stock-split, stock dividend, combination, recapitalization or reclassification of the Shares, merger, consolidation, change in form of organization, or any other increase or decrease in the number of issued Shares effected without receipt of

consideration by the Company. In the event of any such transaction or event, the Committee may provide in substitution for any or all outstanding Awards under the Plan such alternative consideration (including cash or securities of any surviving entity) as it may in good faith determine to be equitable under the circumstances and may require in connection therewith the surrender of all Awards so replaced. In any case, such substitution of cash or securities shall not require the consent of any person who is granted Awards pursuant to the Plan. Except as expressly provided herein, or in an Award Agreement, if the Company issues for consideration shares of stock of any class or securities convertible into shares of stock of any class, the issuance shall not affect, and no adjustment by reason thereof shall be required to be made with respect to the number or price of Shares subject to any Award.

(b) *Dissolution or Liquidation*. In the event of the dissolution or liquidation of the Company other than as part of a Change of Control, each Award will terminate immediately prior to the consummation of such dissolution or liquidation, subject to the ability of the Committee to exercise any discretion authorized in the case of a Change in Control.

(c) *Change in Control.* In the event of a Change in Control but subject to the terms of any Award Agreements or employment-related agreements between the Company or any Affiliates and any Participant, each outstanding Award shall be assumed or a substantially equivalent award shall be substituted by the surviving or successor company or a parent or subsidiary of such successor company (in each case, the "Successor Company") upon consummation of the transaction. Notwithstanding the foregoing, instead of having outstanding Awards be assumed or replaced with equivalent awards by the Successor Company, the Committee may in its sole and absolute discretion and authority, without obtaining the approval or consent of the Company's stockholders or any Participant with respect to his or her outstanding Awards, take one or more of the following actions (with respect to any or all of the Awards, and with discretion to differentiate between individual Participants and Awards for any reason):

(i) accelerate the vesting of Awards so that Awards shall vest (and, to the extent applicable, become exercisable) as to the Shares that otherwise would have been unvested and provide that repurchase rights of the Company with respect to Shares issued pursuant to an Award shall lapse as to the Shares subject to such repurchase right;

(ii) arrange or otherwise provide for the payment of cash or other consideration to Participants in exchange for the satisfaction and cancellation of outstanding Awards (with the Committee determining the amount payable to each Participant based on the Fair Market Value, on the date of the Change in Control, of the Award being cancelled, based on any reasonable valuation method selected by the Committee);

(iii) terminate all or some Awards upon the consummation of the transaction, *provided* that the Committee shall provide for vesting of such Awards in full as of a date immediately prior to consummation of the Change in Control. To the extent that an Award is not exercised prior to consummation of a transaction in which the Award is not being assumed or substituted, such Award shall terminate upon such consummation;

(iv) make such other modifications, adjustments or amendments to outstanding Awards or this Plan as the Committee deems necessary or appropriate, subject however to the terms of Section 13 above.

14. Termination, Rescission and Recapture of Awards.

(a) Each Award under the Plan is intended to align the Participant's long-term interests with those of the Company. Accordingly, unless otherwise expressly provided in an Award Agreement, the Company may terminate any outstanding, unexercised, unexpired, unpaid, or deferred Awards ("Termination"), rescind any exercise, payment or delivery pursuant to the Award ("Rescission"), or recapture any Shares (whether restricted or unrestricted) or proceeds from the Participant's sale of Shares issued pursuant to the Award ("Recapture"), if the Participant does not comply with the conditions of subsections (b), (c), and (e) hereof (collectively, the "Conditions").

(b) The Participant shall comply with any agreement between the Participant and the Company with regard to nondisclosure of the Company's proprietary or confidential information or material.

(c) The Participant shall comply with any agreement between the Participant and the Company with regard to intellectual property (including but not limited to patents, trademarks, copyrights, trade secrets, inventions, developments and improvements).

(d) Upon exercise, payment, or delivery of cash or Common Stock pursuant to an Award, the Participant shall certify on a form acceptable to the Company that he or she is in compliance with the terms and conditions of the Plan.

(e) If the Company determines, in its sole and absolute discretion, that (i) a Participant has violated any of the Conditions set forth in subsection (b) or (c); (ii) during his or her Continuous Service, or within one year after its termination for any reason, a Participant has solicited any non-administrative employee of the Company to terminate employment with the Company; or (y) during his or her Continuous Service, a Participant has engaged in activities which are materially prejudicial to or in conflict with the interests of the Company, including any breaches of fiduciary duty or the duty of loyalty, then the Company may, in its sole and absolute discretion, impose a Termination, Rescission, and/or Recapture with respect to any or all of the Participant's relevant Awards, Shares, and the proceeds thereof.

(f) Within ten days after receiving notice from the Company of any such activity described in Section 14(e) above, the Participant shall deliver to the Company the Shares acquired pursuant to the Award, or, if Participant has sold the Shares, the gain realized, or payment received as a result of the rescinded exercise, payment, or delivery; *provided*, that if the Participant returns Shares that the Participant purchased pursuant to the exercise of an Option (or the gains realized from the sale of such Common Stock), the Company shall promptly refund the exercise price, without earnings, that the Participant paid for the Shares. Any payment by the Participant to the Company pursuant to this Section shall be made either in cash or by returning to the Company the number of Shares that the Participant received in connection with the rescinded exercise, payment, or delivery.

(g) Notwithstanding the foregoing provisions of this Section, the Company has sole and absolute discretion not to require Termination, Rescission and/or Recapture, and its determination not to require Termination, Rescission and/or Recapture with respect to any particular act by a particular Participant or Award shall not in any way reduce or eliminate the Company's authority to require Termination, Rescission and/or Recapture with respect to any other act or Participant or Award.

(h) All administrative and discretionary authority given to the Company under this Section shall be exercised by the most senior human resources executive of the Company or such other person or committee (including without limitation the Committee) as the Committee may designate from time to time.

(i) If any provision within this Section is determined to be unenforceable or invalid under any Applicable Law, such provision will be applied to the maximum extent permitted by Applicable Law, and shall automatically be deemed amended in a manner consistent with its objectives and any limitations required under Applicable Law.

15. Recoupment of Awards. Unless otherwise specifically provided in an Award Agreement, and to the extent permitted by Applicable Law, the Committee may in its sole and absolute discretion, without obtaining the approval or consent of the Company's stockholders or of any Participant, require that any Participant reimburse the Company for all or any portion of any Awards granted under this Plan ("Reimbursement"), or the Committee may require the Termination or Rescission of, or the Recapture associated with, any Award, if and to the extent –

(a) the granting, vesting, or payment of such Award was predicated upon the achievement of certain financial results that were subsequently the subject of a material financial restatement;

(b) in the Committee's view the Participant either benefited from a calculation that later proves to be materially inaccurate, or engaged in fraud or misconduct that caused or partially caused the need for a material financial restatement by the Company or any Affiliate; and

(c) a lower granting, vesting, or payment of such Award would have occurred based upon the conduct described in clause (b) of this Section.

In each instance, the Committee will, to the extent practicable and allowable under Applicable Laws, require Reimbursement, Termination or Rescission of, or Recapture relating to, any such Award granted to a Participant; *provided* that the Company will not seek Reimbursement, Termination or Rescission of, or Recapture relating to, any such Awards that were paid or vested more than three years prior to the first date of the applicable restatement period.

16. Relationship to other Benefits. No payment pursuant to the Plan shall be taken into account in determining any benefits under any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company or any Affiliate except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

17. Administration of the Plan. The Committee shall administer the Plan in accordance with its terms, *provided* that the Board may act in lieu of the Committee on any matter. The Committee shall hold meetings at such times and places as it may determine and shall make such rules and regulations for the conduct of its business as it deems advisable. In the absence of a duly appointed Committee, the Board shall function as the Committee for all purposes of the Plan.

(a) *Committee Composition*. The Board shall appoint the members of the Committee. If and to the extent permitted by Applicable Law, the Committee may authorize one or more executive officers to make Awards to Eligible Persons other than themselves. The Board may at any time appoint additional members to the Committee, remove and replace members of the Committee with or without Cause, and fill vacancies on the Committee however caused.

(b) *Powers of the Committee*. Subject to the provisions of the Plan, the Committee shall have the authority, in its sole discretion:

(i) to grant Awards and to determine Eligible Persons to whom Awards shall be granted from time to time, and the number of Shares, units, or dollars to be covered by each Award;

(ii) to determine, from time to time, the Fair Market Value of Shares;

(iii) to determine, and to set forth in Award Agreements, the terms and conditions of all Awards, including any applicable exercise or purchase price, the installments and conditions under which an Award shall become vested (which may be based on performance), terminated, expired, cancelled, or replaced, and the circumstances for vesting acceleration or waiver of forfeiture restrictions, and other restrictions and limitations;

(iv) to approve the forms of Award Agreements and all other documents, notices and certificates in connection therewith which need not be identical either as to type of Award or among Participants;

(v) to construe and interpret the terms of the Plan and any Award Agreement, to determine the meaning of their terms, and to prescribe, amend, and rescind rules and procedures relating to the Plan and its administration;

(vi) to the extent consistent with the purposes of the Plan and without amending the Plan, to modify, to cancel, or to waive the Company's rights with respect to any Awards, to adjust or to modify Award Agreements for changes in Applicable Law, and to recognize differences in foreign law, tax policies, or customs;

(vii) in the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting, settlement, or exercise of Award, such as a

system using an internet website or interactive voice response, to implement paperless documentation, granting, settlement, or exercise of Awards by a Participant may be permitted through the use of such an automated system; and

(viii) to make all interpretations and to take all other actions that the Committee may consider necessary or advisable to administer the Plan or to effectuate its purposes.

Subject to Applicable Law and the restrictions set forth in the Plan, the Committee may delegate administrative functions to individuals who are Directors or Employees.

(d) *Local Law Adjustments and Sub-plans.* To facilitate the making of any grant of an Award under this Plan, the Committee may adopt rules and provide for such special terms for Awards to Participants who are located within the United States, foreign nationals, or who are employed by the Company or any Affiliate outside of the United States of America as the Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Without limiting the foregoing, the Company is specifically authorized to adopt rules and procedures regarding the conversion of local currency, taxes, withholding procedures and handling of stock certificates which vary with the customs and requirements of particular countries. The Company may adopt sub-plans and establish escrow accounts and trusts, and settle Awards in cash in lieu of shares, as may be appropriate, required or applicable to particular locations and countries.

(c) *Action by Committee*. Unless otherwise established by the Board or in any charter of the Committee, a majority of the Committee shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by all members of the Committee in lieu of a meeting, shall be deemed the acts of the Committee. Each member of the Committee is entitled to, in good faith, rely or act upon any report or other information furnished to that member by an officer or other employee of the Company or any Affiliate, the Company's independent certified public accounts, or any executive compensation consultant or other professional retained by the Company to assist in the administration of the Plan.

(d) *Deference to Committee Determinations*. The Committee shall have the discretion to interpret or construe ambiguous, unclear, or implied (but omitted) terms in any fashion it deems to be appropriate in its sole discretion, and to make any findings of fact needed in the administration of the Plan or Award Agreements. The Committee's prior exercise of its discretionary authority shall not obligate it to exercise its authority in a like fashion thereafter. The Committee's interpretation and construction of any provision of the Plan, or of any Award or Award Agreement, and all determination the Committee makes pursuant to the Plan shall be final, binding, and conclusive. The validity of any such interpretation, construction, decision or finding of fact shall not be given de novo review if challenged in court, by arbitration, or in any other forum, and shall be upheld unless clearly made in bad faith or materially affected by fraud.

(e) *No Liability; Indemnification*. Neither the Board nor any Committee member, nor any Person acting at the direction of the Board or the Committee, shall be liable for any act, omission, interpretation, construction or determination made in good faith with respect to the Plan, any Award or any Award Agreement. The Company and its Affiliates shall pay or reimburse any member of the Committee, as well as any Director, Employee, or Consultant who in good faith takes action on behalf of the Plan, for all expenses incurred with respect to the Plan, and to the full extent allowable under Applicable Law shall indemnify each and every one of them for any claims, liabilities, and costs (including reasonable attorney's fees) arising out of their good faith performance of duties on behalf of the Plan. The Company and its Affiliates may, but shall not be required to, obtain liability insurance for this purpose.

(f) *Expenses*. The expenses of administering the Plan shall be borne jointly and severally by the Company and its Affiliates.

18. Modification of Awards and Substitution of Options. Within the limitations of the Plan, the Committee may modify an Award to accelerate the rate at which an Option or SAR may be exercised, to accelerate the vesting of any Award, to extend or renew outstanding Awards, to accept the cancellation of

outstanding Awards to the extent not previously exercised, or to make any change that the Plan would permit for a new Award. Notwithstanding the foregoing, no modification of an outstanding Award may materially and adversely affect a Participant's rights thereunder unless either (a) the Participant provides written consent to the modification, or (b) before a Change in Control, the Committee determines in good faith that the modification is not materially adverse to the Participant.

19. Plan Amendment and Termination. The Board may amend or terminate the Plan as it shall deem advisable; *provided* that no change shall be made that increases the total number of Shares reserved for issuance pursuant to Awards (except pursuant to Section 13 above) unless such change is authorized by the stockholders of the Company. A termination or amendment of the Plan shall not materially and adversely affect a Participant's vested rights under an Award previously granted to him or her, unless either (a) the Participant consents in writing to such termination or amendment, or (b) before a Change in Control, the Committee determines in good faith that the modification is not materially adverse to the Participant. Notwithstanding the foregoing, the Committee may amend the Plan to comply with changes in tax or securities laws or regulations, or in the interpretation thereof.

20. Term of Plan. If not sooner terminated by the Board, this Plan shall terminate at the close of business on the date ten years after its Effective Date. No Awards shall be made under the Plan after its termination; however, termination of the Plan shall not affect the Committee's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

21. Governing Law. The terms of this Plan shall be governed by the laws of the State of California, within the United States of America, without regard to the State's conflict of laws rules.

22. Laws and Regulations.

(a) *General Rules.* This Plan, the granting of Awards, the exercise of Options and SARs, and the obligations of the Company hereunder (including those to pay cash or to deliver, sell or accept the surrender of any of its Shares or other securities) shall be subject to all Applicable Law. In the event that any Shares are not registered under any Applicable Law prior to the required delivery of them pursuant to Awards, the Company may require, as a condition to their issuance or delivery, that the persons to whom the Shares are to be issued or delivered make any written representations and warranties (such as that such Shares are being acquired by the Participant for investment for the Participant's own account and not with a view to, for resale in connection with, or with an intent of participating directly or indirectly in, any distribution of such Shares) that the Committee may reasonably require, and the Committee may in its sole discretion include a legend to such effect on the certificates representing any Shares issued or delivered pursuant to the Plan.

(b) *Black-out Periods.* Notwithstanding any contrary terms within the Plan or any Award Agreement, the Committee shall have the absolute discretion to impose a "blackout" period on the exercise of any Option or SAR, as well as the settlement of any Award, with respect to any or all Participants (including those whose Continuous Service has ended) to the extent that the Committee determines that doing so is either desirable or required in order to comply with applicable securities laws.

23. No Stockholder Rights. Neither a Participant nor any transferee or Beneficiary of a Participant shall have any rights as a stockholder of the Company with respect to any Shares underlying any Award until the date of issuance of a share certificate to such Participant, transferee, or Beneficiary for such Shares in accordance with the Company's governing instruments and Applicable Law. Prior to the issuance of Shares or Restricted Shares pursuant to an Award, a Participant shall not have the right to vote or to receive dividends or any other rights as a stockholder with respect to the Shares underlying the Award (unless otherwise provided in the Award Agreement for Restricted Shares), notwithstanding its exercise in the case of Options and SARs. No adjustment will be made for a dividend or other right that is determined based on a record date prior to the date the stock certificate is issued, except as otherwise specifically provided for in this Plan or an Award Agreement.

Appendix I: Definitions

As used in the Plan, the following terms have the meanings indicated when they begin with initial capital letters within the Plan:

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls or is controlled by or under common control with such Person. For the purposes of this definition, "control," when used with respect to any Person, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of such Person or the power to elect directors, whether through the ownership of voting securities, by contract or otherwise; and the terms "affiliated," "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Law" means the legal requirements relating to the administration of options and share-based plans under any applicable laws of the United States, any other country, and any provincial, state, or local subdivision, any applicable stock exchange or automated quotation system rules or regulations, as such laws, rules, regulations and requirements shall be in place from time to time.

"Award" means any award made pursuant to the Plan, including awards made in the form of an Option, an SAR, a Restricted Share, a RSU, an Unrestricted Share, a DSU, a Performance Award, or Dividend Equivalent Rights, or any combination thereof, whether alternative or cumulative.

"Award Agreement" means any written document setting forth the terms of an Award that has been authorized by the Committee. The Committee shall determine the form or forms of documents to be used, and may change them from time to time for any reason.

"Beneficiary" means the person or entity designated by the Participant, in a form approved by the Company, to exercise the Participant's rights with respect to an Award or receive payment or settlement under an Award after the Participant's death.

"Board" means the Board of Directors of the Company.

"Cause" will have the meaning set forth in any unexpired employment agreement between the Company and the Participant. In the absence of such an agreement, "Cause" will exist if the Participant is terminated from employment or other service with the Company or an Affiliate for any of the following reasons: (i) the Participant's willful failure to substantially perform his or her duties and responsibilities to the Company or deliberate violation of a material Company policy; (ii) the Participant's commission of any material act or acts of fraud, embezzlement, dishonesty, or other willful misconduct; (iii) the Participant's material unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company; or (iv) Participant's willful and material breach of any of his or her obligations under any written agreement or covenant with the Company. The foregoing definition does not in any way limit the Company's ability to terminate a Participant's employment or consulting relationship at any time, and the term "Company" will be interpreted herein to include any Affiliate or successor thereto, if appropriate.

"Change in Control" means any of the following:

(i) *Merger*. The Company consummates a merger, or consolidation of the Company with any other corporation unless: (A) the voting securities of the Company outstanding immediately before the merger or consolidation would continue to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least *50%* of the combined voting power of the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; and (B) no

Person (other than Persons who are Employees at any time more than one year before a transaction) becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities.

(ii) *Sale of Assets*. The stockholders of the Company approve an agreement for the sale or disposition by the Company of all, or substantially all, of the Company's assets.

Notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of the common stock of the Company immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions.

"Code" means the Internal Revenue Code of 1986, as amended.

"Committee" means the Compensation Committee of the Board or its successor, *provided* that the term "Committee" means (i) with respect to any decision involving an Award intended to satisfy the requirements of Code Section 162(m), a committee consisting of two or more Directors of the Company who are "outside directors" within the meaning of Code Section 162(m), and (ii) with respect to any decision relating to a Reporting Person, a committee consisting of solely of two or more Directors who are disinterested within the meaning of Rule 16b-3.

"Company" means Vermillion, Inc., a California corporation; *provided* that in the event the Company reincorporates to another jurisdiction, all references to the term "Company" shall refer to the Company in such new jurisdiction.

"Company Stock" means common stock, $0.001 par value, of the Company. In the event of a change in the capital structure of the Company affecting the common stock (as provided in Section 13), the Shares resulting from such a change in the common stock shall be deemed to be Company Stock within the meaning of the Plan.

"Consultant" means any person (other than an Employee or Director), including an advisor, who is engaged by the Company or any Affiliate to render services and is compensated for such services.

"Continuous Service" means a Participant's period of service in the absence of any interruption or termination, as an Employee, Director, or Consultant. Continuous Service shall not be considered interrupted in the case of: (i) sick leave; (ii) military leave; (iii) any other leave of absence approved by the Committee, *provided* that such leave is for a period of not more than 90 days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; (iv) changes in status from Director to advisory director or emeritus status; or (iv) transfers between locations of the Company or between the Company and its Affiliates. Changes in status between service as an Employee, Director, and a Consultant will not constitute an interruption of Continuous Service if the individual continues to perform bona fide services for the Company. The Committee shall have the discretion to determine whether and to what extent the vesting of any Awards shall be tolled during any paid or unpaid leave of absence; *provided*, *however*, that in the absence of such determination, vesting for all Awards shall be tolled during any such unpaid leave (but not for a paid leave).

"Deferred Share Units" or "DSUs" mean Awards pursuant to Section 8 of the Plan.

"Director" means a member of the Board, or a member of the board of directors of an Affiliate.

"Disabled" means a condition under which a Participant –

(i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or

(ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, received income replacement benefits for a period of not less than three months under an accident or health plan covering employees of the Company.

"Dividend Equivalent Rights" means Awards pursuant to Section 10 of the Plan, which may be attached to other Awards.

"Effective Date" means the date on which the Board approves the Plan.

"Eligible Person" means any Consultant, Director, or Employee and includes non-Employees to whom an offer of employment has been or is being extended.

"Employee" means any person whom the Company or any Affiliate classifies as an employee (including an officer) for employment tax purposes, whether or not that classification is correct. The payment by the Company of a director's fee to a Director shall not be sufficient to constitute "employment" of such Director by the Company.

"Employer" means the Company and each Subsidiary and Affiliate that employs one or more Participants.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, as of any date, the closing price of the Company Stock on the New York Stock Exchange, the American Stock Exchange, NASDAQ or such other stock exchange as the Company Stock is then listed for trading, as of such date (and, if none, as determined by the Committee in good faith based on relevant facts and circumstances).

"Grant Date" means the later of (i) the date designated as the "Grant Date" within an Award Agreement, and (ii) date on which the Committee determines the key terms of an Award, *provided* that as soon as reasonably practical thereafter the Committee both notifies the Eligible Person of the Award and enters into an Award Agreement with the Eligible Person.

"Incentive Stock Option" (or "ISO") means, an Option that qualifies for favorable income tax treatment under Code Section 422.

"Non-ISO" means an Option not intended to qualify as an Incentive Stock Option, as designated in the applicable Award Agreement.

"Option" means a right to purchase Company Stock granted under the Plan, at a price determined in accordance with the Plan.

"Participant" means any Eligible Person who holds an outstanding Award.

"Performance Awards" mean Awards granted pursuant to Section 9.

"Performance Unit" means an Award granted pursuant to Section 9(a) of the Plan which may be paid in cash, in Shares, or such combination of cash and Shares as the Committee in its sole discretion shall determine.

"Person" means any natural person, association, trust, business trust, cooperative, corporation, general partnership, joint venture, joint-stock company, limited partnership, limited liability company, real estate investment trust, regulatory body, governmental agency or instrumentality, unincorporated organization or organizational entity.

"Plan" means this Vermillion, Inc. 2010 Stock Incentive Plan.

"Recapture" and "Rescission" have the meaning set forth in Section 14 of the Plan.

"Reimbursement" has the meaning set forth in Section 15 of the Plan.

"Reporting Person" means an Employee, Director, or Consultant who is subject to the reporting requirements set forth under Rule 16b-3.

"Restricted Share" means a Share of Company Stock awarded with restrictions imposed under Section 7.

"Restricted Share Unit" or "RSU" means a right granted to a Participant to receive Shares or cash upon the lapse of restrictions imposed under Section 7.

"Retirement" means a Participant's termination of employment after age 65.

"Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act, as amended from time to time, or any successor provision.

"Share" means a share of Common Stock of the Company, as adjusted in accordance with Section 13 of the Plan.

"SAR" or "Share Appreciation Right" means a right to receive amounts awarded under Section 6.

"Ten Percent Holder" means a person who owns (within the meaning of Code Section 422) stock representing more than ten percent (10%) of the combined voting power of all classes of stock of the Company.

"Unrestricted Shares" mean Shares (without restrictions) awarded pursuant to Section 7 of the Plan.

"Withholding Taxes" means the aggregate minimum amount of federal, state, local and foreign income, payroll and other taxes that the Company and any Affiliates are required to withhold in connection with any Award.

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

FORM 10-K

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

For the fiscal year ended December 31, 2009.

or

☐ **Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934.**

For the transition period from to .

Commission File Number: 000-31617

VERMILLION™

Vermillion, Inc.

(Debtor-in-Possession)

(Exact name of registrant as specified in its charter)

Delaware	**33-0595156**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
47350 Fremont Blvd. Fremont, California	**94538**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (510) 226-2800

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value $0.001 Per Share

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☐ No ☒

The aggregate market value of voting common stock held by non-affiliates of the Registrant is $131,437 and is based upon the last sales price as quoted on the NASDAQ Capital Market as of June 30, 2009.

As of March 31, 2010, the Registrant had 10,298,696 shares of common stock, par value $0.001 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE: None

Vermillion, Inc.
(Debtor-in-Possession)

Table of Contents

PART I

Forward Looking Statements

Vermillion, Inc. ("Vermillion") and its wholly owned subsidiaries (collectively, the "Company") has made statements in Part I Item 1, "Business"; Part II Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations"; and other sections of this Annual Report on Form 10-K that are deemed forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. The Company claims the protection of such safe harbor, and disclaims any intent or obligation to update any forward-looking statement. You can identify these statements by forward-looking words such as "may", "will", "expect", "intend", "anticipate", "believe", "estimate", "plan", "could", "should" and "continue" or similar words. These forward-looking statements may also use different phrases. The Company has based these forward-looking statements on management's ("we", "us" or "our") current expectations and projections about future events. Examples of forward-looking statements include the following statements:

- *projections of the Company's future revenue, results of operations and financial condition;*
- *anticipated efficacy of Vermillion's products and Vermillion's product development activities and product innovations;*
- *competition and consolidation in the markets in which the Company competes;*
- *existing and future collaborations and partnerships;*
- *the utility of biomarker discoveries;*
- *our belief that biomarker discoveries may have diagnostic and/or therapeutic utility;*
- *our plans to develop and commercialize diagnostic tests through Vermillion's strategic alliance with Quest Diagnostics Incorporated ("Quest");*
- *our ability to comply with applicable government regulations;*
- *our ability to expand and protect Vermillion's intellectual property portfolio;*
- *anticipated future losses;*
- *expected levels of expenditures;*
- *expected market adoption of our diagnostic tests, including that of the OVA1™ ovarian tumor triage test (the "OVA1 Test");*
- *our ability to obtain reimbursement for our diagnostic tests, including the OVA1 Test;*
- *forgiveness of the outstanding principal amounts of the secured line of credit by Quest;*
- *our ability to relist our common stock on the NASDAQ Global Market or other national securities exchange; and*
- *market risk of the Company's investments.*

These statements are subject to significant risks and uncertainties, including those identified in Part I Item 1A, "Risk Factors", that could cause actual results to differ materially from those projected in such forward-looking statements due to various factors, including our ability to generate sales after completing development of new diagnostic products; our ability to manage the Company's operating expenses and cash resources that is consistent with our plans; our ability to secure adequate funds on acceptable terms to execute our business plan; our ability to develop and commercialize diagnostic products using both Vermillion's internal and external research and development resources; our ability to obtain market acceptance of Vermillion's OVA1 Test or future diagnostic products, including the risk that our products will not be competitive with products offered by other companies, or that users will not be entitled to receive adequate reimbursement for our products from third

party payers such as private insurance companies and government insurance plans; our ability to successfully license or otherwise successfully partner with third parties to commercialize our products; our ability to obtain any regulatory approval for Vermillion's future diagnostic products; our ability to protect and promote Vermillion's proprietary technologies, and our ability to relist Vermillion's shares on the NASDAQ Global Market or on other national securities exchange. We believe it is important to communicate our expectations to Vermillion's investors. However, there may be events in the future that we are not able to accurately predict or that we do not fully control that could cause actual results to differ materially from those expressed or implied in the Company's forward-looking statements.

Item 1. Business

Company Overview

Vermillion, Inc. ("Vermillion"; Vermillion and its wholly owned subsidiaries are collectively referred to as the "Company") was originally incorporated in California on December 9, 1993, under the name Abiotic Systems. In March 1995, Abiotic Systems changed its corporate name to Ciphergen Biosystems, Inc. and subsequently on June 21, 2000, it reincorporated in Delaware. Under the name of Ciphergen Biosystems, Inc., Vermillion had its initial public offering on September 28, 2000, and began trading on the NASDAQ National Market. On August 21, 2007, Ciphergen Biosystems, Inc. changed its corporate name to Vermillion, Inc., which reflects the transition of the Company from its historic roots as a proteomics research products business to a novel diagnostic development and commercialization business. Additionally, Vermillion had a 1 for 10 reverse stock split of Vermillion's common stock effective at the close of business on March 3, 2008. Accordingly, all share and per share amounts were adjusted to reflect the impact of the 1 for 10 reverse stock split in this Annual Report on Form 10-K.

The Company is dedicated to the discovery, development and commercialization of novel high-value diagnostic tests that help physicians diagnose, treat and improve outcomes for patients. Vermillion's tests are intended to guide decisions regarding patient treatment, which may include decisions to refer patients to specialists, to perform additional testing, or to assist in the selection of therapy. A distinctive feature of Vermillion's approach is to combine multiple markers into a single, reportable index score that has higher diagnostic accuracy than its constituents.

Management ("we", "us" or "our") concentrates its development of novel diagnostic tests in the fields of oncology, hematology, cardiology and women's health, with the initial focus on ovarian cancer. Vermillion also intends to address clinical questions related to early disease detection, treatment response, monitoring of disease progression, prognosis and others through collaborations with leading academic and research institutions such as its strategic alliance agreement with Quest Diagnostic Incorporated ("Quest").

Vermillion's lead product is the OVA1™ ovarian tumor triage test (the "OVA1 Test"), which was cleared by the United States Food and Drug Administration (the "FDA") on September 11, 2009. The OVA1 Test addresses a clear unmet clinical need, namely the presurgical identification of women who are at high risk of having a malignant ovarian tumor. Numerous studies have documented the benefit of referral of these women to gynecologic oncologists for their initial surgery. Prior to the clearance of the OVA1 Test, no blood test had been cleared by the FDA for physicians to use in the presurgical management of ovarian adnexal masses. The OVA1 Test is a qualitative serum test that utilizes five well established biomarkers and proprietary FDA-cleared software to determine the likelihood of malignancy in women with a pelvic mass for whom surgery is planned. The OVA1 Test was developed through large pre-clinical studies in collaboration with numerous academic medical centers encompassing over 2,500 clinical samples. The OVA1 Test was fully validated in a prospective multi-center clinical trial encompassing 27 sites reflective of the diverse clinical centers at which ovarian adnexal masses are evaluated. The results of the clinical trial demonstrated that the OVA1 Test, in conjunction with clinical evaluation, was able to identify over 90% of the malignant ovarian tumors and to rule out malignancy (negative predictive value, or "NPV") with over 90% certainty.

The OVA1 Test was launched on March 9, 2010, by Quest under the terms of its strategic alliance with Vermillion at a list price of $650 for each OVA1 Test. On March 11, 2010, the Medicare contractor Highmark Medicare Services announced that it would cover the OVA1 Test in its reimbursement program. On May 10, 2010, Quest notified Vermillion that Highmark Medicare Services is adjudicating to Quest the OVA1 claims in the amount of $516.25 for each OVA1 Test.

In addition to the OVA1 Test, Vermillion has development programs in other clinical aspects of ovarian cancer as well as in peripheral arterial disease ("PAD"). In the field of peripheral arterial disease, Vermillion has identified candidate biomarkers that may help to identify individuals at high risk for a decreased ankle-brachial index score, which is indicative of the likely presence of peripheral arterial disease.

Current and former academic and research institutions that Vermillion has or has had collaborations with include The Johns Hopkins University School of Medicine ("JHU"); The University of Texas M.D. Anderson Cancer Center ("M.D. Anderson"); University College London ("UCL"); The University of Texas Medical Branch ("UTMB"); The Katholieke Universiteit Leuven; Clinic of Gynecology and Clinic of Oncology, Rigshospitalet, Copenhagen University Hospital ("Rigshospitalet"); The Ohio State University Research Foundation ("OSU"); Stanford University ("Stanford"); and the University of Kentucky ("UK").

On March 30, 2009, Vermillion filed a voluntary petition for relief (the "Bankruptcy Filing") under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Subsequently, on January 22, 2010, the confirmation order issued by the Bankruptcy Court for approving Vermillion's Second Amended Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code dated January 5, 2010, (the "Plan of Reorganization") became final and all conditions precedent to January 22, 2010, were satisfied or waived. Accordingly, the Company has emerged from bankruptcy under Chapter 11.

The Diagnostics Market

The economics of healthcare demand improved allocation of resources. Improved allocation of resources can be derived through disease prevention, early detection of disease leading to early intervention, and diagnostic tools that can triage patients to more appropriate therapy and intervention. According to the May 2009 In Vitro Diagnostics Market Analysis 2009-2024 report, the worldwide market for in vitro diagnostics ("IVDs") in 2008 was approximately $40.0 billion. Visiongain predicts that the market will generate nearly $60.0 billion in 2014.

Vermillion has chosen to concentrate primarily in the areas of oncology, hematology, cardiology and women's health. Demographic trends suggest that, as the population ages, the burden from these diseases will increase and the demand for quality diagnostic, prognostic and predictive tests will increase. In addition, these areas generally lack quality diagnostic tests and, therefore, we believe patient outcomes can be significantly improved by the development of novel diagnostic tests.

Vermillion's focus on translational proteomics enables it to address the market for novel diagnostic tests that simultaneously measure multiple protein biomarkers. A protein biomarker is a protein or protein variant that is present at greater or lesser concentrations in a disease state versus a normal condition. Conventional protein tests measure a single protein biomarker whereas most diseases are complex. We believe that efforts to diagnose cancer and other complex diseases have failed in large part because the disease is heterogeneous at the causative level (i.e., most diseases can be traced to multiple potential etiologies) and at the human response level (i.e., each individual afflicted with a given disease can respond to that ailment in a specific manner).

Consequently, measuring a single protein biomarker when multiple protein biomarkers may be altered in a complex disease is unlikely to provide meaningful information about the disease state. We believe that our approach of monitoring and combining multiple protein biomarkers using a variety of analytical techniques will allow Vermillion to create diagnostic tests with sufficient sensitivity and specificity about the disease state to aid the physician considering treatment options for patients with complex diseases.

Ovarian Cancer

Background. Commonly known as the "silent killer", ovarian cancer leads to approximately 15,000 deaths each year in the United States. Approximately 20,000 new ovarian cancer cases are diagnosed each year, with the majority of the patients in the late stages of the disease in which the cancer has spread beyond the ovary. Unfortunately, ovarian cancer patients in the late stages of the disease have a poor prognosis, which leads to the high mortality rates. According to the American Cancer Society, when ovarian cancer is diagnosed at its earliest stages, the patient has a 5-year survival rate of 93%. Ovarian cancer patients have up to a 90% cure rate following surgery and/or chemotherapy if detected in stage 1. However, only 19% of ovarian cancer patients are diagnosed before the tumor has spread outside the ovary. For ovarian cancer patients diagnosed in the late-stages of the disease, the 5-year survival rate falls to 18%.

While the diagnosis of ovarian cancer in its earliest stages greatly increases the likelihood of survival from the disease, another factor that predicts survival from ovarian cancer is the specialized training of the surgeon who operates on the ovarian cancer patient. Numerous studies have demonstrated that treatment of malignant ovarian tumors by specialists such as gynecologic oncologists or at specialist medical centers improves outcomes for women with these tumors. Published guidelines from the Society of Gynecologic Oncologists (the "SGO") and the American College of Obstetricians and Gynecologists (the "ACOG") recommend referral of women with malignant ovarian tumors to specialists. Unfortunately, today, only about one third of women with these types of tumors are operated on by specialists, in part because of inadequate tests and procedures that can identify such malignancies with high sensitivity. Accordingly, an unmet clinical need is a diagnostic test that can provide adequate predictive value to stratify patients with a pelvic mass into those with a high risk of invasive ovarian cancer versus those with a low risk of ovarian cancer, which is essential for improving overall survival in patients with ovarian cancer.

Although ovarian adnexal tumors are relatively common, malignant tumors are less so. Screening studies have indicated that the prevalence of ovarian adnexal tumors in postmenopausal women can be as high as 5 percent. Ovarian adnexal tumors are thought to be even more common in premenopausal women, but there are more non-persistent, physiologic ovarian tumors in this demographic. Using census estimates of 110 million women over the age of 18 and a 5% prevalence rate, this implies that over five million women are experiencing ovarian adnexal tumors at any given time. Although many of these do not present to the physician or are not concerning enough to warrant surgery, those that do require evaluation of the likelihood of malignancy.

The ACOG and the SGO have issued guidelines to help physicians evaluate ovarian adnexal tumors for malignancy. These guidelines take into account menopausal status, CA125 levels, and physical and imaging findings. However, these guidelines have notable shortcomings because of their reliance on tools with certain weaknesses. Most notably, the CA125 blood test, which is cleared by the FDA only for monitoring for recurrence of ovarian cancer, is absent in up to 50% of early stage ovarian cancer cases. Moreover, CA125 can be elevated in diseases other than ovarian cancer, including benign ovarian tumors and endometriosis. These shortcomings limit the CA125 blood test's utility in distinguishing benign from malignant ovarian tumors or for use in detection of early stage ovarian cancer. Transvaginal ultrasound is another diagnostic modality used with patients with ovarian tumors. Attempts at defining specific morphological criteria that can aid in a benign versus malignant diagnosis have led to the morphology index and the risk of malignancy index, with reports of 40-70% predictive value. However, ultrasound interpretation can be variable and dependent on the experience of the operator. Accordingly, the ACOG and SGO guidelines perform only modestly in identifying early stage ovarian cancer and malignancy in pre-menopausal women. Efforts to improve detection of cancer by lowering the cutoff for CA125 (the "Modified ACOG/SGO Guidelines") provide only a modest benefit, since CA125 is absent in certain types of epithelial ovarian cancer and is poorly detected in early stage ovarian cancer.

Clinical Development. To address this clear unmet clinical need, Vermillion initiated an ovarian cancer biomarker discovery program. In August 2004, Vermillion, along with collaborators at JHU, UCL and M.D. Anderson, reported in a *Cancer Research* paper the discovery of three biomarkers that, when combined with CA125, provided higher diagnostic accuracy for early stage ovarian cancer than other biomarkers, including

CA125 alone. The three biomarkers that Vermillion reported in the August 2004 *Cancer Research* paper formed the basis of an expanded panel of biomarkers that together have demonstrated risk stratification value in a series of studies involving over 2,500 clinical samples from more than five clinical sites. Data presented at the June 2006 Annual Meeting of the American Society of Clinical Oncology demonstrated the portability of this biomarker panel among different clinical groups, indicating its potential validity across various testing populations. Data presented at the March 2007 Annual Meeting of the SGO described results from a cohort study. Vermillion was able to demonstrate in 525 consecutively sampled women, a significant increase in the positive predictive value using its biomarker panel over the baseline level. This translates into the potential to enrich the concentration of ovarian cancer cases referred to the gynecologic oncologist by more than twofold.

OVA1™ Ovarian Tumor Triage Test. In January, 2007, Vermillion commenced its multi-center prospective clinical trial to demonstrate the clinical performance and utility of its OVA1 Test, which was developed based on the studies described above. The clinical study population came from institutions with primary care physicians, gynecologists ("non-GO"), and/or gynecologic oncologists ("GO"). The clinical study subject enrollment centers were representative of institutions where ovarian tumor subjects potentially undergo a gynecologic examination. The specimens were collected at 27 demographically mixed sites that included large and small medical centers (universities/community hospitals), clinics that specialize in women's health, small gynecology/obstetrics groups, gynecology/oncology practices, and HMO groups. The performance of the OVA1 Test was determined based on 516 evaluable subjects who underwent surgery to remove a documented ovarian tumor and for whom a pathology result was available. Physicians were asked, based on the information they had, which included physical, radiologic, and laboratory results, whether they believed the patient had cancer ("Clinical Assessment"). Physicians were not provided with the OVA1 Test score in making this determination. After surgery, the specimen was examined by a surgical pathologist per routine clinical practice. The ability of physicians to predict malignancy without the OVA1 Test was compared to the ability of physicians or the OVA1 Test ("Dual Assessment") to predict malignancy. With Dual Assessment, which included the OVA1 Test, 80.0% of cancers missed by clinician impression alone were detected. Dual Assessment, which included the OVA1 Test, had greater sensitivity and negative predictive value than Clinical Assessment alone and both metrics of clinical performance were over 90%. Vermillion obtained FDA clearance of the OVA1 Test on September 11, 2009. The OVA1 Test is the first and only FDA-cleared test to be used in the pre-surgical evaluation of ovarian adnexal tumors. Additionally, the OVA1 Test is the first and only protein-based in vitro diagnostics multivariate index assay ("IVDMIA") cleared by the FDA.

Results from the clinical trial were presented at the 2010 Annual Meeting of the SGO. One presentation demonstrated that the ACOG/SGO guidelines detected only 77% of ovarian malignancies and that the Modified ACOG/SGO Guidelines improved detection to only 80%. Moreover, detection of early stage ovarian cancer was only 47%. A second presentation demonstrated that the OVA1 Test, in conjunction with clinical impression, improved detection of malignancy to 92% from 72% using clinical impression alone among patients evaluated by non-gynecologic oncologists. Among these patients, detection of stage I ovarian cancer was 79%.

Health economic analysis indicates that anticipated benefits of the OVA1 Test include 1) more appropriate referrals of women with high risk of malignancy to a gynecologic oncologist and fewer referrals of women at low risk of malignancy; 2) fewer second surgeries as a result of an initial surgery by a generalist on a woman with a malignant tumor; 3) reduced need for a backup surgeon (i.e. specialist) during a surgery by a generalist; 4) more appropriate and efficient administration of intraperitoneal chemotherapy; 5) longer survival, associated with better quality of life. Studies directed at demonstrating these benefits are currently being planned.

Other ovarian cancer indications. Additionally, Vermillion has identified markers that may assist physicians in determining prognosis and/or recurrence. These markers require additional validation, which is planned for the years ending December 31, 2010 and 2011.

Peripheral Arterial Disease

Peripheral arterial disease ("PAD") represents atherosclerosis of the lower extremities and is generally reflective of systemic atherosclerotic disease and is therefore a risk factor for adverse cardiac events such as myocardial infarction and stroke. This disease affects between 8-12 million Americans, and the number of people diagnosed with PAD is expected to increase concurrently with the rising number of people diagnosed with diabetes. The American Heart Association and the American College of Cardiology have identified three demographics at risk for PAD: smokers 50 years of age or older; diabetics 50 years of age or older; and the elderly 70 years of age or older. Collectively, this represents tens of millions of Americans.

