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

FORM 8-K/A
(Amendment No.1)

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

Date of Report (Date of earliest event reported): October 31, 2014

PDI, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**000-24249**	**22-2919486**
(State of incorporation)	(Commission File No.)	(IRS Employer Identification No.)

Morris Corporate Center 1, Building A
300 Interpace Parkway,
Parsippany, NJ 07054
(Address of principal executive offices)

Registrant's telephone number, including area code: (862) 207-7800

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Explanatory Note

On November 3, 2014, PDI, Inc. (the “Company” or “PDI”) filed a Current Report on Form 8-K (the “Initial Form 8-K”) reporting, among other things, that it entered into an Agreement and Plan of Merger (the “Agreement”) to acquire RedPath Integrated Pathology, Inc. (“Redpath”), a molecular diagnostics company helping physicians better manage patients at risk for certain types of gastrointestinal cancers through its proprietary *PathFinderTG®* platform (the “Transaction”).

This Amendment No. 1 on Form 8-K/A amends and supplements the Initial Form 8-K and is being filed to provide the historical financial information and the pro forma historical information required pursuant to Items 9.01(a) and 9.01(b) on Form 8-K, respectively. In accordance with the requirements of Items 9.01(a)(4) and 9.01(b)(2) of Form 8-K, this Amendment No. 1 on Form 8-K/A is being filed within 71 calendar days of the date that the Initial Form 8-K was required to be filed.

Item 9.01 Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired.

The following financial statements as required by Item 9.01(a) are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated herein by reference:

(i) The audited consolidated financial statements of Redpath Integrated Pathology, Inc. as of and for the years ended December 31, 2013 and 2012, including the reports of independent auditors.

(ii) The unaudited consolidated financial statements of Redpath Integrated Pathology, Inc., including the balance sheet as of September 30, 2014 and the statements of operations and cash flows for the nine months ended September 30, 2014 and 2013 and the notes to the financial statements.

(b) Pro Forma Financial Information.

(i) The unaudited pro forma condensed combined balance sheet as of September 30, 2014, which gives effect to the Acquisition as if it occurred on that date; and

(ii) The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2014 and for the year ended December 31, 2013, which give effect to the Acquisition as if it occurred on January 1, 2013.

(d) Exhibits.

23.1 Consent of BDO USA, LLP, independent auditors of RedPath Integrated Pathology, Inc.

23.2 Consent of Alpern Rosenthal, independent auditors of RedPath Integrated Pathology, Inc.

99.1 Audited consolidated financial statements of RedPath Integrated Pathology, Inc. as of and for the fiscal years ended December 31, 2013 and 2012.

99.2 Unaudited consolidated financial statements of RedPath Integrated Pathology, Inc. as of September 30, 2014 and for the nine months ended September 30, 2014 and 2013.

99.3 Unaudited pro forma financial information listed in Item 9.01(b).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PDI, Inc.

Date: January 16, 2015	By:	/s/ Graham G. Miao
		Graham G. Miao
		Chief Financial Officer

Exhibit 23.1

Consent of Independent Auditors

PDI, Inc.
Parsippany, New Jersey

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-174348) and Forms S-8 (No. 333-61231, 333-60512, 333-123312, 333-177969, 333-201070) of PDI, Inc. of our report dated September 15, 2014, relating to the financial statements of RedPath Integrated Pathology, Inc., which appear in this Form 8K.

Our report refers to our audit of the adjustments that were applied to the financial statements as of and for the year ended December 31, 2012 to reflect certain modifications to correct the errors described in Note 2 to the financial statements. However, we were not engaged to audit, review, or apply any procedures to the 2012 financial statements other than with respect to such adjustments.

/s/ BDO USA, LLP
Pittsburgh, Pennsylvania

January 16, 2015

Exhibit 23.2

Consent of Independent Auditors

PDI, Inc.
Parsippany, New Jersey

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-174348) and Forms S-8 (No. 333-61231, 333-60512, 333-123312, 333-177969, 333-201070) of PDI, Inc. of our report dated June 25, 2013, relating to the financial statements of RedPath Integrated Pathology, Inc., which appear in this Form 8K.

/s/Alpern Rosenthal
Pittsburgh, Pennsylvania

January 16, 2015

RedPath Integrated Pathology, Inc.

Financial Statements

December 31, 2013 and 2012

With Independent Auditor's Report

RedPath Integrated Pathology
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December 31, 2013 and 2012

Independent Auditor's Report

To the Board of Directors and Stockholders
RedPath Integrated Pathology, Inc.
Pittsburgh, Pennsylvania

We have audited the accompanying financial statements of RedPath Integrated Pathology, Inc. (the Company), which comprise the balance sheet as of December 31, 2013 and the related statements of operations, changes in stockholders' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RedPath Integrated Pathology, Inc. as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 15 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Emphasis of Matter Regarding Revenue Restatement

As described in Note 2, the Company previously recognized certain net service revenue and the related accounts receivable at the Company's full, established rates less an estimated provision for contractual adjustments and allowances. This policy resulted in net service revenue recorded at the estimated net realizable amounts from third-party payors and others for services rendered. In 2013, management determined that this policy does not accurately reflect certain net service revenue amounts in accordance with generally accepted accounting principles. In addition, in 2013, management determined that certain amounts previously recorded as bad debt expense should have been recorded as a reduction of revenue. The Company has changed its method of accounting for these items and restated its 2012 financial statements for the correction of this misstatement. Our opinion on the 2013 financial statements is not modified with respect to this matter.

Other Matters

The 2012 financial statements of RedPath Integrated Pathology, Inc., before restatement for the matter described in the Emphasis of Matter paragraph, were audited by Alpern Rosenthal, whose partners and professional staff joined BDO USA, LLP as of December 16, 2013 and has subsequently ceased operations. Alpern Rosenthal's report dated June 25, 2013 expressed an unmodified opinion on those statements.

As part of our audit of the 2013 financial statements, we also audited the adjustments described in Note 2 that were applied to restate the 2012 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2012 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2012 financial statements as a whole.

/s/ BDO USA, LLP

Pittsburgh, Pennsylvania

September 15, 2014

Independent Auditors' Report

To the Board of Directors and Stockholders RedPath Integrated Pathology, Inc
Pittsburgh, Pennsylvania

We have audited, before the effects of the adjustments to for the correction of the errors described in Note 2, the accompanying financial statements of RedPath Integrated Pathology, Inc., which comprise the balance sheet as of December 31, 2012, and the related statements of operations, changes in stockholders' deficit and cash flows for the year then ended (the 2012 financial statements before the effects of adjustments discussed in Note 2 are not presented herein), and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
To the Board of Directors and Stockholders

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, except for the errors described in Note 2, the financial statements referred to above, present fairly, in all material respects, the financial position of RedPath Integrated Pathology, Inc. as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the adjustments for the correction of the errors described in Note 2 and, accordingly, we do not express an opinion or any other form of assurance about whether such adjustments are appropriate and have been properly applied. Those adjustments were audited by BDO USA, LLP.

Emphasis-of-matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 14 to the financial statements, the Company's significant operating losses raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

/s/ Alpern Rosenthal
June 25, 2013

RedPath Integrated Pathology, Inc.
Balance Sheets
(in thousands)

ASSETS

	December 31, 2013	December 31, 2012
Cash and cash equivalents	$ 776	$ 337
Accounts receivable - net - Note 3	2,988	2,275
Other current assets	70	82
Total Current Assets	3,834	2,694
Property and Equipment - Net - Note 4	560	873
Other Assets - Note 5	152	334
Total Assets	$ 4,546	$ 3,901
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Line of credit - Note 9	$ 1,980	$ -
Current maturities of capital lease obligations - Note 8	80	83
Accounts payable	1,178	1,580
Accrued expenses and other current liabilities - Note 6	2,225	1,736
Accrued income taxes - Note 7	137	-
Accrued settlement liability - Note 14	500	-
Total Current Liabilities	6,100	3,399
Long-term Liabilities:		
Line of credit - Note 9	-	2,150
Accrued interest and loan acquisition fees - Note 9	253	1,491
Convertible notes payable - Note 9	4,732	2,571
Capital lease obligations - net of current portion - Note 8	44	130
Accrued settlement liability - Note 14	1,500	-
Total Long-term Liabilities	6,529	6,342
Total Liabilities	12,629	9,741
Commitments and contingencies - Note 13		
Temporary equity - Notes 1 and 10		
Series A preferred stock, including dividends of $4,542 and $3,868, respectively - liquidation preference of $15,672	12,975	12,300
Series B preferred stock, including dividends of $1,604 and $1,159 respectively - liquidation preference of $12,908	6,370	5,648
	19,345	17,948
Stockholders' Deficit - Note 10:		
Common stock	1	1
Additional paid-in capital	-	-
Accumulated deficit	(27,407)	(23,767)
Loans to purchase company stock	(22)	(22)
Total Stockholders' Deficit	(27,428)	(23,788)
Total Liabilities and Stockholders' Deficit	$ 4,546	$ 3,901

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

RedPath Integrated Pathology, Inc.
Statements of Operations
(in thousands)

	2013	2012
Revenues:		
Service fees - net of allowance and other adjustments - Note 3	$ 11,165	$ 10,032
Cost of laboratory services	3,184	3,586
Gross profit	7,981	6,446
Operating expenses:		
General and administrative	2,308	2,372
Sales, marketing and business development	3,580	4,328
Research and development costs - net	1,006	902
Settlement expense - Note 14	2,000	-
Bad debt expense - Notes 2 and 14	770	1,534
Depreciation	152	290
Total operating expenses	9,816	9,426
Loss from operations	(1,835)	(2,980)
Other income (expense):		
Interest income	17	10
Interest expense	(713)	(806)
Other income	152	-
Total other expense	(544)	(799)
Loss before income taxes	(2,379)	(3,779)
Provision for income taxes - Note 7	142	39
Net loss	$ (2,521)	$ (3,818)

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

RedPath Integrated Pathology, Inc.
Statements of Stockholders' Deficit

	Common Stock	Additional Paid-in Capital	Accumulated Deficit (As Restated)	Loans to Purchase Company Stock	Total
Balance - January 1, 2012	$ 1	$ -	$ (18,841)	$ (22)	$ (18,862)
Preferred stock dividends	-	-	(1,108)	-	(1,108)
Net loss	-	-	(3,818)	-	(3,818)
Balance - December 31, 2012	1	-	(23,767)	(22)	(23,788)
Preferred stock dividends	-	-	(1,119)	-	(1,119)
Net loss	-	-	(2,521)	-	(2,521)
Balance - December 31, 2013	$ 1	$ -	$ (27,407)	$ (22)	$ (27,428)

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

RedPath Integrated Pathology, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012
(in thousands)

	2013	2012
Cash Flows From Operating Activities		
Net loss	$ (2,521)	$ (3,818)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	529	1,061
Other changes in assets and liabilities:		
Accounts receivable	(713)	(773)
Other current assets	12	(17)
Accounts payable	(402)	634
Accrued expenses and other current liabilities	3,020	297
Net cash used in operating activities	(75)	(2,616)
Cash Flows From Investing Activities		
Acquisition of property and equipment	(23)	(262)
Net cash used in investing activities	(23)	(262)
Cash Flows From Financing Activities		
Proceeds from (payments on) line of credit - net	(170)	2,150
Proceeds from the issuance of convertible notes payable	795	738
Payments on long-term debt and capital lease obligations	(88)	(267)
Net cash provided by financing activities	537	2,621
Net increase in cash and cash equivalents	439	(257)
Cash and cash equivalents - beginning	337	594
Cash and cash equivalents - ending	$ 776	$ 337
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 1,024	$ 50
Supplemental Disclosures of Noncash Investing and Financing Activities		
Debt issuance costs	$ 12	$ 239
Capital lease obligations incurred for the acquisition of equipment	$ -	$ 244
Accrued dividends	$ 1,119	$ 1,108

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

RedPath Integrated Pathology, Inc.
Notes to Financial Statements
(in thousands, except share amounts)

Note 1 - Summary of Significant Accounting Policies

A. Business

RedPath Integrated Pathology, Inc. (the Company), a Delaware corporation, was formed on August 6, 2004. The Company is a pathology services company whose mission is to facilitate superior disease diagnosis through integrated molecular analysis. The Company operates one lab in Pittsburgh, Pennsylvania.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for third-party payor contractual adjustments and allowance for uncollected accounts. It is at least reasonably possible that the significant estimates used will change within the next year and these changes could be material.

The Company reclassified certain prior period financial statement balances to conform to the current year presentation. See Note 2, Restatement, for further information.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The majority of the Company's cash and cash equivalents are maintained at two financial institutions located in Pennsylvania and North Carolina. The Company believes it has placed its cash and cash equivalents with high credit quality financial institutions. At times, the Company's cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation insurance limits. The Company does not believe it is exposed to any significant credit risk.

D. Accounts Receivable and Net Service Revenue

The Company's revenue is generated from providing diagnostic services using the patented PathFinder test. The Company's services are fulfilled upon completion of the test, review, and release of the test results by the Company, and then subsequently billing the third-party payor or hospital. The Company recognizes revenue related to billings for Medicare, Medicare Advantage, and hospitals on an accrual basis, net of contractual adjustment, when there is a predictable pattern of collectability. These contractual adjustments represent the difference between the list prices and the reimbursement rate set by Medicare and Medicare Advantage, or the amounts billed to hospitals, which approximates the Medicare rate. Upon ultimate collection, the amount received from Medicare, Medicare Advantage and hospitals with a predictable pattern of payment is compared to the previous estimates and the contractual allowance is adjusted accordingly. Any amounts not collected are charged to bad debt expense. Until a contract has been negotiated with a commercial insurance carrier or governmental program, the PathFinder test may or may not be covered by these entities existing reimbursement policies. In addition, patients do not enter into direct agreements with the Company that commit them to pay any portion of the cost of the tests in the event that their insurance declines to reimburse the Company. In the absence of an agreement with the patient or other clearly enforceable legal right to demand payment, the related revenue is only recognized upon the earlier of payment notification, if applicable, or cash receipt. Accordingly, the Company recognizes revenue from commercial insurance carriers when payment is received.

For all services performed, the Company considers whether or not the following revenue recognition criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the fee is fixed or determinable; and collectability is reasonably assured.

Persuasive evidence of an arrangement exists and delivery is deemed to have occurred upon completion of the test, review, and release of the test results by the Company and then subsequently billing the third-party payor or hospital. The assessment of the fixed or determinable nature of the fees charged for diagnostic testing performed and the collectability of those fees require significant judgment by management. Management believes that these two criteria have been met when there is contracted reimbursement coverage and/or a predictable pattern of collectability with individual third-party payors or hospitals and accordingly, recognizes revenue upon delivery of the test results. In the absence of contracted reimbursement coverage or a predictable pattern of collectability, the Company believes that the fee is fixed or determinable and collectability is reasonably assured only upon request of third-party payer notification of payment or when cash is received, and recognizes revenue at that time.

E. Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets and accelerated methods for income tax purposes. Leasehold improvements are amortized over the lesser of their useful lives or the remaining term of the lease.

Internally developed software costs are capitalized and amortized over their expected useful life of three years. Internal and external costs incurred during the preliminary project stage are expensed as incurred, application development stage costs are capitalized, post-implementation and operations stage costs are expensed as incurred, and upgrades and enhancements are either expensed or capitalized based upon the nature of the costs incurred.

Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon disposal, assets and related accumulated depreciation are removed from the Company’s accounts and the resulting gains or losses are reflected in the statements of operations.

F. Other Assets

Patent costs incurred are being amortized on a straight-line basis over their estimated useful lives of ten years.

Loan acquisition fees are capitalized and being amortized on a straight-line basis over the term of the related debt.

G. Stock-based Compensation

The Company expenses the fair value of employee stock purchase plans, stock option grants and similar awards. The Company recognizes the fair value of share-based compensation awards in the statement of operations on a straight-line basis over the vesting period, which approximates the service period.

H. Research and Development Costs

The Company expenses research and development costs associated with developing new procedures or significantly improving existing procedures.