PAD is most commonly diagnosed using the ankle-brachial index ("ABI"), which is performed using a handheld Doppler. Blood pressures are measured in the arm and at the ankles and the ratio (ankle/arm) is calculated. Non-affected individuals should have a ratio of 0.9 or greater, while individuals with a ratio of less than 0.9 are defined as having PAD. Although the ABI has good sensitivity and specificity for PAD, its implementation into routine clinical practice has been hampered by poor physician adoption, generally because of the need to utilize special equipment by a specially trained technician and the need to have the patient lie supine prior to the administration of this test. Additionally, studies have shown that the ABI is often performed incorrectly. Therefore, a blood test that can be more routinely implemented would be beneficial in identifying people at increased risk for PAD.

In collaboration with Dr. John Cooke at Stanford, Vermillion has performed both an initial discovery study and a first validation study that has resulted in the identification blood markers that could assist in the diagnosis of PAD. These findings form the basis of a novel blood diagnostic test for PAD.

The results of these studies, including the publication of two blood markers for PAD, were published in the August 2007 on-line issue of the peer-reviewed journal *Circulation*, which is published by the American Heart Association (the "AHA"). Independent validation of these initial findings was subsequently published in the peer-reviewed journal *Vascular Medicine* in 2008. This study, which encompassed 540 individuals, confirmed the elevation of the two biomarkers in subjects with PAD. Moreover, the study showed that a panel of markers improved the identification of subjects with PAD and was complementary to available data, including the AHA risk score. In this study, subjects with a moderate AHA risk score but elevated PAD biomarker score had almost an 8 times increased likelihood of having PAD than if they had a normal PAD biomarker score.

Ongoing efforts are aimed at further validating these biomarkers in combination with additional cardiovascular biomarkers as well as a prospective study in a general practice setting. Quest has accepted the PAD test as a development program under the terms of the Amended Strategic Alliance Agreement.

Thrombotic Thrombocytopenic Purpura

The functional activity of proteins is often modulated by changes in its structure. Conventional approaches to assay proteins vary in their ability to detect these changes, and may depend on the specificity of the antibody to the original or altered forms of the proteins. Additionally, a conventional assay may inadvertently measure only one form of a protein while many other forms of this protein exist. Vermillion's use of mass spectrometry has advantages over traditional assay approaches due to its ability to distinguish two or more highly related protein species based on molecular mass, or in combination with chromatographic separation tools, such as with ProteinChip arrays, based on biochemical properties. Because most traditional assay approaches rely strictly on using antibodies to capture the intended biomarker, protein forms with a common epitope are not readily distinguished. For example, Vermillion is specifically addressing thrombotic thrombocytopenic purpura ("TTP"), a hematologic disease that affects mostly women and is a result of a deficiency in the A disintegrin and metalloproteinase with a thrombospondin type 1 motif, member 13 ("ADAMTS13") enzyme. This disease affects approximately 1,000 Americans annually and is life threatening in the absence of appropriate treatment, which is usually plasmaphoresis. Undertreatment can lead to increased mortality from the disease while overtreatment wastes precious resources. In addition, patients with TTP need to be monitored for clinical response to therapy.

Current assays rely on unwieldy western blots or alternately immunoblot, which are both low throughput and poorly quantitative. Vermillion's assay measures the product of the enzymatic reaction for ADAMTS13 enzyme directly, provides the quantitation necessary to distinguish TTP from other thrombocytopenic diseases, evaluates patient responses to therapy, and monitors patients during clinical remission to prevent recurrences of the disease. OSU is now offering the diagnostic test for clinical use as the laboratory developed test ("LDT").

Commercialization

Vermillion expects to commercialize and sell diagnostic tests (which may consist of reagents and/or and proprietary software) in one or both of two phases. One phase, referred to as the LDT phase, will involve the sale of certain reagents (which may be in the form of proprietary software) to certain customers coupled with the grant to such customer of a sublicense to utilize the reagent in a laboratory-developed test using the methodology covered by the relevant license(s) obtained from Vermillion's collaborators. An LDT would comprise multiple reagents (such as assay test kits, software, or other reagents), some of which would be supplied by Vermillion, and would be utilized by clinical laboratories to develop and perform "home brew" laboratory tests in laboratories federally regulated under the Clinical Laboratory Improvement Amendments of 1988 ("CLIA"). In the other phase, referred to as the IVD phase, Vermillion plans to sell FDA-cleared devices (which may comprise multiple reagents such as assay test kits, software, or other reagents).

On July 22, 2005, Vermillion entered into a three-year strategic alliance agreement with Quest to develop and commercialize up to three diagnostic tests. This agreement was amended on October 7, 2009, with a renewal of the three year exclusivity relationship. Under this strategic alliance agreement, Quest has the exclusive right to perform up to three laboratory tests of its selection. To date, Quest has selected two tests, including the OVA1 test and the PAD test currently under development. Quest will have the exclusive right for up to five years, following commercialization of each respective diagnostic test kit (the "Exclusive Period"), to perform such laboratory tests and market software purchased from Vermillion in the United States, Mexico, the United Kingdom and other countries where Quest operates a clinical laboratory, and non-exclusive rights to commercialize these diagnostic test kits in the rest of the world, subject to a royalty payable to Vermillion.

During the LDT phase for a given LDT, and for as long as the Exclusive Period continues, Vermillion will sell reagents and grant rights to utilize such reagents in a laboratory developed test to Quest and other reference laboratories, hospitals and medical clinics in countries where Quest does not operate a clinical laboratory. Once the IVD phase begins for a given LDT in the Exclusive Period, the Company will sell the FDA-cleared IVD test kit to Quest. At the end of the Exclusive Period with respect to any IVD test kit, Quest's exclusive right to perform laboratory tests using such diagnostic test kits will become non-exclusive. In addition to continuing to sell IVD software to Quest, the Company will also sell IVD test kit to commercial clinical laboratories in the United States, Mexico, the United Kingdom and other countries, which were exclusive to Quest during the Exclusive Period. In addition to working through Quest, Vermillion intends to seek partnerships for commercialization purposes with traditional IVD companies and/or with clinical reference labs in territories where Quest does not have exclusive rights.

In the instance of the FDA-cleared OVA1 Test, Vermillion sells Quest a license to use the OvaCalc™ software. Each instance of clinical use (i.e. a reported result for the purpose of providing a result to a patient) is recorded and Quest pays Vermillion on a per-test basis.

Customers

In the United States, the IVD market can be segmented into three major groups: clinical reference laboratories, the largest of which are Quest and Laboratory Corporation of America; hospital laboratories; and physician offices. Initially, substantially all of Vermillion's revenue in the United States will be generated through clinical reference laboratories, and Quest will be the major customer. Vermillion will attempt to penetrate hospital laboratories and physician offices, when appropriate. Outside the United States, laboratories may become customers, either directly with Vermillion or via distribution relationships established between Vermillion and authorized distributors.

Research and Development

Vermillion's research and development efforts center on the discovery and validation of biomarkers and combinations of biomarkers that can be developed into diagnostic assays. Vermillion does this predominantly through collaborations it has established with academic institutions such as JHU, Rigshotspitalet, and Stanford as well as through contract research organizations ("CRO's") such as PrecisionMed.

Scientific Background

Genes are the hereditary coding system of living organisms. Genes encode proteins that are responsible for cellular functions. The study of genes and their functions has led to the discovery of new targets for drug development. Industry sources estimate that, within the human genome, there are approximately 30,000 genes. Although the primary structure of a protein is determined by a gene, the active structure of a protein is frequently altered by interactions with additional genes or proteins. These subsequent modifications result in hundreds of thousands of different proteins. In addition, proteins may interact with one another to form complex structures that are ultimately responsible for cellular functions.

Genomics allows researchers to establish the relationship between gene activity and disease. However, many diseases are manifested not at the genetic level, but at the protein level. The complete structure of modified proteins cannot be determined by reference to the encoding gene alone. Thus, while genomics provides some information about diseases, it does not provide a full understanding of disease processes. Vermillion is focused on converting recent advances in proteomics into clinically useful diagnostic tests.

Relationship Between Proteins and Diseases

The entire genetic content of any organism, known as its genome, is encoded in strands of deoxyribonucleic acid ("DNA"). Cells perform their normal biological functions through the genetic instructions encoded in their DNA, which results in the production of proteins. The process of producing proteins from DNA is known as gene expression or protein expression. Differences in living organisms result from variability in their genomes, which can affect the types of genes expressed and the levels of gene expression. Each cell of an organism expresses only approximately 10% to 20% of the genome. The type of cell determines which genes are expressed and the amount of a particular protein produced. For example, liver cells produce different proteins from those produced by cells found in the heart, lungs, skin, etc. Proteins play a crucial role in virtually all biological processes, including transportation and storage of energy, immune protection, generation and transmission of nerve impulses and control of growth. Diseases may be caused by a mutation of a gene that alters a protein directly or indirectly, or alters the level of protein expression. These alterations interrupt the normal balance of proteins and create disease symptoms. A protein biomarker is a protein or protein variant that is present in a greater or lesser amount in a disease state versus a normal condition. By studying changes in protein biomarkers, researchers may identify diseases prior to the appearance of physical symptoms. Historically, researchers discovered protein biomarkers as a byproduct of basic biological disease research, which resulted in the validation by researchers of approximately 200 protein biomarkers that are being used in commercially available clinical diagnostic products.

Limitations of Existing Diagnostic Approaches

The IVD industry manufactures and distributes products that are used to detect thousands of individual components present in human derived specimens. However, the vast majority of these assays are used specifically to identify single protein biomarkers. The development of new diagnostic products has been limited by the complexity of disease states, which may be caused or characterized by several or many proteins or post-translationally modified protein variants. Diagnostic assays that are limited to the detection of a single protein often have limitations in clinical specificity (true negatives) and sensitivity (true positives) due to the complex nature of many diseases and the inherent biological diversity among populations of people. Diagnostic products that are limited to the detection of a single protein may lack the ability to detect more complex diseases, and thus produce results that are unacceptable for practical use. The heterogeneity of disease and of the human response to disease often underlies the shortcoming of single biomarkers to diagnose and predict many diseases accurately.

Vermillion's Solution

Vermillion's studies, particularly in ovarian cancer, have given Vermillion a better understanding of both the disease pathophysiology and the host response. By using multiple biomarkers, Vermillion is able to better characterize the disease and host response heterogeneity. In addition, by examining specific biomarkers with greater resolution, for example, post-translational modifications, we believe Vermillion can improve the specificity of its diagnostic biomarkers because these modifications reflect both the pathophysiology and host response. This is accomplished using novel protein analysis tools coupled with multivariate statistical analysis software to identify combinations of specific biomarkers leading to commercialization of disease-specific assays.

Vermillion is applying translational proteomics research, development tools, and methods to analyze biological information in an attempt to discover associations between proteins, protein variants, protein-protein interaction and diseases. Vermillion intends to develop new diagnostic tests based on known and newly identified protein markers to help physicians predict an individual's predisposition for a disease in order to better characterize, monitor progression of and select appropriate therapies for such disease. Our goal is to develop novel diagnostic tests that address unmet medical needs, particularly in stratifying patients according to the risk of developing a disease, having a disease or failing a specific therapy for a disease.

The following table is a summary of certain diagnostic issues and Vermillion's solution:

Issue	Solution
Heterogeneity of disease	Emphasis on multi-biomarker panels
Poorly validated biomarkers	Expertise in study design incorporating internal and external validation Large multi-site studies
Protein post-translational modifications that reduce specificity of assays	Mass spectrometry based assays to quantitate disease-specific forms

Addressing the Heterogeneity of Disease

Our strategy is to create a diagnostics paradigm that is based on risk stratification, multiple-biomarker testing and information integration. This strategy is based on the belief that any specific disease is heterogeneous and, therefore, relying on a single disease biomarker to provide a simple "yes-no" answer is likely to fail. We believe that efforts to diagnose cancer and other complex diseases have failed in large part because the disease is heterogeneous at the causative level, meaning that most diseases can be traced to multiple potential etiologies, and at the human response level, meaning that each individual afflicted with a given disease can respond to that ailment in a specific manner. Consequently, diagnosis, disease monitoring and treatment decisions can be challenging. This heterogeneity of disease and difference in human response to disease and/or treatment underlies the shortcomings of single biomarkers to predict and identify many diseases. A better understanding of heterogeneity of disease and human response is necessary for improved diagnosis and treatment of many diseases.

Validation of Biomarkers Through Proper Study Design

Analysis of peer-reviewed publications reveals almost daily reports of novel biomarkers or biomarker combinations associated with specific diseases. Few of these are used clinically. As with drug discovery, preliminary research results fail to canvass sufficient variation in study populations or laboratory practices and, therefore, the vast majority of candidate biomarkers fail to be substantiated in subsequent studies. Recognizing that validation is the point at which most biomarkers fail, our strategy is to reduce the attrition rate between discovery and clinical implementation by building validation into the discovery process. Biomarkers fail to validate for a number of reasons, which can be broadly classified into pre-analytical and analytical factors. Pre-analytical factors include study design that does not mimic actual clinical practice, inclusion of the wrong types of control individuals and demographic bias (usually seen in studies in which samples are collected from a

single institution). Analytical factors include poor control over laboratory protocols, inadequate randomization of study samples and instrumentation biases (for example, higher signal early in the experimental run compared to later in the experimental run). Finally, the manner in which the data are analyzed can have a profound impact on the reliability of the statistical conclusions.

When designing clinical studies, Vermillion begins with the clinical question, since this drives the downstream clinical utility of the biomarkers. With the starting point of building validation into the discovery process, Vermillion designs its studies to include the appropriate cases and control groups. Vermillion further incorporates an initial validation component even within the discovery component. Vermillion places an emphasis on multi-institutional studies, inclusion of clinically relevant controls, using qualified and trained operators to run assays and collect data. For example, in an August 2004 cancer research paper, which describes the first three biomarkers in the ovarian cancer panel, there were more than 600 specimen samples taken from five hospitals that were analyzed. In the development of its OVA1 Test, Vermillion analyzed more than 2,500 samples from five additional medical centers prior to initiating its prospective ovarian clinical study for submission to the FDA. Additionally to date, Vermillion has examined over 600 samples in its PAD program. In analyzing the complex proteomics data, Vermillion takes a skeptical view of statistical methodologies, choosing to use a variety of approaches and looking for concordance between approaches, taking the view that biomarkers deemed significant by multiple statistical algorithms are more likely to reflect biological conditions than mathematical artifacts.

Through biomarker discovery efforts conducted predominantly from 2000 through 2007, Vermillion has amassed a portfolio of candidate biomarkers identified in retrospective sample sets. Vermillion's research and development efforts are now mostly focused on validating these biomarkers in prospective studies. During the period from 2007 through 2008, Vermillion conducted a multi-center prospective clinical trial to determine the clinical performance of its OVA1 Test, which was submitted to the FDA on June 19, 2008, and cleared by the FDA on September 11, 2009. Vermillion has additional markers for ovarian cancer that it plans to evaluate and validate. Additionally, Vermillion has several biomarkers for PAD that it plans to assess prospectively during the year ending December 31, 2010. Vermillion is also evaluating in-licensing opportunities for biomarkers in relevant disease areas. This approach requires less infrastructure and internal resources than establishing and maintaining an internal platform-driven biomarker discovery program. Additionally, it allows Vermillion to be platform-agnostic and potential biomarkers for in-licensing could be proteins, genes, or other types of analytes.

The Company's research and development expenses were $2,346,000 and $5,289,000 for the years ended December 31, 2009 and 2008, respectively.

Intellectual Property

Vermillion's intellectual property includes a portfolio of owned, co-owned or licensed patents and patent applications. As of December 31, 2009, Vermillion's patent portfolio included 54 issued United States patents, 94 pending United States patent applications, and numerous pending patent applications and issued patents outside the United States. These patents and patent applications are directed to several areas of technology important to Vermillion's business, including SELDI technology, diagnostic applications, protein biochips, instrumentation, software and biomarkers. The issued patents covering the SELDI and mass spectrometry technologies expire at various times from 2012 to 2025. Pursuant to the Instrument Business Sale, the Company entered into a cross license agreement with Bio-Rad pursuant to which the Company retained the right to commercially exploit those proprietary rights, including SELDI technology, in the clinical diagnostics market. The clinical diagnostics market includes laboratories engaged in the research and development and/or manufacture of diagnostic tests using biomarkers, commercial clinical laboratories, hospitals and medical clinics that perform diagnostic tests. The Company has been granted exclusive rights to commercialize the proprietary rights in the clinical diagnostics market during a five-year exclusivity period that ends on November 13, 2011. After the end of the five-year period, the Company and Bio-Rad will share exclusive rights. The Company and Bio-Rad each have the right to engage in negotiations with the other party for a license to any improvements in the proprietary rights created by the other party.

Vermillion owns, licenses or hold options to license the patents related to biomarkers developed using SELDI technology. As of December 31, 2009, Vermillion was maintaining 34 patent application families. These include applications in the areas of cancer, cardiovascular disease, infectious disease, neurodegenerative disease and women's health. On March 31, 2009, Vermillion was issued patent number 7,510,842, "Biomarker for ovarian and endometrial cancer: hepcidin". On October 20, 2009, Vermillion was issued patent number 7,605,003, "Use of biomarkers for detecting ovarian cancer".

Outstanding material patents for the OVA1 Test are described in the table below:

Territory	General Subject Matter	Expiration Date
United States	Use of biomarkers for detecting ovarian cancer	8/7/2025

Vermillion has negotiated an extension of the term of its collaboration agreement with JHU, which ends on December 31, 2010, with automatic one-year extensions for up to three additional years unless terminated by Vermillion or JHU, to patent applications directed to biomarkers for ovarian cancer that Vermillion intends to commercialize as an ovarian cancer diagnostic test. Other institutions and companies from which Vermillion holds options to license intellectual property related to biomarkers or is a co-inventor on applications include UCL, M.D. Anderson, UK, OSU, McGill University (Canada), Eastern Virginia Medical School, Aaron Diamond AIDS Research Center, UTMB, Goteborg University (Sweden), University of Kuopio (Finland), The Katholieke Universiteit Leuven (Belgium), Rigshospitalet, and Inverness Medical.

In connection with the Instrument Business Sale, Vermillion sublicensed to Bio-Rad certain rights to the core SELDI technology for use outside of the clinical diagnostics field. Vermillion retained exclusive rights to the license rights for use in the field of clinical diagnostics for a five-year period, after which the license will be co-exclusive in this field. The rights to the SELDI technology are derived through royalty-bearing sublicenses from Molecular Analytical Systems, Inc. ("MAS"). MAS holds an exclusive license to patents directed to the SELDI technology from the owner, Baylor College of Medicine. MAS granted certain rights under these patents to its wholly owned subsidiaries, IllumeSys Pacific, Inc. and Ciphergen Technologies, Inc. in 1997. Vermillion obtained further rights under the patents in 2003 through sublicenses and assignments executed as part of the settlement of a lawsuit between Vermillion, MAS, LumiCyte and T. William Hutchens. Together, the sublicenses and assignments provide all rights to develop, make and have made, use, sell, import, market and otherwise exploit products and services covered by the patents throughout the world in all fields and applications, both commercial and non-commercial. The sublicenses carry the obligation to pay MAS a royalty equal to 2% of revenues recognized between February 21, 2003, and the earlier of (i) February 21, 2013, or (ii) the date on which the cumulative payments to MAS have reached $10,000,000 (collectively, the "Sublicenses"). As of December 31, 2009, Vermillion has paid $2,597,000 in royalties to MAS under the Sublicenses. Under Vermillion's sublicense with Bio-Rad, Bio-Rad agreed to pay the royalties directly to MAS under the license rights.

On July 10, 2007, Vermillion entered into a license and settlement agreement with Health Discovery Corporation ("HDC") pursuant to which Vermillion licensed more than 25 patents covering HDC's support vector machine technology for use with SELDI technology. Under the terms of the HDC Agreement, Vermillion receives a worldwide, royalty-free, non-exclusive license for life sciences and diagnostic applications of the technology and has access to any future patents resulting from the underlying intellectual property in conjunction with use of SELDI systems. Pursuant to the HDC Agreement, Vermillion paid $200,000 to HDC upon entry into the agreement on July 13, 2007, $100,000 three months following the date of the agreement on October 9, 2007, and $150,000 twelve months following the date of the agreement on July 9, 2008. The remaining $150,000 payable under the HDC Agreement, which was due twenty-four months following the date of the agreement and payable as of December 31, 2008, was subsequently paid on January 22, 2010. The HDC Agreement settled all disputes between Vermillion and HDC.

Commercial Operations

Upon clearance of the OVA1 Test, Vermillion initiated efforts directed at building a commercial infrastructure, including hiring of sales and marketing expertise and contracting with reimbursement specialists. To date, Vermillion has a total of five direct sales representatives. These sales representatives work closely with colleagues at Quest to identify opportunities for communicating the benefits of the OVA1 Test to general gynecologists and gynecologic oncologists alike. Additionally, we are contracting with Premier Source to develop and implement strategies towards effective reimbursement. Vermillion's success will also depend on our ability to penetrate markets outside of the United States. Towards that end, we have taken steps towards obtaining CE mark, which will permit us to begin marketing the test in European territories.

Reimbursement

In the United States, revenue for diagnostic tests comes from several sources, including third-party payers such as insurance companies and government healthcare programs, such as Medicare and Medicaid. On March 12, 2010, Vermillion announced that Highmark Medicare Services, the Medicare contractor that has jurisdiction over claims submitted by Quest for the OVA1 Test, will cover the OVA1 Test. On May 10, 2010, Quest notified Vermillion that Highmark Medicare Services is adjudicating to Quest the OVA1 claims in the amount of $516.25 for each OVA1 Test. Vermillion and Quest are pursuing coverage from additional payers.

Environmental Matters

Medical Waste

Vermillion is subject to licensing and regulation under federal, state and local laws relating to the handling and disposal of medical specimens and hazardous waste as well as to the safety and health of laboratory employees. Vermillion's laboratory facility in Fremont, California is operated in material compliance with applicable federal and state laws and regulations relating to disposal of all laboratory specimens. Vermillion utilizes outside vendors for disposal of specimens. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of these materials. Vermillion could be subject to damages in the event of an improper or unauthorized release of, or exposure of individuals to, hazardous materials.

Occupational Safety

In addition to its comprehensive regulation of safety in the workplace, the Federal Occupational Safety and Health Administration has established extensive requirements relating to workplace safety for healthcare employers, including clinical laboratories, whose workers may be exposed to blood-borne pathogens such as HIV and the hepatitis virus. These regulations, among other things, require work practice controls, protective clothing and equipment, training, medical follow-up, vaccinations and other measures designed to minimize exposure to chemicals and transmission of the blood-borne and airborne pathogens.

Specimen Transportation

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

Government Regulation

General

Vermillion's activities related to diagnostic products are, or have the potential to be, subject to regulatory oversight by the FDA under provisions of the Federal Food, Drug and Cosmetic Act and regulations there-under, including regulations governing the development, marketing, labeling, promotion, manufacturing and export of its products. Failure to comply with applicable requirements can lead to sanctions, including withdrawal of products from the market, recalls, refusal to authorize government contracts, product seizures, civil money penalties, injunctions and criminal prosecution.

The Food, Drug and Cosmetic Act requires that medical devices introduced to the United States market, unless exempted by regulation, be the subject of either a pre-market notification clearance, known as a 510(k) clearance or 510(k) de novo clearance, or a FDA pre-market approval ("PMA"). Some of Vermillion's potential future clinical products may require a 510(k) or 510(k) de novo clearance, while others may require a PMA. With respect to devices reviewed through the 510(k) process, Vermillion may not market a device until an order is issued by the FDA finding its product to be substantially equivalent to a legally marketed device known as a predicate device. A 510(k) submission may involve the presentation of a substantial volume of data, including clinical data. The FDA may agree that the product is substantially equivalent to a predicate device and allow the product to be marketed in the United States. On the other hand, the FDA may determine that the device is not substantially equivalent and require a PMA, or require further information, such as additional test data, including data from clinical studies, before it is able to make a determination regarding substantial equivalence. By requesting additional information, the FDA can delay market introduction of Vermillion products.

If the FDA indicates that a PMA is required for any of Vermillion potential future clinical products, the application will require extensive clinical studies, manufacturing information and likely review by a panel of experts outside the FDA. Clinical studies to support either a 510(k) submission or a PMA application would need to be conducted in accordance with FDA requirements. Failure to comply with FDA requirements could result in the FDA's refusal to accept the data or the imposition of regulatory sanctions.

Even in the case of devices like analyte specific reagents ("ASRs"), which may be exempt from 510(k) clearance or PMA approval requirements, the FDA may impose restrictions on marketing. Vermillion's potential future ASR products may be sold only to clinical laboratories certified under the CLIA to perform high complexity testing. In addition to requiring approval or clearance for new products, the FDA may require approval or clearance prior to marketing products that are modifications of existing products or the intended uses of these products. Vermillion cannot assure that any necessary 510(k) clearance or PMA approval will be granted on a timely basis, or at all. Delays in receipt of or failure to receive any necessary 510(k) clearance or PMA approval, or the imposition of stringent restrictions on the labeling and sales of Vermillion's products, could have a material adverse effect on the Company.

Vermillion's suppliers' manufacturing facilities are, and, if and when Vermillion begins commercializing and manufacturing its products itself, its manufacturing facilities will be, subject to periodic and unannounced inspections by the FDA and state agencies for compliance with Quality System Regulations ("QSRs"). Additionally, the FDA will generally conduct a pre-approval inspection for PMA devices. Although Vermillion believes it and its suppliers will be able to operate in compliance with the FDA's QSRs for ASRs, Vermillion cannot assure that Vermillion or its suppliers will be in or be able to maintain compliance in the future. Vermillion has never been subject to an FDA inspection and cannot assure that it will pass an inspection, if and when it occurs. If the FDA believes that Vermillion or its suppliers are not in compliance with applicable laws or regulations, the FDA can issue a Form 483 List of Observations, warning letter, detain or seize Vermillion products, issue a recall notice, enjoin future violations and assess civil and criminal penalties against Vermillion. In addition, approvals or clearances could be withdrawn under certain circumstances.

Any customers using Vermillion's products for clinical use in the United States may be regulated under CLIA. CLIA is intended to ensure the quality and reliability of clinical laboratories in the United States by mandating specific standards in the areas of personnel qualifications, administration, participation in proficiency testing, patient test management, quality control, quality assurance and inspections. The regulations promulgated under CLIA establish three levels of diagnostic tests - namely, waived, moderately complex and highly complex - and the standards applicable to a clinical laboratory depend on the level of the tests it performs. Medical device laws and regulations are also in effect in many of the countries in which the Company may do business outside the United States. These range from comprehensive device approval requirements for some or all of Vermillion's potential future medical device products, to requests for product data or certifications. The number and scope of these requirements are increasing. In addition, products which have not yet been cleared or approved for domestic commercial distribution may be subject to the FDA Export Reform and Enhancement Act of 1996 ("FDERA").

United States Food and Drug Administration Regulation of Cleared Tests

Once granted, a 510(k) clearance or PMA approval may place substantial restrictions on how Vermillion's device is marketed or to whom it may be sold. All devices cleared by the FDA are subject to continuing regulation by the FDA and certain stage agencies. We are required to set forth and adhere to a Quality Policy and other regulations. Additionally, we may be subject to inspection by federal and state regulatory agencies. Non-compliance with these standards can result in, among other things, fines, injunctions, civil penalties, recalls, total or partial suspension of production. Labeling and promotional activities are subject to scrutiny by the FDA, which prohibits the marketing of medical devices for unapproved uses.

As a medical device manufacturer, Vermillion is also required to register and list its products with the FDA. In addition, Vermillion is required to comply with the FDA's QSRs, which require that its devices be manufactured and records be maintained in a prescribed manner with respect to manufacturing, testing and control activities. Further, Vermillion is required to comply with FDA requirements for labeling and promotion. For example, the FDA prohibits cleared or approved devices from being promoted for uncleared or unapproved uses. In addition, the medical device reporting regulation requires that Vermillion provides information to the FDA whenever evidence reasonably suggests that one of its devices may have caused or contributed to a death or serious injury, or where a malfunction has occurred that would be likely to cause or contribute to a death or serious injury if the malfunction were to recur.

Foreign Government Regulation of Vermillion's Products

We intend to obtain regulatory approval in other countries to market our tests. Each country maintains its own regulatory review process, tariff regulations, duties and tax requirements, product standards, and labeling requirements. Vermillion has retained the services of the Emergo Group and TUV SUD America Inc. to assist in its efforts to satisfy the regulatory requirements necessary for commercialization in Europe.

Competition

The diagnostics industry in which the Company operates is competitive and evolving. There is intense competition among healthcare, biotechnology and diagnostics companies attempting to discover candidates for potential new diagnostic products. These companies may:

- develop new diagnostic products in advance of Vermillion or its collaborators;
- develop diagnostic products that are more effective or cost-effective than those developed by Vermillion or its collaborators;
- obtain regulatory clearance or approval of their diagnostic products more rapidly than Vermillion or its collaborators; or
- obtain patent protection or other intellectual property rights that would limit the ability to develop and commercialize, or a customers' ability to use Vermillion's or its collaborators' diagnostic products.

The Company competes with companies in the United States and abroad that are engaged in the development and commercialization of novel biomarkers that may form the basis of novel diagnostic tests. These companies may develop products that are competitive with and/or perform the same or similar to the products offered by the Company or its collaborators, such as biomarker specific reagents or diagnostic test kits. Also, clinical laboratories may offer testing services that are competitive with the products sold by the Company or its collaborators. For example, a clinical laboratory can either use reagents purchased from manufacturers other than the Company or use its own internally developed reagents to make diagnostic tests. If clinical laboratories make tests in this manner for a particular disease, they could offer testing services for that disease as an alternative to products sold by the Company used to test for the same disease. The testing services offered by clinical laboratories may be easier to develop and market than test kits developed by the Company or its collaborators because the testing services are not subject to the same clinical validation requirements that are applicable to FDA-cleared or approved diagnostic test kits.

Employees

As of December 31, 2008, the Company had 13 full-time employees, which was comprised of 4 employees in research and development, 3 employees in sales and marketing and 6 employees in general and administrative. The Company also engages independent contractors for certain matters. None of the Company's employees are covered by a collective bargaining agreement. The Company believes that its relations with its employees are good. The Company's success will depend in large part on its ability to attract and retain skilled and experienced employees.

As of March 31, 2009, in connection with the Company's Bankruptcy Filing and in an effort to conserve cash, the Company reduced its staff to 3 full-time employees, including 2 employees in research and development and 1 employee in general and administrative. As of December 31, 2009, the Company had 2 full-time employees, including 1 employee in research and development and 1 employee in general and administrative. Additionally, the Company had engaged as independent contractors several former employees and executive management members.

Subsequently on September 11, 2009, Vermillion received clearance of its OVA1 Test 510(k) Pre-Market Application Notification from the FDA. On November 24, 2009, Vermillion filed its Plan of Reorganization and Disclosure Statement with the Bankruptcy Court, which was amended on December 3, 2009. The Second Amended Plan of Reorganization was approved by the Company's unsecured creditors on January 6, 2010, and by the Bankruptcy Court on January 7, 2010. Vermillion emerged from bankruptcy under Chapter 11 on January 22, 2010. As part of the Second Amended Plan of Reorganization, Vermillion completed a private placement sale of 2,327,869 shares of its common stock for gross proceeds of $43,050,000 to a group of investors. In connection with these events, the Company increased its staff to 10 full-time employees as of March 31, 2010.

Information About Vermillion

The Company files annual reports, quarterly reports, special reports, proxy and information statements, and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any material the Company files with the SEC at the SEC's Public Reference Room located at the following address:

100 F Street, NE
Washington, DC 20549

You may obtain information on the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website, *www.sec.gov*, that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

In addition, the Company makes available free of charge under the Investors Relation section of its website, *www.vermillion.com*, the Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after the Company has electronically filed such material with or furnished it to the SEC. You may also obtain these documents free of charge by submitting a written request for a paper copy to the following address:

Investor Relations
Vermillion, Inc.
47350 Fremont Blvd.
Fremont, California 94538

Item 1A. Risk Factors

You should carefully consider the following risk factors and uncertainties together with all of the other information contained in this Annual Report on Form 10-K, including Vermillion, Inc. ("Vermillion") and subsidiaries' (collectively referred to as the "Company") audited consolidated financial statements and the accompanying notes in Part II Item 8, "Financial Statements and Supplementary Data". The risks and uncertainties management ("we", "us" or "our") describes below are the only ones the Company faces. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect the Company's business.

At the February 14, 2008, Special Meeting of Stockholders, the stockholders of Vermillion approved the proposal to authorize the Board of Directors in its discretion, without further authorization of Vermillion's stockholders, to amend Vermillion's Certificate of Incorporation to effect a reverse split of Vermillion's common stock by a ratio of between 1 for 6 to 1 for 10. On February 15, 2008, Vermillion's Board of Directors approved a 1 for 10 reverse stock split (the "Reverse Stock Split") of Vermillion's common stock effective at the close of business on Monday, March 3, 2008. Accordingly, all share and per share amounts were adjusted to reflect the impact of the 1 for 10 reverse stock split in this Annual Report on Form 10-K.

Risks Related to Vermillion's Emergence from Bankruptcy

Vermillion filed a petition for relief under Chapter 11 of the United States Bankruptcy Code on March 30, 2009, and, despite having emerged from bankruptcy on January 22, 2010, Vermillion continues to be subject to the risks and uncertainties associated with residual Chapter 11 bankruptcy proceedings.

On March 30, 2009, Vermillion filed a voluntary petition for relief (the "Bankruptcy Filing") under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Subsequently on January 22, 2010, the confirmation order issued by the Bankruptcy Court for approving Vermillion's Second Amended Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code dated January 5, 2010 (the "Plan of Reorganization") became final and all conditions precedent January 22, 2010 were satisfied or waived. Accordingly, the Company emerged from bankruptcy under Chapter 11. Because of the residual risks and uncertainties associated with Vermillion's Chapter 11 bankruptcy proceedings, the ultimate impact that events that occurred during, or that may occur subsequent to, these proceedings will have on the Company's business, financial condition and results of operations cannot be accurately predicted or quantified.

The Company's actual financial results after Vermillion's emergence from bankruptcy under Chapter 11 may vary significantly from the projections filed with the Bankruptcy Court.

Vermillion emerged from bankruptcy under Chapter 11 on January 22, 2010, pursuant to terms of its Plan of Reorganization approved by the Bankruptcy Court. In connection with the Plan of Reorganization, the Company was required to prepare projected financial information to demonstrate to the Bankruptcy Court the feasibility of the Plan of Reorganization and the Company's ability to continue operations upon emergence from bankruptcy under Chapter 11. The projected financial information filed with the Bankruptcy Court reflected numerous assumptions concerning anticipated future performance and prevailing and anticipated market and economic conditions, many of which were and continue to be beyond our control and which may not materialize. Projections are inherently subject to uncertainties and to a wide variety of significant business, economic and competitive risks. The Company's actual results will likely vary from those contemplated by the projected financial information and the variations may be material.

The Company's actual financial results after emergence from bankruptcy under Chapter 11 may not be comparable to its historical financial information.

As a result of the consummation of the Plan of Reorganization and the transactions contemplated thereby, the Company's financial condition and results of operations from and after January 22, 2010, may not be comparable to the financial condition or results of operations reflected in the Company's historical financial statements.

We cannot be certain that the Chapter 11 bankruptcy proceedings will not adversely affect the Company's operations going forward.

Although Vermillion emerged from bankruptcy under Chapter 11 upon consummation of the Plan of Reorganization, we cannot assure you that having been subject to bankruptcy protection will not adversely affect the Company's operations going forward, including its ability to negotiate favorable terms from suppliers, partners and others and to attract and retain customers. The failure to obtain such favorable terms and retain customers could adversely affect the Company's financial performance.

Risks Related to the Company's Business

We expect to incur a net loss for 2011 and 2010. If we are unable to generate significant diagnostic products revenue, the Company may never achieve profitability.

From the Company's inception through December 31, 2009, the Company has generated cumulative revenue from the sale of products and services to customers of $229,424,000 and has incurred net losses of $279,475,000. The Company has experienced significant operating losses each year since its inception and we expect these losses to continue for at least the next year, resulting in an expected net loss for the years ending December 31, 2011 and 2010. For example, the Company experienced net losses of $22,048,000, $18,330,000 and $21,282,000 for the years ended December 31, 2009, 2008 and 2007, respectively. The Company's losses have resulted principally from costs incurred in research and development, sales and marketing, litigation, and general and administrative costs associated with the Company's operations. These costs have exceeded the Company's gross profit, which was generated principally from product sales and service income derived from the protein research products and collaborative services business (the "Instrument Business"), before the assets and liabilities were sold (the "Instrument Business Sale") to Bio-Rad Laboratories, Inc. ("Bio-Rad") on November 13, 2006. We expect to incur additional operating losses that may be substantial. The Company's inability to become and remain profitable may depress the market price of Vermillion's common stock and impair the Company's ability to raise capital and continue our operations. Even if the Company does achieve profitability, the Company may not be able to sustain or increase profitability on a quarterly or annual basis.

We may need to raise additional capital for the Company in the future, and if we are unable to secure adequate funds on terms acceptable to us, we may be unable to execute our business plan.

We currently believe that the Company's current cash resources together with existing debt facilities will be sufficient to meet the Company's anticipated needs for the next 12 months. However, we may need to raise additional capital sooner in order to develop new or enhanced products or services, increase our efforts to discover biomarkers and develop them into diagnostic products, or acquire complementary products, businesses or technologies. We may seek to raise additional capital through the issuance of equity or debt securities, or a combination thereof, in the public or private markets, through a collaborative arrangement or sale of assets, or through the liquidation of Vermillion's investments in auction rate securities. Additional financing opportunities may not be available to us, or if available, may not be on favorable terms. The availability of financing opportunities will depend, in part, on market conditions, and the outlook for the Company's business. Any future issuance of equity securities or securities convertible into equity would result in substantial dilution to Vermillion's stockholders, and the securities issued in such a financing may have rights, preferences or privileges senior to those of Vermillion's common stock or convertible senior notes. If Vermillion raises additional funds by issuing debt, the Company may be subject to limitations on its operations, through debt covenants or other restrictions. If Vermillion obtains additional funds through arrangements with collaborators or strategic partners, Vermillion may be required to relinquish rights to certain technologies or products that it might otherwise seek to retain. If adequate and acceptable financing is not available to Vermillion at the time that it seeks to raise additional capital, our ability to execute our business plan successfully may be negatively impacted.

Substantial leverage and debt service obligations may adversely affect the Company's consolidated cash flows.

As of December 31, 2009, Vermillion had $7,365,000 of outstanding principal under its convertible senior notes, including $5,000,000 in aggregate principal of its 7.00% convertible senior notes due September 1, 2011 (the "7.00% Notes"), and $2,365,000 in aggregate principal of its 4.50% convertible senior notes due September 1, 2008 (the "4.50% Notes"), and $10,000,000 outstanding under Vermillion's secured line of credit with Quest Diagnostics Incorporated ("Quest"). As a result of negotiations between the holders of the 4.50% Notes and Vermillion, the $2,500,000 outstanding principal balance related to the 4.50% Notes, which matured on September 1, 2008, was not redeemed by Vermillion. Interest of $56,000 related to the 4.50% Notes was paid on the maturity date, September 1, 2008. Pursuant to the 4.50% Notes indenture agreement, late payment may result in interest to be calculated on the outstanding principal balance and overdue interest. On December 11, 2008, the trustee of the Indenture and the holders of the $2,500,000 outstanding principal balance related to the 4.50% Notes agreed to extend the maturity date of the 4.50% Notes to September 1, 2009, and to waive any past default by Vermillion of its obligation to make payment on the principal of and interest on the 4.50% Notes.

From November 24, 2009 to January 22, 2010, Vermillion exchanged a total of 15,794 shares of its common stock for $305,000 in principal and $18,000 in unpaid interest related to the 4.50% Notes. On January 22, 2010, Vermillion paid the remaining unpaid principal balance of $2,195,000 and interest of $140,000 related to the 4.50% Notes. None of the 4.50% Notes are outstanding.

From November 30, 2009, through January 22, 2010, Vermillion exchanged 428,906 shares of its common stock for $7,100,000 in principal and unpaid interest of $732,000 related to the 7.00% Notes. From October 21, 2009 through November 19, 2009, $4,400,000 in principal related to the 7.00% Notes was converted into 220,000 shares of Vermillion's common stock. On January 22, 2010, Vermillion paid $362,000 of interest related to the 7.00% Notes. $5,000,000 in principal of the 7.00% Notes remain outstanding.

Quest provided Vermillion with $10,000,000 secured line of credit, which was forgivable based upon the achievement of certain milestones related to the development, regulatory approval and commercialization of certain diagnostic tests of Vermillion. As of Vermillion's emergence from bankruptcy, several of the milestones had been met and the principal balance of the secured line of credit was reduced to $7,000,000. The $7,000,000 secured line of credit is secured by Vermillion's assets, and is senior to the outstanding $5,000,000 of the 7.00% Notes.

As a result of this indebtedness, Vermillion has substantial principal and interest payment obligations. The degree to which the Company is leveraged could, among other things:

- make it difficult for Vermillion to make payments on the convertible senior notes and secured line of credit;
- make it difficult for Vermillion to obtain financing for working capital, acquisitions or other purposes on favorable terms, if at all;
- make the Company more vulnerable to industry downturns and competitive pressures; and
- limit our flexibility in planning for or reacting to changes in the Company's business.

Vermillion's ability to meet its debt service obligations will depend upon the Company's future performance, which will be subject to financial, business and other factors affecting the Company's operations, many of which are beyond our control. If Vermillion cannot meet its debt service obligation it would have a material adverse effect on the Company's consolidated financial position.

Vermillion holds auction rate securities in its portfolio of investments. Due to failed auctions of individual auction rate securities held in Vermillion's investment portfolio, Vermillion is currently unable to liquidate its auction rate securities into cash at par value. If Vermillion is required to liquidate its investments in the future, the Company may incur a significant loss.

At December 31, 2009, Vermillion's investments consisted of $526,000 invested in auction rate securities, which were classified as available-for-sale long-term investments due to failed auctions related to these investments through December 31, 2009. The underlying assets of these auction rate securities include private placements of credit linked notes. These auction rate securities are intended to provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals generally every 28 days. Upon an auction failure, the interest rates do not reset at a market rate but instead reset based on a formula contained in the security, which rate is generally higher than the current market rate. The failure of the auctions means Vermillion may be unable to liquidate its auction rate securities into cash at par value until a future auction of these investments is successful or the auction rate security is refinanced by the issuer into another type of instrument. If Vermillion is required to redeem its investments at less than par value or to liquidate its investments at a deep discount in the future, Vermillion may incur a significant loss on the Company's business, consolidated results of operations, financial condition and cash flows. If Vermillion is unable to liquidate its investments in auction rate securities or there is additional other-than-temporary impairment in the market value of its investments in auction rate securities, this will have an adverse effect on the Company's business, consolidated results of operations, financial condition and cash flows, and may increase the volatility of Vermillion's common stock price.