I. Distinguishment of Liabilities From Equity

The Company relies on the guidance provided by ASC 480, Distinguishing Liabilities from Equity, to classify certain redeemable and/or convertible instruments, such as the Company's preferred stock. The Company first determines whether the respective financial instrument should be classified as a liability. The Company will determine the liability classification if the financial instrument is mandatorily redeemable, or if the financial instrument, other than outstanding shares, embodies a conditional obligation that the Company must or may settle by issuing a variable number of its equity shares.

Once the Company determines that the financial instrument should not be classified as a liability, it determines whether the financial instrument should be presented between the liability section and the equity section of the balance sheet ("temporary equity"). The Company will determine temporary equity classification if the redemption of the preferred stock or other financial instrument is outside the control of the Company (i.e. at the option of the holder). Otherwise, the Company accounts for the financial instrument as permanent equity.

Initial Measurement

The Company records temporary equity or permanent equity at issuance at the fair value, or cash received.

Subsequent Measurement

Temporary Equity

At each balance sheet date, the Company reevaluates the classification of its redeemable instruments, as well as the probability of redemption. If the redemption amount is probable or currently redeemable, the Company records the instruments at its redemption value. Upon issuance, the initial carrying amount of a redeemable equity security at its fair value. If the instrument is redeemable currently at the option of the holder, it will be adjusted to its maximum redemption amount at each balance sheet date. If the instrument is not redeemable currently and it is probable that it will become redeemable, it is recorded at its fair value. If it is probable that the instrument will become redeemable it will be recognized immediately at its redemption value. The resulting increases or decreases in the carrying amount of a redeemable instrument will be recognized as adjustments to additional paid in capital.

J. Income Taxes

The Company provides for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for financial reporting and for income tax reporting. The deferred tax assets or liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company utilizes a two-step approach for recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position will be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely of being realized upon settlement with a taxing authority. There were no amounts recorded at December 31, 2013 and 2012 related to uncertain tax positions.

K. Taxes on Revenue Producing Transactions

Taxes assessed by governmental authorities on revenue producing transactions, including sales, value added, excise and use taxes, are recorded on a net basis (excluded from revenue) in the statement of operations.

L. Reclassifications

Certain reclassifications have been reflected in the financial statements to conform to the presentation of PDI, Inc. consolidated financial statements.

M. Subsequent Events

Management evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through the day the financial statements were approved and authorized for issue.

Note 2 - Restatement

The Company previously recognized certain net service revenue and the related accounts receivable at the Company's full, established rates less an estimated provision for contractual adjustments and allowances. This policy resulted in net service revenue recorded at the estimated net realizable amounts from third-party payors and others for services rendered. In 2013, management determined that this policy does not accurately reflect certain net service revenue amounts in accordance with generally accepted accounting principles. In addition, in 2013, management determined that certain amounts previously recorded as bad debt expense should have been recorded as a reduction of revenue. The Company has changed its method of accounting for these items and restated its 2012 financial statements for the correction of this misstatement. The effects of the restatement on the 2012 financial statements are as follows:

	As Reported	Effect of Restatement	As Restated
Accounts receivable - net	$ 4,466	$ (2,191)	$ 2,275
Accumulated deficit - December 31, 2012	$ (21,575)	$ (2,191)	$ (23,766)
Accumulated deficit - January 1, 2012	$ (17,400)	$ (1,441)	$ (18,841)
Service fees - net	$ 12,012	$ (1,979)	$ 10,033
Bad debt expense	$ 2,763	$ (1,229)	$ 1,534
Net loss	$ (3,068)	$ (750)	$ (3,818)

Note 3 - Accounts Receivable and Service Fee Revenue

Accounts receivable consisted of the following at December 31:

	2013	2012
Service fees	$ 4,947	$ 3,631
Allowance for contractual adjustments and uncollectible accounts	(1,959)	(1,356)
Accounts receivable - net	$ 2,988	$ 2,275

Substantially all of the Company's service revenue is billed to third-party insurance providers and hospitals. Approximately 46% of gross service revenue in 2013 and 43% in 2012 was concentrated with one payor. This payor accounted for approximately 32% of net accounts receivable at December 31, 2013 and 40% at December 31, 2012.

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2013	2012
Laboratory equipment	$ 995	$ 989
Software	1,446	1,446
Leasehold improvements	1,606	1,606
Computer equipment	392	404
Office equipment and furniture	391	401
	4,830	4,846
Accumulated depreciation	(4,270)	(3,973)
	$ 560	$ 873

Depreciation expense included in cost of laboratory services was approximately $183 in 2013 and approximately $362 in 2012. Depreciation expense included in operating expenses was approximately $152 in 2013 and $290 in 2012 in the related statements of operations.

Note 5 - Other Assets

Other assets consisted of the following at December 31:

	2013	2012
Patent costs	$ 384	$ 384
Loan acquisition fees	34	820
	418	1,204
Accumulated amortization	(266)	(870)
	$ 152	$ 334

Patent costs relate to patented methods used in the Company's pathology services. Amortization expense of patent costs, included in costs of laboratory services, amounted to approximately $38 in 2013 and 2012.

Amortization of loan acquisition fees, included in interest expense, amounted to approximately $155 in 2013 and $368 in 2012.

The estimated amortization expense for patent costs and loan acquisition fees subsequent to December 31, 2013 is as follows:

Year Ending December 31,	
2014	$ 47
2015	31
2016	22
2017	19
2018	15
Thereafter	18
	$ 152

Note 6 - Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at December 31:

	2013	2012
Accrued incentive compensation	$ 1,979	$ 1,562
Accrued payroll and related costs	221	144
Other	25	30
	$ 2,225	$ 1,736

Note 7 - Income Taxes

The provision for income taxes consists of the following at December 31:

	2013	2012
Federal	$ 50	$ 39
State	92	-
Provision for income taxes	$ 142	$ 39

Amounts for deferred tax assets and liabilities are as follows at December 31:

	2013	2012
Current deferred tax assets (liabilities):		
Cash method revenues	$ 2,287	$ 897
Section 481(a) adjustment	-	(578)
Allowances and reserves	705	1,686
Compensation	648	531
Valuation allowance on deferred tax assets	(3,640)	(2,536)
	-	-
Noncurrent deferred tax assets (liabilities):		
State net operating loss carryforwards	626	820
Federal net operating loss carryforwards	2,604	4,027
Property, plant and equipment	163	139
Intangible assets and other	101	(46)
Research and development credits	54	30
DOJ settlement	720	-
Valuation allowance on deferred tax assets	(4,268)	(4,970)
	-	-
Net deferred tax asset	$ -	$ -

The Company has provided an allowance for the entire amount of the potential deferred tax asset at December 31, 2013 and 2012, as these assets will not be realized until the Company generates taxable income in the future.

The Company's deferred tax asset consists primarily of Federal net operating loss carryforwards. The Company has loss carryforwards that may be offset against future taxable income of approximately $7,700 for Federal and state income tax purposes. The loss carryforwards begin to expire in 2029.

The reconciliation of the difference between the federal statutory tax rates and the Company's effective tax rate from operations is as follows:

Federal statutory rate (benefit)	(34%)
State income and alternative minimum tax	6%
Meals and entertainment and other permanent items	7%
Change in valuation allowance	-7%
Effective tax rate	6%

Tax years 2010 through 2012 remain open to examination by the Internal Revenue Service and various state taxing authorities.

Note 8 - Leasing Arrangements

The Company leases certain office and lab space and laboratory equipment under operating leases expiring in various years through 2015. Approximate rent expense was comprised of the following at December 31:

Monthly rent payments for the Company's facility amounts to $31. The lease expires in March 2015.

	2013	2012
Office and lab space	$ 365	$ 236
Equipment	1	144
	$ 366	$ 380

The Company received an allowance from the lessor under the facilities lease agreement in the amount of $458 to be used for general renovation of the office space. This allowance was recognized as other income on a straight-line method over the life of the lease.

The Company is obligated under a variety of capital leases for equipment acquisitions. The long-term lease obligation represents the present value of the minimum lease payments discounted at rates ranging from 4% to 20%. The capitalized cost of equipment under capital leases is approximately $250 less accumulated depreciation of approximately $38 at December 31, 2013. Depreciation expense on this equipment was approximately $64 and interest expense was approximately $14 in 2013.