We may not succeed in developing additional diagnostic products, and, even if we do succeed in developing additional diagnostic products, the diagnostic products may never achieve significant commercial market acceptance.

The Company's success depends on our ability to continue to develop and commercialize diagnostic products. There is considerable risk in developing diagnostic products based on Vermillion's biomarker discovery efforts as candidate biomakers may fail to validate results in larger clinical studies and may not achieve acceptable levels of clinical sensitivity and specificity. If we do succeed in developing additional diagnostic tests with acceptable performance characteristics, we may not succeed in achieving significant commercial market acceptance for those tests. Our ability to successfully commercialize diagnostic products that Vermillion may develop, such as tests, kits and devices, will depend on several factors, including:

- our ability to convince the medical community of the safety and clinical efficacy of Vermillion's products and their advantages over existing diagnostic products;
- our ability to further establish business relationships with other diagnostic companies that can assist in the commercialization of these products; and
- the agreement by Medicare and third-party payers to provide full or partial reimbursement coverage for Vermillion's products, the scope and extent of which will affect patients' willingness to pay for Vermillion's products and will likely heavily influence physicians' decisions to recommend Vermillion's products.

These factors present obstacles to significant commercial acceptance of Vermillion's potential diagnostic products, which the Company will have to spend substantial time and financial resources to overcome and there is no guarantee that we will be successful in doing so. Our inability to do so successfully would prevent the Company from generating revenue from future diagnostic products and from developing a profitable business.

The diagnostics space is competitive and we may not be able to compete successfully, which would adversely impact our ability to generate revenue.

Our principal competition currently comes from the current clinical practices (e.g. those of obstetricians and gynecologists and gynecologic oncologists in the case of the OVA1™ ovarian tumor triage test (the "OVA1 Test")). We believe that the OVA1 Test provides a significant improvement over current clinical practices, but if

we are not able to convince clinicians of this, our ability to commercialize OVA1 Test would be adversely affected. The field of ovarian cancer diagnostics generally and the management of ovarian adnexal masses specifically are competitive. Companies such as Fujirebio, Correlogic, LabCorp, ArrayIt, HealthLynx, Becton Dickinson among others have publicly disclosed that they have been or are currently working on ovarian cancer diagnostic assays. Additionally, academic institutions periodically report new findings in ovarian cancer diagnostics. If we are unable to license these findings and if these findings are licensed to other parties, we may be at a competitive disadvantage.

We have priced the OVA1 Test at a point that recognizes the value-added by its increased sensitivity for ovarian malignancy. If others develop a test that is viewed to be similar to the OVA1 Test in efficacy but is priced at a lower point, we may have to lower the price of the OVA1 Test, which would impact our margins and potential for profitability.

Our ability to commercialize Vermillion's potential diagnostic tests is heavily dependent on its strategic alliance with Quest.

On July 22, 2005, Vermillion and Quest entered into a strategic alliance agreement (the "Strategic Alliance Agreement") to develop and commercialize up to three diagnostic tests from Vermillion's product pipeline (the "Strategic Alliance"). The term of the Strategic Alliance Agreement, which is the period Vermillion has an obligation to present three diagnostic tests to Quest for potential election, was set to expire on the earlier of (i) the three-year anniversary of the agreement, which was July 22, 2008, and (ii) the date on which Quest commercializes the three diagnostic tests covered by such agreement. On July 21, 2008, Vermillion and Quest amended the Strategic Alliance Agreement to extend the term of the agreement to end on the earlier of (i) September 1, 2008 and (ii) the date on which Quest commercializes the three diagnostic tests. On October 24, 2008, Vermillion and Quest amended the Strategic Alliance Agreement to extend the term of the agreement to end on the earlier of (i) September 1, 2009 and (ii) the date on which Quest commercializes the three diagnostic tests. Subsequently on October 7, 2009, Vermillion and Quest amended the Strategic Alliance Agreement (the Strategic Alliance Agreement and the July 21, 2008, October 24, 2008 and October 7, 2009, amendments are collectively referred to as the "Amended Strategic Alliance Agreement") to extend the term of the agreement to end on the earlier of (i) October 7, 2012 and (ii) the date on which Quest makes its third development election. To date, Quest has selected only two diagnostic tests, which are the peripheral artery disease ("PAD") blood test ("VASCLIR™") and the OVA1 Test, to commercialize. If this Strategic Alliance does not continue for its full term or if Quest fails to proceed to diligently perform its obligations as a part of the Strategic Alliance, such as independently developing, validating, and commercializing potential diagnostic tests, our ability to commercialize Vermillion's potential diagnostic tests would be seriously harmed. Due to the current uncertainty with regard to the United States Food and Drug Administration (the "FDA") regulation of analyte specific reagents ("ASRs") or, for other reasons, Quest may elect to forgo development of ASR "home brew" laboratory tests and instead elect to wait for the development of in vitro diagnostic ("IVD") test kits, which would adversely affect the Company's revenues. If we elect to increase the Company's expenditures to fund in-house diagnostic development programs or research programs, the Company will need to obtain additional capital, which may not be available on acceptable terms, or at all.

The commercialization of Vermillion's diagnostic tests may be affected adversely by changing FDA regulations, and any delay by or failure of the FDA to approve any of Vermillion's diagnostic tests submitted to the FDA may adversely affect the Company's consolidated revenues, results of operations and financial condition.

The current regulatory environment with regard to ASRs and IVD multivariate index assays ("IVDMIAs") continues to evolve and be a topic of discussion. To the extent the FDA requires that Vermillion's diagnostic tests receive FDA 510(k) clearance or FDA pre-market approval, our ability to develop and commercialize Vermillion's diagnostic tests may be prevented or significantly delayed, which would adversely affect the Company's consolidated revenues, results of operations and financial condition. Any delay by or failure of the

FDA to approve any diagnostic test that Vermillion submits to the FDA may adversely affect the Company's consolidated revenues, results of operations and financial condition.

If we fail to continue to develop Vermillion's technologies, we may not be able to successfully foster adoption of Vermillion's products and services or develop new product offerings.

Vermillion's technologies are new and cutting edge, and are subject to change as new discoveries are made. New discoveries and advancements in the diagnostic field are essential if we are to foster the adoption of Vermillion's product offerings. Development of these technologies remains a substantial risk to the Company due to various factors, including the scientific challenges involved, our ability to find and collaborate with others working in the diagnostic field, and competing technologies, which may prove more successful than Vermillion's technologies. In addition, we have reduced Vermillion's research and development headcount and expenditures, which may adversely affect Vermillion's ability to further develop its technologies.

If we fail to maintain Vermillion's rights to utilize intellectual property directed to diagnostic biomarkers, Vermillion may not be able to offer diagnostic tests using those biomarkers.

One aspect of our business plan is to develop diagnostic tests based on certain biomarkers, which Vermillion has the right to utilize through licenses with its academic collaborators, such as The Johns Hopkins University School of Medicine and The University of Texas M.D. Anderson Cancer Center. In some cases, Vermillion's collaborators own the entire right to the biomarkers. In other cases, Vermillion co-owns the biomarkers with its collaborators. If, for some reason, Vermillion loses its license to biomarkers owned entirely by its collaborators, Vermillion may not be able to use those biomarkers in diagnostic tests. If Vermillion loses its exclusive license to biomarkers co-owned by Vermillion and its collaborators, Vermillion's collaborators may license their share of the intellectual property to a third party that may compete with the Company in offering diagnostic tests, which would materially adversely affect the Company's consolidated revenues, results of operations and financial condition.

Vermillion has drawn $10,000,000 from the secured line of credit provided by Quest. If Vermillion fails to achieve the milestones for the forgiveness of the secured line of credit set forth in Vermillion's amended credit agreement with Quest, Vermillion will be responsible for full repayment of the secured line of credit on or before October 7, 2012.

As of December 31, 2009, Vermillion has drawn $10,000,000 from the secured lined of credit in connection with the Strategic Alliance. Vermillion borrowed in monthly increments of $417,000 over a two-year period, and has paid all interest that was due. Funds from this secured line of credit may only be used for certain costs and expenses directly related to the Strategic Alliance, with forgiveness of the repayment obligations based upon Vermillion's achievement of milestones related to the development, regulatory approval and commercialization of certain diagnostic tests. On October 7, 2009, Vermillion and Quest amended the Strategic Alliance Agreement to extend the term of the agreement to end on the earlier of (i) October 7, 2012 and (ii) the date on which Quest makes its third development election. On September 11, 2009, Vermillion announced its milestone achievement of clearing the OVA1 Test with the FDA and, effective after the emergence from Chapter 11 bankruptcy, reduced its principal obligations under the Amended Strategic Alliance Agreement to $7,000,000. Should Vermillion fail to achieve the remaining milestones, Vermillion would be responsible for the repayment of the outstanding principal amount and any unpaid interest on the secured line of credit on or before October 7, 2012, which would materially adversely affect the Company's consolidated results of operations and financial condition.

If a competitor infringes on Vermillion's proprietary rights, the Company may lose any competitive advantage it may have as a result of diversion of our time, enforcement costs and the loss of the exclusivity of Vermillion's proprietary rights.

The Company's success depends in part on our ability to maintain and enforce Vermillion's proprietary rights. The Company relies on a combination of patents, trademarks, copyrights and trade secrets to protect Vermillion's

technology and brand. In addition to Vermillion's licensed Surfaced Enhanced Laser Desorption/Ionization ("SELDI") technology, Vermillion has also submitted patent applications covering biomarkers that may have diagnostic or therapeutic utility. Vermillion's patent applications may not result in additional patents being issued.

If competitors engage in activities that infringe on Vermillion's proprietary rights, our focus will be diverted and the Company may incur significant costs in asserting Vermillion's rights. We may not be successful in asserting Vermillion's proprietary rights, which could result in Vermillion's patents being held invalid or a court holding that the competitor is not infringing, either of which would harm the Company's competitive position. We cannot be sure that competitors will not design around Vermillion's patented technology.

The Company also relies upon the skills, knowledge and experience of its technical personnel. To help protect Vermillion's rights, we require all employees and consultants to enter into confidentiality agreements that prohibit the disclosure of confidential information. These agreements may not provide adequate protection for the Company's trade secrets, knowledge or other proprietary information in the event of any unauthorized use or disclosure. If any trade secret, knowledge or other technology not protected by a patent were to be disclosed to or independently developed by a competitor, it could have a material adverse effect on the Company's business, consolidated results of operations and financial condition.

If others successfully assert their proprietary rights against the Company, the Company may be precluded from making and selling its products or the Company may be required to obtain licenses to use their technology.

The Company's success depends on avoiding infringing on the proprietary technologies of others. If a third party were to assert claims that Vermillion is violating their patents, the Company might incur substantial costs defending itself in lawsuits against charges of patent infringement or other unlawful use of another's proprietary technology. Any such lawsuit may not be decided in the Company's favor, and if the Company is found liable, it may be subject to monetary damages or injunction against using the technology. Vermillion may also be required to obtain licenses under patents owned by third parties and such licenses may not be available to Vermillion on commercially reasonable terms, if at all.

Current and future litigation against the Company could be costly and time consuming to defend.

The Company is from time to time subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by the Company's clients in connection with commercial disputes, employment claims made by current or former employees, and claims brought by third parties alleging infringement on their intellectual property rights. In addition, the Company may bring claims against third parties for infringement on Vermillion's intellectual property rights. Litigation may result in substantial costs and may divert our attention and Company resources, which may seriously harm the Company's business, consolidated results of operations and financial condition.

An unfavorable judgment against the Company in any legal proceeding or claim could require the Company to pay monetary damages. In addition, an unfavorable judgment in which the counterparty is awarded equitable relief, such as an injunction, could have an adverse impact on Vermillion's licensing and sublicensing activities, which could harm the Company's business, consolidated results of operations and consolidated financial condition.

On September 17, 2007, Molecular Analytical Systems ("MAS") filed a lawsuit in the Superior Court of California for the County of Santa Clara naming Vermillion and Bio-Rad as defendants (the "State Court lawsuit"). Under the State Court lawsuit, MAS seeks an unspecified amount of damages and alleges, among other things, that Vermillion is in breach of its license agreement with MAS relating to SELDI technology as a result of Vermillion's entry into a sublicense agreement with Bio-Rad. Vermillion filed its general denial and affirmative defense on April 1, 2008. The Company and Bio-Rad thereafter moved to compel arbitration of the

State Court lawsuit, which motion was denied in the trial court. Thereafter, the Company appealed the denial of the motion to compel arbitration, which appeal had the effect of staying the State Court lawsuit, which stay was further extended in both the state trial and appellate courts when the Company filed on March 30, 2009, a Voluntary Petition for Relief under Chapter 11 in the United States Bankruptcy Court for the District of Delaware. MAS filed a proof of claim on June 30, 2009, in connection with the Company's Chapter 11 bankruptcy proceedings. The proof of claim mirrored the MAS lawsuit and asserted that the Company breached the Exclusive License Agreement by transferring certain technologies to Bio-Rad without obtaining MAS's consent. MAS listed the value of its claim as in excess of $5,000,000. On December 28, 2009, the Company objected to MAS's Proof of Claim in the Bankruptcy Court. On January 7, 2010, the Bankruptcy Court confirmed the Company's plan of reorganization. Per the Court's order confirming the plan, the Company's bankruptcy case will be closed after a final, non-appealable judgment is entered on MAS's claims. After the plan was confirmed, MAS filed a motion with the Bankruptcy Court asking it to abstain from hearing its proof of claim and asked the Bankruptcy Court to grant relief from stay so that MAS could proceed with the State Court lawsuit in California. The Bankruptcy Court granted that motion on March 15, 2010. Thereafter, the California Court of Appeal has set oral argument on the Company's appeal of the trial court order denying the Company's motion to compel arbitration for June 17, 2010. Management cannot predict the ultimate outcome of this matter at this time.

The Company's failure to meet its purchase commitments, pursuant to a manufacture and supply agreement with Bio-Rad, could adversely affect the Company's consolidated results of operations and financial condition.

Vermillion was a party to a manufacture and supply agreement with Bio-Rad, dated November 13, 2006, whereby Vermillion agreed to purchase from Bio-Rad the ProteinChip Systems and ProteinChip Arrays necessary to support Vermillion's diagnostics efforts. Under the terms of the agreement, Vermillion was required to purchase a specified number of ProteinChip Systems and ProteinChip Arrays in each of the three years following the date of the agreement. Pursuant to a letter from the Company to Bio-Rad dated May 2, 2008, the Company exercised its right to terminate the agreement for convenience upon 180 days' written notice. Consequently, termination of the agreement became effective on October 29, 2008. As part of the Chapter 11 bankruptcy process, Bio-Rad made a claim for approximately $1,000,000. Vermillion has accrued for the contingency in accordance with ASC 450 Contingencies, within general and administrative expense. If Vermillion is unable to renegotiate this claim, it would have an adverse effect on the Company's consolidated cash flows.

If the Company or its suppliers fail to comply with FDA requirements, the Company may not be able to market its products and services and may be subject to stringent penalties; further improvements to the Company's or its suppliers' manufacturing operations may be required that would entail additional costs.

The commercialization of Vermillion's products could be delayed, halted or prevented by applicable FDA regulations. If the FDA were to view any of the Company's actions as non-compliant, it could initiate enforcement actions, such as a warning letter and possible imposition of penalties. In addition, ASRs that Vermillion may provide will be subject to a number of FDA requirements, including compliance with the FDA's Quality System

Regulations ("QSR"), which establish extensive requirements for quality assurance and control as well as manufacturing procedures. Failure to comply with these regulations could result in enforcement actions for Vermillion or its potential suppliers. Adverse FDA actions in any of these areas could significantly increase the Company's expenses and limit its revenue and profitability. Although the Company is ISO 9001:2000 certified with respect to its manufacturing processes used for the Company's previous ProteinChip products, Vermillion will need to undertake additional steps to maintain its operations in line with the FDA's QSR requirements. Some components of the OVA1 Test are manufactured by other companies and Vermillion is required to maintain supply agreements with these companies. If these agreements are not satisfactory to the FDA, Vermillion will have to renegotiate these agreements. Any failure to do so would have an adverse effect on Vermillion's ability

to commercialize OVA1 Test. Vermillion's suppliers' manufacturing facilities will be subject to periodic regulatory inspections by the FDA and other federal and state regulatory agencies. If and when Vermillion begins commercializing and assembling its products itself, Vermillion's facilities will be subject to the same inspections. Vermillion or its suppliers may not satisfy such regulatory requirements, and any such failure to do so would have an adverse effect on Vermillion's diagnostics efforts.

Because the Company's business is highly dependent on key executives and employees, our inability to recruit and retain these people could hinder our business plans.

The Company is highly dependent on its executive officers and certain key employees. The Company's executive officers and key employees are employed at will by the Company. As of December 31, 2009, the Company had 2 employees in connection with the Bankruptcy Filing and in an effort to conserve cash, which included 1 employee in research and development and 1 employee in general and administrative. Since Vermillion's emergence from bankruptcy under Chapter 11, the Company has reappointed its President and Chief Executive Officer, and Senior Vice President and Chief Scientific Officer; appointed a Vice President and Chief Financial Officer, and a Vice President of Finance and Chief Accounting Officer; and has engaged additional consultants; however, minimal staffing and any inability of the Company to engage new executive officers or key employees could impact operations or delay or curtail Vermillion's research, development and commercialization objectives. To continue Vermillion's research and product development efforts, the Company needs people skilled in areas such as bioinformatics, biochemistry and information services. Competition for qualified employees is intense.

Vermillion's diagnostic efforts may cause it to have significant product liability exposure.

The testing, manufacturing and marketing of medical diagnostic tests entails an inherent risk of product liability claims. Potential product liability claims may exceed the amount of the Company's insurance coverage or may be excluded from coverage under the terms of the policy. The Company's existing insurance will have to be increased in the future if the Company is successful at introducing diagnostic products and this will increase the Company's costs. In the event that the Company is held liable for a claim against which it is not indemnified or for damages exceeding the limits of the Company's insurance coverage, the Company may be required to make substantial payments. This may have an adverse effect on the Company's consolidated results of operations, financial condition and cash flows, and may increase the volatility of Vermillion's common stock price.

Business interruptions could limit the Company's ability to operate its business.

The Company's operations, as well as those of the collaborators on which the Company depends, are vulnerable to damage or interruption from fire; natural disasters, including earthquakes; computer viruses; human error; power shortages; telecommunication failures; international acts of terror; and similar events. The Company's primary facility is located in Fremont, California, where it also has laboratories. Although we have certain business continuity plans in place, we have not established a formal comprehensive disaster recovery plan, and the Company's back-up operations and business interruption insurance may not be adequate to compensate it for losses the Company may suffer. A significant business interruption could result in losses or damages incurred by the Company and require the Company to cease or curtail its operations.

Legislative actions resulting in higher compliance costs are likely to adversely affect the Company's future consolidated results of operations, financial position and cash flows.

Compliance with laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, and new regulations enacted by the Securities and Exchange Commission (the "SEC"), are resulting in increased compliance costs. The Company, like all other public companies, is incurring expenses and diverting employees' time in an effort to comply with Section 404 of the Sarbanes-Oxley Act of 2002. The Company is a smaller reporting company, and has completed the process of

documenting its systems of internal control and has evaluated its systems of internal control. Beginning with the year ended December 31, 2007, the Company has been required to assess continuously its compliance with Section 404 of the Sarbanes-Oxley Act of 2002. We expect to continue to devote the necessary resources, including internal and external resources, to support the Company's assessment. In the future, if we identify one or more material weaknesses, or the Company's independent registered public accounting firm is unable to attest that the Company's report is fairly stated or to express an opinion on the effectiveness of the Company's internal controls over financial reporting, this could result in a loss of investor confidence in the Company's financial reports, have an adverse effect on Vermillion's stock price and/or subject the Company to sanctions or investigation by regulatory authorities. Compliance with these evolving standards will result in increased general and administrative expenses and may cause a diversion of our time and attention from revenue-generating activities to compliance activities.

Changes in healthcare policy could increase our costs and impact sales of and reimbursement for our tests.

Several proposals to reform the system of health care delivery in the U.S. are currently being considered by the federal and many state governments. Some of the reforms call for a government sponsored health plan. A number of states are also contemplating significant reform of their healthcare policies. A proposal for additional government-funded health care could subject expenditures for health care to governmental budget constraints and limits on spending. We cannot predict what healthcare policy reforms, if any, will be adopted or the effect that such adoption may have on our taxes, fees and other costs, which could impact our business, financial condition and results of operations. In addition, proposals to implement fees or taxes on medical product manufacturers and clinical laboratories have been considered. At this point, it is not clear whether health reform legislation will be enacted by Congress and whether it will include any new taxes or fees on clinical laboratories or medical device manufacturers or reductions in laboratory payments under Medicare. If such fees, taxes, or reductions in payments are adopted, these could have a negative impact on our business.

The Company is subject to environmental laws and potential exposure to environmental liabilities.

The Company is subject to various international, federal, state and local environmental laws and regulations that govern the Company's operations, including the handling and disposal of non-hazardous and hazardous wastes, the recycling and treatment of electrical and electronic equipment, and emissions and discharges into the environment. Failure to comply with such laws and regulations could result in costs for corrective action, penalties or the imposition of other liabilities. The Company is also subject to laws and regulations that impose liability and clean-up responsibility for releases of hazardous substances into the environment. Under certain of these laws and regulations, a current or previous owner or operator of property may be liable for the costs to remediate hazardous substances or petroleum products on or from its property, without regard to whether the owner or operator knew of, or caused, the contamination, as well as incur liability to third parties affected by such contamination. The presence of, or failure to remediate properly, such substances could adversely affect the value and the ability to transfer or encumber such property. Based on currently available information, although there can be no assurance, we believe that such costs and liabilities have not had and will not have a material adverse impact on the Company's consolidated results of operations.

Risks Related to Owning Vermillion's Stock

The Company is not current in its reporting obligations with the SEC, and the Company's status as a public company could be revoked at any time.

The Company is not current in its filing obligations with the SEC. While we are putting forth our best efforts to file all delinquent reports with the SEC, if we are unable to complete those filings before the SEC seeks to bring an administrative action against the Company, it is likely that the Company would cease being a public company. In that event, the liquidity of Vermillion's common stock would be severely diminished and our ability to continue the Company's operations could be materially affected.

Vermillion's common stock is trading over-the-counter on the Pink Quote electronic quotation system, and thus the liquidity of Vermillion's common stock is low.

On September 25, 2008, Vermillion's common stock was delisted from and suspended from trading on the NASDAQ Capital Market due to noncompliance with Marketplace Rule 4310(c)(3), which requires, among other things, that listed companies have stockholders' equity of at least $2,500,000.

Vermillion's common stock currently trades over-the-counter on Pink Quote, formerly known as Pink Sheets, electronic quotation system ("Pink Quote") under the symbol "VRML.PK". Quotes for stocks listed on Pink Quote are not listed in the financial sections of newspapers, and newspapers generally have very little coverage of stocks listed solely on the Pink Quote. Accordingly, prices for and coverage of securities traded solely on the Pink Quote may be difficult to obtain. In addition, stock traded solely on Pink Quote tend to have a limited number of market makers and a larger spread between the bid and ask prices than those listed on the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market or the OTC Bulletin Board. All of these factors may cause holders of Vermillion's common stock to be unable to resell their securities at or near their original offering price or at any price.

Because Vermillion's common stock is not listed on a principal national exchange, Vermillion is subject to Rule 15g-9 under the Securities and Exchange Act of 1934, as amended. This rule imposes additional sales practice requirements on broker-dealers that sell low-priced securities to persons other than established customers and institutional accredited investors. Consequently, this rule may affect the ability of broker-dealers to sell Vermillion's common stock and affect the ability of holders to sell their shares of Vermillion's common stock in the secondary market. Moreover, investors may be less interested in purchasing low-priced securities because the brokerage commissions, as a percentage of the total transaction value, tend to be higher for such securities, and some investment funds, other than those investment funds which focus on small-capitalization companies or low-priced securities, will not invest in low-priced securities.

Vermillion may not be able to be re-listed on NASDAQ Global Market, which could adversely affect trading and liquidity of the common stock.

We intend to apply for the listing of Vermillion's common stock on the NASDAQ Global Market as soon as practicable, assuming that the Company satisfies the applicable listing criteria. However, there is no assurance that the NASDAQ Global Market or any other national stock exchange will approve Vermillion's common stock for listing as there is no assurance that the Company will satisfy the criteria for listing, or be approved for listing, on the NASDAQ Global Market or any other national stock exchange. Failure to list Vermillion's common stock on the NASDAQ Global Market could result in a less liquid market for existing and potential stockholders in which to trade shares of our common stock, which in turn could depress the trading price of our common stock, and adversely impact our ability to raise capital in the future.

Vermillion's stock price has been, and may continue to be, highly volatile, and an investment in Vermillion's stock could suffer a decline in value.

The trading price of Vermillion's common stock has been highly volatile and could continue to be subject to wide fluctuations in price in response to various factors, many of which are beyond the Company's control, including:

- Vermillion's recent emergence from bankruptcy under Chapter 11, and the risks, uncertainties and difficulties related thereto;
- failure to commercialize diagnostic tests and significantly increase revenue;
- actual or anticipated period-to-period fluctuations in financial results;
- failure to achieve, or changes in, financial estimates by securities analysts;
- announcements or introductions of new products or services or technological innovations by the Company or its competitors;

- publicity regarding actual or potential discoveries of biomarkers by others;
- comments or opinions by securities analysts or major stockholders;
- conditions or trends in the pharmaceutical, biotechnology and life science industries;
- announcements by the Company of significant acquisitions and divestitures, strategic partnerships, joint ventures or capital commitments;
- developments regarding Vermillion's patents or other intellectual property or that of the Company's competitors;
- litigation or threat of litigation;
- additions or departures of key personnel;
- sales of Vermillion's common stock;
- limited daily trading volume;
- Vermillion's delisting from the NASDAQ Capital Market and subsequent quotation on the Pink Quotes; and
- economic and other external factors, disasters or crises.

In addition, the stock market in general and the market for technology companies, in particular, have experienced significant price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Further, there has been significant volatility in the market prices of securities of life science companies. These broad market and industry factors may seriously harm the market price of Vermillion's common stock, regardless of the Company's operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against Vermillion could result in substantial costs, potential liabilities and the diversion of our attention and Company resources.

Anti-takeover provisions in Vermillion's charter, bylaws and stockholder rights plan and under Delaware law could make a third party acquisition of the Company difficult.

Vermillion's certificate of incorporation, bylaws and stockholder rights plan contain provisions that could make it more difficult for a third party to acquire the Company, even if doing so might be deemed beneficial by Vermillion's stockholders. These provisions could limit the price that investors might be willing to pay in the future for shares of Vermillion's common stock. Vermillion is also subject to certain provisions of Delaware law that could delay, deter or prevent a change in control of the Company. The rights issued pursuant to Vermillion's stockholder rights plan will become exercisable the tenth day after a person or group announces acquisition of 15% or more of Vermillion's common stock or announces commencement of a tender or exchange offer the consummation of which would result in ownership by the person or group of 15% or more of Vermillion's common stock. If the rights become exercisable, the holders of the rights (other than the person acquiring 15% or more of Vermillion's common stock) will be entitled to acquire, in exchange for the rights' exercise price, shares of Vermillion's common stock or shares of any company in which the Company is merged, with a value equal to twice the rights' exercise price.

Because we do not intend to pay dividends, Vermillion's stockholders will benefit from an investment in Vermillion's common stock only if it appreciates in value.

We have never declared or paid any cash dividends on Vermillion's common stock. We currently intend to retain the Company's future earnings, if any, to finance the expansion of the Company's business and do not expect to pay any cash dividends in the foreseeable future. As a result, the success of an investment in Vermillion's common stock will depend entirely upon any future appreciation. There is no guarantee that Vermillion's common stock will appreciate in value or even maintain the price at which its investors purchased their shares.

The Company may need to sell additional shares of Vermillion's common stock or other securities in the future to meet the Company's capital requirements. In such circumstances, or upon conversion of Vermillion's senior convertible notes and exercises of currently outstanding options and warrants, the ownership interests of Vermillion's stockholders prior to such sale, conversion or exercise could be substantially diluted. The possibility of dilution posed by shares available for future sale could reduce the market price of Vermillion's common stock and could make it more difficult for the Company to raise funds through equity offerings in the future.

As of December 31, 2009, Vermillion had 7,918,705 shares of its common stock outstanding and 7,923,132 shares of its common stock reserved for future issuance to employees, directors and consultants pursuant to the Company's employee stock plans, which excludes 678,301 shares of Vermillion's common stock that were subject to outstanding options. In addition, as of December 31, 2009, warrants to purchase 505,647 shares of Vermillion's common stock were outstanding at exercise prices ranging from $9.25 to $25.00 per share, with a weighted average exercise price of $16.18 per share. Also as of December 31, 2009, there were 250,000 shares of Vermillion's common stock reserved for issuance upon conversion of the 7.00% Notes. On December 11, 2008, the trustee of the Indenture and the holders of the $2,500,000 outstanding principal balance related to the 4.50% Notes and Vermillion agreed to extend the maturity date of the 4.50% Notes to September 1, 2009, and to extend the option of the holders to convert the 4.50% Notes into Vermillion's common stock on or before August 31, 2009, with an adjusted conversion rate of 20 shares per $1,000 principal amount of the 4.50% Notes, which is equal to a conversion price of $50.00 per share. The adjusted conversion rate increased the shares of Vermillion's common stock reserved for issuance upon conversion of the 4.50% notes from 27,208 shares to 50,000 shares.

From November 24, 2009 to January 22, 2010, Vermillion exchanged a total of 15,794 shares of its common stock for $305,000 in principal and $18,000 in unpaid interest related to the 4.50% Notes. On January 22, 2010, Vermillion paid the remaining unpaid principal balance of $2,195,000 and interest of $140,000 related to the 4.50% Notes. None of the 4.50% Notes are outstanding.

From November 30, 2009 through January 22, 2010, Vermillion exchanged 428,906 shares of its common stock for $7,100,000 in principal and unpaid interest of $732,000 related to the 7.00% Notes. From October 21, 2009 through November 19, 2009, $4,400,000 in principal related to the 7.00% Notes was converted into 220,000 shares of Vermillion's common stock. On January 22, 2010, Vermillion paid $362,000 of interest related to the 7.00% Notes. $5,000,000 in principal of the 7.00% Notes remain outstanding.

From October 5, 2009, through April 12, 2010, Vermillion issued 990 shares of its common stock for $12,000 from the cash exercise of its warrants dated August 3, 2006, with an exercise price of $12.60 per share (the "August 3 Warrants"), and 3,496 shares of its common stock from the cashless exercise of 8,625 underlying common stock shares of its August 3 Warrants. From October 5, 2009, through April 12, 2010, Vermillion issued 990 shares of its common stock for $12,000 from the cash exercise of its warrants dated November 15, 2006, with an exercise price of $12.60 per share (the "November 15 Warrants"), and 3,486 shares of its common stock from the cashless exercise of 8,625 underlying common stock shares of its November 15 Warrants. From September 29, 2009, through March 4, 2010, Vermillion issued 392,120 shares of its common stock for $3,627,000 from the cash exercise of its warrants dated August 29, 2007, with an exercise price of $9.25 per share (the "2007 Warrants"), and 521,213 shares of its common stock from the cashless exercise of 1,435,678 underlying common stock shares of its 2007 Warrants.

The exercise or conversion of all or a portion of these securities would dilute the ownership interests of Vermillion's stockholders. Furthermore, future sales of substantial amounts of Vermillion's common stock in the public market, or the perception that such sales are likely to occur, could affect prevailing trading prices of Vermillion's common stock and the value of the notes.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Vermillion, Inc. ("Vermillion") and subsidiaries (collectively, the "Company") lease and operate solely from its principal facility, which is 7,290 square feet and located at 47350 Fremont Boulevard in Fremont, California. The lease of this facility began on July 1, 2008, and expires on June 30, 2010. This facility serves as Vermillion's research and development laboratories and its marketing and administrative offices.

Item 3. Legal Proceedings

On September 17, 2007, Molecular Analytical Systems ("MAS") filed a lawsuit in the Superior Court of California for the County of Santa Clara naming Vermillion, Inc. ("Vermillion"; Vermillion and its wholly-owned subsidiaries are collectively referred to as the "Company") and Bio-Rad Laboratories, Inc. ("Bio-Rad") as defendants (the "State Court lawsuit"). Under the State Court lawsuit, MAS seeks an unspecified amount of damages and alleges, among other things, that Vermillion is in breach of its license agreement with MAS relating to Surface Enhanced Laser Desorption/Ionization ("SELDI") technology as a result of Vermillion's entry into a sublicense agreement with Bio-Rad. Vermillion filed its general denial and affirmative defense on April 1, 2008. The Company and Bio-Rad thereafter moved to compel arbitration of the State Court lawsuit, which motion was denied in the trial court. Thereafter, the Company appealed the denial of the motion to compel arbitration, which appeal had the effect of staying the State Court lawsuit, which stay was further extended in both the state trial and appellate courts when the Company filed on March 30, 2009, a Voluntary Petition for Relief under Chapter 11 in the United States Bankruptcy Court for the District of Delaware. MAS filed a proof of claim on June 30, 2009, in connection with the Company's Chapter 11 bankruptcy proceedings. The proof of claim mirrored the MAS lawsuit and asserted that the Company breached the Exclusive License Agreement by transferring certain technologies to Bio-Rad without obtaining MAS's consent. MAS listed the value of its claim as in excess of $5,000,000. On December 28, 2009, the Company objected to MAS's Proof of Claim in the Bankruptcy Court. On January 7, 2010, the Bankruptcy Court confirmed the Company's plan of reorganization. Per the Court's order confirming the plan, the Company's bankruptcy case will be closed after a final, non-appealable judgment is entered on MAS's claims. After the plan was confirmed, MAS filed a motion with the Bankruptcy Court asking it to abstain from hearing its proof of claim and asked the Bankruptcy Court to grant relief from stay so that MAS could proceed with the State Court lawsuit in California. The Bankruptcy Court granted that motion on March 15, 2010. Thereafter, the California Court of Appeal has set oral argument on the Company's appeal of the trial court order denying the Company's motion to compel arbitration for June 17, 2010. Management cannot predict the ultimate outcome of this matter at this time.

On March 30, 2009, Vermillion filed a voluntary petition for relief (the "Bankruptcy Filing") under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court. On January 7, 2010, the Bankruptcy Court issued a confirmation order approving Vermillion's Second Amended Plan of Reorganization (the "Plan of Reorganization"). On January 22, 2010, the confirmation order issued by the Bankruptcy Court became final and all conditions precedent to January 22, 2010 were satisfied or waived. Accordingly, the Company has emerged from bankruptcy under Chapter 11.

On April 21, 2009, during the Bankruptcy Filing, Vermillion filed the Debtor's Motion for Entry of an Order Approving the Debtor's Incentive Plan (the "Incentive Plan") and Authorizing Payments thereunder pursuant to §§ 363(b) and 503(b) of the Bankruptcy Code (the "Incentive Plan Motion"), which sought to provide proper incentives to the directors (Gail Page, John Hamilton and James Burns, collectively, the "Directors") to help achieve a successful sale or restructuring of Vermillion. At a hearing on June 22, 2009, the Court entered an Order approving the Incentive Plan Motion (the "Incentive Plan Order"). The Incentive Plan was based upon a percentage of (A) the gross proceeds of Asset Sales, both prior to and after the Food and Drug Administration approval of the ovarian tumor triage test, and (B) the value of consideration - cash, debt and equity - distributed pursuant to a Confirmed Plan. In the end, the Incentive Plan Order provided that the Directors would receive: (i) zero, on Qualified Transaction Proceeds of $3,000,000 or less, (ii) 6% on Qualified Transaction Proceeds of $3,000,001 to $10,000,000, and (iii) 8% on Qualified Transaction Proceeds of greater than $10,000,000. While the Incentive Plan Order provided Vermillion with the authority to make distributions under the Incentive Plan,

Vermillion agreed as part of the Plan of Reorganization to seek final judicial approval of the amounts to be paid pursuant to the Incentive Plan. On April 13, 2010, counsel for Vermillion, the Official Committee of the Equity Security Holders, and the Directors submitted a proposed settlement to the Bankruptcy Court. On April 14, 2010, after a hearing, an order was issued by the Bankruptcy Court approving the Management Incentive Plan. Under the Management Incentive Plan, Vermillion is directed to distribute an aggregate of $5,000,000 in cash and 302,541 shares of restricted stock in Incentive Plan Payments to the Directors. All such restricted stock is to be distributed, with 1/24th of it to vest on each monthly anniversary of the vesting commencement date, June 22, 2009. The total Incentive Plan Payments are to be allocated to Gail Page, James Burns and John Hamilton on a 60%-20%-20% basis, respectively, or as otherwise may be agreed to in writing by the Directors. Vermillion is further authorized to take any and all actions necessary or appropriate in connection therewith.

In addition, from time to time, the Company is involved in legal proceedings and regulatory proceedings arising out of its operations. Other than as disclosed above, the Company is not currently a party to any proceeding, the adverse outcome of which would have a material adverse effect on the Company's financial position or results of operations.

Item 4. RESERVED

PART II

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

Market Information

On August 21, 2007, Ciphergen Biosystems, Inc. changed its corporate name to Vermillion, Inc. ("Vermillion"). In conjunction with the name change, Vermillion changed its common stock ticker symbol on the NASDAQ Capital Markets to "VRML". Prior to the corporate name change, Vermillion's common stock was traded on the NASDAQ Capital Market under the symbols "CIPH" and "CIPHE".

At the February 14, 2008, Special Meeting of Stockholders, the stockholders of Vermillion approved the proposal to authorize the Board of Directors in its discretion, without further authorization of Vermillion's stockholders, to amend Vermillion's Certificate of Incorporation to effect a reverse split of Vermillion's common stock by a ratio of between 1 for 6 to 1 for 10. On February 15, 2008, Vermillion's Board of Directors approved a 1 for 10 reverse stock split (the "Reverse Stock Split") of Vermillion's common stock effective at the close of business on Monday, March 3, 2008. Accordingly, all share and per share amounts were adjusted to reflect the impact of the Reverse Stock Split. On March 4, 2008, Vermillion's common stock began trading under the Reverse Stock Split basis. Additionally, beginning on March 4, 2008, Vermillion's common stock traded for a period of 20 trading days under ticker symbol "VRMLD" as an interim symbol to denote its new status. After this 20 trading day period, Vermillion's common stock resumed trading under the ticker symbol "VRML".

On September 25, 2008, Vermillion's common stock was delisted from and suspended from trading on the NASDAQ Capital Market as a result of Vermillion's noncompliance with the listing criteria under Marketplace Rule 4310(c)(3). Upon delisting from the NASDAQ Capital Market, Vermillion's common stock became immediately eligible for quotation and began trading over-the-counter ("OTC") on Pink Quotes, formerly known as Pink Sheets, electronic quotation system ("Pink Quote") on September 25, 2008, under the ticker symbol "VRML.PK". After a market maker's application to trade Vermillion's common stock on the OTC Bulletin Board was approved by the Financial Industry Regulatory Authority ("FINRA"), Vermillion's common stock began trading on the OTC Bulletin Board under the ticker symbol "VRML.OB" on October 10, 2008.

In connection to Vermillion's March 30, 2009, filing of a voluntary petition for relief (the "Bankruptcy Filing") under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware, Vermillion's common stock began trading under the ticker symbol "VRMLQ.OB" on April 6, 2009. On April 20, 2009, Vermillion's common stock began trading under the ticker symbol "VRMQE.OB" as a result of Vermillion becoming a delinquent filer of its required financial reports to the Securities and Exchange Commission (the "SEC") under the National Association of Securities Dealers, Inc. ("NASD") Rule 6530. After a 30-day grace period on May 20, 2009, Vermillion's common stock was delisted from the OTC Bulletin Board for noncompliance with NASD Rule 6530. Upon delisting from the OTC Bulletin Board, Vermillion's common stock became immediately eligible for quotation and began trading on Pink Quote under the ticker symbol "VRMLQ.PK" on May 20, 2009. On January 27, 2010, Vermillion's common stock began trading under the symbol "VRML.PK" in connection with Vermillion's emergence from bankruptcy under Chapter 11 of the United States Bankruptcy Code on January 22, 2010.

As of January 11, 2010, there were 69 holders of record of Vermillion's common stock, excluding shares held in book-entry form through The Depository Trust Company, and 3,083 beneficial owners of Vermillion's common stock. The closing price for Vermillion's common stock on April 30, 2010, was $18.00.

The high and low sales prices of Vermillion's common stock as quoted on the NASDAQ Capital Market, Pink Sheets and OTC Bulletin Board during the years ended December 31, 2009 and 2008 were as follows:

	2009		2008	
	High	Low	High	Low
Three months ended March 31,	$ 0.90	$0.21	$8.20	$2.50
Three months ended June 30,	1.20	0.02	5.14	0.93
Three months ended September 30,	14.00	0.01	2.60	0.80
Three months ended December 31,	28.45	9.56	1.05	0.21

Performance Graph

Per Instructions to Item 201(e)(6) of Regulation S-K, information is not required.

Dividends

Vermillion has never paid or declared any dividend on its common stock and does not anticipate paying cash dividends on its common stock in the future. If Vermillion pays a cash dividend on its common stock, Vermillion also may be required to pay the same dividend on an as-converted basis on any outstanding preferred stock, warrants, convertible notes or other securities. Moreover, any preferred stock or other senior debt or equity securities to be issued and any future credit facilities might contain restrictions on Vermillion's ability to declare and pay dividends on its common stock. Vermillion intends to retain all available funds and any future earnings to fund the development and expansion of its business.

Unregistered Sales of Equity Securities

On January 7, 2010, Vermillion closed a private placement transaction with a group of investors. Vermillion received $43,050,000 in gross proceeds from the sale of 2,327,869 shares of its common stock at a price of $18.4932 per share. The shares of Vermillion's common stock issued in connection with the private placement will be exempted from the registration requirement pursuant to Regulation D of the Securities Act. Accordingly, these restricted shares are subject to the resale limitations of Rule 144 under the Securities Act, as a transaction not involving a public offering because, among other things, the investors were accredited investors at the time of the transaction and appropriate legends were affixed to the instruments representing such securities issued in such transaction.