Approximate future minimum lease payments under noncancelable capital and operating leases as of December 31, 2013 are as follows:

	Capital	Operating
Year Ending December 31:		
2014	$ 85	$ 369
2015	48	92
	133	461
Less: Amount representing interest	(9)	
Present value of net minimum lease payments	124	
Less: Current portion	(80)	
Long-term portion	$ 44	

Note 9 - Note Payable and Long-term Debt

The Company has a revolving line-of-credit agreement with a bank that provides for maximum borrowings of $3,000. The Company has the ability to request advances based on a formula defined in the line-of-credit agreement. Outstanding borrowings under the line bear interest at the prime rate (3¼% at December 31, 2013) plus 1%, but not less than a minimum interest rate of 5%. The extended maturity date of the line of credit is April 2, 2014.

In 2014, the line-of-credit agreement was amended to cap the borrowing amount at $1,987 and to extend the maturity date to October 1, 2014. The amendment also added an event of default if the Company fails to execute and close, or fails to make substantial progress towards a merger or sale of substantially all of its assets.

The line of credit is collateralized by substantially all of the Company's assets. In addition, the line of credit contains certain restrictive covenants that require the Company to maintain certain minimum monthly financial ratios and to achieve certain profit levels at certain interim dates during the year.

The credit agreement with the bank also includes a success fee that is due and payable if the Company consummates a public offering or upon a change in control. The success fee is calculated as a percentage of the maximum borrowings during the term of the agreement plus a fixed amount based upon the sales price as defined in the agreement.

Long-term debt consisted of the following at December 31:

	2013	2012
Capital lease obligations (Note 8)	$ 124	$ 213
Convertible notes - stockholders	4,732	2,571
	$ 4,856	$ 2,784

The Company issued convertible notes to investors aggregating $795 in 2013 ($613 in April 2013 and $182 in October 2013) and $738 in July 2012. Prior to 2012, the Company issued convertible notes aggregating $1,848 to the same investors. Also in 2013, $277 of convertible notes was converted into 37,645 shares of Series B preferred stock.

In March 2013, the principal amount of the existing convertible notes of $2,571, accrued interest and accrued loan fees of $1,643, and additional proceeds received from existing investors of $613 were converted into a new series of convertible notes. The principal amount of the new series of notes accrues interest at 8%. The new series of convertible notes have the same payment and conversion terms as the previously issued convertible notes. The notes are convertible into the shares issued in the next round of equity funding. The notes are mandatorily convertible upon a qualified financing event, as defined in the note agreement or upon the election of the majority of the note holders. The notes are also convertible at the option of the note holder upon a non-qualified issuance of securities, as defined in the agreement or upon acquisition of the Company. Prior to conversion, the previous series of notes accrued interest at 18%. The new series of convertible notes mature on April 30, 2015.

The convertible notes are subordinate to the Company's bank debt.

Note 10 - Stockholders' Deficit and Temporary Equity

Preferred and common stock as of December 31 is as follows:

	2013	2012
Preferred Stock:		
Series A, $.001 par value		
Shares authorized	1,300,000	1,300,000
Shares issued and outstanding	1,137,342	1,137,342
Series B, $.001 par value		
Shares authorized	1,550,000	1,550,000
Shares issued and outstanding	768,641	730,996
Common Stock:		
$.001 par value		
Shares authorized	4,550,000	4,550,000
Shares issued and outstanding	810,933	810,933

The Series B preferred stock has priority over the Series A preferred stock and the common stock with respect to dividends, redemption and liquidation rights, as defined. The Series B liquidation preference is equal to 2 times $7.35 per share plus all accrued and unpaid dividends, whether or not declared. The holders of Series B preferred stock are entitled to dividends at an annual rate of 8% of the original Series B issue price. The dividends accrue whether or not earned or declared and are cumulative.

The Series A preferred stock has priority over common stock with respect to dividends, redemption and liquidation rights, as defined. The Series A liquidation preference is equal to 1.4 times $7.41 per share plus all accrued and unpaid dividends, whether or not declared. The holders of Series A preferred stock are entitled to dividends at an annual rate of 8% of the original Series A issue price. The dividends accrue whether or not earned or declared and are cumulative. A rollforward of the Series A and Series B preferred stock is as follows:

	Series A Preferred Stock	Series B Preferred Stock	Total Preferred Stock
Balance, January 1, 2012	$11,623	$5,217	$16,840
Notes converted to preferred stock	-	-	-
Accrued but unpaid dividends	676	431	1,108
Sales, Redemption, Other	-	-	-
Balance, December 31, 2012	$12,299	$5,648	$17,947
Notes converted to preferred stock	-	277	277
Accrued but unpaid dividends	675	445	1,119
Sales, Redemption, Other	-	-	
Balance, December 31, 2013	$12,974	$6,370	$19,344

The holders of common stock are entitled to receive dividends as declared at the discretion of the Board of Directors. Pursuant to the terms of the preferred stock issuance agreement, cash dividends may not be paid on common shares while Series A and B preferred stock is outstanding.

The holders of Series A and B preferred shares also have the right to convert their shares to common stock under certain qualifying conditions, as defined.

At the option of a majority of the holders of the preferred stock, the Company shall redeem all shares of preferred stock at a redemption price defined in the Company's Articles of Incorporation beginning on the fifth anniversary of the issuance date of the preferred stock. If funds are not available at the redemption date, the redemption will be completed on a pro-rata basis as funds become available.

Note 11 - Stock Option Plan

The Company has two stock option plans whereby the Company may grant incentive or non-qualified stock options to employees, directors, consultants, and advisors to purchase shares of the Company's common stock. The Company has authorized 479,926 shares to be issued under the plans. Incentive stock options may be granted at an exercise price of not less than 100% of the estimated fair value of the stock at the date of the grant as determined by the Board of Directors of the Company and generally vest over a 3-year period. Options are exercisable under specified conditions for up to 10 years from the date of grant. If incentive stock options are granted to a stockholder who owns more than 10% of the voting power of all classes of stock of the Company, the exercise price of the incentive stock options must be at least 110% of the estimated fair value of the common stock at the date of the grant and its term cannot exceed 5 years.

Stock option activity for 2013 is set forth below:

	Weighted-Average Number of Options		Weighted-Average Exercise Price
Balance at January 1, 2013	358,379	$	6.00
Forfeited	(74,496)		6.00
Balance at December 31, 2013	283,883	$	6.00

There were no options granted or exercised during 2013 or 2012.

Stock options outstanding and exercisable at December 31, 2013:

Exercise Price	Options Outstanding	Options Exercisable	Weighted-average Remaing Contractual Life (Years)
$ 6.00	283,883	269,501	5.68

The weighted-average exercise price for exercisable shares as of December 31, 2013 is $6.00.

As of December 31, 2013, there was approximately $12 of total unrecognized compensation cost, adjusted for estimated forfeitures, related to non-vested, share-based compensation arrangements granted under the Company's stock option plans. This expense is expected to be recognized over a weighted-average period of approximately 3 years. There are 42,550 options available for grant at December 31, 2013.

Compensation expense is recognized over the service period, which approximates the vesting period. There was no compensation expense recorded in 2013 or 2012.

Note 12 - Retirement Plan

The Company sponsors a defined contribution 401(k) profit sharing plan, which covers all employees who meet the plan's eligibility requirements. The plan calls for the Company to match an amount equal to 25% of an employee's elective deferral, up to 4% of eligible compensation. The plan also allows for discretionary profit sharing contributions. The Company made contributions of approximately $22 in 2013 and $28 in 2012.

Note 13 - Commitments and Contingencies

Under terms of an agreement with stockholders, the subsequent transfer or sale of shares held is restricted, as defined in the agreement.

In February 2005, the Company entered into a license agreement with the University of Pittsburgh. Under the terms of the agreement, the Company was granted certain rights and privileges in exchange for an initial license fee of $10 and annual royalties, as defined, with an annual minimum royalty payment of $50. This agreement was terminated in 2013. Under the terms of the agreement, the Company incurred costs of approximately $69 in 2012. No costs were incurred in 2013.