From November 30, 2009, through January 22, 2010, Vermillion exchanged 428,906 shares of its common stock for $7,100,000 in principal and unpaid interest of $732,000 related to the convertible senior notes due September 1, 2011 (the "7.00% Notes"). From October 21, 2009 through November 19, 2009, $4,400,000 in principal related to the 7.00% Notes was converted into 220,000 shares of Vermillion's common stock. The offer and issuance of the securities was exempt from registration under Section 3(a)(9) of the Securities Act.

From November 24, 2009 to January 22, 2010, Vermillion exchanged a total of 15,794 shares of its common stock for $305,000 in principal and $18,000 in unpaid interest related to the convertible senior notes due September 1, 2009 (the "4.50% Notes"). The offer and issuance of the securities was exempt from registration under Section 3(a)(9) of the Securities Act.

From October 5, 2009, through April 12, 2010, Vermillion issued 990 shares of its common stock for $12,000 from the cash exercise of its warrants dated August 3, 2006, with an exercise price of $12.60 per share (the "August 3 Warrants"), and 3,496 shares of its common stock from the cashless exercise of 8,625 underlying common stock shares of its August 3 Warrants. From October 5, 2009, through April 12, 2010, Vermillion issued 990 shares of its common stock for $12,000 from the cash exercise of its warrants dated November 15, 2006, with an exercise price of $12.60 per share (the "November 15 Warrants"), and 3,486 shares of its common stock

from the cashless exercise of 8,625 underlying common stock shares of its November 15 Warrants. From September 29, 2009, through March 4, 2010, Vermillion issued 392,120 shares of its common stock for $3,627,000 from the cash exercise of its warrants dated August 29, 2007, with an exercise price of $9.25 per share (the "2007 Warrants"), and 521,213 shares of its common stock from the cashless exercise of 1,435,678 underlying common stock shares of its 2007 Warrants. The offer and issuance of securities is subject to the resale limitations of Rule 144 under the Securities Act.

On August 29, 2007, Vermillion completed a private placement sale of 2,451,309 shares of its common stock and a warrant to purchase up to an additional 1,961,047 shares of its common stock with an exercise price of $9.25 per share and expiration date of August 29, 2012, to a group of existing and new investors for $20,591,000 in gross proceeds. The net proceeds of the transaction will be used for general working capital needs. In connection with Quest Diagnostics Incorporated's ("Quest") participation in this transaction, Vermillion amended a warrant to purchase an additional 220,000 shares of its common stock that was originally issued to Quest on July 22, 2005. Pursuant to the terms of the amendment, the warrant to purchase 220,000 shares of Vermillion's common stock was reduced from $35.00 per share to $25.00 per share and the expiration date was extended from July 22, 2010, to July 22, 2011. The sale, offer and issuance of the securities was exempt from registration under Section 4(2) and/or Rule 506 of Regulation D of the Securities Act, as a transaction not involving a public offering because, among other things, the investors were accredited investors at the time of the transaction and appropriate legends were affixed to the instruments representing such securities issued in such transaction.

As partial consideration for services as placement agent in connection with the August 29, 2007, private placement sale, Vermillion issued a warrant to purchase up to 92,100 shares of Vermillion's common stock with an exercise price of $9.25 per share and expiration date of August 29, 2012, to Oppenheimer & Co. Inc. ("Oppenheimer"). Vermillion's Board of Directors determined the value of such warrants to be equal to the price paid for the warrants by the investors in the offering, or $1.25 per warrant share, for an aggregate value of $115,000. The sale, offer and issuance of the securities was exempt from registration under Section 4(2) and/or Rule 506 of Regulation D of the Securities Act, as a transaction not involving a public offering, because among other things, Oppenheimer was an accredited investor at the time of the transaction and appropriate legends were affixed to the instruments representing such securities issued in such transaction.

Securities Authorized for Issuance Under Equity Compensation Plans

Vermillion currently maintains three equity-based compensation plans that were approved by its stockholders and a new equity-based compensation plan that was recently approved by the Board of Directors on February 8, 2010. The plans are the 1993 Stock Option Plan (the "1993 Plan"), the Amended and Restated 2000 Stock Plan (the "2000 Plan"), the Amended and Restated 2000 Employee Stock Purchase Plan (the "2000 ESPP"), and the 2010 Stock Incentive Plan (the "2010 Plan").

1993 Plan. The authority of Vermillion's Board of Directors to grant new stock options and awards under the 1993 Plan terminated in 2001. Vermillion's Board of Directors continues to administer the 1993 Plan with respect to the stock options that remain outstanding to Vermillion's officers, employees, directors and a consultant. Currently, there are 1,720 shares of stock options that remain outstanding under the 1993 Plan.

2000 Plan. Vermillion's Board of Directors or a committee of Vermillion's Board of Directors may grant stock options and stock awards under the 2000 Plan. Their authorities to grant stock options and stock awards under the 2000 Plan will terminate in 2010. Vermillion's officers, employees, directors and consultants are eligible to receive stock option grants and stock awards under the 2000 Plan. Vermillion's non-employee directors are also eligible for certain automatic stock option grants under the 2000 plan. Vermillion's Board of Directors administers the 2000 Plan and approves each stock option grant and stock award. Vermillion's Board of Directors or a committee of Vermillion's Board of Directors determines the per share purchase price of Vermillion's common stock related to stock option grants and stock awards under the 2000 Plan. Additionally,

Vermillion's Board of Directors or a committee of Vermillion's Board of Directors determines the vesting schedule, duration, and other terms and conditions of each stock option grant or stock award subject to the limitations of the 2000 Plan. At December 31, 2009, there are 676,581 shares of stock options that remain outstanding under the 2000 Plan.

2000 ESPP. Subject to limits, all of Vermillion's officers and employees in the United States are eligible to participate in the 2000 ESPP. The 2000 ESPP operates in successive six-month offering and purchase periods. Participants in the ESPP may purchase Vermillion's common stock at the end of each purchase period at a purchase price equal to 85.0% of the lower of the fair market value of Vermillion's common stock at the beginning of the offering period or the end of the purchase period. The 2000 ESPP administrator may allow participants to contribute up to 15.0% of their eligible compensation to purchase stock under the 2000 ESPP. Vermillion's Board of Directors or a committee of Vermillion's Board of Directors administers the 2000 ESPP. The total amount of shares originally available for purchase under the 2000 ESPP was 1,505,795, of which 136,222 shares had been purchased.

2010 Plan. The 2010 Plan will be administered by the Compensation Committee of the Board. Vermillion's employees, directors, and consultants are eligible to receive awards under the 2010 Plan. The 2010 Plan permits the granting of a variety of awards, including stock options, share appreciation rights, restricted shares, restricted share units, and unrestricted shares, deferred share units, performance and cash-settled awards, and dividend equivalent rights. The Company is authorized to issue up to 1,322,983 shares of common stock, par value $0.001 per share under the 2010 Plan, subject to adjustment as provided in the 2010 Plan.

The number of shares of Vermillion's common stock to be issued upon exercise of outstanding stock options, the weighted-average exercise price of outstanding stock options and the number of shares available for future stock option grants and stock awards under equity compensation plans as of December 31, 2009, were as follows:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Shares Reflected in First Column)
Equity compensation plans approved by security holders	678,301[1]	$14.22[2]	7,923,132[3]
Equity compensation plans not approved by security holders	—	—	—
Total	678,301	$14.22	7,923,132

(1) Includes outstanding stock options for 1,720 shares of Vermillion's common stock under the 1993 Plan and 676,581 shares of Vermillion's common stock under the 2000 Plan.

(2) Includes the weighted average stock price for outstanding stock options of $34.88 under the 1993 Plan and $14.17 for the 2000 Plan.

(3) Includes 6,553,859 shares of Vermillion's common stock for the 2000 Plan. On January 1 of each year during the term of the 2000 Plan, the total number of shares available for award purposes under the 2000 Plan will increase by the lowest of (i) 215,000 shares, (ii) 5% of the outstanding shares of common stock on the last day of the immediately preceding fiscal year, or (iii) an amount determined by Vermillion's Board of Directors. Also includes 1,369,273 shares of Vermillion's common stock for the 2000 ESPP. On January 1 of each year during the term of the 2000 ESPP, the total number of shares available for sale under the 2000 ESPP will increase by the lowest of (i) 43,000 shares, (ii) 1% of the outstanding shares of common

stock on the last day of the immediately preceding fiscal year, or (iii) an amount determined by Vermillion's Board of Directors. On February 8, 2010, the Board of Directors of Vermillion approved the 2010 Stock Incentive Plan. Under the 2010 Plan, the total amount of common stock available for future issuance is reduced to 1,322,983 shares. No future awards shall occur under the 1993 Plan, the 2000 Plan, or the 2000 ESPP.

Item 6. Selected Financial Data

Per Item 301(c) of Regulation S-K, information is not required.

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

You should read the following discussion in conjunction with Vermillion, Inc. ("Vermillion") and its wholly owned subsidiaries' (collectively, the "Company") audited consolidated financial statements and the accompanying notes in Part II Item 8, "Financial Statements and Supplementary Data". The following discussion includes certain forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those referred to in the forward-looking statements as a result of various factors, including those discussed in Part I Item 1A, "Risk Factors", and elsewhere in this Annual Report on Form 10-K.

Overview

Vermillion was originally incorporated in California on December 9, 1993, under the name Abiotic Systems. In March 1995, Abiotic Systems changed its corporate name to Ciphergen Biosystems, Inc., and subsequently on June 21, 2000, it reincorporated in Delaware. Under the name Ciphergen Biosystems, Inc., Vermillion had its initial public offering on September 28, 2000. On November 13, 2006, the Company sold the assets and liabilities of its protein research products and collaborative services business (the "Instrument Business Sale") to Bio-Rad Laboratories, Inc. ("Bio-Rad"), which allowed Vermillion to focus on the development of its diagnostics tests. On August 21, 2007, Ciphergen Biosystems, Inc. changed its corporate name to Vermillion, Inc. Effective at the close of business on March 3, 2008, Vermillion had a 1 for 10 reverse stock split of Vermillion's common stock. Accordingly, all share and per share amounts were adjusted to reflect the impact of the 1 for 10 reverse stock split in this Annual Report on Form 10-K.

Vermillion is dedicated to the discovery, development and commercialization of novel high-value diagnostic tests that help physicians diagnose, treat and improve outcomes for patients. Vermillion's tests are intended to guide decisions regarding patient treatment, which may include decisions to refer patients to specialists, to perform additional testing, or to assist in the selection of therapy. A distinctive feature of Vermillion's approach is to combine multiple markers into a single, reportable index score that has higher diagnostic accuracy than its constituents.

Management ("we", "us" or "our") concentrates its development of novel diagnostic tests in the fields of oncology, hematology, cardiology and women's health, with the initial focus on ovarian cancer. Vermillion also intends to address clinical questions related to early disease detection, treatment response, monitoring of disease progression, prognosis and others through collaborations with leading academic and research institutions such as its strategic alliance agreement with Quest Diagnostic Incorporated ("Quest").

Vermillion's lead product is the OVA1™ ovarian tumor triage test (the "OVA1 Test"), which was cleared by the United States Food and Drug Administration (the "FDA") on September 11, 2009. The OVA1 Test addresses a clear unmet clinical need, namely the presurgical identification of women who are at high risk of having a malignant ovarian tumor. Numerous studies have documented the benefit of referral of these women to gynecologic oncologists for their initial surgery. Prior to the clearance of the OVA1 Test, no blood test had been cleared by the FDA for physicians to use in the presurgical management of ovarian adnexal masses. The OVA1 Test is a qualitative serum test that utilizes five well established biomarkers and proprietary FDA-cleared software to determine the likelihood of malignancy in women with a pelvic mass for whom surgery is planned. The OVA1 Test was developed through large pre-clinical studies in collaboration with numerous academic medical centers encompassing over 2,500 clinical samples. The OVA1 Test was fully validated in a prospective multi-center clinical trial encompassing 27 sites reflective of the diverse clinical centers at which ovarian adnexal masses are evaluated. The results of the clinical trial demonstrated that the OVA1 Test, in conjunction with clinical evaluation, was able to identify over 90% of the malignant ovarian tumors and to rule out malignancy (negative predictive value, or "NPV") with over 90% certainty.

On July 22, 2005, Vermillion and Quest entered into a strategic alliance agreement (the "Strategic Alliance Agreement") to develop and commercialize up to three diagnostic tests from Vermillion's product pipeline (the

"Strategic Alliance"). The Strategic Alliance Agreement was set to expire on the earlier of (i) the three-year anniversary of the agreement, which was July 22, 2008, and (ii) the date on which Quest commercializes the three diagnostic tests. On July 21, 2008, Vermillion and Quest amended the Strategic Alliance Agreement to extend the term of the agreement to end on the earlier of (i) September 1, 2008 and (ii) the date on which Quest commercializes the three diagnostic tests. On October 24, 2008, Vermillion and Quest amended the Strategic Alliance Agreement to extend the term of the agreement to end on the earlier of (i) September 1, 2009 and (ii) the date on which Quest makes its third development election. Subsequently on October 7, 2009, Vermillion and Quest amended the Strategic Alliance Agreement (the Strategic Alliance Agreement and the July 21, 2008, October 24, 2008 and October 7, 2009, amendments are collectively referred to as the "Amended Strategic Alliance Agreement") to extend the term of the agreement to end on the earlier of (i) October 7, 2012 and (ii) the date on which Quest makes its third development election. To date, Quest has selected only two diagnostic tests, which are the PAD blood test ("VASCLIR™") and the OVA1 Test, to commercialize. On September 11, 2009, the Company achieved the FDA clearance of the OVA1 Test milestone provision in the secured line of credit agreement providing for a reduction in the principal amount of the loan of $3,000,000 but was only able to apply the milestone once it was no longer in default under the terms of the secured line of credit while under Chapter 11 bankruptcy protection. The Company cured the default upon payment of accrued interest on January 22, 2010 totaling approximately $472,000. On January 23, 2010, the principal was reduced to $7,000,000. The Company is in discussions with Quest regarding the achievement of an additional $1,000,000 forgiveness milestone as a result of obtaining FDA clearance of the OVA1 Test under the terms of the Strategic Alliance Agreement.

The OVA1 Test was launched on March 9, 2010, by Quest under the terms of its strategic alliance with Vermillion at a list price of $650 for each OVA1 Test. On March 11, 2010, the Medicare contractor Highmark Medicare Services announced that it would cover the OVA1 Test in its reimbursement program. On May 10, 2010, Quest notified Vermillion that Highmark Medicare Services is adjudicating to Quest the OVA1 claims in the amount of $516.25 for each OVA1 Test.

In addition to the OVA1 Test, Vermillion has development programs in other clinical aspects of ovarian cancer as well as in peripheral arterial disease ("PAD"). In the field of peripheral arterial disease, Vermillion has identified candidate biomarkers that may help to identify individuals at high risk for a decreased ankle-brachial index score, which is indicative of the likely presence of peripheral arterial disease.

Current and former academic and research institutions that Vermillion has or has had collaborations with include The Johns Hopkins University School of Medicine ("JHU"); The University of Texas M.D. Anderson Cancer Center ("M.D. Anderson"); University College London ("UCL"); The University of Texas Medical Branch ("UTMB"); The Katholieke Universiteit Leuven; Clinic of Gynecology and Clinic of Oncology, Rigshospitalet, Copenhagen University Hospital ("Rigshospitalet"); The Ohio State University Research Foundation ("OSU"); Stanford University ("Stanford"); and the University of Kentucky ("UK").

On March 30, 2009, Vermillion filed a voluntary petition for relief (the "Bankruptcy Filing") under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Subsequently, on January 22, 2010, the confirmation order issued by the Bankruptcy Court for approving Vermillion's Second Amended Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code dated January 5, 2010, (the "Plan of Reorganization") became final and all conditions precedent to January 22, 2010, were satisfied or waived. Accordingly, the Company has emerged from bankruptcy under Chapter 11.

We expect to incur losses for at least the next year. Due to the Instrument Business Sale and recent commercial launch of the OVA1 Test, the Company will have limited revenues until additional diagnostic tests are developed or the Company continues to successfully commercialize the OVA1 Test. To become profitable, the Company may need to complete development of additional key diagnostic tests, obtain FDA approval and successfully commercialize those products in addition to the OVA1 Test. The Company has a limited history of operations in developing diagnostic tests, and we anticipate that the Company's quarterly results of operations will fluctuate

for the foreseeable future due to several factors, including market acceptance of current and new products, the timing and results of the Company's research and development efforts, the introduction of new products by the Company's competitors and possible patent or license issues. The Company's limited operating history as a diagnostics business makes accurate prediction of future results of operations difficult.

Critical Accounting Policies and Estimates

The notes to the consolidated financial statements contain a summary of the Company's significant accounting policies that are presented in Part II Item 8, "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K. We believe that it is important to have an understanding of certain policies, along with the related estimates that we are required to make in recording the financial transactions of the Company, in order to have a complete picture of the Company's financial condition. In addition, in arriving at these estimates, we are required to make complex and subjective judgments, many of which include a high degree of uncertainty. The following is a discussion of these critical accounting policies and significant estimates related to these policies.

Fair Value of Investments

We classify all of our marketable securities as available-for-sale. We carry these investments at fair value, based upon the levels of inputs described below. The amortized cost of securities in this category is adjusted for amortization of premiums and accretions of discounts to maturity. Such amortization is included in interest income. Realized gains and losses are recorded in our statement of operations.

The Company reviews the impairment of its investments on a quarterly basis in order to determine the classification of the impairment as "temporary" or "other-than-temporary". Beginning January 1, 2009, if the fair value of a debt security is less than its amortized cost, the Company assesses whether the impairment is other-than-temporary. An impairment is considered other-than-temporary if: (i) the Company has the intent to sell the security; (ii) it is more likely than not that the Company will be required to sell the security before recovery of the entire amortized cost basis; or (iii) the Company does not expect to recover the entire amortized cost basis of the security. If an impairment is considered other than temporary based on condition (i) or (ii) described above, the entire difference between the amortized cost and the fair value of the debt security is recognized in earnings. If an impairment is considered other than temporary based on condition (iii) described above, the amount representing credit losses (defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security) will be recognized in earnings and the amount relating to all other factors will be recognized in other comprehensive loss. Prior to January 1, 2009, declines in the fair value of debt securities deemed to be other-than-temporary were reflected in earnings as realized losses. Once an other-than-temporary impairment is recorded, a new cost basis in the investment is established.

We adopted ASC 820, "Fair Value and Measurements," in the first quarter of 2008. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Our short-term investments primarily utilize broker quotes in a non-active market for valuation of these securities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

ASC 820 requires us to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation. Our financial assets measured at fair value on a recurring basis include securities available for sale. Securities available for sale include money market funds and auction rate securities in private placements of credit linked notes.

Fair Value of Warrants

Prior to January 1, 2009, common stock warrants were recorded in stockholders equity in accordance with ASC 815, "Derivatives and Hedging" and ASC 825, "Financial instruments." However in June 2008, the Financial Accounting Standards Board ("FASB") issued new guidance now codified in ASC 815 that clarifies the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, which would qualify for classification as a liability. The new guidance was effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of the new guidance on January 1, 2009, resulted in the reclassification of certain of our outstanding warrants from stockholders' deficit to liability and a cumulative effect of change in accounting principle on our accumulated deficit. In addition, the stock warrants are required to be fair valued at each reporting period, with the changes in fair value recognized in our consolidated statement of operations. We fair value the warrants using a Black Scholes valuation model. Since the outstanding common stock warrants are fair valued at the end of each reporting period, any change in the underlying assumptions to the Black Scholes valuation model, including the volatility and price of our common stock, may have a significant impact on our consolidated financial statements.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs consist primarily of payroll and related costs, materials and supplies used in the development of new products, and fees paid to third parties that conduct certain research and development activities on behalf of the Company. Software development costs incurred in the research and development of new products are expensed as incurred until technological feasibility is established.

Stock-Based Compensation

We account for stock options and stock purchase rights related to our 2000 Stock Plan (the "2000 Plan") and 2000 Employee Stock Purchase Plan (the "2000 ESPP") under the provisions of ASC 718 which requires the recognition of the fair value of stock-based compensation. The fair value of stock options and ESPP shares was estimated using a Black-Scholes option valuation model. This model requires the input of subjective assumptions in implementing ASC 718 including expected stock price volatility, expected life and estimated forfeitures of each award. The fair value of equity-based awards is amortized over the vesting period of the award, and we have elected to use the straight-line method of amortization. Due to the limited amount of historical data available to us, particularly with respect to stock-price volatility, employee exercise patterns and forfeitures, actual results could differ from our assumptions.

We account for equity instruments issued to non-employees in accordance with the provisions of ASC 718 and ASC 505, "Equity." As a result, the non-cash charge to operations for non-employee options with vesting or other performance criteria is affected each reporting period by changes in the estimated fair value of our common stock. The two factors which most affect these changes are the price of the common stock underlying stock options for which stock-based compensation is recorded and the volatility of the stock price. If our estimates of the fair value of these equity instruments change, it would have the effect of changing compensation expenses.

Contingencies

We account for contingencies in accordance with ASC 450 Contingencies ("ASC 450"). ASC 450 requires that an estimated loss from a loss contingency shall be accrued when information available prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at

the date of the financial statements and when the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal and contract dispute matters requires us to use our judgment. We believe that our accruals for these matters are adequate. Nevertheless, the actual loss from a loss contingency might differ from our estimates.

Income Taxes

Our income tax policy records the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the accompanying balance sheets, as well as operating loss and tax credit carry forwards. We have recorded a full valuation allowance to reduce our deferred tax assets, as based on available objective evidence; it is more likely than not that the deferred tax assets will not be realized. In the event that we were to determine that we would be able to realize our deferred tax assets in the future, an adjustment to the deferred tax assets would increase net income in the period such determination was made.

Recently Adopted Accounting Pronouncements

In June 2009, Accounting Standards Codification ("ASC") ASC 105 Generally Accepted Accounting Principles ("ASC 105") was issued. ASC 105 became the single official source of authoritative, nongovernmental generally accepted accounting principles ("GAAP") in the United States. The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP, other than guidance issued by the Securities and Exchange Commission. Our accounting policies were not affected by the conversion to ASC. However, references to specific accounting standards in the footnotes to our consolidated financial statements have been changed to refer to the appropriate section of ASC.

In April 2009, FASB issued ASC 825 Financial Instruments ("ASC 825") and ASC 270 Interim Reporting or ("ASC 270"). ASC 825 and ASC 270 requires us to disclose on a quarterly basis, providing quantitative and qualitative information about fair value estimates for all financial instruments not measured in the Consolidated Balance Sheets at fair value. ASC 825 and ASC 270 are effective for interim periods ending after June 15, 2009. We have adopted the provisions of ASC 825 and ASC 270 effective the first quarter of fiscal 2009 (see Note 5 and Note 8 to the consolidated financial statements). The adoption of this guidance did not have a material impact on our consolidated financial statements

In April 2009, FASB issued ASC 320 Investments—Debt and Equity Securities ("ASC 320"). ASC 320 modifies the other-than-temporary impairment guidance for debt securities through increased consistency in the timing of impairment recognition and enhanced disclosures related to the credit and noncredit components of impaired debt securities that are not expected to be sold. In addition, increased disclosures are required for both debt and equity securities regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. ASC 320 is effective for interim and annual reporting periods that end after June 15, 2009, and early adoption is permissable. We have adopted the provisions of ASC 320 on January 1, 2009. We have considered the guidance provided by ASC 320 in our determination of impairment, and have determined that the impact was not material (see Note 8 to the consolidated financial statements).

In October 2009, the FASB issued Accounting Standards Update 2009-13, Revenue Recognition (Topic 605): *"Multiple Deliverable Revenue Arrangements—A Consensus of the FASB Emerging Issues Task Force."* This update provides application guidance on whether multiple deliverables exist, how the deliverables should be separated and how the consideration should be allocated to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific or third-party evidence is available. We will be required to apply this guidance prospectively for revenue arrangements entered into or materially modified after January 1, 2011; however, earlier application is permitted. We have not determined the impact that this update may have on our consolidated financial statements.

In January 2010, the FASB issued updated guidance related to fair value measurements and disclosures, which requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers. In addition, in the reconciliation for fair value measurements using significant unobservable inputs, or Level 3, a reporting entity should disclose separately information about purchases, sales, issuances and settlements (that is, on a gross basis rather than one net number). The updated guidance also requires that and entity should provide fair value measurement disclosures for each class of assets and liabilities and disclosures about the valuation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements for Level 2 and Level 3 fair value measurements. The updated guidance is effective for interim or annual financial reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. We do not expect adoption of the updated guidance to have a material impact on its consolidated results of operations or financial condition.

Results of Operations

Year Ended December 31, 2009, Compared to Year Ended December 31, 2008

The selected summary financial and operating data of Vermillion for the years ended December 31, 2009 and 2008 were as follows (dollars in thousands):

	Year Ended December 31,		Increase (Decrease)	
	2009	2008	Amount	%
Revenue:				
Products	$ —	$ 10	$ (10)	(100.00)
Services	—	114	(114)	(100.00)
Total revenue	—	124	(124)	(100.00)
Cost of revenue:				
Products	—	4	(4)	(100.00)
Services	—	20	(20)	(100.00)
Total cost of revenue	—	24	(24)	(100.00)
Gross profit	—	100	(100)	(100.00)
Operating expenses:				
Research and development	2,346	5,289	(2,943)	(55.64)
Sales and marketing	455	2,019	(1,564)	(77.46)
General and administrative	2,562	7,309	(4,747)	(64.95)
Total operating expenses	5,363	14,617	(9,254)	(63.31)
Loss from operations	(5,363)	(14,517)	(9,154)	63.06
Interest income	28	399	(371)	(92.98)
Interest expense	(1,691)	(2,035)	344	(16.90)
Loss on investment in auction rate securities	—	(2,176)	2,176	(100.00)
Change in fair value and exercise of warrants	(12,106)	—	(12,106)	—
Debt conversion costs	(819)	—	(819)	—
Reorganization items	(2,066)	—	(2,066)	—
Other income (expense), net	(20)	(41)	21	(51.22)
Loss before income taxes	(22,037)	(18,370)	(3,667)	19.96
Income tax benefit (expense)	(11)	40	(51)	(127.50)
Net loss	$(22,048)	(18,330)	$ (3,718)	20.28

Products Revenue. There was no product revenue for the year ended December 31, 2009. Products revenue of $10,000 was generated from the sales of thrombotic thrombocytopenic purpura ("TTP") test component material to The Ohio State University Research Foundation ("OSU") for the year ended December 31, 2008.

Services Revenue. There was no service revenue for the year ended December 31, 2009. Services revenue for the year ended December 31, 2008, consisted of $66,000 received from a consortium supported by the European Union for advanced molecular diagnostics research performed, and $48,000 from support services provided to a customer in accordance with a consortium agreement, which expired on March 31, 2008.

Cost of Products Revenue. There was no cost of product revenue for the year ended December 31, 2009. Cost of products revenue related to sales of TTP test component material to OSU was $4,000 for the year ended December 31, 2008.

Cost of Services Revenue. There was no cost of service revenue for the year ended December 31, 2009. Cost of Cost of services revenue for the year ended December 31, 2008 were costs associated with support services provided to a customer in accordance with a consortium agreement, which expired on March 31, 2008.

Research and Development Expenses. Research and development expenses decreased by $2,943,000, or 55.6%, to $2,346,000 for the year ended December 31, 2009, from $5,289,000 for the same period in 2008. This decrease was primarily due to the reduction in employee headcount to one at December 31, 2009, from four at December 31, 2008, and, correspondingly, salaries, payroll taxes, employee benefits and stock-based compensation decreased by $685,000, and travel expenses decreased by $64,000. Additionally, collaboration costs decreased by $621,000 due to the completion of the whole blood specimen collection for the OVA1 Test 510(k) pre-market notification application by our clinical research organization; other professional services decreased by $260,000; materials and supplies used in the development of new products decreased by $230,0000 due to the completion of the OVA1 Test clinical trials; depreciation and loss on disposal of assets decreased by $592,000; and occupancy costs decreased by $448,000 primarily due to the reduction of rent expense related to the Company's move into a smaller principal facility on July 1, 2008. Stock-based compensation expense included in research and development expenses was $219,000 and $120,000 for the years ended December 31, 2009 and 2008, respectively.

Sales and Marketing Expenses. Sales and marketing expenses decreased by $1,564,000, or 77.5%, to $455,000 for the year ended December 31, 2009, from $2,019,000 for the same period in 2008. This decrease was primarily due to lower occupancy costs as a result of the reduction of rent expense related to the Company's move into a smaller principal facility on July 1, 2008, by $418,000; payroll and related expenses by $697,000; outside services by $138,000; and travel expenses by $160,000. Stock-based compensation expense included in sales and marketing expenses was $24,000 and $93,000 for the years ended December 31, 2009 and 2008, respectively.

General and Administrative Expenses. General and administrative expenses decreased by $4,747,000, or 65.0%, to $2,562,000 for the year ended December 31, 2009, from $7,309,000 for the same period in 2008. The decrease was primarily due to $408,000 in payroll and related expenses; $1,212,000 in legal services, $917,000 in other professional services; $793,000 in accounting and auditing fees; $114,000 in travelling expenses; $922,000 in contingency relating to a contract dispute; $243,000 in depreciation and related expenses, and $218,000 in occupancy costs. The decrease was offset by an accrual of $696,000 for related party severances, and an increase in other operating expenses of $117,000. Stock-based compensation expense included in general and administrative expenses was $328,000 and $423,000 for the years ended December 31, 2009 and 2008, respectively.

Interest Income. Interest income was $28,000 for the year ended December 31, 2009, compared to $399,000 for the same period in 2008. Interest income decreased primarily due to lower interest yields and the reduction of investments available-for-sale and money market funds.

Interest Expense. Interest expense was $1,691,000 for the year ended December 31, 2009, compared to $2,035,000 for the same period in 2008. Interest expense in both periods consisted largely of interest related to Vermillion's convertible senior notes and borrowings from Quest. Interest expense included the amortization of the beneficial conversion feature associated with the 4.50% convertible senior notes and underwriter fees associated with the 7.00% convertible senior notes, which amounted to $150,000 and $211,000 for the years ended December 31, 2009 and 2008, respectively.

Loss on investment in auction rate securities. There were no losses related to investments available-for-sale for the year ended December 31, 2009. Loss on investment in auction rate securities was due to an other-than-temporary charge on investments available-for-sale of $2,176,000 for the year ended December 31, 2008.

Change in fair value and exercise of warrants. The change in fair value of warrants was $20,062,000 for the year ended December 31, 2009 as a result of warrant revaluations. Warrant exercise gain was $7,956,000 for the year ended December 31, 2009. Effective January 1, 2009, the adoption of the new accounting guidance resulted in the reclassification of certain outstanding warrants from stockholders' deficit to liability, which further required remeasurement at the end of each reporting period.

Debt conversion costs. Debt conversion costs were $819,000 for the year ended December 31, 2009**.** During the year ended December 31, 2009, the Company entered into exchange agreements with the 4.5% and 7.0% Note holders that included a more favorable conversion rate compared to the original conversion rates under the terms of the 4.5% and 7.0% Notes.

Reorganization items. Reorganization items were $2,066,000 for the year ended December 31, 2009. Reorganization items are expenses directly attributed to our Chapter 11 reorganization process such as advisory and professional service fees of $1,770,000 and expenses relating to the debtor-in-possession financing of $203,000. See Note 2 to our consolidated financial statements in Item 8 for a summary of these costs.

Other Income (Expense), Net. Net other expense was $20,000 for the year ended December 31, 2009, compared to $41,000 for the same period in 2008.

Income Tax Benefit (Expense). Income tax expenses were $11,000 for the year ended December 31, 2009. Income taxes were a benefit of $40,000 for the year ended December 31, 2008. The income tax benefit was due to foreign income tax refunds.

The Company has incurred net losses since inception and consequently is not subject to corporate income taxes in the United States to the extent of its tax loss carryforwards. At December 31, 2009, the Company had net operating loss carryforwards of $101,000,000 for federal and $69,000,000 for state tax purposes. If not utilized, these carryforwards will begin to expire in 2026 for federal purposes and 2016 for state purposes. As of December 31, 2009, the Company had $5,400,000 of net operation carryforwards from Vermillion's Japan operations. If not utilized, this carryforward will begin to expire in 2012. The utilization of net operating loss carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the net operating loss carryforwards. In addition, the maximum annual use of the net operating loss carryforwards may be limited in situations where changes occur in the Company's stock ownership.

Liquidity and Capital Resources

The Company has experienced significant cumulative operating losses since inception and, as of December 31, 2009, had an accumulated deficit of $279,475,000. On March 30, 2009, the Company filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). On October 16, 2009, the Bankruptcy Court approved for the Company to enter into a Debtor-In-Possession Credit and Security Agreement ("DIP financing") with Quest for

proceeds up to $1,500,000, which is secured by a first lien on substantially all of the Company's assets and bears interest at the prime rate plus 0.5% per annum. The Company utilized $400,000 of the DIP financing to fund general corporate matters. From September 2009 through December 31, 2009, the Company issued 886,372 shares of its common stock for total net proceeds of $3,651,000 from the exercise of its warrants. On January 7, 2010, the Bankruptcy Court issued a confirmation order approving the Company's Second Amended Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code (the "Plan of Reorganization"). On January 7, 2010, in connection with the Plan of Reorganization, the Company completed a private placement sale of 2,327,869 shares of its common stock to a group of new and existing investors for $43,050,000 in gross proceeds. Subsequently on January 22, 2010, the confirmation order issued by the Bankruptcy Court for approving the Company's Plan of Reorganization became final and all conditions precedent to January 22, 2010 were satisfied or waived. Accordingly, the Company emerged from bankruptcy under Chapter 11 (see Note 2 to our consolidated financial statements in Item 8).

On March 9, 2010, the Company commercially launched its OVA1 Test. The Company will continue to expend substantial resources in the selling and marketing of the OVA1 Test and research and development of additional key diagnostic tests, obtain FDA approval and successfully commercialize those products in addition to the OVA1 Test. The Company will continue to be in an accumulated deficit position unless sufficient revenues can be generated to offset expenses.

We believe that our existing cash and cash equivalents will be sufficient to meet our cash requirements for at least the next twelve months.

The successful achievement of our business objectives may require additional financing and therefore, we may need to raise additional capital or incur indebtedness to continue to fund our future operations. We may seek to raise capital through a variety of sources, including:

- the public equity market;
- private equity financing;
- collaborative arrangements;
- licensing arrangements; and/or
- public or private debt.

Any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve restrictive covenants. Additional funding may not be available when needed or on terms acceptable to us. If we are unable to obtain additional capital, we may be required to delay, reduce the scope of or eliminate our sales and marketing and research and development activities or not be able to pay our convertible senior notes. Our future liquidity and capital requirements will depend upon many factors, including, among others:

- Resources devoted to establish sales, marketing and distribution capabilities;
- The liquidity of auction rate securities held in our investment portfolio;
- The rate of product adoption by doctors and patients;
- Our determination to acquire or invest in other products, technologies and businesses;
- The market price of our common stock as it affects the exercise of stock options and the conversion terms of our convertible debt; and
- The insurance payer community's acceptance of and reimbursement for the OVA1 Test.

Cash and cash equivalents at December 31, 2009 and 2008 were $3,440,000 and $2,464,000, respectively. At December 31, 2009 and 2008, the working deficit was $7,373,000 and $3,727,000, respectively. The increase in working deficit for the year ended December 31, 2009, was principally due to funds used to finance operating losses of $22,048,000, .

Net cash used in operating activities was $3,114,000 for the year ended December 31, 2009, primarily as a result of the $22,048,000 net loss reduced by $14,091,000 of noncash expenses that included the net change in the fair value of warrants and warrant exercise gain of $12,106,000; debt conversion costs of $819,000; depreciation and amortization of $335,000; stock-based compensation of $571,000; and amortization of convertible senior notes discount of $150,000. Net cash used in operating activities was offset by $4,843,000 of cash provided by changes in operating assets and liabilities. Net cash used in operating activities was $15,440,000 for the year ended December 31, 2008, primarily as a result of the $18,330,000 net loss reduced by $4,343,000 of noncash expenses that included depreciation and amortization of $928,000, loss on sale and disposal of property and equipment of $334,000, other than temporary charge on investments and loss on sale of investments of $2,176,000, stock-based compensation of $636,000 and amortization of convertible senior notes discount of $211,000. Net cash used in operating activities was also increased by $1,453,000 of cash used in changes in operating assets and liabilities.

Net cash provided by investing activities was $42,000 for the year ended December 31, 2009, which primarily resulted from proceeds in connection with the maturity of a certificate of deposit pledged as collateral on a letter of credit. Net cash provided by investing activities was $10,323,000 for the year ended December 31, 2008, which primarily resulted from the net sales of investments available-for-sale of $10,358,000.

Net cash provided by financing activities was $4,051,000 for the year ended December 31, 2009, which resulted from net proceeds of $3,651,000 in connection with the exercise of stock warrants and debtor-in-possession financing of $400,000 received from a related party. Net cash provided by financing activities was $3,000 for the year ended December 31, 2008, which resulted from the purchase of common stock under the employee stock purchase plan.

Off Balance Sheet Arrangements

As of December 31, 2009, the Company had no off-balance sheet arrangements that are reasonably likely to have a current or future material effect on its consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Per Item 305(e) of Regulation S-K, information is not required.

Item 8. Financial Statements and Supplementary Data

Vermillion, Inc.
(Debtor-in-Possession)

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Vermillion, Inc.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1), present fairly, in all material respects, the financial position of Vermillion, Inc. and its subsidiaries at December 31, 2009 and 2008, and the results of their operations and their cash flows for the yeas then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company voluntarily filed for Chapter 11 bankruptcy protection on March 30, 2009 and subsequently emerged from bankruptcy on January 22, 2010.

/s/ PricewaterhouseCoopers LLP

San Jose, California
May 20, 2010

Vermillion, Inc.
(Debtor-in-Possession)

Consolidated Balance Sheets
(Amounts in Thousands, Except Share and Par Value Amounts)

	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 3,440	$ 2,464
Accounts receivable	—	31
Prepaid expenses and other current assets	454	326
Total current assets	3,894	2,821
Property and equipment, net	189	611
Long-term investments, at fair value	526	341
Other assets	—	85
Total assets	$ 4,609	$ 3,858
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 2,227	$ 1,676
Accrued liabilities	1,903	2,372
Debtor-in-possession loan with related party	400	—
Current portion of convertible senior notes, net of discount	—	2,500
Total current liabilities	4,530	6,548
Long-term debt owed to related party	10,000	10,000
Convertible senior notes, net of discount	—	16,378
Warrant liability	5,659	—
Liabilities subject to compromise	11,737	—
Total liabilities	31,926	32,926
Commitments and contingencies (Note 9)		
Stockholders' deficit:		
Preferred stock, $0.001 par value, 5,000,000 shares authorized, none issued and outstanding at December 31, 2009 and 2008	—	—
Common stock, $0.001 par value, 150,000,000 shares authorized at December 31, 2009 and 2008; 7,918,705 and 6,383,916 shares issued and outstanding at December 31, 2009 and 2008, respectively	8	6
Additional paid-in capital	252,196	228,560
Accumulated deficit	(279,475)	(257,472)
Accumulated other comprehensive loss	(46)	(162)
Total stockholders' deficit	(27,317)	(29,068)
Total liabilities and stockholders' deficit	$ 4,609	$ 3,858

See accompanying notes to the consolidated financial statements.

Vermillion, Inc.
(Debtor-in-Possession)

Consolidated Statements of Operations
(Amounts in Thousands, Except Share and Per Share Amounts)

	Year Ended December 31,	
	2009	2008
Revenue:		
Products	$ —	$ 10
Services	—	114
Total revenue	—	124
Cost of revenue:		
Products	—	4
Services	—	20
Total cost of revenue	—	24
Gross profit	—	100
Operating expenses:		
Research and development	2,346	5,289
Sales and marketing	455	2,019
General and administrative	2,562	7,309
Total operating expenses	5,363	14,617
Loss from operations	(5,363)	(14,517)
Interest income	28	399
Interest expense	(1,691)	(2,035)
Loss on investments in auction rate securities	—	(2,176)
Change in fair value and exercise of warrants	(12,106)	—
Debt conversion costs	(819)	—
Reorganization items	(2,066)	—
Other income (expense), net	(20)	(41)
Loss before income taxes	(22,037)	(18,370)
Income tax benefit (expense)	(11)	40
Net loss	$ (22,048)	$ (18,330)
Loss per share—basic and diluted	$ (3.31)	$ (2.87)
Shares used to compute basic and diluted loss per common share	6,662,231	6,381,802

See accompanying notes to the consolidated financial statements.

Vermillion, Inc.
(Debtor-in-Possession)

Consolidated Statements of Changes in Stockholders' Deficit and Comprehensive Loss
(Amounts in Thousands, Except Share Amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity (Deficit)	Comprehensive Loss
	Shares	Amount					
Balance at December 31, 2007	6,380,197	$ 6	$227,895	$(239,142)	$(221)	$(11,462)	
Net loss	—	—	—	(18,330)	—	(18,330)	$(18,330)
Change in unrealized gain(loss) on available for sale securities	—	—	—	—	98	98	98
Foreign currency translation adjustment	—	—	—	—	(39)	(39)	(39)
Comprehensive loss							$(18,271)
Registration costs adjustment related to private placement offering	—	—	26	—	—	26	
Payment for fractional shares related to 1 for 10 reverse stock split	(31)	—	—	—	—	—	
Common stock shares issued in connection with employee stock purchase plan	3,750	—	3	—	—	3	
Stock compensation charge	—	—	636	—	—	636	
Balance at December 31, 2008	6,383,916	6	228,560	(257,472)	(162)	(29,068)	
Net loss	—	—	—	(22,048)	—	(22,048)	$(22,048)
Cumulative effect of a change in accounting principle to reclassify certain warrants to warrant liability				(21)		(21)	
Cumulative effect adjustment to reclassify a portion of previously recognized other-than temporary impairment of auction rate securities	—	—	—	66	(66)	—	—
Change in unrealized gain(loss) on available for sale securities	—	—	—	—	185	185	185
Foreign currency translation adjustment	—	—	—	—	(3)	(3)	(3)
Comprehensive loss							$(21,866)
Warrant exercises	886,372	1	10,015	—	—	10,016	
Conversion of convertible senior notes	648,417	1	13,050	—	—	13,051	
Stock compensation charge	—	—	571	—	—	571	
Balance at December 31, 2009	7,918,705	$ 8	$252,196	$(279,475)	$ (46)	$(27,317)	

See accompanying notes to the consolidated financial statements.

Vermillion, Inc.
(Debtor-in-Possession)

Consolidated Statements of Cash Flows
(Amounts in Thousands)

	Year Ended December 31,	
	2009	**2008**
Cash flows from operating activities:		
Net loss	$(22,048)	$(18,330)
Adjustments to reconcile net loss to net cash used in operating activities:		
Charge on impairment and loss on sale of investments	—	2,176
Change in warrant value and warrant exercise gain	12,106	—
Debt conversion costs	819	—
(Gain) loss on sale and disposal of property and equipment	(2)	334
Depreciation and amortization	335	928
Stock-based compensation expense	571	636
Amortization of debt discount	73	211
Amortization of debt issuance costs	9	58
Write-off of debt issuance costs and discounts related to debt subject to compromise	93	—
Impairment of property and equipment	87	—
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	31	(12)
Decrease (increase) in prepaid expenses and other current assets	(108)	778
Decrease in other assets	—	555
Increase (decrease) in accounts payable and accrued liabilities	4,920	(2,469)
Decrease in deferred revenue	—	(27)
Decrease in other liabilities	—	(278)
Net cash used in operating activities	(3,114)	(15,440)
Cash flows from investing activities:		
Proceeds from sales of investments	—	14,458
Purchases of investments	—	(4,100)
Purchase of certificate of deposit pledged as collateral on letter of credit	—	(100)
Proceeds from sale of property and equipment	2	150
Purchase of property and equipment	—	(85)
Proceeds from maturity of certificate of deposit pledged as collateral on letter of credit	40	—
Net cash provided by investing activities	42	10,323
Cash flows from financing activities:		
Proceeds from debtor-in-possession loan financing with related party	400	—
Proceeds from stock warrant exercises, net	3,651	—
Proceeds from purchase of common stock by employee stock purchase plan	—	3
Net cash provided by financing activities	4,051	3
Effect of exchange rate changes on cash and cash equivalents	(3)	(39)
Net increase (decrease) in cash and cash equivalents	976	(5,153)
Cash and cash equivalents, beginning of year	2,464	7,617
Cash and cash equivalents, end of year	$ 3,440	$ 2,464
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 67	$ 1,859
Income taxes	10	35
Noncash investing and financing activities:		
Unrealized (gain) loss on investments	$ (185)	$ 98
Cumulative effect of change in accounting principle - warrant liability	(21)	—
Cumulative effect of change in accounting principle - unrealized loss on investments	66	—
Registration costs adjustment related to private placement offering of common stock and warrants	—	26
Issuance of common stock from warrant exercise	6,365	—
Issuance of common stock from conversion of principal and interest for senior convertible notes	13,051	—

See accompanying notes to the consolidated financial statements.

Vermillion, Inc.
(Debtor-in-Possession)

Notes to Consolidated Financial Statements

1. Basis of Presentation and Summary of Significant Accounting and Reporting Policies

Organization

Vermillion, Inc. ("Vermillion"; Vermillion and its wholly-owned subsidiaries are collectively referred to as the "Company") is incorporated in the state of Delaware, and is engaged in the business of discovering, developing and commercializing diagnostics tests in the fields of oncology, hematology, cardiology and women's health. On March 9, 2010, the Company commercially launched OVA1™ ovarian tumor triage test (the "OVA1 Test").

Liquidity

The Company has incurred significant net losses and negative cash flows from operations since inception. At December 31, 2009, the Company had an accumulated deficit of $279,475,000. On November 13, 2006, the Company completed the sale of assets and liabilities of the Company's protein research products and collaborative services business (the "Instrument Business Sale") to Bio-Rad Laboratories, Inc. ("Bio-Rad"). On March 30, 2009, the Company filed a voluntary petition for relief (the "Bankruptcy Filing") under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). On January 7, 2010, in connection with the Second Amended Plan of Reorganization under Chapter 11 of the United States Bankruptcy Code ("Plan of Reorganization"), the Company completed a private placement sale of 2,327,869 shares of its common stock to a group of new and existing investors for $43,050,000 in gross proceeds. Subsequently on January 22, 2010, the confirmation order issued by the Bankruptcy Court for approving the Company's Plan of Reorganization became final and all conditions precedent to January 22, 2010 were satisfied or waived. Accordingly, the Company emerged from bankruptcy under Chapter 11 (see Note 2). On March 9, 2010, the Company commercially launched the OVA1 Test. Due to the Instrument Business Sale and recent commercial launch of the OVA1 Test, the Company will have limited revenues until additional diagnostic tests are developed or the Company continues to successfully commercialize the OVA1 Test.

To become profitable in the near future, the Company may need to complete development of additional key diagnostic tests, obtain FDA approval and successfully commercialize those products in addition to the OVA1 Test. The Company's ability to continue to meet its obligations and to achieve its business objectives is dependent upon, among other things, raising additional capital or generating sufficient revenue in excess of costs. The Company may seek to raise additional funding from various possible sources, including the public equity market, private financings, sales of assets, collaborative arrangements and debt. If Vermillion raises additional capital through the issuance of equity securities or securities convertible into equity, stockholders will experience dilution, and such securities may have rights, preferences or privileges senior to those of the holders of Vermillion's common stock or convertible senior notes. If the Company raises additional funds by issuing debt, the Company may be subject to limitations on its operations, through debt covenants or other restrictions. If the Company obtains additional funds through arrangements with collaborators or strategic partners, the Company may be required to relinquish its rights to certain technologies or products that it might otherwise seek to retain.

There can be no assurance that the Company will be able to obtain such financing, or obtain it on acceptable terms. If the Company is unable to obtain financing on acceptable terms, it may be unable to execute its business plan, the Company could be required to reduce the scope of or eliminate its sales and marketing and research and development activities or not be able to pay its convertible senior notes.

Principals of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation.

Basis of Presentation

On February 15, 2008, Vermillion's Board of Directors approved a 1 for 10 reverse stock split (the "Reverse Stock Split") of Vermillion's common stock effective at the close of business on Monday, March 3, 2008. All share and per share amounts were adjusted to take into account the Reverse Stock Split in the accompanying notes to the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The primary estimates underlying the Company's consolidated financial statements include the fair value of its investment portfolio, assumptions regarding variables used in calculating the fair value of its equity awards, income taxes and contingent liabilities. Actual results could differ from those estimates.

Cash and Cash Equivalents and Long-term Investments

Cash and cash equivalents consist of cash and highly liquid investments with maturities of three months or less from the date of purchase, which are readily convertible into known amounts of cash and are so near to their maturity that they present an insignificant risk of changes in value because of interest rate changes. Highly liquid investments that are considered cash equivalents include money market funds, certificates of deposits, treasury bills and commercial paper. The carrying value of cash equivalents approximates fair value due to the short-term maturity of these securities.

The Company classifies all of its marketable securities as available-for-saleand carries these investments at fair value, based upon the levels of inputs described below. The amortized cost of securities in this category is adjusted for amortization of premiums and accretions of discounts to maturity. Such amortization is included in interest income. Realized gains and losses are recorded in our statement of operations.

The Company reviews the impairment of its investments on a quarterly basis in order to determine the classification of the impairment as "temporary" or "other-than-temporary". Beginning January1, 2009, if the fair value of a debt security is less than its amortized cost, the Company assesses whether the impairment is other-than-temporary. An impairment is considered other-than-temporary if: (i) the Company has the intent to sell the security; (ii) it is more likely than not that the Company will be required to sell the security before recovery of the entire amortized cost basis; or (iii) the Company does not expect to recover the entire amortized cost basis of the security. If an impairment is considered other than temporary based on condition (i) or (ii) described above, the entire difference between the amortized cost and the fair value of the debt security is recognized in earnings. If an impairment is considered other than temporary based on condition (iii) described above, the amount representing credit losses (defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis of the debt security) will be recognized in earnings and the amount relating to all other factors will be recognized in other comprehensive loss. Prior to January 1, 2009, declines in the fair value of debt securities deemed to be other-than-temporary were reflected in earnings as realized losses. Once an other-than-temporary impairment is recorded, a new cost basis in the investment is established.

With respect to the auction rate securities that were held as of January 1, 2009, The Company determined that the cumulative effect adjustment required to reclassify the non-credit portion of previously recognized other-than-temporarily impaired adjustments was $66,000. Therefore, the Company decreased its accumulated deficit and

increase its accumulated other comprehensive loss by the $66,000 cumulative effect adjustment. With respect to the $1 million of par value auction rate securities investments held as of December 31, 2009, the unrealized losses included in accumulated comprehensive loss was $119,000.

Fair Value Measurement

The Company adopted ASC 820, "Fair Value and Measurements," in the first quarter of 2008. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Our short-term investments primarily utilize broker quotes in a non-active market for valuation of these securities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

ASC 820 requires us to maximize the use of observable inputs and minimize the use of unobservable inputs. If a financial instrument uses inputs that fall in different levels of the hierarchy, the instrument will be categorized based upon the lowest level of input that is significant to the fair value calculation. Our financial assets measured at fair value on a recurring basis include securities available for sale. Securities available for sale include money market funds and auction rate securities in credit linked private placement notes.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, a certificate of deposit, investments in marketable securities and accounts receivable. The Company maintains the majority of its cash and cash equivalents in recognized financial institutions in the United States. The Company also maintains cash deposits with banks in Western Europe, Canada, China and Japan. The Company has not experienced any losses associated with its deposits of cash and cash equivalents. The Company has pledged a certificate of deposit as collateral on a letter of credit serving as a security deposit on its principal facility (see description of operating lease in Note 9, "Commitments and Contingencies"). This certificate of deposit is maintained in a recognized financial institution in the United States. The Company's investment in marketable securities consists of auction rate securities, and is managed by a recognized financial institution in the United States. The Company does not invest in derivative instruments or engage in hedging activities.

The Company's accounts receivable are derived from sales made to customers located in North America. The Company performs ongoing credit evaluations of its customers' financial condition and generally does not require collateral. The Company maintains an allowance for doubtful accounts based upon the expected collectability of accounts receivable. The Company's accounts receivable at December 31, 2008 and revenues for the years ended at December 31, 2008 are from two customers.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization. Property and equipment are depreciated using the straight-line method over the estimated useful lives, generally three to five years. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the remaining term of the lease. Maintenance and repairs are charged to operations as incurred. Upon sale or retirement of assets, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reflected in operations.

Property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. If property, plant and equipment are considered to be impaired, an impairment loss is recognized.

Revenue Recognition

Revenue from product sales, including consumables, is recognized upon product shipment, provided no significant obligations remain and collection of the receivables is reasonably assured. Revenue from shipping and handling is recognized upon product shipment, based on the amount billed to customers for shipping and handling. The related cost of shipping and handling is included in cost of revenue upon product shipment. Services revenue was recognized upon completion of work and receipt of payment.

Research and Development Costs

Research and development costs are expensed as incurred. Research and development costs consist primarily of payroll and related costs, materials and supplies used in the development of new products, and fees paid to third parties that conduct certain research and development activities on behalf of the Company. Software development costs incurred in the research and development of new products are expensed as incurred until technological feasibility is established.

Stock-Based Compensation

The Company account for stock options and stock purchase rights related to its 2000 Stock Plan (the "2000 Plan") and 2000 Employee Stock Purchase Plan (the "2000 ESPP") under the provisions of ASC 718 , "Compensation—Stock Compensation," ("ASC 718") which requires the recognition of the fair value of stock-based compensation. The fair value of stock options and 2000 ESPP shares is estimated using a Black-Scholes option valuation model. This model requires the input of subjective assumptions in implementing ASC 718 including expected stock price volatility, expected life and estimated forfeitures of each award. The fair value of equity-based awards is amortized over the vesting period of the award, and we have elected to use the straight-line method of amortization. These assumptions consist of estimates of future market conditions, which are inherently uncertain, and therefore are subject to management's judgment.

The expected life of options is based on historical data of Vermillion's actual experience with the options it has granted and represents the period of time that the options granted are expected to be outstanding. This data includes employees' expected exercise and post-vesting employment termination behaviors. The expected stock price volatility is estimated using a combination of historical and peer group volatility for a blended volatility in deriving the expected volatility assumption for the year ended December 31, 2008. The Company made an assessment that blended volatility is more representative of future stock price trends than just using historical or peer group volatility, which corresponds to the expected life of the options. The expected dividend yield is based

on the estimated annual dividends that Vermillion expects to pay over the expected life of the options as a percentage of the market value of Vermillion's common stock as of the grant date. The risk-free interest rate for the expected life of the options granted is based on the United States Treasury yield curve in effect as of the grant date.

The expected life of shares purchased under the 2000 ESPP is six months, which corresponds to the offering period. The expected stock price volatility is estimated using a combination of historical and peer group volatility for a blended volatility in deriving the expected volatility assumption, which corresponds to the offering period. The expected dividend yield is based on the estimated annual dividends that Vermillion expects to pay over the expected life of shares purchased under the 2000 ESPP as a percentage of the market value of Vermillion's common stock as of the grant date. The risk-free interest rate for the expected life of the shares purchased under the 2000 ESPP is based on the United States Treasury yield curve in effect as of the beginning of the offering period.

Contingencies

We account for contingencies in accordance with ASC 450 Contingencies ("ASC 450"). ASC 450 requires that an estimated loss from a loss contingency shall be accrued when information available prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and when the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal and contract dispute matters requires us to use our judgment. We believe that our accruals for these matters are adequate. Nevertheless, the actual loss from a loss contingency might differ from our estimates.

Income Taxes

The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and the tax bases of assets and liabilities using the current tax laws and rates. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts more likely than not expected to be realized.

In July 2006, the Financial Accounting Standards Board ("FASB") issued Financial Interpretation ("FIN") 48, "Accounting for Uncertainty in Income Taxes", (codified primarily in FASB ASC Topic 740-10-50, "Accounting for Uncertainty of Income Taxes") which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") 109, "Accounting for Income Taxes" (codified primarily in FASB ASC Topic 740, Income Taxes). ASC Topic 740-10-50 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more likely than not recognition threshold at the effective date to be recognized upon the adoption of ASC Topic 740-10-50 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company recognizes interest and penalties related to unrecognized tax benefits within the interest expense line and other expense line, respectively, in the consolidated statement of operations. Accrued interest and penalties are included within the related liability lines in the consolidated balance sheet.

The Company adopted the provisions of ASC Topic 740-10-50, on January 1, 2007. The adoption of ASC Topic 740-10-50 had no impact on the Company's financial statements.

Foreign Currency Translation

The functional currency of Ciphergen Biosystems KK is the Japanese yen. Accordingly, all balance sheet accounts of this operation are translated into United States dollars using the current exchange rate in effect at the balance sheet date. The revenues and expenses of Ciphergen Biosystems KK are translated using the average exchange rates in effect during the period, and the gains and losses from foreign currency translation are recorded in accumulated other comprehensive loss.

The functional currency of all other foreign operations is the United States dollar. Accordingly, all monetary assets and liabilities of these foreign operations are translated into United States dollars at current period-end exchange rates and non-monetary assets and related elements of expense are translated using historical rates of exchange. Income and expense elements are translated to United States dollars using average exchange rates in effect during the period. Gains and losses from the foreign currency transactions of these subsidiaries are recorded as other income (expense).

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss consists of unrealized gain (losses) from available-for-sale securities and foreign currency translation adjustment.

Loss Per Share

Basic loss per share is computed by dividing the net loss by the weighted average number of common stock shares outstanding during the period. Diluted loss per share is computed by dividing the net loss by the weighted average number of common stock shares adjusted for the dilutive effect of common stock equivalent shares outstanding during the period. Common stock equivalents consist of convertible senior notes (using the "as if converted" method), stock options, stock warrants and common stock issuable under the 2000 Employee Stock Purchase Plan (using the "treasury stock" method). Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect on earnings per share.

Fair Value of Financial Instruments

Financial instruments include cash and cash equivalents, marketable securities, accounts receivables, accounts payable, accrued liabilities, convertible senior notes and the amount owed on a secured line of credit and debtor-in-possession debt with Quest Diagnostics Incorporated ("Quest"). The estimated fair value of financial instruments has been determined using available market information or other appropriate valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value; therefore, the estimates are not necessarily indicative of the amounts that could be realized or would be paid in a current market exchange. The effect of using different market assumptions and/or estimation methodologies may be material to the estimated fair value amounts. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities are at cost, which approximates fair value due to the short maturity of those instruments. The estimated fair value of the convertible senior notes is based on quoted market prices. The carrying value of the amount owed on a secured line of credit and debtor-in-possession debt with Quest approximates fair value, which is based on discounting the future cash flows using applicable spreads to approximate current interest rates available to the Company.

Prior to January 1, 2009, common stock warrants were recorded in stockholders equity in accordance with ASC 815, "Derivatives and Hedging" and ASC 825, "Financial instruments." However in June 2008, the Financial

Accounting Standards Board ("FASB") issued new guidance now codified in ASC 815 that clarifies the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, which would qualify for classification as a liability. The new guidance was effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of the new guidance on January 1, 2009, resulted in the reclassification of certain of our outstanding warrants from stockholders' equity to liability and a cumulative effect of change in accounting principle on our accumulated deficit of $21,000. In addition, the stock warrants are required to be fair valued at each reporting period, with the changes in fair value recognized in our consolidated statement of operations. We fair value the warrants using a Black Scholes valuation model. Since the outstanding common stock warrants are fair valued at the end of each reporting period, any change in the underlying assumptions to the Black Scholes valuation model, including the volatility and price of our common stock, may have a significant impact on our consolidated financial statements.

Segment Reporting

The Company operates one reportable segment, novel diagnostic tests.

2. Chapter 11 Bankruptcy

On March 30, 2009, the Company filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court. The Company continues to operate its business and manage its properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Financial Statement Presentation

Our consolidated financial statements have been prepared in accordance with ASC 852, "Reorganization" (ASC 852) and on a going-concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of our bankruptcy filing, such realization of assets and liquidation of liabilities is subject to uncertainty. While operating as debtors in possession under the protection of Chapter 11 of the Section 365 of the Bankruptcy Code, all or some of the Debtors may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the consolidated financial statements, subject to Bankruptcy Court approval or as otherwise permitted in the ordinary course of business. Further, our Plan of Reorganization could materially change the amounts and classification of items reported in our historical consolidated financial statements.

Substantially all of the Debtors' pre-petition debt was in default due to the bankruptcy filing. As described below, the accompanying consolidated financial statements present the Debtors' pre-petition debt of $7,365,000 within Liabilities subject to compromise.

Liabilities Subject to Compromise

As required by ASC 852, the Company has recorded liability amounts for the claims that can be reasonably estimated and which the Company believes are probable of being allowed by the Bankruptcy Court. Such claims are subject to future adjustments that may result from, among other things, negotiations with creditors, and rejection of executory contracts and unexpired leases. Liabilities subject to compromise may change due to reclassifications, settlements or reorganization activities that give rise to new claims or increases in existing claims.

Liabilities subject to compromise in the consolidated balance sheet consisted of the following at December 31, 2009 (in thousands):

Accounts payable	$ 1,932
Accrued liabilities	1,696
Payroll and benefits related expenses	744
Convertible senior notes	7,365
Total liabilities subject to compromise	$11,737

Debtor-In-Possession Credit and Security Agreement with Quest Diagnostics Incorporated

On October 16, 2009, the Bankruptcy Court gave approval for Vermillion to enter into a Debtor-In-Possession Credit and Security Agreement (the "DIP Loan Agreement") with Quest and to assume under the Bankruptcy Code the Amended Strategic Alliance Agreement. In connection with the assumption of the Amended Strategic Alliance Agreement, Vermillion also assumed certain other agreements with Quest related to the Amended Strategic Alliance Agreement, including the pre-petition warrants for the purchase of Vermillion's common stock. Under the DIP Loan Agreement, Quest agreed to provide a debtor-in-possession loan to Vermillion of up to $1,500,000 (the "DIP Financing"). The DIP Financing is secured by a first lien on substantially all of Vermillion's assets and bears interest at the prime rate plus 0.5% per annum. The DIP Financing matures at the effective date of a plan of reorganization or February 28, 2010, if earlier. Under the DIP Loan Agreement, Vermillion is bound by customary affirmative and negative covenants, including covenants with respect to the use of the funds provided by Quest, and customary events of default - including non-payment, breach of covenants and material breach of the Amended Strategic Alliance Agreement - that may result in acceleration of outstanding amounts, if any, under the DIP Loan Agreement. The Company received $400,000 under this agreement on October 27, 2009. On January 22, 2010, the Company repaid the $400,000 and interest of $4,000. Professional service fees relating to the DIP Loan Agreement were expensed as incurred and classified as reorganization items in the accompanying consolidated statement of operations.

Reorganization Items

Professional advisory fees and other costs directly associated with our reorganization are reported separately as reorganization items pursuant to ASC 852. Professional fees include legal fees, legal fees relating to DIP Financing undertaken as part of the reorganization process. The write-off of debt issuance costs and discounts and the underwriting fees related to the DIP Loan Agreement generally represent one-time charges. Certain actions within the non-Debtor companies have occurred as a result of the Debtors' bankruptcy proceedings. The costs associated with these actions are also reported as reorganization items. The reorganization items in the consolidated statement of operations for year ended December 31, 2009 consisted of the following items:

The Company has incurred certain professional fees and other expenses directly associated with the bankruptcy proceedings. In addition, the Company has made adjustments to the carrying value of certain prepetition liabilities. Such costs and adjustments are classified as "reorganization items" in the accompanying consolidated statement of operations and consisted of the following (in thousands):

	Year Ended December 31, 2009
Debtors reorganization items	
Professional fees associated with bankruptcy proceedings	$1,146
Write-off of debt issuance costs and discounts related to debt subject to compromise	93
DIP Financing fees	203
Debtors reorganization items	$1,442
Non-Debtors reorganization items	
Professional fees associated with bankruptcy proceedings	$ 624
Total reorganization items	$2,066

Plan of Reorganization

On January 7, 2010, the Bankruptcy Court issued a confirmation order approving the Company's Plan of Reorganization. The Plan of Reorganization contemplates the reorganization of the Company and the discharge of all outstanding claims against and interests in the Company. Pursuant to the Plan of Reorganization, as confirmed, each holder of an allowed priority claim will receive cash in an amount equal to such allowed claim. The secured claim arising from the Quest secured line of credit was reinstated and unimpaired. Holders of the outstanding 4.50% Convertible Senior Notes due 2009 (the "4.50% Notes") received the payment of $2,195,000 of principle, $140,000 of unpaid interest and 9,044 shares of common stock in exchange of their claims. $5,000,000 in principal of the outstanding 7.00% Convertible Senior Notes due 2011 (the "7.00% Notes") were reinstated. Holders of unpaid interest on previously converted 7.00% Notes received $362,000 in cash and 7,239 shares related to the unpaid interest of the 7.00% Notes. All holders of allowed general unsecured claims elected to receive cash and were paid in full.

Subsequently on January 22, 2010, the confirmation order issued by the Bankruptcy Court for approving Vermillion's Plan of Reorganization became final and all conditions precedent to January 22, 2010 were satisfied or waived. Accordingly, the Company emerged from bankruptcy under Chapter 11. Although the Company has emerged out of bankruptcy, the bankruptcy case will remain open until the resolution of the following matters, which includes approval by the Bankruptcy Courts:

- Molecular Analytical Systems, Inc. Litigation (see Note 9)

- Bio-Rad Laboratories, Inc. Matters (see Note 9)
- $1,000,000 milestone under the Strategic Alliance Agreement with Quest (see Note 4), and
- Various pre-petition liability objections

3. Recent Accounting Pronouncements

In June 2009, Accounting Standards Codification ("ASC") ASC 105 Generally Accepted Accounting Principles ("ASC 105") was issued. ASC 105 became the single official source of authoritative, nongovernmental generally accepted accounting principles ("GAAP") in the United States. The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP, other than guidance issued by the Securities and Exchange Commission. Our accounting policies were not affected by the conversion to ASC. However, references to specific accounting standards in the footnotes to our consolidated financial statements have been changed to refer to the appropriate section of ASC.

In April 2009, FASB issued ASC 825 Financial Instruments ("ASC 825") and ASC 270 Interim Reporting or ("ASC 270"). ASC 825 and ASC 270 requires us to disclose on a quarterly basis, providing quantitative and qualitative information about fair value estimates for all financial instruments not measured in the Consolidated Balance Sheets at fair value. ASC 825 and ASC 270 are effective for interim periods ending after June 15, 2009. We have adopted the provisions of ASC 825 and ASC 270 effective the first quarter of fiscal 2009. See Note 5—Fair Value and Note 8—Debt to Consolidated Financial Statements. The adoption of this guidance did not have a material impact on our consolidated financial statements

In April 2009, FASB issued ASC 320 Investments—Debt and Equity Securities ("ASC 320"). ASC 320 modifies the other-than-temporary impairment guidance for debt securities through increased consistency in the timing of impairment recognition and enhanced disclosures related to the credit and noncredit components of impaired debt securities that are not expected to be sold. In addition, increased disclosures are required for both debt and equity securities regarding expected cash flows, credit losses, and an aging of securities with unrealized losses. ASC 320 is effective for interim and annual reporting periods that end after June 15, 2009, and early adoption is permitted. We have adopted the provisions of ASC 320 on January 1, 2009. We have considered the guidance provided by ASC 320 in our determination of impairment, and have determined that the impact was not material. See Note 8—Debt to Consolidated Financial Statements.

In October 2009, the FASB issued Accounting Standards Update 2009-13, Revenue Recognition (Topic 605): *"Multiple Deliverable Revenue Arrangements—A Consensus of the FASB Emerging Issues Task Force."* This update provides application guidance on whether multiple deliverables exist, how the deliverables should be separated and how the consideration should be allocated to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific or third-party evidence is available. We will be required to apply this guidance prospectively for revenue arrangements entered into or materially modified after January 1, 2011; however, earlier application is permitted. We have not determined the impact that this update may have on our consolidated financial statements.

In January 2010, the FASB issued updated guidance related to fair value measurements and disclosures, which requires a reporting entity to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and to describe the reasons for the transfers. In addition, in the reconciliation for fair value measurements using significant unobservable inputs, or Level 3, a reporting entity should disclose

separately information about purchases, sales, issuances and settlements (that is, on a gross basis rather than one net number). The updated guidance also requires that and entity should provide fair value measurement disclosures for each class of assets and liabilities and disclosures about the valuation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements for Level 2 and Level 3 fair value measurements. The updated guidance is effective for interim or annual financial reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the roll forward activity in Level 3 fair value measurements, which are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. We do not expect adoption of the updated guidance to have a material impact on its consolidated results of operations or financial condition.

4. Strategic Alliance with Quest Diagnostics Incorporated

On July 22, 2005, Vermillion and Quest entered into a strategic alliance agreement (the "Strategic Alliance Agreement") to develop and commercialize up to three diagnostic tests from Vermillion's product pipeline (the "Strategic Alliance"). The Strategic Alliance Agreement, as amended, was set to end on the earlier of (i) October 7, 2012 and (ii) the date on which Quest makes its third development election. To date, Quest has selected only two diagnostic tests, which are the peripheral artery disease ("PAD") blood test ("VASCLIR™") and the OVA1 Test to commercialize. Pursuant to the Strategic Alliance Agreement and as amended, Quest will have the non-exclusive right to commercialize these tests on a worldwide basis, with exclusive commercialization rights in territories where Quest has a significant presence for up to five years following commercialization. As part of the Strategic Alliance, there is a royalty arrangement under which Quest will pay royalties to Vermillion based on fees earned by Quest for applicable diagnostics services, and Vermillion will pay royalties to Quest based on Vermillion's revenue from applicable diagnostics products. To date, no such royalties have been earned by either party.

Secured Line of Credit with Quest Diagnostics Incorporated

In connection with the Strategic Alliance Agreement, Quest agreed to provide Vermillion with a $10,000,000 secured line of credit, which is collateralized by certain of Vermillion's intellectual property and may only be used for payment of certain costs and expenses directly related to the Strategic Alliance. Under the terms of this secured line of credit, the interest rate is at the prime rate plus 0.5% (prime rate was 4.75% at December 31, 2009) and is payable monthly. This secured line of credit also contains provisions for Quest to forgive portions of the amounts borrowed that corresponds to Vermillion's achievement of certain milestones related to development, regulatory approval and commercialization of certain diagnostic tests. The amounts to be forgiven and the corresponding milestones that Vermillion must achieve are (i) $1,000,000 for each application that allows a licensed laboratory test to be commercialized with a maximum of three applications for $3,000,000; (ii) $3,000,000 for the earlier of FDA clearance of the first diagnostic test kit or commercialization of the first diagnostic test kit; and (iii) $2,000,000 upon each FDA clearance of up to two subsequent diagnostic test kits but no later than the first commercialization of each such diagnostic test kit, with a maximum forgiveness of $4,000,000 for two diagnostic test kits. Under the October 7, 2009 amendment of the Strategic Alliance Agreement, in the event Vermillion fails to achieve these certain milestones, the principal amount outstanding related to each milestone not achieved and any unpaid interest of this secured line of credit will become due and payable on October 7, 2012.

Vermillion has drawn on this secured line of credit in monthly increments of $417,000 on the last day of each month during the first two years of the Strategic Alliance. The outstanding principal balance of this secured line of credit was $10,000,000 at December 31, 2009 and 2008. Accrued interest payable related to this secured line

of credit was $480,000 and $35,000 as of December 31, 2009 and 2008, respectively. Interest expense related to this secured line of credit was $512,000 and $560,000 for the years ended December 31, 2009 and 2008, respectively. From the inception of the Strategic Alliance through December 31, 2008, Vermillion has spent $10,000,000 of the amounts drawn on in-house research and development, as well as collaborations with others, directed towards achieving the milestones. On September 11, 2009, the Company achieved the FDA clearance of the OVA1 Test milestone provision in the secured line of credit agreement providing for a reduction in the principal amount of the loan of $3,000,000 but was only able to apply the milestone once it was no longer in default under the terms of the secured line of credit while under Chapter 11 bankruptcy protection. On January 22, 2010. the Company cured the default upon payment of accrued interest totaling approximately $472,000. On January 23, 2010, the principal was reduced to $7,000,000. The Company is in discussions with Quest regarding the achievement of an additional $1,000,000 forgiveness milestone as a result of the FDA approval of the OVA1 Test under the terms of the Strategic Alliance Agreement.

5. Fair Value Measurements

The Company's investments consist of auction rate securities, which were classified as available-for-sale long-term investments due to failed auctions related to these investments through December 31, 2009. The underlying assets of these auction rate securities are private placements of credit linked notes. Our holdings of these private placement investment vehicles are exposed directly and exclusively to credit derivatives. The credit derivatives are synthetic tranches referenced to a portfolio of corporate names on which the investment vehicles sold credit protection. These credit linked notes were valued using a single factor Gaussian copula model and market bids received from Deutsche Bank AG ("Deutsche Bank"). The Company weighted the valuation equally with the market bid sources when developing the final fair value, given the Company's conclusion that both the valuation and bids data points have equal relevance in estimating fair value. The single factor Gaussian copula model is a standard method which uses observable market inputs, most notably credit default swap spreads, and other key inputs like data relating to joint probability of default expressed via default correlation. The default correlation was determined via an expected loss mapping methodology. In essence, this method takes the expected loss of the tranche expressed as a fraction of the expected loss of the whole underlying portfolio and calculates which detachment point on the liquid index, and hence which correlation level, coincides with this expected loss fraction. The second data point used to calculate fair value is actual market bids from Deutsche Bank. The Company has no specific details regarding any auction rate securities being traded at these prices, but considers the indicative bids received from Deutsche Bank as a relevant data point, given their role as brokers trading these types of securities. The maturity dates of these auction rate securities range from June to September 20, 2017. These auction rate securities are intended to provide liquidity via an auction process that resets the applicable interest rate at predetermined calendar intervals, which is generally every 28 days. Upon an auction failure, the interest rates do not reset at a market rate but instead reset based on a formula contained in the security, which is generally higher than the current market rate. The failure of the auctions means the Company may be unable to liquidate its auction rate securities into cash at par value until a future auction of these investments is successful or the auction rate security is refinanced by the issuer into another type of instrument.

During the year ended December 31, 2008, the Company recognized approximately $659,000 of other-than-temporary impairment charges on its auction rate securities held at December 31, 2008 in its consolidated statement of operations. On January 1, 2009, the Company adopted accounting guidance that established a new method of recognizing and reporting other-than-temporary impairments for debt securities. Upon adoption of this standard, the Company recorded a cumulative effect adjustment, resulting in a reclassification of approximately $66,000 of non-credit losses related to the previously recognized other-than-temporary impairment charges from accumulated deficit to accumulated other comprehensive loss. The non-credit loss was calculated as the

difference between the $659,000 impairment charges recorded previously for the available-for-sale auction rate securities and the $593,000 of estimated credit losses as of January 1, 2009.

In estimating the credit losses of the Company's previously recognized impairments as of January 1, 2009, and December 31, 2009, the Company estimated the present value of expected cash flows for each auction rate security compared to the securities' amortized cost basis for the respective period. This process involved significant judgments and estimates specifically around default rates, recovery rates, interest rates and the timing of expected cash flows. In addition, the Company considered other available evidence, including trends in credit ratings and changes in financial market conditions including the general economic environment.

Money market cash equivalent and long-term investments at December 31, 2009 and 2008 consist of the following (in thousands):

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
December 31, 2009				
Money market funds	$ 8	$—	$—	$ 8
Long term investments in auction rate securities	407	119	—	526
	$415	$119	$—	$534

	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value
December 31, 2008				
Money market funds	$ 9	$—	$—	$ 9
Long term investments in auction rate securities	341	—	—	341
	$350	$—	$—	$350

The scheduled contractual maturity dates for available-for-sale long-term investments at December 31, 2009, are as follows (in thousands):

	Within 1 Year	After 1 Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total
Long-term investments:					
Auction rate securities	$—	$—	$526	$—	$526

As of December 31, 2009, financial assets measured and recognized at fair value on a recurring basis and classified under the appropriate level of the fair value hierarchy as described above was as follows (in thousands):

	Fair Value Measurements at Reporting Date Using			
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds	$ 8	$ 8	$—	$—
Long term investments in auction rate securities	526	—	—	526
Total	$534	$ 8	$—	$526

The Company's Level 1 financial assets are money market funds.

At December 31, 2009, long-term investments available-for-sale measured at fair value using Level 3 inputs consisted of $526,000 invested in auction rate securities. The continued failure of auctions and the lack of market activity and liquidity required that these securities be measured using Level 3 inputs. As of December 31, 2009 and 2008, the Company's auction rate securities in credit linked notes were valued using a single factor Gaussian copula model and market bids received from Deutsche Bank (see Long-term Investments note above). The valuation of the Company's investment in auction rate securities is subject to uncertainties that are difficult to predict. Factors that may impact its valuation include changes to credit ratings of the securities as well as to the underlying assets supporting those securities, rates of default of the underlying assets, underlying collateral value, discount rates, liquidity and ongoing strength, and quality of credit markets. If the current market conditions deteriorate further, or the anticipated recovery in market values does not occur, the Company may be required to record additional impairment charges in future quarters. The Company will continue to monitor the value of its auction rate securities and consider the impact, if any, on the fair value of its investment in auction rate securities.

The Company's financial assets measured at fair value on a recurring basis using significant Level 3 inputs as of December 31, 2009, consisted solely of auction rate securities. The reconciliation of financial assets measured at fair value using significant unobservable inputs (Level 3) for the year ended December 31, 2009, was as follows (in thousands):

	Long-Term Investments Available-for-Sale (Level 3) Auction Rate Securities
Balance at January 1, 2009	$341
Total realized losses included in earnings	—
Change in unrealized gain(loss) included in other comprehensive loss	185
Balance at December 31, 2009	$526

The Company measures certain common stock warrants at fair value on a recurring basis (see Note 10). All other financial assets and liabilities are measured at fair value on a nonrecurring basis. These financial assets and liabilities are recognized at fair value when they are deemed to be other-than-temporarily impaired.

The fair value of the Company's long-term debt based on the then-current rates available to the Company for debt of a similar term and remaining maturity. The Company determined the estimated fair value amount by using available market information and commonly accepted valuation methodologies. However, considerable judgment is required in interpreting market data to develop estimates of fair value. Accordingly, the fair value estimate presented herein is not necessarily indicative of the amount that the Company or holders of the instruments could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The convertible senior notes carrying value and estimated fair value at December 31, 2009 and 2008 were as follows (in thousands):

	2009		2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
4.50% convertible senior notes due September 1, 2009	$2,365	$2,720	$ 2,500	$ 1,875
7.00% convertible senior notes due September 1, 2011	5,000	5,750	16,379	12,284
Total	$7,365	$8,470	$18,879	$14,159

6. Property and Equipment

The components of property and equipment as of December 31, 2009 and 2008, were as follows (dollars in thousands):

	2009	2008
Machinery and equipment	$ 1,797	$ 1,966
Demonstration equipment	509	552
Leasehold improvements	35	35
Computer equipment and software	418	418
Furniture and fixtures	35	35
Gross property and equipment	2,794	3,006
Accumulated depreciation and amortization	(2,605)	(2,395)
Property and equipment, net	$ 189	$ 611

Depreciation expense for property and equipment was $335,000 and $928,000 for the years ended December 31, 2009 and 2008, respectively.

7. Accrued Liabilities

The components of accrued liabilities as of December 31, 2009 and 2008 were as follows (dollars in thousands):

	2009	2008
Payroll and benefits related expenses	$ 5	$ 261
Collaboration and research agreements expenses	393	258
Professional services	505	93
Contingencies (See Note 9)	—	923
Tax-related liabilities	160	202
Accrued interest on convertible senior notes and long-term debt owed to related party	840	457
Other accrued liabilities	—	178
Total accrued liabilities	$1,903	$2,372

8. Convertible Senior Notes

7.00% Convertible Senior Notes Due September 1, 2011

On November 15, 2006, Vermillion closed the sale of $16,500,000 of convertible senior notes due September 1, 2011 (the "7.00% Notes"). Offering costs were $104,000 and fees of $514,500, which were paid on behalf of the debt holders, were recorded as debt discount on the 7.00% Notes. Fees paid on behalf of debt holders included the fair value of two warrants issued to underwriters to purchase a total of 20,000 shares of Vermillion's common stock at $12.60 per share. The warrants were valued at $140,000 based on the fair value as determined by a Black-Scholes model using the following assumptions: a risk free interest rate of 4.75%, 5 year contractual life, and 88.00% volatility rate. Interest on the 7.00% Notes is 7.00% per annum on the principal amount, payable semiannually on March 1 and September 1 of each year, beginning March 1, 2007. The 7.00% Notes were sold pursuant to separate exchange and redemption agreements between Vermillion and each of Highbridge International LLC, Deerfield International Limited, Deerfield Partners, L.P., Bruce Funds, Inc. and Professional Life & Casualty, each holders of Vermillion's existing 4.50% convertible senior notes due September 1, 2008 (the "4.50% Notes"), pursuant to which holders of an aggregate of $27,500,000 of the 4.50% Notes agreed to exchange and redeem their 4.50% Notes for an aggregate of $16,500,000 in aggregate principal amount of the 7.00% Notes and $11,000,000 in cash, plus accrued and unpaid interest on the 4.50% Notes of $254,000 through and including the day prior to the closing. Debt discount related to the 7.00% Notes are amortized to interest expense using the effective interest method. The amortization of the debt discount related to the 7.00% Notes amounted to $44,000 and $182,000 for the years ended December 31, 2009 and 2008, respectively.

The 7.00% Notes are unsecured senior indebtedness of Vermillion and bear interest at the rate of 7.00% per annum, which may be reduced to 4.00% per annum if Vermillion receives approval or clearance for commercial sale of any of its ovarian cancer tests by the United States Food and Drug Administration (the "FDA"). Interest is payable on March 1 and September 1 of each year, commencing March 1, 2007. The effective interest rate is 8.18% per annum. On September 11, 2009, the Company received FDA approval for the OVA1 Test and reduced the interest rate to 4.00% per annum.

The 7.00% Notes are convertible at the option of each holder, at any time on or prior to the close of business on the business day immediately preceding September 1, 2011, into shares of Vermillion's common stock at a conversion price of $20.00 per share, equivalent to a conversion rate equal to 50 shares of Vermillion's common

stock per $1,000 principal of the 7.00% Notes, subject to adjustment for standard anti-dilution provisions including distributions to common stockholders and stock splits as well as occurrence of a change in control, in which case the conversion rate is adjusted for a make-whole premium.

The make-whole premium shall be equal to the principal amount of 7.00% Notes to be converted divided by $1,000 and multiplied by the applicable number of shares of common stock based upon Vermillion's share prices as of the change of control date. Specifically, as the 7.00% Notes approach their redemption date of September 1, 2011, as discussed below, the make-whole payment decreases. Vermillion is not required to make a make-whole payment if its stock price is less than $12.00 or greater than $80.00 as of the date of the change in control. The make-whole premium associated with the 7.00% Notes sets a maximum additional 1,500,000 shares that may be issued on conversion (90.9091 shares per $1,000 principal amount of 7.00% Notes).

Holders of the 7.00% Notes have the option to require Vermillion to repurchase the 7.00% Notes under certain circumstances, including at any time after September 1, 2009, if Vermillion has not received approval or clearance for commercial sale of any of its ovarian cancer test by the FDA. Vermillion may redeem the 7.00% Notes at its option, in whole or in part, at any time on or after September 1, 2009, at specified redemption prices plus accrued and unpaid interest; provided that the 7.00% Notes will be redeemable only if the closing price of the stock equals or exceeds 200.0% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of the notice of the optional redemption. Upon a change of control, each holder of the 7.00% Notes may require Vermillion to repurchase some or all of the 7.00% Notes at specified redemption prices, plus accrued and unpaid interest. The 7.00% Notes contains a put option that entitles the holder to require Vermillion to redeem the 7.00% Note at a price equal to 105.0% of the principal balance upon a change in control of the Company.