Note 14 - Settlement Agreement

In June 2012, Medicare commenced a pre-payment audit to determine, among other things, the Company's adherence to the Date of Service Rule (14 day rule) and to ensure that Medicare claims were properly filed. The audit resulted in the suspension of reimbursement of Medicare claims to the Company. This audit ran concurrently with an investigation of the Company's business practices by the United States Department of Justice.

The Company and the United States Department of Justice reached a joint settlement with no charges being filed against the Company, and a Settlement Agreement was executed in January 2013.

Under the terms of the Settlement Agreement, the Company agreed not to submit any further claims for reimbursement to Medicare for its PFTG test performed on specimens obtained during the period from October 1, 2010 through September 30, 2012, or to appeal any denials for claims during this time period. In addition, for calendar years 2014 through 2017, the Company agreed to make payments to the United States Department of Justice as follows:

Total Revenue	Payment Amount
$ 9,000	$ 250
$ 12,000	$ 500
$ 16,000	$ 750
$ 20,000	$ 1,000

The payments are due during the time period the Company achieves the revenue milestones noted above for each of the four years noted. Once the total of all payments made by the Company reaches $3,000, the Company's obligation is satisfied with the United States Department of Justice. At December 31, 2013, the Company recorded $2,000 as an accrued settlement liability, which is management's best estimate of the amount that will be required to be paid under the Settlement Agreement based on its estimate of future revenues.

As a result of the investigation and the Settlement Agreement, the Company wrote off in 2012 approximately $1,051 of net revenue for cases that were billed and not collected for the October 1, 2010 to September 30, 2012 time period. In addition, the Company performed additional cases in 2012 representing approximately $1,225 of net revenues that were not billed.

Note 15 - Going Concern

As shown in the accompanying financial statements, the Company has incurred accumulated losses since inception of approximately $27,407. Additionally, the Company has not been able to generate cash from operations. The accompanying financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

Management has initiated the following plans to fund future business activities:

- Obtained additional funding through new debt from existing shareholders (Note 9)
- Extended loan agreement with bank (Note 9)
- Maintained cost reduction activities, including workforce reductions, that began in 2012
- Increased collection efforts on past-due receivables

Management believes that the above initiatives will be sufficient to allow the Company to continue to operate as a going concern. However, there is no assurance that the management plans will mitigate the effects of these conditions and that such plans can be effectively implemented or achieved. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Exhibit 99.2

Financial Statements (Unaudited)

RedPath Integrated Pathology, Inc.

As of September 30, 2014 and for the Nine Months Ended September 30, 2014 and 2013

RedPath Integrated Pathology, Inc.
Financial Statements (Unaudited)
As of September 30, 2014 and for the Nine Months Ended September 30, 2014 and 2013

Contents

RedPath Integrated Pathology, Inc.
Condensed Balance Sheet (Unaudited)
(in thousands)

ASSETS

Current Assets:	September 30, 2014	
Cash and cash equivalents	$	415
Accounts receivable - net - Note 2		3,247
Other current assets		143
Total Current Assets		3,805
Property and Equipment - Net - Note 3		452
Other Assets - Note 4		114
Total Assets	$	4,371

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities:		
Line of credit - Note 8	$	1,987
Current maturities of capital lease obligations - Note 7		63
Accounts payable		1,446
Accrued expenses and other current liabilities - Note 5		2,205
Accrued income taxes - Note 6		159
Accrued settlement liability - Note 11		500
Total Current Liabilities		6,360
Long-term Liabilities:		
Accrued interest and loan acquisition fees - Note 9		536
Convertible notes payable - Note 8		4,732
Capital lease obligations - net of current portion - Note 8		4
Accrued settlement liability - Note 11		1,500
Total Long-term Liabilities		6,772
Total Liabilities		13,132
Commitments and contingencies		
Temporary Equity - Notes 1 and 9		
Series A preferred stock, including dividends of $5,047 - liquidation preference of $15,672		13,479
Series B preferred stock, including dividends of $1,942 - liquidation preference of $12,908		6,708
		20,187
Stockholders' Deficit - Note 9:		
Common stock		1
Additional paid-in capital		-
Accumulated deficit		(28,927)
Loans to purchase company stock		(22)
Total Stockholders' Deficit		(28,948)
Total Liabilities and Stockholders' Deficit	$	4,371

The accompanying notes are an integral part of these financial statements.

RedPath Integrated Pathology, Inc.
Condensed Statements of Operations (Unaudited)
For The Nine Months Ended September 30, 2014 and 2013
(in thousands)

	For the Nine Months Ended September 30, 2014	For the Nine Months Ended September 30, 2013
Revenues:		
Service fees - net of allowances and other adjustments - Note 3	$ 7,497	$ 8,066
Cost of laboratory services	2,324	2,175
Gross profit	5,173	5,891
Operating expenses:		
General and administrative	2,578	2,601
Sales, marketing and business development	2,452	2,432
Research and development costs - net	61	181
Bad debt expense - Notes 2 and 14	92	1,373
Depreciation	179	400
Total operating expenses	5,362	6,987
Income (loss) from operations	(189)	(1,096)
Other expense:		
Interest expense, net	(377)	(419)
Other expense, net	(72)	-
Total other expense	(449)	(419)
Loss before income taxes	(638)	(1,515)
Provision for income taxes - Note 7	39	17
Net Loss	$ (677)	$ (1,532)

The accompanying notes are an integral part of these financial statements.

RedPath Integrated Pathology, Inc.
Statements of Stockholders' Deficit
For the Nine Month Periods Ended September 30, 2014 and 2013
(in thousands)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit (As Restated)	Loans to Purchase Company Stock	Total
Balance - December 31, 2013	$ 1	$ -	$ (27,407)	$ (22)	$ (27,428)
Preferred stock dividends	-	-	(843)	-	(843)
Net loss	-	-	(677)	-	(677)
Balance - September 30, 2014	$ 1	$ -	$ (28,927)	$ (22)	$ (28,948)

The accompanying notes are an integral part of these financial statements.

RedPath Integrated Pathology, Inc.
Condensed Statement of Cash Flows (Unaudited)
For The Nine Months Ended September 30, 2014 and 2013
(in thousands)

	For the Nine Months Ended September 30, 2014	2013
Cash Flows From Operating Activities		
Net loss	$ (677)	$ (1,532)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	209	290
Other changes in assets and liabilities:		
Accounts receivable	(259)	1,000
Other current assets	(82)	5
Accounts payable	270	(945)
Accrued expenses and other current liabilities	283	(562)
Net cash used in operating activities	(256)	(1,744)
Cash Flows From Investing Activities		
Acquisition of property and equipment	(63)	(19)
Net cash used in investing activities	(63)	(19)
Cash Flows From Financing Activities		
Proceeds from line of credit	50	138
Proceeds from the issuance of convertible notes payable	-	2,268
Payments on long-term debt and capital lease obligations	(91)	(296)
Net cash (used in) provided by financing activities	(41)	2,110
Net (decrease) increase in cash and cash equivalents	(360)	347
Cash and cash equivalents - beginning	776	337
Cash and cash equivalents - ending	$ 416	$ 684
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	768	768
Supplemental Disclosures of Noncash Investing and Financing Activities		
Debt issuance costs	-	9
Accrued dividends	843	835

The accompanying notes are an integral part of these financial statements.

RedPath Integrated Pathology, Inc.
Notes to Financial Statements
(in thousands, except share amounts)

Note 1 - Summary of Significant Accounting Policies

A. Business

RedPath Integrated Pathology, Inc. (the Company), a Delaware corporation, was formed on August 6, 2004. The Company is a pathology services company whose mission is to facilitate superior disease diagnosis through integrated molecular analysis. The Company operates one lab in Pittsburgh, Pennsylvania.

B. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing the provision for third-party payor contractual adjustments and allowance for uncollected accounts. It is at least reasonably possible that the significant estimates used will change within the next year and these changes could be material.

C. Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At times, the Company's cash and cash equivalents may be in excess of the Federal Deposit Insurance Corporation insurance limits. The Company does not believe it is exposed to any significant credit risk.