Vermillion identified the guaranteed interest payment for any conversion of any 7.00% Note by a holder prior to October 31, 2008, and the written put option permitting the holder to put the debt at 105.0% of principal plus accrued and unpaid interest upon a change of control as embedded derivatives, which need to be separated and measured at fair value. The factors impacting the fair value of the guaranteed interest payment for any conversion of any 7.00% Note by a holder prior to October 31, 2008, is based upon certain factors including Vermillion's stock price, the time value of money and the likelihood holders would convert within the next two years. The provision for the guaranteed interest payment for any conversion of any 7.00% Note elapsed on October 31, 2008. The factors impacting the fair value of the written put option permitting the holder to put the 7.00% Note at 105.0% of principal plus accrued and unpaid interest upon a change of control is contingent upon a change of control. However, due to significant related party holdings of Vermillion's common stock shares and the presence of certain anti-takeover provisions in the bylaws of Vermillion, a change of control is deemed to be remote. The fair values of these features had de minimis fair value on the date of inception and through December 31, 2009.

From October through November 2009, the Company exchanged a total of 220,000 shares of common stock for $4,400,000 in principal under the terms of the original 7.0% Notes. In November through December 2009, the Company exchanged a total of 421,667 shares of common stock for $7,100,000 in principal and $589,000 in unpaid interest. The conversion rate for the November and December 2009 redemption was approximately 55 shares per $1,000 principal amount. The Company recorded an additional debt conversion expense of $789,000 relating to the more favorable conversion rates compared to the original conversion rates under the terms of the 7.0% Notes.

Vermillion and the investors entered into a registration rights agreement in which Vermillion agreed to make "reasonable best efforts" to file a shelf registration and keep it effective permitting the 7.00% Note holders to sell

the 7.00% Notes or the underlying common stock shares. The 7.00% Notes and common stock issuable upon conversion of the 7.00% Notes were registered with the SEC on Form S-3 on December 15, 2006. The Company was in default of the 7.00% Notes as of December 31, 2009. However, the Company cured the default upon payment of accrued interest totaling approximately $362,000 upon emergence from bankruptcy on January 22, 2010. At December 31, 2009 and 2008, $5,000,000 and $16,500,000, respectively, in aggregate principal amount of the 7.00% Notes remained outstanding.

4.50% Convertible Senior Notes Due September 1, 2009

On August 22, 2003, the Company closed the sale of $30,000,000 of the 4.50% Notes with an original maturity date of September 1, 2008. Offering costs were $1,866,000. Interest on the notes is 4.50% per annum on the principal amount, payable semiannually on March 1 and September 1, beginning March 1, 2004. The effective interest rate is 6.28% per annum. The 4.50% Notes are convertible, at the option of the holder, at any time on or prior to maturity of the 4.50% Notes into shares of Vermillion's common stock initially at a conversion rate of 10.88329 shares per $1,000 principal amount of the 4.50% Notes, which is equal to a conversion price of $91.88 per share. The conversion price, and hence the conversion rate, is subject to adjustment upon the occurrence of certain events, such as stock splits, stock dividends and other distributions or recapitalizations. Because the market value of the stock rose above the conversion price between the day the 4.50% Notes were priced and the closing date, the Company recorded a discount of $2,677,000 related to the intrinsic value of the beneficial conversion feature resulting from this price change and the fact that the initial purchaser of the 4.50% Notes was not required to purchase the 4.50% Notes until the closing date. Immediately after the closing, Vermillion's common stock had a market price of $100.10 per share, or $8.22 per share higher than the conversion price. The value of the beneficial conversion feature was determined by multiplying this difference in the per share price of Vermillion's common stock by the 326,498 underlying shares. This amount is being amortized to interest expense using the effective interest method over the five-year term of the notes, or shorter period in the event of conversion of the 4.50% Notes. Debt discount related to the 4.50% Notes are amortized to interest expense using the effective interest method. The amortization of the beneficial conversion feature amounted to none and $29,000 for the years ended December 31, 2009 and 2008, respectively.

The 4.50% Notes are Vermillion's senior unsecured obligations and rank on parity in right of payment with all of Vermillion's existing and future senior unsecured debt and rank senior to Vermillion's existing and future debt that expressly provides that it is subordinated to the 4.50% Notes. The 4.50% Notes are also effectively subordinated in right of payment to Vermillion's existing and future secured debt, to the extent of such security, and to its subsidiaries' liabilities. The indenture does not limit the incurrence by Vermillion or its subsidiaries of other indebtedness.

Vermillion may redeem the 4.50% Notes at its option, in whole or in part, at any time on or after September 1, 2006, at specified redemption prices plus accrued and unpaid interest; provided that the 4.50% Notes will be redeemable only if the closing price of the stock equals or exceeds 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day before the date of the notice of the redemption. Upon a change of control, each holder of the 4.50% Notes may require Vermillion to repurchase some or all of the 4.50% Notes at specified redemption prices, plus accrued and unpaid interest. The 4.50% Notes contains a put option that entitles the holder to require Vermillion to redeem the 4.50% Notes at a price equal to 105.0% of the principal balance upon a change in control of Vermillion. Vermillion does not anticipate that the put option will have significant value because a change of control is deemed to be remote.

Following the closing of the November 15, 2006, sale of $16,500,000 of the 7.00% Notes due September 1, 2011, holders of an aggregate of $27,500,000 of the 4.50% Notes agreed to exchange and redeem their 4.50%

Notes for an aggregate of $16,500,000 in aggregate principal amount of the 7.00% Notes and $11,000,000 in cash. As a result of negotiations between the holders of the 4.50% Notes and Vermillion, the $2,500,000 outstanding principal balance related to the 4.50% Notes, was not redeemed by Vermillion on the original maturity date of September 1, 2008. Interest of $56,000 related to the 4.50% Notes was paid on September 1, 2008. Subsequently on December 11, 2008, the trustee of the Indenture and the holders of the $2,500,000 outstanding principal balance related to the 4.50% Notes agreed to extend the maturity date of the 4.50% Notes to September 1, 2009, and to waive any past default by Vermillion of its obligation to make payment on the principal of and interest on the 4.50% Notes. Vermillion agreed to extend each holder's rights to require Vermillion to repurchase the 4.50% Notes at 105.00% of such holder's outstanding principal amount upon a change in control, as defined in the indenture governing the 4.50% Notes, and to convert the 4.50% Notes into common stock accordingly. In addition, the holders of the 4.50% Notes agreed to permit the full redemption of the outstanding principal related to the 4.50% Notes at a redemption price of 100.00% on or before August 31, 2009, and Vermillion agreed to adjust the conversion rate for the 4.50% Notes to 20 shares per $1,000 principal amount of the 4.50% Notes, which is equal to a conversion price of $50.00 per share. The impact of adjusting the conversion rate was de minimis.

In November 2009, the Company exchanged a total of 6,750 shares of common stock for $135,000 in principal and $8,000 in unpaid interest. The conversion rate for redemption was approximately 47 shares per $1,000 principal amount. The Company recorded an additional debt conversion expense of $69,000 relating to the more favorable exchange rate.

At December 31, 2009 and 2008, $2,365,000 and $2,500,000, respectively, in aggregate principal amount of the 4.50% Notes remain outstanding. The Company was in default of the 4.50% Notes as of December 31, 2009. Upon the emergence from bankruptcy, the Company cured the default with a payment of $2,365,000 of principal and $140,000 of unpaid interest with $2,195,000 of cash and 9,044 shares of common stock.

9. Commitments and Contingencies

Operating Leases

The Company leases various equipment and facilities to support its business of discovering, developing and commercializing diagnostics tests in the fields of oncology, hematology, cardiology and women's health. On June 3, 2008, the Company entered into a noncancelable operating lease for a new principal facility located in Fremont, California. Under the lease agreement, the term is from July 1, 2008, through June 30, 2010, with an annual base rent of $87,000 and $92,000 for the first year and second year, respectively. The Company will also pay common area charges, taxes and insurance with an annual estimated cost of $21,000. Additionally, under the lease agreement, the Company has pledged a $100,000 certificate of deposit as collateral on a letter of credit serving as a security deposit for the first year. For the second year, the certificate of deposit pledged as collateral on a letter of credit serving as a security deposit was reduced to $60,000. As of December 31, 2009, the $60,000 certificate of deposit is restricted cash and included in prepaid expenses and other current assets of the consolidated balance sheet.

In connection with the Instrument Business Sale, Vermillion entered into a sublease agreement with Bio-Rad, pursuant to which Vermillion subleased approximately 29,000 square feet of its Fremont, California facility. Bio-Rad was permitted to use the sublet premises only for general office, laboratory, research and development, and other uses necessary to conduct its business, and was not permitted to sublet the premises without Vermillion's consent. The lease on the Fremont, California facility and sublease expired on July 31, 2008. Rent

under the sublease was payable monthly and consisted of base rent plus a proportionate share of certain other expenses including property taxes, management fees, insurance, maintenance and utilities. Rent and certain other facility related expenses were paid directly to Vermillion, and in accordance with the terms of the master lease, all payments received by Vermillion from Bio-Rad under the sublease were paid to the landlord. On September 22, 2008, the Company was refunded its $553,000 security deposit related to the former principal facility. Rental expense under operating leases for the years ended December 31, 2009 and 2008, were as follows (in thousands):

	2009	2008
Gross rental expense	$111	$1,826
Sublease rental income	—	(949)
Net rental expense	$111	$ 877

As of December 31, 2009, future minimum rental payments under noncancelable operating leases are as follows (in thousands):

2010	$ 57
Total minimum rental payments	$ 57

Noncancelable Collaboration Obligations and Other Commitments

Under the terms of a research collaboration agreement with The John Hopkins University School of Medicine ("JHU"), directed at the discovery and validation of biomarkers in human subjects, including but not limited to clinical application of biomarkers in the understanding, diagnosis and management of human diseases, Vermillion is required to pay noncancelable contributions of $600,000, $618,000 and $637,000 for the years ending December 31, 2008, 2009 and 2010, respectively. As of December 31, 2009 and 2008, Vermillion owed $866,000 and $300,000, respectively, related to the research collaboration agreements with JHU. Collaboration costs under the JHU collaboration, which are included in research and development expenses, were $616,000 and $600,000 for the years ended December 31, 2009 and 2008, respectively.

On June 1, 2007, Vermillion entered into a nonexclusive license agreement with the National Cardiovascular Center ("NCVC"), an entity organized and existing under the laws of Japan. Under this agreement, Vermillion obtained a ten year worldwide nonexclusive license with the right to extend the term for the life of the licensed patent, which includes a United States Patent Application, a Japan Patent and a Patent Cooperation Treaty ("PCT") Application, for technology used in Vermillion's TTP diagnostic test kit that is under development. Under this agreement, Vermillion will pay NCVC a non-refundable license fee of $50,000. The payment terms are $20,000 upon execution of this agreement, $10,000 upon submission of an in vitro diagnostic test to the FDA for clearance, $10,000 upon the first commercial sale of such in vitro diagnostic test kit and $10,000 upon achievement of $500,000 in net sales of such in vitro diagnostic test kits. Additionally, Vermillion will pay royalties to NCVC for net sales to customers located in the United States, Japan, Europe and China. On July 18, 2007, Vermillion made a payment of $20,000 related to the execution of this agreement. There have been no subsequent payments made through December 31, 2009.

Contingent Liabilities

Molecular Analytical Systems, Inc. Litigation

On September 17, 2007, Molecular Analytical Systems ("MAS") filed a lawsuit in the Superior Court of California for the County of Santa Clara naming Vermillion and Bio-Rad as defendants (the "State Court lawsuit"). Under the State Court lawsuit, MAS seeks an unspecified amount of damages and alleges, among other things, that Vermillion is in breach of its license agreement with MAS relating to SELDI technology as a result of Vermillion's entry into a sublicense agreement with Bio-Rad. Vermillion filed its general denial and affirmative defense on April 1, 2008. The Company and Bio-Rad thereafter moved to compel arbitration of the State Court lawsuit, which motion was denied in the trial court. Thereafter, the Company appealed the denial of the motion to compel arbitration, which appeal had the effect of staying the State Court lawsuit, which stay was further extended in both the state trial and appellate courts when the Company filed on March 30, 2009, a Voluntary Petition for Relief under Chapter 11 in the United States Bankruptcy Court for the District of Delaware. MAS filed a proof of claim on June 30, 2009, in connection with the Company's Chapter 11 bankruptcy proceedings. The proof of claim mirrored the MAS lawsuit and asserted that the Company breached the Exclusive License Agreement by transferring certain technologies to Bio-Rad without obtaining MAS's consent. MAS listed the value of its claim as in excess of $5,000,000. On December 28, 2009, the Company objected to MAS's Proof of Claim in the Bankruptcy Court. On January 7, 2010, the Bankruptcy Court confirmed the Company's plan of reorganization. Per the Court's order confirming the plan, the Company's bankruptcy case will be closed after a final, non-appealable judgment is entered on MAS's claims. After the plan was confirmed, MAS filed a motion with the Bankruptcy Court asking it to abstain from hearing its proof of claim and asked the Bankruptcy Court to grant relief from stay so that MAS could proceed with the State Court lawsuit in California. The Bankruptcy Court granted that motion on March 15, 2010. Thereafter, the California Court of Appeal has set oral argument on the Company's appeal of the trial court order denying the Company's motion to compel arbitration for June 17, 2010. Management cannot predict the ultimate outcome of this matter at this time.

Health Discovery Corporation Litigation

On June 26, 2006, Health Discovery Corporation ("HDC") filed a lawsuit against Vermillion in the United States District Court for the Eastern District of Texas, Marshall Division (the "Court"), claiming that software used in certain Vermillion ProteinChip Systems infringes on three of its United States patents. HDC sought injunctive relief as well as unspecified compensatory and enhanced damages, reasonable attorney's fees, prejudgment interest and other costs. On August 1, 2006, Vermillion filed an unopposed motion with the Court to extend the deadline for Vermillion to answer or otherwise respond until September 2, 2006. Vermillion filed its answer and counterclaim to the complaint with the Court on September 1, 2006. Concurrent with its answer and counterclaims, Vermillion filed a motion to transfer the case to the Northern District of California. On January 10, 2007, the Court granted Vermillion's motion to transfer the case to the Northern District of California. The parties met for a scheduled mediation on May 7, 2007. On July 10, 2007, Vermillion entered into a license and settlement agreement with HDC (the "HDC Agreement") pursuant to which it licensed more than 25 patents covering HDC's support vector machine technology for use with SELDI technology. Under the terms of the HDC Agreement, Vermillion receives a worldwide, royalty-free, non-exclusive license for life sciences and diagnostic applications of the technology and it has access to any future patents resulting from the underlying intellectual property in conjunction with use of SELDI systems. Pursuant to the HDC Agreement, Vermillion paid to HDC $200,000 upon entry into the agreement on July 13, 2007, $100,000 three months following the date of the agreement on October 9, 2007, and $150,000 twelve months following the date of the agreement on July 9, 2008. The remaining $150,000 under the HDC Agreement is payable twenty-four months following the date of

the agreement on July 10, 2009. The Company paid the remaining $150,000 upon exiting Chapter 11 bankruptcy in January 2010. The total settlement of $600,000 was expensed for the year ended December 31, 2007. The HDC Agreement settled all disputes between Vermillion and HDC.

Bio-Rad Laboratories, Inc. Matters

On November 13, 2006, the Company completed the Instrument Business Sale to Bio-Rad. The Instrument Business Sale to Bio-Rad included the Company's Surfaced Enhanced Laser Desorption/Ionization ("SELDI") technology, ProteinChip arrays and accompanying software. Pursuant to the terms of the sales agreement entered into with Bio-Rad, the total sales price was $20,000,000, of which $16,000,000 was paid by Bio-Rad to the Company at the closing of the transaction on November 13, 2006. A total of $4,000,000 was held back from the sales proceeds contingent upon the Company meeting certain obligations, which $2,000,000 was subsequently paid to the Company in fiscal 2007 upon the issuance by the United States Patent and Trademark Office a reexamination certificate for United States Patent No. 6,734,022. From the amounts held back, $2,000,000, subject to certain adjustments, to serve as security for the Company to fulfill certain obligations.

In connection with the Instrument Business Sale, the Company entered into a letter agreement with Bio-Rad pursuant to which the Company agreed to indemnify Bio-Rad and its subsidiaries with respect to certain payments made by Bio-Rad in connection with the termination of employees of its former subsidiary in the United Kingdom in the six-month period immediately following the Instrument Business Sale. On May 4, 2007, Bio-Rad delivered a claim for indemnification under the agreement for $307,000, which was paid out of $2,000,000 held in escrow. In August 2009, Bio-Rad also filed a proof of claim in the bankruptcy case for indemnification of the MAS lawsuit. Management is disputing the claim and cannot predict the ultimate outcome of this matter at this time.

In connection with the Instrument Business Sale, the Company also entered into a manufacture and supply agreement with Bio-Rad on November 13, 2006, whereby the Company agreed to purchase ProteinChip Systems and ProteinChip Arrays (collectively, the "Research Tools Products") from Bio-Rad. Under the terms of the manufacture and supply agreement, the Company agreed to provide Bio-Rad quarterly, non-binding, twelve-month rolling forecasts setting forth the Company's anticipated needs for Research Tools Products over the forecast period. The Company was permitted to provide revised forecasts as necessary to reflect changes in demand for the products, and Bio-Rad was required to use commercially reasonable efforts to supply amounts in excess of the applicable forecast. Either party was permitted to terminate the agreement for convenience upon 180 days' prior written notice, or upon default if the other party failed to cure such default within 30 days after notice thereof. In a letter from the Company to Bio-Rad dated May 2, 2008, Vermillion exercised its right to terminate the November 13, 2006, manufacture and supply agreement for convenience upon 180 days' written notice. Consequently, termination of the agreement became effective on October 29, 2008. In October 2009, Bio-Rad filed a proof of claim in the Company's bankruptcy case based on certain contract claims for approximately $1,000,000. The Company is attempting to resolve the contract claims and has accrued for this contingency within general and administrative expense in accordance with ASC 450 *Contingencies* at December 31, 2009 and 2008. Management cannot predict the ultimate outcome of this matter at this time.

Debtor's Incentive Plan

In connection with the Bankruptcy Filing, on April 21, 2009, the Company filed the Debtor's Motion for Entry of an Order Approving the Debtor's Incentive Plan (the "Incentive Plan") and Authorizing Payments thereunder pursuant to §§ 363(b) and 503(b) of the Bankruptcy Code (the "Incentive Plan Motion") which sought to provide

proper incentives to the directors (Gail Page, John Hamilton and James Burns, collectively, the "Directors") to help achieve a successful sale or restructuring of the Company. At a hearing on June 22, 2009, the Court entered an Order approving the Incentive Plan Motion (the "Incentive Plan Order"). The Incentive Plan is only triggered upon the occurrence of a qualified transaction defined as the closing of any sale pursuant to section 363 of the Bankruptcy Code or the effectiveness of a Reorganization Plan confirmed pursuant to section 1129 of the Bankruptcy Code. The Incentive Plan payment was based upon a percentage of (A) the gross proceeds of Asset Sales, both prior to and after the Food and Drug Administration approval of the ovarian tumor triage test, and (B) the value of consideration - cash, debt and equity - distributed pursuant to a confirmed Reorganization Plan. In the end, the Incentive Plan Order provided that the Directors would receive: (i) zero, on Qualified Transaction Proceeds of 3,000,000 or less, (ii) 6% on Qualified Transaction Proceeds of $3,000,001 to $10,000,000, and (iii) 8% on Qualified Transaction Proceeds of greater than $10,000,000. While the Incentive Plan Order provided the Company with the authority to make distributions under the Incentive Plan, the Company agreed as part of the Plan of Reorganization to seek final judicial approval of the amounts to be paid pursuant to the Incentive Plan. On April 13, 2010, counsel for the Company, the Official Committee of the Equity Security Holders, and the Directors submitted a proposed settlement to the Bankruptcy Court. On April 14, 2010, after a hearing, an order was issued by the Bankruptcy Court approving the Management Incentive Plan. Under the Management Incentive Plan, the Company was directed to distribute an aggregate of $5,000,000 in cash and 302,541 shares of restricted stock in Incentive Plan Payments to the Directors. All such restricted stock is to be distributed, with 1/24th of it to vest on each monthly anniversary of the vesting commencement date, June 22, 2009. The total Incentive Plan Payments are to be allocated to Gail Page, James Burns and John Hamilton on a 60%-20%-20% basis, respectively, or as otherwise may be agreed to in writing by the Directors. The contingency was accounted for upon the occurrence of the qualified transaction on January 7, 2010 when the Bankruptcy Courts issued a confirmation order approving the Company's Reorganization Plan. Accordingly, the Company recorded a charge of $7,485,000 for the three months ended March 31, 2010 and will record additional charges totaling $4,141,000 through June 2011 as the underlying restricted stock vests.

In addition, from time to time, the Company is involved in legal proceedings and regulatory proceedings arising out of its operations. The Company establishes reserves for specific liabilities in connection with legal actions that it deems to be probable and estimable. Other than as disclosed above, the Company is not currently a party to any proceeding, the adverse outcome of which would have a material adverse effect on the Company's financial position or results of operations.

10. Common Stock

Stockholders' Rights Plan

Vermillion has adopted a Stockholder Rights Plan, the purpose of which is, among other things, to enhance the Vermillion Board of Directors' ability to protect stockholder interests and to ensure that stockholders receive fair treatment in the event any coercive takeover attempt of the Company is made in the future. The Stockholder Rights Plan could make it more difficult for a third party to acquire, or could discourage a third party from acquiring, the Company or a large block of Vermillion's common stock. The following summary description of the Stockholder Rights Plan does not purport to be complete.

The rights issued pursuant to Vermillion's Stockholder Rights Plan will become exercisable the tenth day after a person or group announces acquisition of 15.0% or more of Vermillion's common stock or announces commencement of a tender or exchange offer the consummation of which would result in ownership by the person or group of 15.0% or more of Vermillion's common stock. If the rights become exercisable, the holders of

the rights (other than the person acquiring 15.0% or more of Vermillion's common stock) will be entitled to acquire, in exchange for the rights' exercise price, shares of Vermillion's common stock or shares of any company in which the Company is merged, with a value equal to twice the rights' exercise price.

Authorized Shares

At the annual stockholders' meeting on June 29, 2007, the stockholders approved an amendment to the Certificate of Incorporation to increase the number of authorized shares of Vermillion's common stock from 80,000,000 to 150,000,000. On July 13, 2007, Vermillion amended and restated its Certificate of Incorporation with the State of Delaware for the increased authorized shares. Additionally, after the Reverse Stock Split the number of authorized shares of common stock and preferred stock remained at 150,000,000 and 5,000,000, respectively.

Private Placement Sale

On August 29, 2007 (the "Closing Date"), Vermillion completed a private placement sale of 2,451,309 shares of its common stock and warrants to purchase up to an additional 1,961,047 shares of its common stock with an exercise price of $9.25 per share and expiration date of August 29, 2012, to a group of new and existing investors for $20,591,000 in gross proceeds (collectively referred to as the "August 29, 2007, Private Placement Sale"). Existing investors included affiliates of the Company, who purchased 964,285 shares of Vermillion's common stock and warrants to purchase up to an additional 771,428 shares of Vermillion's common stock for $8,100,000. In connection with Quest's participation in this transaction, Vermillion amended a warrant to purchase an additional 220,000 shares of its common stock that was originally issued to Quest on July 22, 2005. Pursuant to the terms of the amendment, the exercise price for the purchase of Vermillion's common stock was reduced from $35.00 per share to $25.00 per share and the expiration date of such warrant was extended from July 22, 2010, to July 22, 2011. For services as placement agent, Vermillion paid Oppenheimer & Co. Inc. ("Oppenheimer") $1,200,000 and issued a warrant to purchase up to 92,100 shares of Vermillion's common stock with an exercise price of $9.25 per share and expiration date of August 29, 2012. The warrants issued to the investors and Oppenheimer were valued at $7,194,000 and $581,000, respectively, based on the fair value as determined by the Black-Scholes model. The amended value of the warrant issued to Quest on July 22, 2005, increased by $356,000, which is reflected in additional paid-in capital, from the its original value of $2,200,000. Assumptions used to value the warrants issued to the investors and Oppenheimer, and the amended value of the warrant issued to Quest were as follows:

	Private Investors and Oppenheimer & Co. Inc.	Amendment to Quest Diagnostics Incorporated
Dividend yield	— %	— %
Volatility	80.14%	82.92%
Risk-free interest rate	4.31%	4.24%
Expected lives (years)	5.0	3.9

In June 2008, the FASB issued new guidance now codified in ASC 815 that clarifies the determination of whether an instrument (or an embedded feature) is indexed to an entity's own stock, which would qualify for classification as liabilities. The new guidance in ASC 815 was effective for financial statements issued for fiscal years beginning after December 15, 2008. The adoption of the new guidance on January 1, 2009, resulted in the reclassification of the Company's outstanding warrants from the August 2007 offering from stockholders' equity to liabilities, which requires the warrants to be fair valued at each reporting period, with the changes in fair value recognized as interest and other expense in the Company's consolidated statement of operations.

At December 31, 2009 and January 1, 2009, the Company had warrants outstanding to purchase 273,467 and 2,053,147 shares of common stock, respectively, which were required to be classified as a liability. The fair value of these warrants on the date of adoption of January 1, 2009 and on December 31, 2009 was determined using a Black Scholes valuation model with the following level 3 inputs:

	December 31, 2009	January 1, 2009
Risk-free interest rate	1.51%	1.18%
Expected life (in years)	2.66	3.66
Dividend yield	— %	— %
Volatility	83.70%	78.35%
Stock price	$27.50	$ 0.27

On January 1, 2009, the Company recorded a cumulative effect of change in accounting principle adjustment of $21,000 to its accumulated deficit and a corresponding reclassification of the Company's outstanding warrants from stockholder's deficit to warrant liability. For the year ended December 31, 2009, the Company recorded under ASC 815 a loss of $12,106,000 in the consolidated statement of operations.

The following table sets forth the Company's financial liabilities, related to warrants subject to fair value measurements as of December 31, 2009:

		Fair Value Measurements at Reporting Date Using		
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Common stock warrants	$5,659	$—	$—	$5,659
Total	$5,659	$—	$—	$5,659

The following table is a reconciliation of the warrant liability measured at fair value using Level 3 inputs (in thousands):

	Long-Term Investments Available for-Sale-(Level 3) Warrant Liabilities
Balance at January 1, 2009	$ —
Cumulative effect of change in accounting principle for common stock warrants	21
Change in fair value of common stock warrants during 2009	20,062
Issuance of common stock from warrant exercise	(6,468)
Warrant exercise gain during 2009	(7,956)
Balance at December 31, 2009	$ 5,659

Warrants

Warrants outstanding and exercisable as of December 31, 2009 were as follows:

Issuance Date	Expiration Date	Exercise Price per Share	Number of Shares Outstanding under Warrant
July 22, 2005	July 22, 2011	$25.00	220,000
August 3, 2006	August 3, 2011	12.60	6,090
November 15, 2006	November 15, 2011	12.60	6,090
August 29, 2007	August 29, 2012	9.25*	273,467
			505,647

* The exercise price of the warrants issued on August 29, 2007 is adjustable in accordance with the terms of the warrants.

11. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss as of December 31, 2009 and 2008, were as follows (in thousands):

	2009	2008
Net unrealized loss on long-term investments available-for-sale	$ 119	$ —
Cumulative translation adjustment	(165)	(162)
Accumulated other comprehensive loss	$ (46)	$(162)

12. Loss Per Share

The reconciliation of the numerators and denominators of basic and diluted loss per share for the years ended December 31, 2009 and 2008 was as follows (dollars in thousands, except shares and per share amounts):

	Loss (Numerator)	Shares (Denominator)	Per Share Amount
Year ended December 31, 2009:			
Net loss-basic	$(22,048)	6,662,231	$(3.31)
Dilutive effect of common stock shares issuable upon exercise of stock options, purchase by Employee Stock Purchase Plan, exercise of warrants and conversion of convertible senior notes	—	—	
Net loss-diluted	$(22,048)	6,662,231	$(3.31)
Year ended December 31, 2008:			
Net loss-basic	$(18,330)	6,381,802	$(2.87)
Dilutive effect of shares purchasable under the Employee Stock Purchase Plan, stock options, warrants and convertible senior notes	—	—	
Net loss-diluted	$(18,330)	6,381,802	$(2.87)

Due to net losses for the years ended December 31, 2009 and 2008, diluted loss per share is calculated using the weighted average number of common shares outstanding and excludes the effects of potential common stock shares that are antidilutive. The potential shares of common stock that have been excluded from the diluted loss per share calculation above for the years ended December 31, 2009 and 2008, were as follows:

	2009	2008
Stock options	678,301	815,638
Employee Stock Purchase Plan	—	2,250
Stock warrants	505,647	2,293,147
Convertible senior notes	297,300	875,000
Potential common shares	1,481,248	3,986,035

13. Employee Benefit Plans

1993 Stock Option Plan

Vermillion has no shares of its common stock reserved for future grants to employees, directors or consultants under its 1993 Stock Option Plan (the "1993 Plan"). Under the 1993 Plan, options were granted at prices not lower than 85% and 100% of the fair market value of the common stock for non-statutory and statutory stock options, respectively. All outstanding options under the 1993 Plan are now fully vested, and unexercised options generally expire ten years from the date of grant. At December 31, 2009 and 2008, no shares of Vermillion's common stock were subject to repurchase by Vermillion. Since Vermillion's initial public offering, no options have been granted under the 1993 Plan. There were no option exercises for the years ended December 31, 2009 and 2008.

2000 Stock Plan

Under the Amended and Restated 2000 Stock Plan (the "2000 Plan"), options may be granted at prices not lower than 85% and 100% of the fair market value of the common stock for non-statutory and statutory stock options, respectively. Options generally vest monthly over a period of four years and unexercised options generally expire ten years from the date of grant. At December 31, 2009, Vermillion had 6,553,859 shares of its common stock reserved for future stock option grants to employees, directors and consultants under the 2000 Plan. There were no option exercises for the years ended December 31, 2009 and 2008. No additional shares of Vermillion's common stock were reserved for issuance under the 2000 Plan for the years ended December 31, 2009 and 2008.

2000 Employee Stock Purchase Plan

The Amended and Restated 2000 Employee Stock Purchase Plan (the "2000 ESPP") provides for eligible employees to purchase Vermillion's common stock through payroll deductions during six-month offering periods. Each offering period begins on May 1 or November 1 and ends October 31 or April 30, respectively.

The 2000 ESPP provides for the purchase of Vermillion's common stock at the lower of 85.00% of the closing price of Vermillion's common stock on the first day of the offering period or 85.00% of the closing price of Vermillion's common stock on the last day of the offering period. No additional Vermillion's common stock shares were reserved for issuance under the 2000 ESPP for the years ended December 31, 2009 and 2008.

The activity related to shares available for grant under the 1993 Plan, 2000 Plan and 2000 ESPP for the years ended December 31, 2009 and 2008, were as follows:

	1993 Stock Option Plan	2000 Stock Plan	2000 Employee Stock Purchase Plan	Total
Shares available at December 31, 2007	—	6,776,983	1,373,023	8,150,006
Additional shares reserved	—	—	—	—
Options canceled / forfeited	3,000	116,149	—	119,149
Reduction in shares reserved	(3,000)	—	—	(3,000)
Options granted	—	(465,000)	—	(465,000)
Shares purchased	—	—	(3,750)	(3,750)
Shares available at December 31, 2008	—	6,428,132	1,369,273	7,797,405
Additional shares reserved	—		—	—
Options canceled	11,610	125,727	—	137,337
Reduction in shares reserved	(11,610)		—	(11,610)
Options granted	—		—	—
Shares purchased	—		—	—
Shares available at December 31, 2009	—	6,553,859	1,369,273	7,923,132

The stock option activity under the 1993 Plan and 2000 Plan for the years ended December 31, 2009 and 2008, was as follows (dollars are in thousands, except weighted average exercise price):

	Number of Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term
Options outstanding at December 31, 2007	469,675	$26.30	$ —	7.72
Granted	465,000	1.99		
Exercised	—	—		
Canceled	(119,037)	15.63		
Options outstanding at December 31, 2008	815,638	14.00	—	8.22
Granted	—	—		
Exercised	—	—		
Canceled	(137,337)	12.90		
Options outstanding at December 31, 2009	678,301	$14.22	12,648	5.86
Shares exercisable:				
December 31, 2009	518,704	$17.27	$ 8,956	5.10
December 31, 2008	411,543	$23.64	$ —	7.22
Shares expected to vest:				
December 31, 2009	159,597	$ 4.32	$ 3,692	8.30
December 31, 2008	329,272	$ 4.33	$ —	9.18

The range of exercise prices for options outstanding and exercisable at December 31, 2009, are as follows:

Exercise Price	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Options Exercisable	Weighted Average Exercise Price
$ 0.01 - $ 0.75	49,832	$ 0.74	4.42	49,832	$ 0.74
0.76 - 2.04	113,250	2.04	4.87	107,000	2.04
2.05 - 2.30	195,000	2.30	8.55	69,057	2.30
2.31 - 10.20	84,205	9.36	4.36	83,548	9.36
10.21 - 14.70	124,453	13.39	6.18	97,942	13.18
14.71 - 48.60	53,317	24.02	4.12	53,081	24.05
48.61 - 96.00	58,244	89.16	3.04	58,244	89.16
$ 0.01 - $96.00	678,301	$14.22	5.86	518,704	$17.27

	Total Intrinsic Value of Options Exercised	Total Fair Value of Vested Options (in thousands)
Year ended December 31, 2009	$—	$644
Year ended December 31, 2008	$—	$754

Stock-Based Compensation

Employee Stock-based Compensation Expense

The assumptions used to calculate the fair value of options granted and shares purchasable under the 2000 Plan and 2000 ESPP that were incorporated in the Black-Scholes pricing model for the year ended December 31, 2008 was as follows:

	2000 Stock Plan	Employee Stock Purchase Plan
	2008	2008
Dividend yield	— %	— %
Volatility	79.01%	74.84%
Risk-free interest rate	3.37%	2.17%
Expected lives (years)	5.26	0.50
Weighted average fair value	$ 1.33	$ 0.25

The Company did not grant any stock options to employees or had any employees participate in the 2000 ESPP for the year ended December 31, 2009. The allocation of stock-based compensation expense by functional area for the years ended December 31, 2009 and 2008 was as follows (in thousands):

	2009	2008
Research and development	$ 34	$120
Sales and marketing	10	93
General and administrative	280	423
Total	$324	$636

The Company has a 100.0% valuation allowance recorded against its deferred tax assets, and as a result SFAS No. 123(R) had no effect on income tax expense in the consolidated statement of operations or the consolidated statement of cash flows. As of December 31, 2009, total unrecognized compensation cost related to nonvested stock option awards was $292,000 and the related weighted average period over which it is expected to be recognized was 2.23 years.

Non-employee Stock-based Compensation Expense

Stock-based compensation expense related to stock options granted to non-employees is recognized as the stock options are earned. As part of the bankruptcy case, certain former employees were converted into consultants to Company whereby their existing stock options continued to vest, under the original terms of their stock option grants, as they provided consulting services to the Company. The values attributable to these options are amortized over the service period and the unvested portion of these options was remeasured at each vesting date. The Company believes that the fair value of the stock options is more reliably measurable than the fair value of the services received. The fair value of the stock options granted were revalued at each reporting date using the Black-Scholes valuation model as prescribed by ASC 505, "Equity," using the following average assumptions:

	Year Ended December 31, 2009
Dividend yield	— %
Volatility	84.79%
Risk-free interest rate	3.28%
Expected lives (years)	8.22
Weighted average fair value	$11.85

The stock-based compensation expense will fluctuate as the fair market value of the common stock fluctuates. In connection with stock options relating to non-employees, the Company recorded stock-based compensation allocated by functional area for the year ended December 31, 2009, as follows (in thousands).

	2009
Research and development	$185
Sales and marketing	$ 14
General and administrative	48
Total	$247

Ciphergen Biosystems, Inc. 401(k)

The Company maintains the Ciphergen Biosystems, Inc. 401(k) Plan (the "401(k) Plan") for its United States employees. The 401(k) Plan allows eligible employees to defer up to an annual limit of the lesser of 90.0% of eligible compensation or a maximum contribution amount subject to the Internal Revenue Service annual contribution limit,. The Company is not required to make contributions under the 401(k) Plan. As of December 31, 2009 and 2008, the Company has not contributed to the 401(k) Plan.

14. Income Taxes

Domestic and foreign components of loss from continuing operations before income taxes for the years ended December 31, 2009 and 2008 are as follows (in thousands):

	2009	2008
Domestic	$(21,927)	$(17,755)
Foreign	(110)	(615)
	$(22,037)	$(18,370)

The components of the benefits (provision) for income attributable to loss from continuing operations before income taxes for the years ended December 31, 2009 and 2008 are as follows (in thousands):

	2009	2008
Federal		
Current	$—	$ 235
Deferred	—	(259)
State	—	—
Foreign		
Current	11	(16)
Deferred	—	—
	$ 11	$ (40)

Based on the available objective evidence, management believes it is more likely than not that the net deferred tax assets will not be fully realizable. Accordingly, the Company has provided a full valuation allowance against its net deferred tax assets at December 31, 2009 and 2008.

The components of deferred tax assets (liabilities) at December 31, 2009 and 2008 were as follows (in thousands):

	2009	2008
Deferred tax assets:		
Depreciation and amortization	$ 16,387	$ 18,912
Other	909	874
Research and development and other credits	179	185
Net operating loses	40,340	31,638
Total deferred tax assets	57,815	51,609
Valuation allowance	(57,777)	(51,529)
Net deferred tax assets	$ 38	$ 80
Deferred tax liabilities:		
Investment in foreign subsidiaries	$ (10)	$ (49)
Other	(29)	(31)
	$ (39)	$ (80)

The reconciliation of the statutory federal income tax rate to the Company's effective tax rate for the years ended December 31, 2009 and 2008 was as follows:

	2009	2008
Tax at federal statutory rate	34%	34%
State tax, net of federal benefit	4	6
Deferred tax not benefited	(28)	(43)
Change in warrant valuation	(9)	—
Other	(1)	3
Effective income tax rate	— %	— %

As of December 31, 2009, the Company has a net operating loss of approximately $101,000,000 for federal and $69,000,000 for state tax purposes. If not utilized, these carryforwards will begin to expire beginning in 2026 for federal purposes and 2016 for state purposes.

As of December 31, 2009, the Company has $5,400,000 million of net operating carryforwards from its Japan operations. If not utilized, this carryforward will begin to expire in 2012.

We believe that it is more likely than not that the benefit from certain deferred tax assets will not be realized due to the history of the operating losses in the Company. In recognition of this risk, we have provided a valuation allowance on the deferred tax assets relating to these assets. The valuation allowance was $57,777,000 at December 31, 2009, which represents an increase of $6,248,000 over 2008 primarily due to additional valuation allowance requirements on U.S. deferred tax assets.

The Company is subject to taxation in the US and various state and foreign jurisdictions. As of December 31, 2009 the Company's tax years for 2006, 2007, 2008 and 2009 are subject to examination by the U.S. tax authorities. With few exceptions, as of December 31, 2009, the Company is no longer subject to U.S. federal, state, local or foreign examinations by tax authorities for years before 2004.

Upon adoption of ASC Topic 740-10-50 on January 1, 2007 and also at December 31, 2007 and 2008, the Company had no unrecognized tax benefits. The Company does not expect unrecognized tax benefits to change significantly over the next 12 months.

The Company recognizes interest and penalties related to unrecognized tax benefits within the interest expense line and other expense line, respectively, in the consolidated statement of operations. Accrued interest and penalties are included within the related liability lines in the consolidated balance sheet. The Company has not recorded any interest or penalties as a result of uncertain tax positions as of December 31, 2009 and 2008.

15. Other Related Party Transactions

Consulting Agreement

On March 26, 2009, the Company entered into a consulting agreement with its former chief executive offer and current Director of the Company. For the year-ended December 31, 2009, the Company incurred $189,000 in general and administrative expenses under the consultant arrangement. At December 31, 2009, the Company owed the consultant $377,000, which included amounts owed for severance of $366,000. On February 1, 2010, the Company re-hired the consultant as its chief executive officer of the Company.

16. Subsequent Events

On January 7, 2010, in connection with the Plan of Reorganization, Vermillion completed a private placement sale of 2,327,869 shares of its common stock at a price of $18.4932 per share to a group of new and existing investors for $43,050,000 in gross proceeds.

On February 8, 2010, the Board of Directors of the Company approved the Vermillion, Inc. 2010 Stock Incentive Plan (the "2010 Plan"). The 2010 Plan will be administered by the Compensation Committee of the Board. The Company's employees, directors, and consultants are eligible to receive awards under the 2010 Plan. The 2010 Plan permits the granting of a variety of awards, including stock options, share appreciation rights, restricted shares, restricted share units, and unrestricted shares, deferred share units, performance and cash-settled awards, and dividend equivalent rights. The Company is authorized to issue up to 1,322,983 shares of common stock, par value $0.001 per share under the 2010 Plan, subject to adjustment as provided in the 2010 Plan.

From January 2010 through May 2010, Vermillion issued 35,923 shares of its common stock for the net exercises of its common stock warrants.

As of May 13, 2010, the fair value of the outstanding common stock warrants dated August 29, 2007, underlying the warrant liability was $12.95 per share for a total fair value of $2,919,000, which is a decrease of $2,740,000 from the December 31, 2009, total fair value of $5,659,000.

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

None.

Item 9A (T). Controls and Procedures

Disclosure Controls and Procedures. Vermillion, Inc. ("Vermillion"; Vermillion and its wholly owned subsidiaries are collectively referred to as the "Company"), formerly known as Ciphergen Biosystems, Inc., has carried out an evaluation, under the supervision and with the participation of the Company's management, including Vermillion's Chief Executive Officer and Interim Chief Accounting Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2009, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, Vermillion's Chief Executive Officer and Chief Accounting Officer concluded that the Company's disclosure controls and procedures as of December 31, 2009 were not effective because of a material weakness in internal control over financial reporting described below.

Management's Report on Internal Control over Financial Reporting. The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rule 13a-15(f) under the Exchange Act, internal control over financial reporting is a process designed by or under the supervision of a company's principal executive and principal financial officers, and effected by a company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. It includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of a company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of a company are being made only in accordance with authorizations of management and board of directors of a company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of a company's assets that could have a material effect on its financial statements.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making its assessment of internal control, management used the criteria described in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

As a result of the Company filing a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the Bankruptcy Court on March 30, 2009, the Company did not maintain sufficient staff with the necessary experience in US GAAP to timely perform its controls procedures relating to the accounting and reporting processes. As a result, the Company was not able to timely file its Forms 10-Q and 10-K in accordance with the Exchange Act's rules and regulations. This control deficiency, if not corrected, could result in a material misstatement of the Company's annual or interim consolidated financial statements that would not be prevented or detected on a timely basis. Therefore, management has concluded that this control deficiency constitutes a material weakness.