D. Accounts Receivable and Net Service Revenue

The Company's revenue is generated from providing diagnostic services using the patented PathFinder test. The Company's services are fulfilled upon completion of the test, review, and release of the test results by the Company, and then subsequently billing the third-party payor or hospital. The Company recognizes revenue related to billings for Medicare, Medicare Advantage, and hospitals on an accrual basis, net of contractual adjustment, when there is a predictable pattern of collectability. These contractual adjustments represent the difference between the list prices and the reimbursement rate set by Medicare and Medicare Advantage, or the amounts billed to hospitals, which approximates the Medicare rate. Upon ultimate collection, the amount received from Medicare, Medicare Advantage and hospitals with a predictable pattern of payment is compared to the previous estimates and the contractual allowance is adjusted accordingly. Any amounts not collected are charged to bad debt expense. Until a contract has been negotiated with a commercial insurance carrier or governmental program, the PathFinder test may or may not be covered by these entities existing reimbursement policies. In addition, patients do not enter into direct agreements with the Company that commit them to pay any portion of the cost of the tests in the event that their insurance declines to reimburse the Company. In the absence of an agreement with the patient or other clearly enforceable legal right to demand payment, the related revenue is only recognized upon the earlier of payment notification, if applicable, or cash receipt. Accordingly, the Company recognizes revenue from commercial insurance carriers when payment is received.

For all services performed, the Company considers whether or not the following revenue recognition criteria are met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; the fee is fixed or determinable; and collectability is reasonably assured.

Persuasive evidence of an arrangement exists and delivery is deemed to have occurred upon completion of the test, review, and release of the test results by the Company and then subsequently billing the third-party payor or hospital. The assessment of the fixed or determinable nature of the fees charged for diagnostic testing performed and the collectability of those fees require significant judgment by management. Management believes that these two criteria have been met when there is contracted reimbursement coverage and/or a predictable pattern of collectability with individual third-party payors or hospitals and accordingly, recognizes revenue upon delivery of the test results. In the absence of contracted reimbursement coverage or a predictable pattern of collectability, the Company believes that the fee is fixed or determinable and collectability is reasonably assured only upon request of third-party payer notification of payment or when cash is received, and recognizes revenue at that time.

E. Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets and accelerated methods for income tax purposes. Leasehold improvements are amortized over the lesser of their useful lives or the remaining term of the lease.

Internally developed software costs are capitalized and amortized over their expected useful life of three years. Internal and external costs incurred during the preliminary project stage are expensed as incurred, application development stage costs are capitalized, post-implementation and operations stage costs are expensed as incurred, and upgrades and enhancements are either expensed or capitalized based upon the nature of the costs incurred.

Maintenance and repairs which are not considered to extend the useful lives of assets are charged to operations as incurred. Expenditures for additions and improvements are capitalized. Upon disposal, assets and related accumulated depreciation are removed from the Company’s accounts and the resulting gains or losses are reflected in the statements of operations.

F. Other Assets

Patent costs incurred are being amortized on a straight-line basis over their estimated useful lives of ten years.

Loan acquisition fees are capitalized and being amortized on a straight-line basis over the term of the related debt.

G. Stock-based Compensation

The Company expenses the fair value of employee stock purchase plans, stock option grants and similar awards. The Company recognizes the fair value of share-based compensation awards in the statement of operations on a straight-line basis over the vesting period, which approximates the service period.

H. Research and Development Costs

The Company expenses research and development costs associated with developing new procedures or significantly improving existing procedures as incurred.

I. Distinguishment of Liabilities From Equity

The Company relies on the guidance provided by ASC 480, Distinguishing Liabilities from Equity, to classify certain redeemable and/or convertible instruments, such as the Company's preferred stock. The Company first determines whether the respective financial instrument should be classified as a liability. The Company will determine the liability classification if the financial instrument is mandatorily redeemable, or if the financial instrument, other than outstanding shares, embodies a conditional obligation that the Company must or may settle by issuing a variable number of its equity shares.

Once the Company determines that the financial instrument should not be classified as a liability, it determines whether the financial instrument should be presented between the liability section and the equity section of the balance sheet ("temporary equity"). The Company will determine temporary equity classification if the redemption of the preferred stock or other financial instrument is outside the control of the Company (i.e. at the option of the holder). Otherwise, the Company accounts for the financial instrument as permanent equity.

Initial Measurement

The Company records temporary equity or permanent equity at issuance at the fair value, or cash received.

Subsequent Measurement

Temporary Equity

At each balance sheet date, the Company reevaluates the classification of its redeemable instruments, as well as the probability of redemption. If the redemption amount is probable or currently redeemable, the Company records the instruments at its redemption value. Upon issuance, the initial carrying amount of a redeemable equity security at its fair value. If the instrument is redeemable currently at the option of the holder, it will be adjusted to its maximum redemption amount at each balance sheet date. If the instrument is not redeemable currently and it is probable that it will become redeemable, it is recorded at its fair value. If it is probable that the instrument will become redeemable it will be recognized immediately at its redemption value. The resulting increases or decreases in the carrying amount of a redeemable instrument will be recognized as adjustments to additional paid in capital.

J. Income Taxes

The Company provides for income taxes in accordance with the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for financial reporting and for income tax reporting. The deferred tax assets or liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company utilizes a two-step approach for recognizing and measuring uncertain tax positions accounted for in accordance with the asset and liability method. The first step is to evaluate the tax position for recognition by determining whether evidence indicates that it is more likely than not that a position will be sustained if examined by a taxing authority. The second step is to measure the tax benefit as the largest amount that is 50% likely of being realized upon settlement with a taxing authority. There were no amounts recorded at September 30, 2014 related to uncertain tax positions.

K. Taxes on Revenue Producing Transactions

Taxes assessed by governmental authorities on revenue producing transactions, including sales, value added, excise and use taxes, are recorded on a net basis (excluded from revenue) in the statement of operations.

L. Reclassifications

Certain reclassifications have been reflected in the financial statements to conform to the presentation of PDI, Inc. consolidated financial statements.

M. Subsequent Events

On October 31, 2014, the Company entered into an Agreement and Plan of Merger to be acquired by PDI, Inc.

Note 2 - Accounts Receivable and Service Fee Revenue

Accounts receivable consisted of the following at September 30, 2014:

Service fees	$ 5,831
Allowance for contractual adjustments and uncollectible accounts	(2,584)
Accounts receivable - net	$ 3,247

Substantially all of the Company's service revenue is billed to third-party insurance providers and hospitals. Approximately 34% of gross service revenue was concentrated with one payor. This payor accounted for approximately 25% of net accounts receivable September 30, 2014.

Note 3 - Property and Equipment

Property and equipment consisted of the following at September 30, 2014:

Laboratory equipment	$ 1,046
Software	1,446
Leasehold improvements	1,606
Computer equipment	337
Office equipment and furniture	401
	4,836
Accumulated depreciation	(4,384)
	$ 452

Depreciation expense included in cost of laboratory services was approximately $94 in 2014 and approximately $137 in 2013. Depreciation expense included in operating expenses was approximately $76 in 2014 and approximately $113 in 2013.

Note 4 - Other Assets

Other assets consisted of the following at September 30, 2014:

Patent costs	$	384
Loan acquisition fees		34
		418
Accumulated amortization		(304)
	$	114

Patent costs relate to patented methods used in the Company's pathology services. Amortization expense of patent costs, included in costs of laboratory services, amounted to approximately $29 in 2014 and 2013.

Amortization of loan acquisition fees, included in interest expense, amounted to approximately $10 in 2014 and $11 in 2013.

Note 5 - Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following at September 30, 2014:

Year Ending December 31,		
2014 (remainder of)	$	9
2015		31
2016		22
2017		19
2018		15
Thereafter		18
	$	114

Note 6 - Income Taxes

The provision for income taxes consisted of Federal income taxes of $39 at September 30, 2014 and $17 at September 30, 2013.

Amounts for deferred tax assets and liabilities are as follows at September 30, 2014:

Current deferred tax assets (liabilities):		
Cash method revenues	$	2,287
Section 481(a) adjustment		-
Allowances and reserves		705
Compensation		648
Valuation allowance on deferred tax assets		(3,640)
		-
Noncurrent deferred tax assets (liabilities):		
State net operating loss carryforwards		626
Federal net operating loss carryforwards		2,604
Property, plant and equipment		163
Intangible assets and other		101
Research and development credits		54
DOJ settlement		720
Valuation allowance on deferred tax assets		(4,268)
		-
Net deferred tax asset	$	-

The Company has provided an allowance for the entire amount of the potential deferred tax asset at September 30, 2014, as these assets will not be realized until the Company generates taxable income in the future.

The Company's deferred tax asset consists primarily of Federal net operating loss carryforwards. The Company has loss carryforwards that may be offset against future taxable income of approximately $8,377 for Federal and state income tax purposes. The loss carryforwards begin to expire in 2029.

Tax years 2010 through 2012 remain open to examination by the Internal Revenue Service and various state taxing authorities.

Note 7 - Leasing Arrangements

The Company leases certain office and lab space and laboratory equipment under operating leases expiring in various years through 2015. Approximate rent expense was allocated evenly between cost of laboratory services and operating expenses and is comprised of the following at September 30, 2014 and 2013:

Office and lab space	$	279
Equipment		1
	$	280

Monthly rent payments for the Company's facility amounts to $31. The lease expires in March 2015.

The Company is obligated under a variety of capital leases for equipment acquisitions. The long-term lease obligation represents the present value of the minimum lease payments discounted at rates ranging from 4% to 20%. The capitalized cost of equipment under capital leases is approximately $250 less accumulated depreciation of approximately $97 at September 30, 2014.

Note 8 - Note Payable and Long-term Debt

The Company has a revolving line-of-credit agreement with a bank that provides for maximum borrowings of $3,000. The Company has the ability to request advances based on a formula defined in the line-of-credit agreement. Outstanding borrowings under the line bear interest at the prime rate (3.25% at September 30, 2014) plus 1%, but not less than a minimum interest rate of 5%.

In 2014, the line-of-credit agreement was amended to cap the borrowing amount at $1,987 and to extend the maturity date to October 1, 2014. The amendment also added an event of default if the Company fails to execute and close, or fails to make substantial progress towards a merger or sale of substantially all of its assets.

The line of credit is collateralized by substantially all of the Company's assets. In addition, the line of credit contains certain restrictive covenants that require the Company to maintain certain minimum monthly financial ratios and to achieve certain profit levels at certain interim dates during the year.

The credit agreement with the bank also includes a success fee that is due and payable if the Company consummates a public offering or upon a change in control. The success fee is calculated as a percentage of the maximum borrowings during the term of the agreement plus a fixed amount based upon the sales price as defined in the agreement.

Long-term debt consisted of the following at September 30, 2014:

Capital lease obligations (Note 7)	$ 4
Convertible notes - stockholders	4,732
	$ 4,736

Note 9 - Stockholders' Deficit and Temporary Equity

Preferred and common stock as of September 30, 2014 is as follows:

Preferred stock:	
Series A, $.001 par value	
Shares authorized	1,300,000
Shares issued and outstanding	1,137,342
Series B, $.001 par value	
Shares authorized	1,550,000
Shares issued and outstanding	768,641
Common Stock:	
$.001 par value	
Shares authorized	4,550,000
Shares issued and outstanding	810,933

The Series B preferred stock has priority over the Series A preferred stock and the common stock with respect to dividends, redemption and liquidation rights, as defined. The Series B liquidation preference is equal to 2 times $7.35 per share plus all accrued and unpaid dividends, whether or not declared. The holders of Series B preferred stock are entitled to dividends at an annual rate of 8% of the original Series B issue price. The dividends accrue whether or not earned or declared and are cumulative.

The Series A preferred stock has priority over common stock with respect to dividends, redemption and liquidation rights, as defined. The Series A liquidation preference is equal to 1.4 times $7.41 per share plus all accrued and unpaid dividends, whether or not declared. The holders of Series A preferred stock are entitled to dividends at an annual rate of 8% of the original Series A issue price. The dividends accrue whether or not earned or declared and are cumulative. A rollforward of the Series A and Series B preferred stock is as follows:

	Series A Preferred Stock	Series B Preferred Stock	Total Preferred Stock
Balance, December 31, 2013	$12,974	$6,370	$19,344
Notes converted to preferred stock	-	-	-
Accrued but unpaid dividends	505	338	843
Sales, Redemption, Other	-	-	
Balance, September 30, 2014	$13,478	$6,708	$20,186

The holders of common stock are entitled to receive dividends as declared at the discretion of the Board of Directors. Pursuant to the terms of the preferred stock issuance agreement, cash dividends may not be paid on common shares while Series A and B preferred stock is outstanding.

The holders of Series A and B preferred shares also have the right to convert their shares to common stock under certain qualifying conditions, as defined.

At the option of a majority of the holders of the preferred stock, the Company shall redeem all shares of preferred stock at a redemption price defined in the Company's Articles of Incorporation beginning on the fifth anniversary of the issuance date of the preferred stock. If funds are not available at the redemption date, the redemption will be completed on a pro-rata basis as funds become available.

Note 10 - Retirement Plan

The Company sponsors a defined contribution 401(k) profit sharing plan, which covers all employees who meet the plan's eligibility requirements. The plan calls for the Company to match an amount equal to 25% of an employee's elective deferral, up to 4% of eligible compensation. The plan also allows for discretionary profit sharing contributions. The Company made contributions of approximately $26 and $22 for the nine months ended September 30, 2014 and 2013, respectively.

Note 11 - Settlement Agreement

In June 2012, Medicare commenced a pre-payment audit to determine, among other things, the Company's adherence to the Date of Service Rule (14 day rule) and to ensure that Medicare claims were properly filed. The audit resulted in the suspension of reimbursement of Medicare claims to the Company. This audit ran concurrently with an investigation of the Company's business practices by the United States Department of Justice.

The Company and the United States Department of Justice reached a joint settlement with no charges being filed against the Company, and a Settlement Agreement was executed in January 2013.

Under the terms of the Settlement Agreement, the Company agreed not to submit any further claims for reimbursement to Medicare for its PFTG test performed on specimens obtained during the period from October 1, 2010 through September 30, 2012, or to appeal any denials for claims during this time period. In addition, for calendar years 2014 through 2017, the Company agreed to make payments to the United States Department of Justice as follows:

Total Revenue	Payment Amount
$ 9,000	$ 250
$ 12,000	$ 500
$ 16,000	$ 750
$ 20,000	$ 1,000

The payments are due during the time period the Company achieves the revenue milestones noted above for each of the four years noted. Once the total of all payments made by the Company reaches $3,000, the Company's obligation is satisfied with the United States Department of Justice. At September 30, 2014, the Company recorded $2,000 as an accrued settlement liability, which is management's best estimate of the amount that will be required to be paid under the Settlement Agreement based on its estimate of future revenues.

Note 12 - Going Concern

As shown in the accompanying financial statements, the Company has incurred significant accumulated losses since its inception. Additionally, the Company has not been able to generate cash from operations. The accompanying financial statements have been prepared on a basis which assumes that the Company will continue as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

Management has initiated the following plans to fund future business activities:

- Obtained additional funding through new debt from existing shareholders (Note 8)
- Extended loan agreement with bank (Note 8)
- Maintained cost reduction activities, including workforce reductions, that began in 2012
- Increased collection efforts on past-due receivables

Management believes that the above initiatives will be sufficient to allow the Company to continue to operate as a going concern. However, there is no assurance that the management plans will mitigate the effects of these conditions and that such plans can be effectively implemented or achieved. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

EXHIBIT 99.3

Since January 1, 2013, PDI, Inc. has completed the following acquisitions:

- The miRInform® Thyroid and Pancreas cancer diagnostic tests, other tests in development for thyroid cancer, associated intellectual property and a biobank with more than 5,000 patient tissue samples (the "Acquired Property") from Asuragen, Inc. in August 2014.

- *Redpath Integrated Pathology, Inc.* In October 2014, PDI acquired RedPath Integrated Pathology, Inc. ("RedPath"), a molecular diagnostics company helping physicians better manage patients at risk for certain types of gastrointestinal cancers through its proprietary *PathFinderTG*® platform (the "Transaction").