As a result of the material weakness described above, management concluded that the Company's internal control over financial reporting was not effective as of December 31, 2009, based on the criteria identified above.

This Annual Report on Form 10-K does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2009, was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the United States Securities and Exchange Commission ("SEC") that permit the Company to provide only management's report in this Annual Report on Form 10-K.

Remediation Activities

The Company continues to evaluate its resource requirements to ensure the timely and effective review and management of its accounting and reporting process. On February 1 and May 17, 2010, the Company hired an Interim Vice President, Finance & Chief Accounting Officer and Vice President & Chief Financial Officer, respectively (collectively as "Financial Officers"), to help remedy the staffing deficiency. The Financial Officers are in the process of evaluating the staffing requirements and will to the extent necessary, hire additional finance and accounting staff to allow for the preparation of financial statements to be in accordance with US GAAP, the timely filing of periodic financial reports with the Securities and Exchange Commission and effective internal control over financial reporting.

Changes in Internal Control Over Financial Reporting. The Company has made no change in its internal control over financial reporting that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting during the three months ended December 31, 2009.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors of the Registrant

During 2009, there were seven directors serving on the Vermillion, Inc.'s ("Vermillion"; Vermillion and its wholly-owned subsidiaries are collectively referred to as the "Company") Board of Directors. On March 30, 2009, Vermillion filed a voluntary petition for relief (the "Bankruptcy Filing") under Chapter 11 of the United States Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). In connection with the Bankruptcy Filing, Kenneth J. Conway and James L. Rathmann resigned from their positions as directors on March 25, 2009; John A. Young resigned from his position as a director on March 26, 2009; and Rajen K. Dalal resigned from his position as a director on March 27, 2009. James S. Burns, John F. Hamilton and Gail S. Page continued to serve as directors after the Bankruptcy Filing was made. On March 30, 2009, Ms. Page was elected to and assumed the position of Executive Chair of the Board of Directors. On January 22, 2010, Vermillion emerged from bankruptcy under Chapter 11 of the United States Bankruptcy Code. In connection with Vermillion's emergence from bankruptcy, William C. Wallen, Ph.D. was appointed to the Board of Directors as a Class I Director on February 1, 2010; Peter S. Roddy was appointed to the Board of Directors as a Class II Director on February 18, 2010; and Carl Severinghaus was appointed to the Board of Directors as a Class II Director on March 3, 2010.

The directors were divided into three classes with the three-year term of one class expiring at each annual meeting of stockholders. The terms for the three classes of directors were set to expire as follows:

- Class I Directors at the 2010 annual meeting of stockholders;
- Class II Directors at the 2011 annual meeting of stockholders; and
- Class III Directors at the 2009 annual meeting of stockholders.

The name, age, positions and offices of each director as of December 31, 2009, as of the time of such director's resignation from the Board of Directors if such resignation occurred during the year ended December 31, 2009, or as of the date of such director's appointment if such appointment occurred after December 31, 2009, are set forth below:

Name	Age	Positions and Offices
Class I Directors through the year ended December 31, 2009:		
None		
Class II Directors through the year ended December 31, 2009:		
James S. Burns	63	Director
Class III Directors through the year ended December 31, 2009:		
John F. Hamilton	66	Director
Gail S. Page	54	Executive Chair of the Board of Directors
Directors resigning during the year ended December 31, 2009:		
James L. Rathmann (through March 25, 2009)	59	Executive Chairman of the Board of Directors; Member of Nominating and Governance Committee
Kenneth J. Conway (through March 25, 2009)	62	Director; Chairman of Compensation Committee
Rajen K. Dalal (through March 27, 2009)	57	Director; Chairman of Nominating and Governance Committee
John A. Young (through March 26, 2009)	78	Lead Outside Director; Member of Nominating and Governance Committee and Compensation Committee
Directors appointed after December 31, 2009:		
William C. Wallen, Ph.D. (appointed February 1, 2010)	67	Director; Chairman of Nominating and Governance Committee, Member of Audit Committee and Compensation Committee
Peter S. Roddy (appointed February 18, 2010)	50	Director; Chairman of Audit Committee
Carl Severinghaus (appointed March 3, 2010)	58	Director; Chairman of Compensation Committee, Member of Audit Committee and Nominating and Governance Committee

A summary of the business experience of each director who served on the Board of Directors during the year ended December 31, 2009 is set forth below:

James L. Rathmann served as a director of Vermillion from its inception until his resignation on March 25, 2009, and as its Executive Chairman from December 2005 until his resignation on March 25, 2009. Additionally, he served as a member of its Nominating and Governance Committee. Mr. Rathmann serves as a director of several private companies. Mr. Rathmann has been President of Falcon Technology Management Corporation and a general partner of Falcon Technology Partners, L.P. (collectively referred to as "Falcon Technology") since its founding in 1993. Prior to joining Falcon Technology in 1993, Mr. Rathmann was Senior Vice President of Operations at Soft-Switch, Inc. from 1984 to 1993. Mr. Rathmann received his B.A. in Mathematics from the University of Colorado and M.S. in Computer Science from the University of Wisconsin.

Kenneth J. Conway served as a director of Vermillion from April 2006 until his resignation on March 25, 2009. Additionally, he served as Chairman of its Compensation Committee. Mr. Conway also serves as a director of several private companies. Mr. Conway has been President of Starfire Ventures, a private biotech venture capital firm, since 2003. From 2000 to 2003, Mr. Conway served as Chief Executive Officer at Vitivity, Inc., a wholly-owned subsidiary of Millennium Pharmaceuticals focused on predictive medicine. Prior to founding Vitivity, Inc., Mr. Conway was President and Founder of Millennium Predictive Medicine, Inc. from 1997 to 2000. Mr. Conway spent more than 26 years with Chiron Diagnostics Corporation (formerly Ciba Corning), most recently serving as President of the U.S. Group and member of the Office of the President. Mr. Conway has also been the Senior Vice President and General Manager of Immuno Diagnostics, where he led the development and commercialization of the ACS.180, a world-leading system in automated immunodiagnostic testing, and Vice President of several business units at Chiron, as well as being Vice President of manufacturing at Corning Medical Division. Mr. Conway received his B.S. in Ceramic Engineering from Rutgers University, and attended the Dartmouth Institute Executive Program at Dartmouth College's Tuck School of Business Administration.

James S. Burns has been a director of Vermillion since June 2005. Additionally, he served as a member of its Audit Committee. Mr. Burns is currently President, Chief Executive Officer and director of AssureRX, Health, Inc., a personalized medicine company which specializes in pharmacogenetics for neuropsychiatric disorders. Prior to joining AssureRX, Health, Inc., Mr. Burns was the President and Chief Executive Officer of EntreMed, Inc. from June 2004 to December 2008, and a director from September 2004 to December 2008. Mr. Burns was a co-founder and, from 2001 to 2003, served as President and as Executive Vice President of MedPointe, Inc., a specialty pharmaceutical company that develops, markets and sells branded prescription pharmaceuticals. From 2000 to 2001, Mr. Burns served as a founder and Managing Director of MedPointe Capital Partners, a private equity firm that led a leveraged buyout to form MedPointe Pharmaceuticals. Previously, Mr. Burns was a founder, Chairman, President and Chief Executive Officer of Osiris Therapeutics, Inc., a biotech company developing therapeutic stem cell products for the regeneration of damaged or diseased tissue. Mr. Burns has also been Vice Chairman of HealthCare Investment Corporation and a founding General Partner of Healthcare Ventures L.P., a venture capital partnership specializing in forming companies build around new pharmaceutical and biotechnology products; Group President at Becton Dickinson and Company, a multidivisional biomedical products company; and Vice President and Partner at Booz Allen & Hamilton, Inc., a multinational consulting firm. Mr. Burns is a director of Symmetry Medical Inc. (NYSE: SMA), a supplier of products and services to orthopedic and other medical device companies, and a director of the International BioResources Group and the American Type Culture Collection ("ATCC"). Mr. Burns received his B.S. and M.S. in Biological Sciences from the University of Illinois, and M.B.A. from DePaul University.

Rajen K. Dalal served as a director of Vermillion from April 2003 until his resignation on March 27, 2009. Additionally, he served as Chairman of its Nominating and Governance Committee. Mr. Dalal is an industry consultant. Since October 2006, Mr. Dalal has served as Chief Executive Officer of Aviir, Inc., a molecular diagnostics company. From 2002 to 2005, Mr. Dalal was the President and Chief Executive Officer of Guava Technologies, Inc., a biotechnology company based on mammalian cell profiling and analysis. Prior to joining Guava Technologies, Mr. Dalal was at Chiron Corporation where he was most recently President of its Blood Testing Division. Prior to joining Chiron Corporation in 1991, Mr. Dalal was a leader of McKinsey & Company's pharmaceuticals and technology management groups. Mr. Dalal received his bachelor's degree in Chemistry from St. Xavier's College, the University of Bombay; master's degree in Biochemical Engineering from the Massachusetts Institute of Technology; and M.B.A. from the University of Chicago.

John A. Young served as director of Vermillion from its inception until his resignation on March 25, 2009, its Chairman from 1995 to December 2005, and its Lead Outside Director from December 2005 until his resignation on March 25, 2009. Additionally, he served as a member of its Nominating and Governance Committee and Compensation Committee. Mr. Young was President and Chief Executive Officer of Hewlett-Packard Company from 1978 until his retirement in 1992. Mr. Young serves as a director of another public life science company, Affymetrix, Inc., and also serves as a director of several private companies. Mr. Young received his B.S.E.E. from Oregon State University and M.B.A. from the Stanford Graduate School of Business.

John F. Hamilton has been a director of Vermillion since April 2008. Additionally, he was the Chairman of Vermillion's Audit Committee. From 1997 until his retirement in 2007, Mr. Hamilton served as Vice President and Chief Financial Officer of Depomed, Inc. Mr. Hamilton began his career in international banking with The Philadelphia National Bank and Crocker National Bank, and went on to hold senior financial positions at several biopharmaceutical companies including Glyko, Inc., which is now BioMarin Pharmaceuticals, and Chiron Corporation. Mr. Hamilton sits on the regional Board of Directors of the Association of Bioscience Financial Officers, and is past-president of the Treasurers Club of San Francisco. Mr. Hamilton received his M.B.A. from the University of Chicago and B.A. in International Relations from the University of Pennsylvania.

Gail S. Page has been a director of Vermillion since December 2005, and was elected to and assumed the position of Executive Chair of the Board of Directors on March 30, 2009. Ms. Page joined Vermillion in January 2004 as President of the Company's Diagnostics Division and an Executive Vice President of Vermillion, and was promoted to President and Chief Operating Officer of Vermillion in August 2005. Subsequently, Ms. Page became the President and Chief Executive Officer of Vermillion in December 2005 and served in this capacity until her resignation on March 27, 2009. In connection with Vermillion's emergence from bankruptcy, Ms. Page was reappointed as President and Chief Executive Officer of Vermillion on February 1, 2010. From October 2000 to January 2003, Ms. Page was Executive Vice President and Chief Operating Officer of Luminex Corporation. From 1988 to 2000, Ms. Page held various senior level management positions with Laboratory Corporation of America ("LabCorp"). In 1993, Ms. Page was named Senior Vice President, Office of Science and Technology at LabCorp, responsible for the management of scientific affairs in addition to the diagnostics business segment. Additionally, from 1995 to 1997, Ms. Page headed the Cytology and Pathology Services business unit for LabCorp. From 1988 to 2000, Ms. Page was a member of the Scientific Advisory Board at LabCorp and chaired the committee from 1993 to 1997. Prior to her years at LabCorp and its predecessor, Roche Biomedical, Ms. Page worked in various functions in the academic field and the diagnostics industry. Ms. Page received her A.S. in Medical Technology in combination with a Cardiopulmonary Technology Diploma from the University of Florida. Ms. Page also completed an executive management course at the Kellogg School of Management at Northwestern University.

A summary of the business experience of each director who was appointed to the Board of Directors subsequent to December 31, 2009 is set forth below:

William C. Wallen, Ph.D. was appointed to Vermillion's Board of Directors on February 1, 2010 and serves as its Nominating and Corporate Governance Chairman. Additionally, he is a member of Vermillion's Audit Committee and Compensation Committee, and has served on its Scientific Advisory Board since April 2006. Dr. Wallen has been the Senior Vice President and Chief Scientific Officer of IDEXX Laboratories, Inc. ("IDEXX") since September 2003, and will be retiring from IDEXX on March 3, 2010. Since December 2008, Dr. Wallen has also been leading its infectious disease product manufacturing operations. Dr. Wallen led IDEXX's pharmaceutical products business from September 2003 until IDEXX sold certain product lines and restructured that business in 2008. Prior to joining IDEXX, Dr. Wallen held various positions with Bayer Corporation, most recently as Senior Vice President, Research and Development, and Head, Office of Technology for the Diagnostics Division of Bayer Healthcare. From 2001 to 2003, Dr. Wallen served as Senior Vice President and Head of Research, Nucleic Acid Diagnostics Segment; from 1999 to 2001, as Senior Vice President of Research and Development Laboratory Testing Segment; and from 1993 to 1999, as Vice President of Research and Development, Immunodiagnostic and Clinical Chemistry Business Units. Before joining Bayer Corporation, from 1990 to 1993, Dr. Wallen was Vice President, Research and Development at Becton Dickinson Advanced Diagnostics. Dr. Wallen is a member of the American Association of Clinical Chemistry, the American Society for Microbiology, American Association for Cancer Research, The Leukemia society of America, and the New York Academy of Science. Dr. Wallen has authored or co-authored 55 scientific papers and articles covering topics in immunology, virology, oncology and detection methodologies. Dr. Wallen received his B.S. in Zoology and M.S. in Microbiology from Michigan State University, and Ph.D. in Molecular Biology from University of Arizona College of Medicine.

Peter S. Roddy was appointed to Vermillion's Board of Directors and Audit Committee on February 18, 2010. Mr. Roddy has served as Vice President and Chief Financial Officer of Pain Therapeutics, Inc. since July 2004 and as its Chief Financial Officer since November 2002. From 1990 to 2002, Mr. Roddy held a variety of senior management positions at COR Therapeutics, Inc. (now part of Takeda Pharmaceutical Company Limited), a biopharmaceutical company, including Senior Vice President, Finance and Chief Financial Officer between 2000 and 2002. Prior to 1990, Mr. Roddy held a variety of positions at Price Waterhouse & Company, Hewlett Packard Company and MCM Laboratories, Inc. Mr. Roddy received his B.S. in Business Administration from the University of California, Berkeley.

Carl Severinghaus was appointed to Vermillion's Board of Directors on March 3, 2010 and serves as its Compensation Committee Chairman. In addition, he is a member of its Audit Committee and Nominating and Corporate Governance Committee. Mr. Severinghaus has held the position of President of Tecan Americas since 2009. He is responsible for the sales and operations for the Americas Sales Regions, including U.S., Canada, and South America. From 2007 to 2008, he was Senior Vice President of International Sales, responsible for the worldwide sales and operations of the direct and OEM sales channels. Since 2007, he has served as a member to the Executive Committee of Tecan, an internal Board responsible for implementing the Board of Directors' worldwide strategies and goals. He was President and General Manager of Tecan from 1999 to 2006, and Vice President of Sales and National Sales Manager from 1991 to 1998. Prior to joining Tecan, he held National Sales Manager position at American Monitor Corporation from 1980 to 1991. Mr. Severinghaus received his Bachelor of Fine Arts degree in Communications and Public Speaking from Drake University in 1974. He is a member of the Analytical & Life Science Systems Association, the Association for Laboratory Science, and the American Association for Clinical Chemistry.

Executive Officers of the Registrant

The name, age, positions and offices of each executive officer of Vermillion as of December 31, 2009, or as of the time of such executive officer's resignation if such resignation occurred during the year ended December 31, 2009, are set forth below:

Name	Age	Positions and Offices
Executive Officers resigning during the year ended December 31, 2009:		
Gail S. Page (through March 27, 2009)	54	Executive Chair of the Board of Directors; President and Chief Executive Officer
Eric T. Fung, M.D., Ph.D. (through March 19, 2009)	40	Vice President and Chief Scientific Officer
Simon C. Shorter, Ph.D. (through March 27, 2009)	49	Vice President, Corporate Business Development
Qun Zhou (through March 27, 2009)	42	Controller and Interim Chief Financial Officer
Executive Officers appointed after December 31, 2009		
Gail S. Page (appointed February 1, 2010)	55	Executive Chair of the Board of Directors; Chief Executive Officer
Eric T. Fung, M.D., Ph.D. (appointed February 1, 2010)	40	Senior Vice President and Chief Science Officer
John H. Tran (appointed February 1, 2010)	34	Interim Vice President of Finance and Chief Accounting Officer
Sandra A. Gardiner (appointed April 19, 2010)	45	Vice President and Chief Financial Officer

In connection with the Bankruptcy Filing, Ms. Page resigned from her position as President and Chief Executive Officer on March 27, 2009 and was elected to and assumed the position of Executive Chair of the Board of

Directors on March 30, 2009. In connection with Vermillion's emergence from bankruptcy, Ms. Page was reappointed as President and Chief Executive Officer of Vermillion on February 1, 2010. Also in connection with the Bankruptcy Filing, Dr. Shorter resigned from his position as Vice President, Corporate Business Development on March 27, 2009; and Ms. Zhou resigned from her position as Interim Chief Financial Officer on March 27, 2009. On March 19, 2009, Dr. Fung, resigned from his position as Vice President and Chief Scientific Officer to pursue another career opportunity. On September 29, 2009, Dr. Fung rejoined Vermillion as an independent consultant, and on February 1, 2010, he was reappointed as Vermillion's Senior Vice President and Chief Scientific Officer. On February 1, 2010, Mr. Tran was appointed as Vermillion's Interim Vice President and Chief Accounting Officer. On April 19, 2010, Ms. Gardiner was appointed as Vermillion's Vice President and Chief Financial Officer.

The following is a business experience summary for each executive officer, who was employed by Vermillion during the year ended December 31, 2009:

Gail S. Page's business experience is summarized under "Directors of the Registrant".

Eric T. Fung, M.D., Ph.D. served as Vermillion's Vice President and Chief Scientific Officer from June 2006 until his resignation on March 19, 2009 and rejoined Vermillion on September 29, 2009 as an independent consultant. In connection with Vermillion's emergence from bankruptcy, Dr. Fung was reappointed as Senior Vice President and Chief Scientific Officer of Vermillion on February 1, 2010. Dr. Fung joined Vermillion in May 2000 as a lead scientist in the newly formed Biomarker Discovery Centers. From March 2009 to September 2009, Dr. Fung served as Director of Clinical Research at Roche Molecular Systems. Prior to joining Vermillion, Dr. Fung was a Howard Hughes sponsored researcher at Stanford University. Dr. Fung received his B.S. in Biology and graduated with honors from the California Institute of Technology, and his M.D. and Ph.D. from the Johns Hopkins University School of Medicine. Dr. Fung also has anatomic pathology training from Stanford Medical School, and currently holds an Adjunct Assistant Professor position in the Department of Pathology at the Johns Hopkins University School of Medicine.

Simon C. Shorter, Ph.D. joined Vermillion in September 2004 and served as its Vice President, Corporate Business Development until his resignation on March 27, 2009. Prior to joining Vermillion, Dr. Shorter held a series of management positions in Research and Development, Sales and Marketing, and Business Development at Adeza Biomedical Corporation. Over a 12-year period, Dr. Shorter has developed an in-depth, practical understanding of the clinical laboratory and in vitro diagnostics ("IVD") market segments. Dr. Shorter received his B.S. in Biological Sciences from The King's College, University of London, United Kingdom, and M.S. in Applied Molecular Biology and Biotechnology from University College, University of London, United Kingdom. At the University of Oxford, United Kingdom, Dr. Shorter received his Ph.D. in Cellular Biology and Immunology of Human Development followed by a post doctoral research fellowship at the University of California, San Francisco in the immunological basis for the survival of fetus during human placental development.

Qun Zhou joined Vermillion in February 2007, served as Controller until her resignation on March 27, 2009, and served as the interim Chief Financial Officer from November 1, 2007 to August 25, 2008 and from November 25, 2008 until her resignation on March 27, 2009. Prior to joining Vermillion, Ms. Zhou served as Controller for ViOptix, Inc., a developer and manufacturer of oxygen measuring devices in the biotechnology industry, from May 2005 through February 2007. From April 2000 through May 2005, Ms. Zhou served in several capacities, most recently as Business Unit Controller, with Philips Medical Systems, a global leader in the medical device and diagnostic industry. Ms. Zhou has over ten years of accounting and corporate finance experience, and received her M.B.A. from Boston College.

A summary of the business experience of each executive officer who was appointed subsequent to December 31, 2009 is set forth below:

John H. Tran was appointed to serve as Interim Vice President of Finance and Chief Accounting Officer of Vermillion on February 1, 2010. Prior to joining the Company, Mr. Tran served as Vice President, Finance and

Chief Accounting Officer at Anesiva, Inc., a late-stage biopharmaceutical company in the development and commercialization of novel pharmaceutical products for pain management, from May 2008 to January 2010. From September 2004 to April 2008, Mr. Tran served in various roles in finance and was the Director of Finance at Kyphon Inc., a medical device company. Mr. Tran became part of Medtronic, Inc. through its 2007 acquisition of Kyphon Inc. From January 2000 to September 2004, Mr. Tran served as an Audit Manager in the audit and assurance practice with PricewaterhouseCoopers LLP. Mr. Tran received his B.A. in Biology and Business Economics with Accounting Emphasis from the University of California at Santa Barbara. Mr. Tran is also a certified public accountant in the State of California.

Sandra A. Gardiner was appointed to serve as Vice President and Chief Financial Officer of Vermillion on April 19, 2010. Prior to joining the Company, she has served as CFO since March 2009 at Bend Research Inc., a company that specializes in the definition, advancement, development and commercialization of pharmaceutical and health science technologies. In April 2009, she was elected to Bend Research Inc.'s board of directors. From 2004 through 2008, Ms. Gardiner served as CFO and Corporate Secretary of Lipid Sciences, Inc., responsible for all decision-making authority for all financial and administrations functions for this development-stage biotechnology company, which is engaged in research and development of products and processes to treat cardiovascular disease and viral infections. She also held positions at Cardima, Inc. and Comac and began her biotechnology career in 1988 with Advanced Cardiovascular Systems, formerly a division of Guidant, holding several positions in the Internal Audit, Accounting and Finance departments. Ms. Gardiner received her Bachelor of Science in Managerial Economics from the University of California at Davis.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires Vermillion's executive officers and directors, and persons who own more than 10% of a registered class of Vermillion's equity securities, to file reports of ownership and changes in ownership with the SEC and with any national securities exchange on which such securities are traded or quoted. Executive officers, directors and such stockholders are required by SEC regulation to furnish Vermillion with copies of all Section 16(a) forms they file. As a practical matter, Vermillion assists its directors and officers by completing and filing Section 16 reports on their behalf. Based solely on a review of the copies of such reports furnished to Vermillion, and the written representations of its directors and executive officers, Vermillion believes that its directors and executive officers, and persons who own more than 10% of a registered class of Vermillion's equity securities, complied with all applicable filing requirements for the year ended December 31, 2009.

Code of Ethics

The Company has adopted the Vermillion Code of Ethics that applies to all directors, officers and employees of the Company. Any waivers of or amendments to the Vermillion, Inc. Code of Ethics will be disclosed on the Investor Relations section of Vermillion's website, *www.vermillion.com*. Additionally, the Vermillion, Inc. Code of Ethics may be obtained free of charge through the Investor Relations section of Vermillion's website, or by submitting a written request for a paper copy to the following address:

Investor Relations
Vermillion, Inc.
47350 Fremont Blvd.
Fremont, California 94538

Stockholder Procedures to Nominate Directors

There were no material changes to stockholder procedures for the nomination of directors during the year ended December 31, 2009.

Audit Committee

Vermillion has a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Prior to the Company's Bankruptcy Filing in March, 2009, the Audit Committee consisted of directors John F. Hamilton and James S. Burns. Due to the Bankruptcy Filing, the Company's Audit Committee was disbanded. Following the Company's emergence from Bankruptcy, on March 11, 2010, the Board of Directors appointed Peter S. Roddy, William C. Wallen, Ph.D. and Carl Severinghaus to the Audit Committee. Mr. Roddy was appointed to serve as the Chairman of Vermillion's Audit Committee. The Board determined that each of the three members of the Audit Committee was an "independent director" as that term is defined by the applicable listing standards of the NASDAQ Capital Market, and had sufficient knowledge in financial and auditing matters. The Board also believed that Mr. Roddy was an "audit committee financial expert" as defined under Item 407(d)(5)(ii) of Regulation S-K .

Item 11. Executive Compensation

Vermillion had a 1 for 10 reverse stock split of Vermillion's common stock effective at the close of business on March 3, 2008. Accordingly, all share and per share amounts were adjusted to reflect the impact of the 1 for 10 reverse stock split in this Annual Report on Form 10-K.

Compensation Committee Report

The information provided under the heading "Compensation Committee Report" shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that it is specifically incorporated by reference into a document filed under the Securities Act or the Exchange Act

Vermillion, Inc.'s ("Vermillion"; Vermillion and its wholly-owned subsidiaries are collectively referred to as the "Company") executive compensation program for its named executive officers ("NEOs") is administered by the Compensation Committee of the Board of Directors. The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed that analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K.

This report is provided by the following independent directors of the Compensation Committee:

Carl Severinghaus, Chairman
William C. Wallen, Ph.D.

Compensation Committee Interlocks and Insider Participation

None of the members of Vermillion's Compensation Committee during the year ended December 31, 2009 was an officer or employee of Vermillion, was formerly an officer of Vermillion or had any relationship with Vermillion requiring disclosure under Item 13, except that the Company has entered into indemnification agreements with each of its directors, which require the Company to indemnify its directors to the fullest extent permitted by law in the State of Delaware.

None of Vermillion's executive officers serves as a member of the Board of Directors or Compensation Committee of any entity that has one or more of its executive officers serving as a member of Vermillion's Board of Directors or Compensation Committee.

Compensation Discussion and Analysis

Named Executive Officers

The NEOs for the year ended December 31, 2009, were as follows:

Name	Positions and Offices
Gail S. Page	Executive Chair of the Board; President and Chief Executive Officer
Eric T. Fung, M.D., Ph.D.	Vice President and Chief Scientific Officer
Simon C. Shorter, Ph.D.	Vice President, Corporate Business Development

Although Ms. Zhou is not NEOs, she served as the principal financial officers during the year ended December 31, 2009.

Compensation Philosophy and Objectives

The goal of the Company's compensation program for its NEOs is the same for the overall Company, which is to foster compensation policies and practices that attract, engage and motivate high caliber talent by offering a competitive pay and benefits program. The Company is committed to a total compensation philosophy and structure that provides flexibility in responding to market factors; rewards and recognizes superior performance; attracts highly skilled, experienced and capable employees; and is fair and fiscally responsible.

The Compensation Committee has designed and implemented compensation programs for the Company's NEOs to reward them for their leadership excellence, for sustaining the Company's financial and operating performance, to align their interests with those of Vermillion's stockholders and to encourage them to remain with the Company for long and productive careers.

Most of the Company's compensation elements simultaneously fulfill one or more performance, alignment or retention objectives.

Method for Determining Compensation Amounts

The Compensation Committee annually reviews and approves (1) annual base salaries, (2) annual incentive bonuses, including specific goals and percentages, (3) equity compensation and (4) employee benefit programs for the NEOs.

In making compensation decisions, the Compensation Committee considers the following:

- *Company Performance.* The Compensation Committee reviews the Company's operational performance and the achievement of its pre-established goals for the fiscal year.
- *Executives' Performance.* The Compensation Committee evaluates an executive's performance during the year including leadership qualities, responsibilities, and contribution to the Company's performance. The relative importance of each factor varies among the Company's NEOs depending on their positions and the particular operations or functions for which they are responsible.
- *Compensation Consultant and Survey.* For the year ended December 31, 2009, the Compensation Committee relied on general executive compensation information received from the Company's Human Resource Consultant. The Compensation Committee uses formal and informal compensation surveys to benchmark the compensation of the Company's NEOs against the compensation levels for executive officers of companies of similar size and market segments.
- *Recommendations of the Chief Executive Officer*. The Compensation Committee considers the recommendations of the Company's Chief Executive Officer, who assesses the performance of the other NEOs and adjustments to their base salary and other elements of compensation.

Compensation Components

The compensation of each NEO consists primarily of the following four major components:

- base salary;
- annual bonus;
- equity incentive awards; and
- employee benefits programs, including:
  - severance and change in control benefits, and
  - perquisites and other benefits

Base salaries and annual bonuses are designed to reward annual achievements and be commensurate with the executives' scope of responsibilities, demonstrated leadership abilities and management experience and effectiveness. Other elements of compensation focus on motivating and challenging the executives to achieve superior, longer-term, sustained results.

Base Salaries. Overall average base salaries are targeted at the 50th percentile of the companies with which the Company competes for labor talent. The Compensation Committee normally adjusts the base salaries for the NEOs in April of each calendar year. In 2009, due to the Bankruptcy Filing and the drastic cost-cutting measures that the Bankruptcy Filing entailed, base salaries were reduced and/or eliminated and NEOs were terminated and retained as consultants to the extent absolutely critical.

Annual Bonuses. Consistent with the Company's objectives to tie a significant portion of the NEOs' total compensation to the Company's performance, the Compensation Committee approves specific corporate goals for incentive bonuses. The bonus plan is generally structured as follows, with changes made from year to year to reflect changing business needs and competitive circumstances:

- At the beginning of each fiscal year, the Compensation Committee establishes performance measures and goals, which typically include milestones and targets. The Compensation Committee typically assigns a weight value based upon the overall goals in order to ensure a balanced approach to the various factors applied to determining bonus amounts.
- Also at the beginning of each fiscal year, the Compensation Committee establishes payout targets for each NEO. The Compensation Committee generally establishes the individual payout targets for each NEO based on the executive's position, level of responsibility and a review of the compensation information of other companies. Under the terms of the Company's Chief Executive Officer's employment agreement, Ms. Page is eligible for a discretionary bonus of up to 50% of her annual base salary, based on meeting objectives to be established by the Compensation Committee.
- After the close of each fiscal year, the Compensation Committee assesses the performance of each NEO against the pre-established metrics for the Company. Each NEO receives a bonus based on his or her individual payout target and the Company's performance relative to the specific performance goal.

The Company's incentive bonuses are measured against corporate goals which generally include Company targets, product development and management team building. In 2009, however, given that the Company had very little cash, and significant debt and expenses, no incentive bonuses were contemplated. For the year ended December 31, 2009, the Company did not pay any bonuses to the NEOs due to the Bankruptcy Filing.

Equity Incentive Compensation. The equity component of the Company's executive compensation program is designed to fulfill its performance alignment and retention objectives. The Company maintains the Vermillion, Inc. 2000 Stock Plan (the "2000 Stock Plan"). Stock options granted under the 2000 Stock Plan provide participants with the right to purchase shares of Vermillion's common stock at a predetermined exercise price. The Compensation Committee may grant stock options that are intended to qualify as incentive stock options or

nonqualified stock options. The NEOs receive incentive stock option grants at the time of hire; annually thereafter, they receive non-qualified stock options, as recommended by the Compensation Committee.

Stock option grants are based on individual performance and contributions toward the achievement of the Company's business objectives, as well as overall Company performance. The number of underlying shares that may be purchased pursuant to the stock options granted to each NEO varies based on the executive's position and responsibilities. In addition, amounts are determined by comparing the level of equity-based compensation that is awarded to executives of competing companies.

Employee Benefits Programs. The Company's employee benefits program primarily consists of two components: (1) severance and change in control arrangements and (2) perquisites and other benefits.

Severance and Change in Control Arrangements. The Compensation Committee believes that executive officers have a greater risk of job loss or modification as a result of a change in control transaction than other employees. Accordingly, Vermillion has terms for change in control in the employment agreement with the Chief Executive Officer, and change in control agreements with its other executive officers under which they will receive certain payments and benefits upon qualifying terminations that follow a change in control. The principal purpose of the change in control agreements is to provide executive officers with appropriate incentives to remain with the Company before, during and after any change in control transaction by providing the executive officers with security in the event their employment is terminated or materially changed following a change in control. By providing this type of security, the change in control agreements help ensure that the executive officers support any potential change in control transaction that may be in the best interests of Vermillion's stockholders, even while the transaction may create uncertainty in the executive officer's personal employment situation. The Compensation Committee believes that the payment of salary and benefits for one year for the chief executive officer, nine months for other NEOs and six months for other executive officers is reasonable and appropriate to achieve the desired objectives of the agreements.

Perquisites and Other Benefits. The Company's NEOs participate in its standard employee benefits programs including medical, dental, life, short-term and long-term disability insurance, and flexible spending accounts. In addition, the Company offers a health expense reimbursement program to its NEOs, and its Chief Executive Officer receives a monthly cash car allowance.

Interrelationship of Compensation Elements

The Compensation Committee does not adhere to rigid formulas when determining the amount and mix of compensation elements. Compensation elements for each executive are reviewed in a manner that optimizes the executive's contribution to the Company and reflects an evaluation of the compensation paid by the Company's competitors. The Compensation Committee reviews both current pay and the opportunity for future compensation to achieve an appropriate mix between equity incentive awards and cash payments in order to meet its objectives. However, prior stock compensation gains are not considered in setting future compensation levels. The mix of compensation elements is designed to reward recent results and motivate long-term performance through a combination of cash and equity incentive awards.

Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code (the "Code") disallows a tax deduction to publicly-held companies for certain compensation in excess of $1,000,000 paid to the corporation's chief executive officer and three other officers (other than the chief financial officer) whose compensation is required to be reported the Company's stockholders pursuant to the Securities Exchange Act of 1934. Certain performance-based compensation approved by Vermillion's stockholders, including option grants under the 2000 Stock Plan, generally is not subject to the deduction limit. It is the Compensation Committee's policy to maximize the effectiveness of the Company's executive compensation in this regard.

The Company has granted stock options as incentive stock options in accordance with Section 422 of the Code subject to the volume limitations contained in the Code. Generally, the exercise of an incentive stock option does not trigger any recognition of income or gain to the holder. If the stock is held until at least one year after the date of exercise (or two years from the date the option is granted, whichever is later), all of the gain on the sale of the stock, when recognized for income tax purposes, will be capital gain, rather than ordinary income, to the recipient. Consequently, the Company does not receive a tax deduction. For stock options that do not qualify as incentive stock options, the Company is entitled to a tax deduction in the year in which the stock options are exercised equal to the spread between the exercise price and the fair market value of the stock for which the stock option was exercised. The holders of the non-qualified stock options are generally taxed on this same amount in the year of exercise.

Named Executive Officer Compensation

President and Chief Executive Officer. On December 31, 2005, Vermillion entered into an employment agreement with Ms. Page as its President and Chief Executive Officer. Under the terms of her employment agreement, Ms. Page had an initial base salary of $350,000, as adjusted by the Board of Directors from time to time; was eligible for a bonus of up to 50.0% of her base salary that is based on the achievement of reasonable performance-related goals as determined by the Board of Directors; had an initial option grant to purchase 40,000 shares of Vermillion's common stock at $9.00 per share; and had an annual car allowance of $10,000. Ms. Page's employment with Vermillion was for an unspecified duration and constituted "at-will" employment. At the option either of Vermillion or Ms. Page, with or without notice, the employment relationship may be terminated at any time, with or without cause (as defined in the employment agreement) or for any or no cause. If Vermillion terminates Ms. Pages employment for reasons other than for cause or Ms. Page terminates her employment for good reason (as defined in the employment agreement), Ms. Page upon executing a release of claims in favor of Vermillion's common stock at $9.00 per share; and had an annual car allowance of $10,000. Ms. Page's employment with Vermillion is for an unspecified duration and constitutes "at-will" employment. At the option either of Vermillion or Ms. Page, with or without notice, the employment relationship may be terminated at any time, with or without cause (as defined in the employment agreement) or for any or no cause. If Vermillion terminates Ms. Page's employment for reasons other than for cause, or if Ms. Page terminates her employment for good reason (as defined in the employment agreement), Ms. Page, upon executing a release of claims in favor of Vermillion, will be entitled to receive (i) continued payment of base salary for a period of 12 months, (ii) immediate vesting of 24-months of any options previously granted by Vermillion in addition to a 24-month period after termination to exercise any or all of her vested options to purchase Vermillion's common stock; and (iii) continued health and dental benefits paid by Vermillion until the earlier of 12-months after termination or the time that Ms. Page obtains employment with reasonably comparable or better health and dental benefits. Additionally, if Ms. Page's employment is terminated by Vermillion for reasons other than for cause or by her for good reason with the 12-month period following a change in control (as defined in the employment agreement), Ms. Page will receive (i) continued payment of base salary for a period of 12 months, (ii) immediate 100% vesting of any then unvested options previously granted by Vermillion in addition to a period after termination at the discretion of Vermillion to exercise any or all of her vested options to purchase Vermillion's common stock; and (iii) continued health and dental benefits paid by Vermillion until the earlier of 12 months after termination or the time that Ms. Page obtains employment with reasonably comparable or better health and dental benefits. Ms. Page's employment agreement also contains a "nonsolicitation" clause, which provides that, in the event that Ms. Page's employment is terminated, she is prohibited from directly or indirectly soliciting or encouraging any employee or contractor of the Company or its affiliates to terminate employment with or cease providing services to the Company or its affiliates; and prohibited from soliciting or interfering with any person engaged by the Company as a collaborator, partner, licensor, licensee, vendor, supplier, customer or client to the Company's detriment. On November 18, 2008, Ms. Page's employment agreement was amended and restated to reflect her current annual base salary of $364,000 and to comply with (or be exempted from) the applicable requirements of Section 409A of the Internal Revenue Code of 1986, as amended. As a result of the bankruptcy, severance amounts became due to Ms. Page, who was asked to resign from the Company on March 27, 2009. After she was asked to resign, Ms. Page worked as a consultant for Vermillion

from March 2009 to January 2010. Pursuant to the terms of the consulting agreement between Vermillion and Ms. Page, she was paid $230 per hour for her services as a consultant.

Other Named Executive Officers. Employment of the other NEOs other than Ms. Page was for an unspecified duration and constituted "at-will" employment, allowed the NEO by notifying the Company or the Company with or without notice to terminate the NEO's employment with the Company at any time and for any reason whatsoever. Accordingly, upon a termination, the NEOs other than Ms. Page would receive their accrued salary, earned bonus, unreimbursed expenses and other entitlements to the date of termination, unless the Compensation Committee determined to provide additional severance payments. In addition to their initial base salaries and initial option grant to purchase shares of Vermillion's common stock, the NEOs were eligible for a bonus as a percentage of their base salary based on the achievement of reasonable performance-related goals as determined by the Board of Directors.

On August 26, 2008, Vermillion entered into separate employee severance agreements with Dr. Fung and Dr. Shorter. Each severance agreement provides certain severance benefits to the employee in the event that Vermillion terminates the employee's employment without cause or the employee resigns from his employment for good reason. The severance benefits provided for in the agreements with Dr. Fung and Dr. Shorter include (i) continued payment of the employee's base salary, as then in effect, payable over a period of nine months following the date of termination, (ii) immediate, accelerated vesting of 24 months of any options previously granted by Vermillion to the employee and (iii) continuation of health and dental benefits through COBRA premiums paid by Vermillion directly to the COBRA administrator for a period of nine months following the date of termination. Each severance agreement also provides that, in the event the employee's employment is terminated by Vermillion for reasons other than cause or by the employee for good reason within the 12-month period following a change in control, then, in addition to the severance benefits described above, any then-unvested shares under Vermillion's stock option plans then held by the employee will fully vest immediately upon the date of such termination. Payment of the severance benefits under these agreements will be conditioned on the employee's continued compliance with the provisions of each employee's proprietary information and inventions agreement and will be delayed as required by Section 409A of the Internal Revenue Code of 1986, as amended.

As a result of the bankruptcy, severance amounts became due to Dr. Shorter, who was asked to resign from the Company on March 27, 2009. No severance amounts became due to Dr. Fung, who resigned from the Company on March 19, 2009. After his resignation, Dr. Fung worked as a consultant for Vermillion from September 2009 to January 2010. Based on the consulting agreement between Vermillion and Dr. Fung, he was paid $137.50 per hour for his services as a consultant.

The compensation earned by the NEOs for the years ended December 31, 2009 and 2008 was as follows:

Name and Principal Position	Year	Salary	Bonus	Stock Award	Option Awards (6)	Non-Equity Incentive Plan Compensation (7)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Gail S. Page	2009	$ 87,323	$—	$—	$211,247	$—	$—	$611,520(1)	$910,090
Director, President and Chief Executive Officer (Principal Executive Officer)	2008	364,550	—	—	207,109	—	—	29,278(2)	600,937
Eric T. Fung, M.D., Ph.D.	2009	49,767	—	—	190,194	—	—	79,082(3)	319,043
Vice President and Chief Scientific Officer	2008	220,550	—	—	91,165	—	—	1,203(4)	312,918
Simon C. Shorter, Ph.D.	2009	48,990	—	—	9,246	—	—	179,922(5)	238,157
Vice President, Corporate Business Development	2008	204,550	—	—	49,251	—	—	1,772(4)	255,573

(1) Amount represents Ms. Page's accrued severance of $365,753 and consulting income of $189,856. Due to the Bankruptcy Filing, Ms. Page was not paid for her service as Executive Chair of the Board of Directors.

(2) Amount represents Ms. Page's health expense reimbursement program of $538 and car allowance of $28,740.

(3) Amount represents Dr. Fung's consulting income of $45,038 and PTO payout of $34,044.

(4) Amount represents health expense reimbursement program.

(5) Amount represents Dr. Shorter's health care reimbursement payment of $1,098, PTO payout of $25,087, and accrued severance of $153,737.

(6) For awards of option, the aggregate grant date fair value is computed in accordance with FASB ASC Topic 718 (column (f)). See Stock-Based Compensation section of Note 13, Employee Benefit Plans, of the audited consolidated financial statements and the accompanying notes in Part II Item 8, "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K

(7) Amount represents annual performance bonus.

For the years ended December 31, 2009 and 2008, the NEOs did not exercise any stock options. The outstanding equity awards held by the NEOs as of December 31, 2009, were as follows:

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options - Exercisable	Number of Securities Underlying Unexercised Options – Unexer-cisable	Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options	Option Exercise Price	Option Expiration Date (1)	Number of Shares or Units of Stock that have not Vested	Market Value of Shares or Units of Stock that have not Vested	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested
Gail S. Page	44,270	80,730	—	$ 2.30	7/17/2018	—	—	—	—
	23,998	12,001	—	14.70	4/25/2017	—	—	—	—
	21,874	3,126	—	12.00	6/6/2016	—	—	—	—
	39,999	—	—	9.00	12/19/2015	—	—	—	—
	12,500	—	—	21.90	8/4/2015	—	—	—	—
	9,999	—	—	29.60	2/8/2015	—	—	—	—
	24,998	—	—	92.70	1/7/2014	—	—	—	—
Eric T. Fung, M.D., Ph.D. . .	14,166	25,834	—	2.30	7/17/2018	—	—	—	—
	15,998	8,001	—	14.70	4/25/2017	—	—	—	—
	6,562	938	—	12.00	6/6/2016	—	—	—	—
	999	—	—	9.00	12/19/2015	—	—	—	—
	2,000	—	—	21.90	8/4/2015	—	—	—	—
	2,800	199	—	18.00	4/5/2015	—	—	—	—
	999	—	—	37.00	9/15/2014	—	—	—	—
	2,499	—	—	74.70	6/3/2014	—	—	—	—
	1,999	—	—	86.40	4/1/2014	—	—	—	—
	1,000	—	—	96.00	6/5/2013	—	—	—	—
	1,500	—	—	43.50	2/13/2013	—	—	—	—
	500	—	—	45.30	6/6/2012	—	—	—	—
	499	—	—	56.00	11/8/2011	—	—	—	—
	599	—	—	63.80	6/7/2011	—	—	—	—

(1) Stock options vest ratably on a monthly basis either over a 24 month, 48 month or 60 month period, commencing on the date of the grant. Each option expires 10 years after the date of the grant or, in the case of an incentive stock option, such shorter term as may be provided in the applicable agreement.

Director Compensation

Outside directors (i.e., non-employee directors) are compensated for their service as (1) a member of the Board of Directors, (2) a member of any committee of the Board of Directors, (3) a chair of any committee of the Board of Directors and (4) the Executive Chairman of the Board of Directors. Periodically, the Compensation Committee reviews and determines the adequacy of the current compensation program for outside directors, and based upon the results of their analysis, the Compensation Committee will make recommendations in regards to the compensation program for outside directors to the Board of Directors. Effective June 11, 2008, the compensation program for outside directors, as approved by the Board of Directors, was as follows:

- each new outside directors receive an option grant to purchase 25,000 shares of Vermillion's common stock, which vests monthly over a 24-month period, upon attendance of their first Board of Directors' meeting;
- continuing outside directors receive an annual option grant to purchase 18,000 shares of Vermillion's common stock, which vests monthly over a 12-month period, on the date of the Annual Meeting of Shareholders;

- the Executive Chairman of the Board of Directors receives an annual option grant to purchase 10,000 shares of Vermillion's common stock, which vests monthly over a 12-month period, on the date of the Annual Meeting of Shareholders;
- the chairperson of the Audit Committee receives an annual option grant to purchase 5,000 shares of Vermillion's common stock, which vests over a 12-month period, on the date of the Annual Meeting of Shareholders;
- the chairperson for each the Compensation Committee, and the Nominating and Governance Committee receives an annual option grant to purchase 2,500 shares of Vermillion's common stock, which vests over a 12-month period, on the date of the Annual Meeting of Shareholders; and
- continuing outside directors receive, at his or her choice, either: (1) payment in the amount of $20,000 with payments being made on a quarterly basis on the last day of each calendar quarter, as long as such person continues to act as a director, or (2) an additional option to purchase 12,500 shares of Vermillion's common stock.

The 2008 compensation program was not followed during the Company's Bankruptcy Filing in 2009. After the resignation of four directors in March, 2009, the Board was composed of Ms. Page, Mr. Burns and Mr. Hamilton. None of them were compensated for cash, nor were they granted any option awards, except for Mr. Hamilton, who was paid $5,000 for the year of 2009. In recognition of their services during the Bankruptcy Filing, the Bankruptcy Court approved a Management Incentive Plan on April 14, 2010. Under the Management Incentive Plan, Vermillion is directed to distribute an aggregate of $5,000,000 in cash and 302,541 shares of restricted stock in Incentive Plan to these three directors. The total Management Incentive Plan cash payments and restricted stock awards are to be allocated to Ms. Page, Mr. Burns and Mr. Hamilton on a 60%-20%-20% basis, respectively. Such Management Incentive Plan compensation is not attributable to the three directors as compensation for the year of 2009 because the Company did not receive approval to make the awards (and did not in fact make any cash or restricted stock awards) until April 2010. The restricted stock awards do, however, provide for retroactive vesting credit for 1/24th of the total award on each monthly anniversary of the vesting commencement date (June 22, 2009). The Company will report all Management Incentive Plan compensation in relevant SEC filings for the year 2010.

The compensation earned by Vermillion's outside directors for the year ended December 31, 2009 was as follows:

Name	Fees Earned or Paid in Cash (1)	Stock Awards	Option Awards (2)	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
James S. Burns	$ —	$—	$12,100	$—	$—	$—	$12,100
Kenneth L. Conway	—	—	4,260	—	—	—	4,260
Rajen K. Dalal	—	—	4,260	—	—	—	4,260
John F. Hamilton	5,000	—	19,853	—	—	—	24,853
James L. Rathmann	—	—	5,410	—	—	—	5,410
John A. Young	—	—	3,877	—	—	—	3,877
Total	$5,000	$—	$49,760	$—	$—	$—	$54,760

(1) All outside directors, except John F. Hamilton, elected to receive their fees for the year ended December 31, 2009, in the form of options to purchase Vermillion's common stock in lieu of cash.

(2) For awards of option, the aggregate grant date fair value is computed in accordance with FASB ASC Topic 718 (column (f)). See Stock-Based Compensation section of Note 13, Employee Benefit Plans, of the audited consolidated financial statements and the accompanying notes in Part II Item 8, "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information known to Vermillion, Inc. ("Vermillion") regarding beneficial ownership of its common stock on a post 1-for-10 reverse split basis as of December 31, 2009, by (i) each person known by Vermillion to be the beneficial owner of more than five percent of the outstanding shares of its common stock as of December 31, 2009, (ii) each director of Vermillion as of December 31, 2009, (iii) each named executive officer of Vermillion as of December 31, 2009, and (iv) the directors and executive officers of Vermillion as of December 31, 2009 as a group. All shares are subject to the named person's sole voting and investment power unless otherwise indicated.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the "SEC"). Shares of common stock, which are issued and outstanding, are deemed to be beneficially owned by any person who has or shares voting or investment power with respect to such shares. Shares of common stock which are issuable upon exercise of options or warrants are deemed to be issued and outstanding and beneficially owned by any person who has or shares voting or investment power over such shares only if the options or warrants in question are exercisable within 60 days of December 31, 2009, and, in any event, solely for purposes of calculating that person's percentage ownership of Vermillion's common stock (and not for purposes of calculating the percentage ownership of any other person).

The number of shares of Vermillion's common stock deemed outstanding and used in the denominator for determining percentage ownership for each person equals (i) 7,918,705 shares of common stock outstanding as of December 31, 2009, plus (ii) such number of shares of common stock as are issuable pursuant to options, warrants or convertible securities held by that person (and excluding options, warrants and convertible securities held by other persons) which may be exercised within 60 days of December 31, 2009.

Name and Address of Beneficial Owner	Number of Common Stock Shares Beneficially Owned	Percentage of Outstanding Shares Beneficially Owned
Beneficial Owners more than 5%:		
Black Horse Capital LP [1] 338 S. Sharon Amity Rd., #202 Charlotte NC 28211.	602,819	7.38
Falcon Technology Partners, L.P. [1][2] 102 Atlee Circle Berwyn, PA 19312	430,686	5.44
Phronesis Partners, L.P. [1][3] 180 E. Broad Street #1704 Columbus, OH 43215	662,943	8.37
Quest Diagnostics Incorporated [1][4] 1290 Wall Street West Lyndhurst, NJ 07071	1,271,071	15.26
Directors and Named Executive Officers:		
James S. Burns [5]	40,400	*
John F. Hamilton [6]	25,833	*
Eric T. Fung, M.D., Ph.D. [7]	57,456	*
Gail S. Page [8]	188,768	*
Qun Zhou [9]	10,510	*
All Directors and Executive Officers as a Group (5 persons)	322,967	3.92

* Less than 1%.

(1) Based on filings by such owner with the SEC.

(2) Includes 250,000 shares issuable upon the conversion of Notes which are convertible within 60 days of December 31, 2009. Mr. Rathmann, the Executive Chairman of Vermillion's Board of Directors from December 2005 to March 25, 2009, is the general partner of Falcon Technology Partners, L.P. and has sole voting and investment power over the shares and warrants held by Falcon Technology Partners, L.P.
(3) James E. Wiggins is the general partner of Phronesis Partners, L.P. and exercises sole voting and investment control over the shares and warrants owned by Phronesis Partners, L.P
(4) Includes 410,476 shares issuable pursuant to warrants exercisable within 60 days of December 31, 2009. Quest Diagnostics Incorporated is a publicly-held company. Quest Diagnostics Incorporated's executive officers are responsible for running the business of the company and thus, exercise voting and investment control over the shares and warrants are owned by Quest Diagnostics Incorporated.
(5) Includes 40,400 shares issuable upon exercise of options exercisable within 60 days of December 31, 2009.
(6) Includes 25,833 shares issuable upon exercise of options exercisable within 60 days of December 31, 2009.
(7) Includes 55,196 shares issuable upon exercise of options exercisable within 60 days of December 31, 2009.
(8) Includes 185,386 shares issuable upon exercise of options exercisable within 60 days of December 31, 2009.
(9) Includes 10,260 shares issuable upon exercise of options exercisable within 60 days of December 31, 2009.

Item 13. Certain Relationships and Related Transactions, and Director Independence

For the years ended December 31, 2009 and 2008, Vermillion, Inc. ("Vermillion") and subsidiaries' (collectively referred to as the "Company") did not engage in nor does the Company currently proposes to engage in any transaction or series of similar transactions to which the Company was or is to be a party in, which the amount involved exceeds $120,000 and in which any director, executive officer, holder of more than 5% of Vermillion's common stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest other than (1) compensation agreements and other arrangements, which are described in Part III Item 11, "Executive Compensation", under the section entitled "Compensation Discussion and Analysis - Named Executive Officer Compensation" of this Annual Report on Form 10-K, and (2) the transactions described below.

Relationship with Quest Diagnostics Incorporated

Strategic Alliance Agreement

Quest Diagnostics Incorporated ("Quest") is a significant stockholder of Vermillion. On July 22, 2005, Vermillion and Quest entered into a strategic alliance agreement (the "Strategic Alliance Agreement") to develop and commercialize up to three diagnostic tests from Vermillion's product pipeline (the "Strategic Alliance"). The Strategic Alliance Agreement was set to expire on the earlier of (i) the three-year anniversary of the agreement, which was July 22, 2008, and (ii) the date on which Quest commercializes three diagnostic tests. On July 21, 2008, Vermillion and Quest amended the Strategic Alliance Agreement to extend the term of the agreement to end on the earlier of (i) September 1, 2008 and (ii) the date on which Quest commercializes the three diagnostic tests. On October 24, 2008, Vermillion and Quest amended the Strategic Alliance Agreement to extend the term of the agreement to end on the earlier of (i) September 1, 2009 and (ii) the date on which Quest makes its third development election. On October 7, 2009, Vermillion and Quest amended the Strategic Alliance Agreement (the Strategic Alliance Agreement and the July 21, 2008, October 24, 2008 and October 7, 2009, amendments are collectively referred to as the "Amended Strategic Alliance Agreement") to extend the term of the agreement to end on the earlier of (i) October 7, 2012 and (ii) the date on which Quest makes its third development election. On October 7, 2009, Vermillion and Quest amended the strategic alliance agreement to extend the term of the agreement to end on the earlier of (i) October 7, 2012 and (ii) the date on which Quest commercializes the three diagnostic tests. To date, Quest has selected only two diagnostic tests, which are the peripheral artery disease ("PAD") blood test ("VASCLIR™") and the OVA1™ ovarian tumor triage test (the "OVA1 Test"), to commercialize. Pursuant to the Strategic Alliance Agreement, Quest will have the non-exclusive right to commercialize these tests on a worldwide basis, with exclusive commercialization rights in territories where Quest has a significant presence for up to five years following commercialization. As part of the Strategic Alliance, there is a royalty arrangement under which Quest will pay royalties to Vermillion based on fees earned

by Quest for applicable diagnostic services, and Vermillion will pay royalties to Quest based on Vermillion's revenue from applicable diagnostic products. To date, no such royalties have been earned by either party. The Company has also agreed to enter into a supply agreement with Quest under which the Company will sell instruments and consumable supplies to Quest (to be used for performing diagnostic services), which the Company will purchase from Bio-Rad Laboratories, Inc. ("Bio-Rad") under the manufacture and supply agreement.

Under this Strategic Alliance Agreement, Quest has the exclusive right to perform up to three analyte specific reagent ("ASR") laboratory tests. Upon obtaining clearance from the United States Food and Drug Administration ("FDA"), Vermillion will begin manufacturing in vitro diagnostic ("IVD") test kits that Quest will purchase. Quest will have the exclusive right for up to five years, following commercialization of each respective diagnostic test kit (the "Exclusive Period"), to perform such ASR laboratory tests and market IVD test kits purchased from Vermillion in the United States, Mexico, the United Kingdom and other countries where Quest operates a clinical laboratory, and non-exclusive rights to commercialize these diagnostic test kits in the rest of the world, subject to a royalty payable to Vermillion.

During the ASR phase for a given ASR laboratory test, and as long as the Exclusive Period continues, Vermillion will sell ASRs and grant rights to perform such ASR laboratory tests to Quest and other reference laboratories, hospitals and medical clinics in countries where Quest does not operate a clinical laboratory. Once the IVD phase begins for a given ASR laboratory test in the Exclusive Period, the Company will sell IVD test kits and Surface Enhancement Laser Desorption/Ionization ("SELDI") instruments to Quest. At the end of the Exclusive Period with respect to any IVD test kit, Quest's exclusive right to perform ASR laboratory tests using such diagnostic test kit will become non-exclusive. In addition to continuing to sell IVD test kits to Quest, the Company will also sell IVD test kits to commercial clinical laboratories in the United States, Mexico, the United Kingdom and other countries which were exclusive to Quest during the Exclusive Period. In addition to working through Quest, Vermillion intends to seek partnerships for commercialization purposes with traditional IVD companies and/or with clinical reference labs in territories where Quest does not have exclusive rights.

Credit Agreement

In connection with the Strategic Alliance Agreement, Quest agreed to provide Vermillion with a $10,000,000 secured line of credit, which is collateralized by certain of Vermillion's intellectual property and may only be used for payment of certain costs and expenses directly related to the Strategic Alliance. Under the terms of this secured line of credit, the interest rate is at the prime rate plus 0.5% and is payable monthly. This secured line of credit also contains provisions for Quest to forgive portions of the amounts borrowed that corresponds to Vermillion's achievement of certain milestones related to development, regulatory approval and commercialization of certain diagnostic tests. The amounts to be forgiven and the corresponding milestones that Vermillion must achieve are (i) $1,000,000 for each application that allows a licensed laboratory test to be commercialized with a maximum of three applications for $3,000,000; (ii) $3,000,000 for the earlier of FDA clearance of the first diagnostic test kit or commercialization of the first diagnostic test kit; and (iii) $2,000,000 upon each FDA clearance of up to two subsequent diagnostic test kits but no later than the first commercialization of each such diagnostic test kit, with a maximum forgiveness of $4,000,000 for two diagnostic test kits. In the event Vermillion fails to achieve these certain milestones, the principal amount outstanding related to each milestone not achieved and any unpaid interest of this secured line of credit will become due and payable on October 7, 2012. Vermillion has drawn on this secured line of credit in monthly increments of $417,000 on the last day of each month during the first two years of the Strategic Alliance. The outstanding principal balance of this secured line of credit was $10,000,000 at December 31, 2008 and 2007. Accrued interest payable related this secured line of credit was $35,000 and $67,000 as of December 31, 2008 and 2007, respectively. Interest expense related to this secured line of credit was $560,000 and $790,000 for the years ended December 31, 2008 and 2007, respectively. From the inception of the Strategic Alliance through December 31, 2008, Vermillion has spent $10,000,000 of the amounts drawn on in-house research and development, as well as collaborations with others, directed towards achieving the milestones. Under the Amended Strategic Alliance Agreement, the term and the maturity of the pre-petition $10,000,000 secured line of

credit agreement with Quest were extended through October 7, 2012. Quest also agreed to honor the milestone provisions in the secured line of credit agreement providing for a reduction in the principal amount of the loan upon the achievement of certain milestones (including a reduction of $3,000,000 in connection with the recent FDA clearance of the OVA1 Test) once accrued but unpaid interest on the secured line of credit is paid in full.

In connection with the Company's Chapter 11 bankruptcy filings, on October 16, 2009, the Bankruptcy Court gave final approval for Vermillion to enter into a Debtor-In-Possession Credit and Security Agreement (the "Loan Agreement") with Quest and to assume under Section 365 of the United States Bankruptcy Code (the "Bankruptcy Code") the Amended Strategic Alliance Agreement. In connection with the assumption of the Amended Strategic Alliance Agreement, Vermillion also assumed certain other agreements with Quest related to the Amended Strategic Alliance Agreement, including the pre-petition warrants for the purchase of Vermillion's common stock. Under the Loan Agreement, Quest has agreed to provide a debtor-in-possession loan to Vermillion of up to $1,500,000 (the "DIP Financing"). The DIP Financing is secured by a first lien on substantially all of Vermillion's assets and bears interest at the prime rate plus 0.5% per annum. The DIP Financing matures at the effective date of a plan of reorganization or February 28, 2010, if earlier. Under the Loan Agreement, Vermillion is bound by customary affirmative and negative covenants, including covenants with respect to the use of the funds provided by Quest, and customary events of default—including non-payment, breach of covenants and material breach of the Amended Strategic Alliance Agreement—that may result in acceleration of outstanding amounts, if any, under the Loan Agreement. The Company received $400,000 under this agreement on October 27, 2009. On January 22, 2010, the Company repaid the $400,000 and interest of $4,000.

Amendments to 2005 Stock Purchase Agreement

In connection with the Strategic Alliance Agreement, Vermillion sold 622,500 shares of its common stock and a warrant to purchase up to an additional 220,000 shares of its common stock with an exercise price of $35.00 per share and expiration date of July 22, 2010, to Quest for net proceeds of $14,954,000. The related stock purchase agreement provided certain registration rights, whereby Quest may demand that its shares of Vermillion's common stock be registered under the Securities Act of 1933 by Vermillion, or Quest may elect that its shares of Vermillion's common stock be included in another registration statement under the Securities Act of 1933 if filed by Vermillion, subject to various conditions. On January 12, 2006, the warrant to purchase 220,000 shares of Vermillion's common stock held by Quest was amended to clarify that the total number of shares of Vermillion's common stock purchased pursuant to the stock purchase agreement and issuable upon exercise of the warrant will at no time exceed 19.90% of the total number of outstanding shares of Vermillion's common stock, provided that Quest may, prior to or concurrently with the exercise of the warrant, sell such number of shares of Vermillion's common stock that, after the exercise of the warrant and such sale of shares, Quest would not own more than 19.90% of Vermillion's common stock.

On August 29, 2007, Vermillion completed a private placement sale of 2,451,309 shares of its common stock and warrants to purchase up to an additional 1,961,047 shares of its common stock with an exercise price of $9.25 per share and expiration date of August 29, 2012, to a group of new and existing investors for $20,591,000 in gross proceeds (collectively referred to as the "August 29, 2007, Private Placement Sale") In connection with Quest's participation in the August 29, 2007, Private Placement Sale, Vermillion amended the warrant to purchase an additional 220,000 shares of Vermillion's common stock that was originally issued to Quest on July 22, 2005. Pursuant to the terms of the amendment, the exercise price for the warrant to purchase 220,000 shares of Vermillion's common stock was reduced from $35.00 per share to $25.00 per share and the expiration date of was extended from July 22, 2010, to July 22, 2011.

2007 Securities Purchase Agreement

On August 29, 2007, Vermillion completed a private placement sale of 2,451,309 shares of its common stock and warrants to purchase up to an additional 1,961,047 shares of its common stock with an exercise price of $9.25 per share and expiration date of August 29, 2012, to a group of new and existing investors for $20,591,000 in gross

proceeds (collectively referred to as the "August 29, 2007, Private Placement Sale"). In connection with the August 29, 2007 Private Placement Sale, Quest acquired an additional 238,095 shares of Vermillion's common stock and an additional warrant to purchase 190,476 shares of Vermillion's common stock for $2,000,000. The related stock purchase agreement provided certain registration rights, whereby Quest may demand that its shares of Vermillion's common stock be registered under the Securities Act by Vermillion, or Quest may elect that its shares of Vermillion's common stock be included in another registration statement under the Securities Act if filed by Vermillion, subject to various conditions. On August 29, 2007, Vermillion entered into a letter agreement with Quest whereby (i) Vermillion agreed that the shares of its common stock, including the shares of its common stock issuable upon the exercise of warrants, issued in the July 22, 2005, private placement sale to Quest would be deemed "registrable securities" under the registration rights provisions of the July 22, 2005 stock purchase agreement with Quest, and (ii) Quest waived its registration rights with respect to such shares under the August 29, 2007, securities purchase agreement.

Relationship with Phronesis Partners, L.P.

In connection with the August 29, 2007, Private Placement Sale, Phronesis Partners, L.P. ("Phronesis") purchased 486,928 shares of Vermillion's common stock and a warrant to purchase 389,542 shares of Vermillion's common stock for $4,090,000. Additionally, Vermillion amended its shareholder rights agreement to remove the applicability of the purchase rights provided thereunder with respect to the purchase, sale and issuance of the shares of its common stock and the warrant to purchase additional shares of its common stock held by Phronesis. On October 12, 2007, at the request of Phronesis, Vermillion amended the warrant to purchase 389,542 shares of its common stock to remove the provision limiting Phronesis' ability to exercise its warrant to purchase additional shares of Vermillion's common stock if it would beneficially own more than 4.99% of Vermillion's outstanding common stock following such exercise. The related stock purchase agreement provided certain registration rights, whereby Phronesis may demand that its shares of Vermillion's common stock be registered under the Securities Act by Vermillion, or Phronesis may elect that its shares of Vermillion's common stock be included in another registration statement under the Securities Act if filed by Vermillion, subject to various conditions. Phronesis has exercised this right in connection with the filing of Vermillion's registration statement related to the August 29, 2007 Private Placement Sale.

Relationship with Falcon Technology Partners, L.P.

In connection with the August 29, 2007, Private Placement Sale, Falcon Technology Partners, L.P. ("Falcon Technology Partners") purchased 178,571 shares of Vermillion's common stock and a warrant to purchase 142,857 shares of Vermillion's common stock for $1,500,000. James L. Rathmann is a general partner of Falcon Technology Partners and the Executive Chairman of Vermillion's Board of Directors. The related stock purchase agreement provided certain registration rights, whereby Falcon Technology Partners may demand that its shares of Vermillion's common stock be registered under the Securities Act by Vermillion, or Falcon Technology Partners may elect that its shares of Vermillion's common stock be included in another registration statement under the Securities Act if filed by Vermillion, subject to various conditions. Falcon Technology Partners has exercised this right in connection with the filing of Vermillion's registration statement related to the August 29, 2007 Private Placement Sale.

Directors and Executive Officers

The Company has entered into indemnification agreements with each of its directors and officers, which require the Company to indemnify its directors and officers to the fullest extent permitted by law in the State of Delaware.

Review and Approval of Transactions with Related Persons

The Company's written corporate governance guidelines require all members of the Board of Directors to inform the Audit Committee of the Board of Directors of all types of transactions between themselves (directly or indirectly) and the Company, prior to their conclusion, even if such transactions are in the ordinary course of

business. The Audit Committee reviews and approves all related party transactions for which Audit Committee approval is required by applicable law or the rules of the NASDAQ Stock Market. The guidelines also provide that the Board of Directors should ensure that there is no abuse of corporate assets or unlawful related party transactions. Vermillion's corporate governance guidelines are posted under the Investor Relations section of its website, *www.vermillion.com*.

Director Independence

All directors, except for Ms. Page, are an independent director as defined by Rule 4200(a)(15) of the NASDAQ Stock Market listing standards. There is no family relationship between any director or executive officer of the Company, on the one hand, and any other director or executive officer of the Company, on the other hand. Additionally, there are no arrangements or understandings between any director or executive officer and any other person pursuant to which he or she is or was to be selected as a director or officer of the Company.

Item 14. Principal Accounting Fees and Services

Fees for professional services rendered by PricewaterhouseCoopers LLP, independent registered public accounting firm, to Vermillion, Inc. ("Vermillion") and its wholly owned subsidiaries (collectively the "Company") for the years ended December 31, 2009 and 2008, were as follows:

	2009	2008
Audit fees (1)	$ —	$556,000
Audit-related fees (2)	—	23,000
Tax fees (3)	—	—
All other fees (4)	2,500	2,000
Total	$2,500	$581,000

(1) Audit fees include fees for professional services rendered in connection with the annual audit of the Company's Annual Report on Form 10-K, the reviews of the Company's Quarterly Reports on Form 10-Q, and review of the Company's Registration Statements on Form S-1 and Form S-3.
(2) Audit-related fees include assurance related services not included in audit fees, including certain complex transactions entered into or proposed by the Company.
(3) Tax fees include fess for tax compliance, tax planning and advisory services to the Company and its international subsidiaries.
(4) All other fees include fess for reference materials and publications.

All audit, audit-related, tax and other services, which include all permissible non-audit services, provided to the Company by PricewaterhouseCoopers LLP for the year ended December 31, 2008, were pre-approved by the Audit Committee. Additionally, the Audit Committee concluded that the provision of those services by PricewaterhouseCoopers LLP was compatible with the maintenance of the independent registered public accounting firm's independence.

The Audit Committee is responsible for appointing, compensating, and overseeing the work of the independent auditor. The Audit Committee has established a pre-approval procedure for all audit and permissible non-audit services to be performed by PricewaterhouseCoopers LLP. The pre-approval policy requires that requests for services by the independent registered public accounting firm be submitted to the Company's Chief Financial Officer ("CFO") or Chief Accounting Officer for review and approval. Any requests that are approved by the CFO or Chief Accounting Officer are then aggregated and submitted to the Audit Committee for approval at a meeting of the Audit Committee. Requests may be made with respect to either specific services or a type of service for predictable or recurring services.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this Annual Report on Form 10-K.

1. The following consolidated financial statements of Vermillion, Inc. and subsidiaries are filed as part of this Annual Report on Form 10-K under Part II Item 8—Financial Statements and Supplementary Data:

2. All financial schedules have been omitted because the information is inapplicable or presented in the consolidated financial statements or notes thereto under Part II Item 8—Financial Statements and Supplementary Data.

3. Exhibits:

Index to Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
2.1	Disclosure Statement for Debtor's (Vermillion, Inc.'s) Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated November 24, 2009	8-K	000-31617	99.1	November 25, 2009	
2.2	Disclosure Statement for Debtor's (Vermillion, Inc.'s) First Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated December 3, 2009	8-K	000-31617	99.1	December 4, 2009	
2.3	Findings of Fact, Conclusions of Law and Order Confirming Debtor's (Vermillion Inc.'s) Second Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated January 7, 2010	8-K	000-31617	2.1	January 12, 2010	
3.1	Fourth Amended and Restated Certificate of Incorporation of Vermillion, Inc. dated January 22, 2010	8-K	000-31617	3.1	January 25, 2010	
3.2	Third Amended and Restated Certificate of Incorporation of Vermillion, Inc.	8-K	000-31617	3.1	March 3, 2008	
3.3	Second Amended and Restated Certificate of Incorporation of Vermillion, Inc.	S-1	333-146354	3.1	September 27, 2007	
3.4	Amended and Restated Bylaws of Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.)	S-1/A	333-32812	3.4	August 24, 2000	
4.1	Form of Vermillion, Inc.'s (formerly Ciphergen Biosystems, Inc.) Common Stock Certificate	S-1/A	333-32812	4.1	August 24, 2000	
4.2	Indenture between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and U.S. Bank National Association dated August 22, 2003	S-3	333-109556	4.1	October 8, 2003	
4.3	First Supplemental Indenture between Vermillion, Inc. and U.S. Bank National Association dated December 11, 2008	8-K	000-31617	10.1	December 17, 2008	
4.4	Indenture between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and U.S. Bank National Association dated November 15, 2006	8-K	000-31617	4.1	November 21, 2006	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
4.5	Preferred Shares Rights Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Continental Stock Transfer & Trust Company dated March 20, 2002	8-A	000-31617	4.2	March 21, 2002	
4.6	Amendment to Rights Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Wells Fargo Bank, N.A. dated July 22, 2005	8-K	000-31617	4.4	July 28, 2005	
4.7	Second Amendment to Rights Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Wells Fargo Bank, N.A. dated September 30, 2005	8-K	000-31617	4.5	October 4, 2005	
4.8	Third Amendment to Rights Agreement between Vermillion, Inc. and Wells Fargo Bank, N.A., dated September 11, 2007	8-K	000-31617	10.1	September 12, 2007	
10.1	Fourth Amended and Restated Investors Rights Agreement dated March 3, 2000	S-1	333-32812	10.2	March 20, 2000	
10.2	1993 Stock Option Plan	S-1	333-32812	10.3	March 20, 2000	
10.3	Form of Stock Option Agreement	S-1/A	333-32812	10.4	August 24, 2000	
10.4	2000 Stock Plan and related form of Stock Option Agreement	S-1/A	333-32812	10.5	August 4, 2000	
10.5	Amended and Restated 2000 Employee Stock Purchase Plan	10-Q	000-31617	10.6	November 14, 2007	
10.6	Vermillion, Inc. 2010 Stock Incentive Plan	8-K	000-31617	10.1	February 12, 2010	
10.7	Ciphergen Biosystems, Inc. 401(k) Plan	10-K	000-31617	10.7	March 22, 2005	
10.8	Registration Rights Agreement dated August 22, 2003, of Vermillion, Inc.'s (formerly Ciphergen Biosystems, Inc.) 4.50% Convertible Senior Notes due September 1, 2008	S-3	333-109556	10.1	October 8, 2003	
10.9	Form of Exchange and Redemption Agreement dated November 3, 2006, between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and certain holders of its 4.50% Convertible Senior Notes due September 1, 2008	8-K	000-31617	10.55	November 6, 2006	
10.10	Registration Rights Agreement dated November 15, 2006, between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Initial Purchasers of its 7.00% Convertible Senior Notes due September 1, 2011	8-K	000-31617	10.1	November 21, 2006	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.11	Letter Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Oppenheimer & Co. Inc. dated August 3, 2006	S-1/A	333-146354	10.46	November 27, 2007	
10.12	Warrant with Oppenheimer & Co. Inc. dated August 3, 2006	S-1/A	333-146354	10.47	November 27, 2007	
10.13	Warrant with Oppenheimer & Co. Inc. dated November 15, 2006	S-1/A	333-146354	10.48	November 27, 2007	
10.14	Engagement Letter between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Oppenheimer & Co. Inc. dated August 3, 2006	S-1/A	333-146354	10.49	November 27, 2007	
10.15	Placement Agent Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Oppenheimer & Co. Inc. dated March 28, 2007	S-1/A	333-146354	10.61	November 27, 2007	
10.16	Securities Purchase Agreement by and among Vermillion, Inc. and the purchasers party thereto dated August 23, 2007	S-1	333-146354	10.57	September 27, 2007	
10.17	Form of Warrant	10-Q	000-31617	10.51	November 14, 2007	
10.18	Form of Securities Purchase Agreement between Vermillion, Inc. and the purchasers party thereto dated December 24, 2009	8-K	000-31617	10.1	December 29, 2009	
10.19	Employment Agreement between Gail Page and Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) dated December 31, 2005	10-K	000-31617	10.39	March 17, 2006	
10.20	Amended and Restated Employment Agreement between Gail S. Page and Vermillion, Inc. dated November 13, 2008	8-K	000-31617	10.1	November 19, 2008	
10.21	Employment Agreement with Sandra A. Gardiner and Vermillion, Inc. dated April 9, 2010	8-K	000-31617	10.1	April 22, 2010	
10.22	Form of Severance Agreement between key executive employees and Vermillion, Inc.	8-K	000-31617	10.1	August 29, 2008	
10.23	Separation Agreement and Release between Debra A. Young and Vermillion, Inc. dated November 1, 2007	8-K	000-31617	10.1	November 5, 2007	
10.24	Form of Proprietary Information Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and certain of its employees	S-1/A	333-32812	10.9	August 24, 2000	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.25	Consulting Agreement between Richard G. Taylor and Vermillion, Inc. dated August 26, 2008	8-K	000-31617	10.1	August 29, 2008	
10.26	Lease Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and John Arrillaga, Trustee of the John Arrillaga Survivor's Trust and Richard T. Peery, Trustee of the Richard T. Peery Separate Property Trust, dated January 28, 2000, and Amendment No. 1 dated August 8, 2000	S-1/A	333-32812	10.12	September 27, 2000	
10.27	MAS License Agreement with IllumeSys Pacific, Inc. dated April 7, 1997	S-1/A	333-32812	10.23	August 24, 2000	
10.28	MAS License Agreement with Ciphergen Technologies, Inc. (formerly ISP Acquisition Corporation) dated April 7, 1997	S-1	333-32812	10.24	August 24, 2000	
10.29	Settlement Agreement and Mutual General Release by and among Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.), IllumeSys Pacific, Inc., Ciphergen Technologies, Inc., Molecular Analytical Systems, Inc., LumiCyte, Inc. and T. William Hutchens dated May 28, 2003 †	8-K	000-31617	99.2	June 11, 2003	
10.30	Assignment Agreement by and among Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.), IllumeSys Pacific, Inc., Ciphergen Technologies, Inc., Molecular Analytical Systems, Inc., LumiCyte, Inc. and T. William Hutchens dated May 28, 2003 †	8-K	000-31617	99.3	June 11, 2003	
10.31	License Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Molecular Analytical Systems, Inc. dated May 28, 2003 †	8-K	000-31617	99.4	June 11, 2003	
10.32	Collaborative Research Agreement between University College London, UCL Biomedica plc and Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) dated September 22, 2005 †	10-K	000-31617	10.54	March 17, 2006	
10.33	Distribution and Marketing Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Ciphergen Biosystems KK dated March 24, 1999	S-1/A	333-32812	10.26	September 22, 2000	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.34	Strategic Alliance Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Quest Diagnostics Incorporated dated July 22, 2005	8-K	000-31617	10.44	July 28, 2005	
10.35	Amendment to Strategic Alliance Agreement between Vermillion, Inc. and Quest Diagnostics Incorporated dated October 7, 2009	8-K	000-31617	10.2	October 21, 2009	
10.36	Stock Purchase Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Quest Diagnostics Incorporated dated July 22, 2005	8-K	000-31617	10.45	July 28, 2005	
10.37	Warrant between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Quest Diagnostics Incorporated dated July 22, 2005	8-K	000-31617	10.46	July 22, 2005	
10.38	Amendment to Warrant between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Quest Diagnostics Incorporated dated August 29, 2007	8-K	000-31617	10.2	August 29, 2007	
10.39	Letter Agreement between Vermillion, Inc. and Quest Diagnostics Incorporated dated August 29, 2007	S-1	333-146354	10.38	September 27, 2007	
10.40	Credit Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Quest Diagnostics Incorporated dated July 22, 2005	8-K	000-31617	10.47	July 28, 2005	
10.41	Debtor-In-Possession Credit and Security Agreement between Vermillion, Inc. and Quest Diagnostics Incorporated dated October 7, 2009	8-K	000-31617	10.1	October 21, 2009	
10.42	Memorialization Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Quest Diagnostics Incorporated dated January 12, 2006	S-1	333-146354	10.40	September 27, 2007	
10.43	Patent Security Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Quest Diagnostics Incorporated dated July 22, 2005	8-K	000-31617	10.48	July 28, 2005	
10.44	Asset Purchase Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated August 14, 2006	14a	000-31617	Annex A	September 12, 2006	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
10.45	Amendment to Asset Purchase Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated November 13, 2006	S-1	333-146354	10.47	September 27, 2007	
10.46	Stock Purchase Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated November 13, 2006	S-1	333-146354	10.48	September 27, 2007	
10.47	Transition Services Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated November 13, 2006 †	S-1/A	333-146354	10.53	November 27, 2007	
10.48	Amendment No. 1 to Transition Services Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated May 11, 2007	S-1	333-146354	10.50	September 27, 2007	
10.49	Amendment No. 2 to Transition Services Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated June 15, 2007	S-1	333-146354	10.51	September 27, 2007	
10.50	Manufacture and Supply Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated November 13, 2006 †	S-1/A	333-146354	10.56	November 27, 2007	
10.51	Amendment No. 1 to Manufacture and Supply Agreement between Vermillion, Inc. and Bio-Rad Laboratories, Inc. dated August 27, 2007	S-1	333-146354	10.53	September 27, 2007	
10.52	Cross License Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated November 13, 2006 †	S-1/A	333-146354	10.58	November 27, 2007	
10.53	Sublicense Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated November 13, 2006	S-1	333-146354	10.13	September 27, 2007	
10.54	Letter Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated November 13, 2006	S-1	333-146354	10.55	September 27, 2007	
10.55	Sublease Agreement between Vermillion, Inc. (formerly Ciphergen Biosystems, Inc.) and Bio-Rad Laboratories, Inc. dated November 13, 2006 †	S-1/A	333-146354	10.60	November 27, 2007	

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
21.0	Subsidiaries of Registrant					☒
31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					☒
31.2	Certification of the Chief Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					☒
32.0	Certification of the Chief Executive Officer and Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					(1)

(1) Furnished herewith

† Certain portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to such omitted portions.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Vermillion, Inc.

Date: May 20, 2010

/s/ GAIL S. PAGE

Gail S. Page
Executive Chairperson, President and
Chief Executive Officer
(Principal Executive Officer)

Date: May 20, 2010

/s/ JOHN H. TRAN

John H. Tran
Vice President of Finance and
Chief Accounting Officer
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ GAIL S. PAGE **Gail S. Page**	Executive Chairperson, President and Chief Executive Officer (Principal Executive Officer)	May 20, 2010
/s/ JOHN H. TRAN **John H. Tran**	Vice President of Finance and Chief Accounting Officer (Principal Financial and Accounting Officer)	May 20, 2010
/s/ JAMES S. BURNS **James S. Burns**	Director	May 20, 2010
/s/ JOHN F. HAMILTON **John F. Hamilton**	Director	May 20, 2010
/s/ PETER S. RODDY **Peter S. Roddy.**	Director	May 20, 2010
/s/ WILLIAM C. WALLEN, PH.D. **William C. Wallen, Ph.D.**	Director	May 20, 2010
/s/ CARL SEVERINGHAUS **Carl Severinghaus**	Director	May 20, 2010

CORPORATE INFORMATION

Board of Directors
Gail S. Page
Executive Chairperson
CEO, Vermillion

James S. Burns
President & CEO
AssureRx

John F. Hamilton
Former VP & Chief Financial Officer
Depomed, Inc.

Peter S. Roddy
VP & Chief Financial Officer
Pain Therapeutics, Inc.

Carl Severinghaus
President of Tecan Americas

William C. Wallen, Ph.D.
Former Chief Science Officer &
Sr. VP, Research & Development
IDEXX Laboratories

Management
Gail S. Page
Chief Executive Officer

Eric T. Fung, M.D., Ph.D.
Sr. Vice President & Chief Scientific Officer

Sandra A. Gardiner
Vice President & Chief Financial Officer

Ashish Kohli
Vice President, Corporate Strategy

William B. Creech
Vice President, Sales & Marketing

Corporate Headquarters
Vermillion, Inc.
12117 Bee Caves Road, Suite 100
Austin, TX 78738
Tel: (512) 519-0400

Independent Accountants
PricewaterhouseCoopers LLP
San Jose, California

Corporate Counsel
Paul, Hastings, Janofsky & Walker, LLP
Palo Alto, California

Transfer Agent
Communications concerning stock transfer requirements, lost certificates and changes of address should be directed to the Transfer Agent:

Wells Fargo Shareowner Services
161 N. Concord Exchange
South St. Paul, MN 55075
Tel: (800) 468-9716
www.wellsfargo.com/shareownerservices

Market Information
The Company's common stock trades on the NASDAQ Stock Market under the symbol VRML

SEC Form 10-K
A copy of the Company's annual report to the Securities and Exchange Commission on Form 10-K is available without charge upon written or email request to:

Susan Carruthers
Vermillion, Inc.
12117 Bee Caves Road, Suite 100
Austin, TX 78738
scarruthers@vermillion.com

Annual Meeting
The Annual Meeting of Stockholders will be held at The Hampton Inn,
2013 FM Road 620,
South Lakeway, Austin, TX 78734 on Friday December 3, 2010, at
8:00 a.m., Central Standard Time

News Releases and Web Site
Vermillion's press releases are available by email request scarruthers@vermillion.com or by calling (512) 519-0421

Vermillion can be visited on the World Wide Web at its home page www.vermillion.com

Forward Looking Statement

This report and other documents we file with the Securities and Exchange Commission (the "SEC") contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, our future performance, our business or others on our behalf, our beliefs and our management's assumptions. Words such as "expect," "anticipate," "outlook," "could," "target," "project," "intent," "plan," "believe," "seek," "estimate," "should," "may," "assume," "continue," variations of such words and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict. We describe our respective risks, uncertainties and assumptions that could affect the outcome or results of operations in our 2009 Annual Report of Form 10-K and the subsequent quarterly reports on Form 10-Q. We have based our forward-looking statements on our management's beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that actual outcomes and results may differ materially from what is expressed, implied or forecasted by our forward looking statements. Except as required under the federal securities laws and the rules and regulations of the SEC, we do not have any intention or obligation to update publicly any forward-looking statements after the distribution of this report and other documents, whether as a result of new information, future events, changes in assumptions or otherwise.