The following unaudited pro forma combined condensed statements of operations for the year ended December 31, 2013 and for the nine-month period ended September 30, 2014, presents combined information as if we had completed the acquisition of RedPath on January 1, 2013. An unaudited pro forma combined condensed balance sheet as of September 30, 2014 is presented for the acquisition of Redpath. An unaudited pro forma combined condensed balance sheet as of September 30, 2014 is not presented for the acquisition of the Acquired Property because the balance sheet, including related acquisition adjustments, is included in our condensed consolidated balance sheet as of such date. In addition, unaudited pro forma condensed consolidated statements of operations are not presented for the acquisition of the Acquired Property as that presentation would require forward-looking information in order to meaningfully present the effects of the acquisition. The unaudited pro forma adjustments also include the Company entering into a $20.0 million term loan in connection with the acquisition of Redpath.

The financial information included in the unaudited pro forma combined condensed consolidated balance sheet and unaudited pro forma combined condensed statements of operations is prepared in accordance with accounting principles generally accepted in the United States of America.

The unaudited pro forma combined condensed financial information was prepared in accordance with Article 11 of Regulation S-X. Pro forma adjustments reflect those adjustments which are directly related to the acquisition and are factually determined. The unaudited pro forma adjustments reflecting the transactions have been prepared in accordance with purchase accounting guidance as provided in Accounting Standards Codification 805, and reflect the preliminary allocation of the purchase price to the acquired assets and liabilities based upon the preliminary estimate of fair values. These preliminary allocations are based on the most recently available information. The allocation of fair value is dependent upon third-party valuations which are not yet final. There can be no assurances that these final valuations will not result in material changes to the estimated allocation.

The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only and do not purport to reflect the results the combined company may achieve in future periods or the historical result that would have been obtained. The data is not indicative of the operating results or financial position that would have occurred if the transactions had been consummated as of January 1, 2013. Since the entities were not under common control or management for any period presented, the unaudited pro forma condensed combined condensed financial results may not be comparable to, or indicative of, future performance. The unaudited pro forma condensed financial statements should be read in conjunction with the: (i) historical consolidated financial statements and accompanying notes of PDI, Inc., which are included in the Annual Report on Form 10-K of PDI, Inc. for the year ended December 31, 2013; (ii) the historical consolidated financial results of PDI, Inc. included in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014; (iii) the historical financial statements of Redpath Integrated Pathology, Inc.; and (iv) the unaudited condensed financial statements of Redpath Integrated Pathology, Inc. as of September 30, 2014 and for the nine months ended September 30, 2014 and 2013 included in this 8-K/A.

The unaudited pro forma condensed financial information is as follows:

PDI, Inc.
Unaudited Pro Forma Combined Condensed Balance Sheets
As of September 30, 2014
(dollars in thousands)

	PDI, Inc.	Pro Forma Financing		Pro Forma Post Financing PDI, Inc.	Historical Red Path	Pro Forma Acquisition Adjustments		Pro Forma Combined
ASSETS								
Current assets:								
Cash and cash equivalents	$ 27,005	$ 19,630	(a)	$ 46,635	$ 415	$ (13,572)	(c)	$ 33,478
Short-term investments	105			105	-	-		105
Accounts receivable, net	3,403			3,403	3,247	-		6,650
Unbilled costs and accrued profits on contracts in progress	6,338			6,338	-	-		6,338
Other current assets	5,355			5,355	143	1,800	(d)	7,298
Total current assets	42,206	19,630		61,836	3,805	(11,772)		53,869
Property and equipment, net	2,945			2,945	452	-		3,397
Goodwill	2,523			2,523	-	15,566		18,089
Other intangible assets	13,459			13,459	-	33,821	(e)	47,280
Other long-term assets	1,094	95	(b)	1,189	114	1,500	(f)	2,803
Total Assets	$ 62,227	$ 19,725		$ 81,952	$ 4,371	$ 39,115		$ 125,438
LIABILITIES AND STOCKHOLDERS' DEFICIT								
Current Liabilities:								
Line of credit	$ -	$ -		$ -	$ 1,987	$ (1,987)	(g)	$ -
Current maturities of capital lease obligations	-			-	63	-		63
Accounts payable	2,851	-		2,851	1,446	-		4,297
Unearned contract revenue	7,611	-		7,611	-	-		7,611
Accrued salary and bonus	6,813	-		6,813	2,160	-		8,973
Accrued expenses and other current liabilities	11,392	95	(b)	11,487	45	910	(h)	12,442
Accrued income taxes	-	-		-	159	-		159
Accrued settlement liability	-	-		-	500	(19)	(i)	481
Total Current Liabilities	28,667	95		28,762	6,360	(1,096)		34,026
Long-term Liabilities:								
Accrued interest and loan acquisition fees	-	-		-	536	(536)	(j)	-
Notes payable, net of debt discount	-	19,630		19,630	4,732	3,009	(k)	27,371
Capital lease obligations - net of current portion	-	-		-	4	-		4
Long-term liabilities	8,136	-		8,136	-	21,157	(h)	29,293
Accrued settlement liability	-	-		-	1,500	-		1,500
Total Long-term Liabilities	8,136	19,630		27,766	6,772	23,630		58,168
Total Liabilities	36,803	19,725		56,528	13,132	22,534		92,194
Commitments and contingencies								
Temporary Equity								
Series A preferred stock, including dividends of $5,047 - liquidation preference of $15,672	-	-		-	13,479	(13,479)	(l)	-
Series B preferred stock, including dividends of $1,942 - liquidation preference of $12,908	-			-	6,708	(6,708)	(l)	-
	-	-		-	20,187	(20,187)		-
Stockholders' Equity (Deficit):								
Common stock	165	-		165	1	(1)	(l)	165
Additional paid-in capital	131,991	-		131,991	-	1,820	(h)	133,811
Accumulated deficit	(92,428)	-		(92,428)	(28,927)	34,927	(l)(m)	(86,428)
Treasury stock	(14,321)	-		(14,321)	-	-		(14,321)
Accumulated other comprehensive income	17	-		17	-	-		17
Loans to purchase company stock	-				(22)	22	(l)	-
Total Stockholders' Equity (Deficit)	25,424	-		25,424	(28,948)	36,768		33,244
Total Liabilities and Stockholders' Equity (Deficit)	$ 62,227	$ 19,725		$ 81,952	$ 4,371	$ 39,115		$ 125,438

PDI, Inc.
Unaudited Pro Forma Combined Condensed Statement of Operations
For the Nine Months Ended September 30, 2014
(dollars in thousands, except per share amounts)

	PDI, Inc.	Historical RedPath	Pro Forma Adjustments	Pro Forma Combined
Revenue, net	$ 93,601	$ 7,497	$ -	$ 101,098
Cost of Services	79,966	2,324	-	82,290
Gross profit	13,635	5,173	-	18,808
Operating expenses:				
Compensation expense	11,081	3,290	-	14,371
Other selling, general and administrative expenses	10,797	2,072	3,905 (n)	16,774
Total operating expenses	21,878	5,362	3,905	31,145
Operating Loss	(8,243)	(189)	(3,905)	(12,337)
Interest expense, net	-	377	2,712 (o)	3,089
Other expense, net	50	72	-	122
Total other expense	50	449	2,712	3,211
Loss from continuing operations before tax	(8,293)	(638)	(6,617)	(15,548)
Provision for income tax	194	39	-	233
Loss from continuing operations	(8,487)	(677)	(6,617)	(15,781)
Loss from discontinued operations, net of tax	(118)	-	-	(118)
Net loss	$ (8,605)	$ (677)	$ (6,617)	$ (15,899)
Basic and diluted loss per share of common stock from:				
Continuing operations	$ (0.57)			$ (1.06)
Discontinued operations	(0.01)			(0.01)
Net loss per share of common stock	$ (0.58)			$ (1.07)
Basic and diluted number of common shares and common share equivalents outstanding	14,886			14,886

PDI, Inc.
Unaudited Pro Forma Combined Condensed Statements of Operations
For the Year Ended December 31, 2013
(dollars in thousands, except per share amounts)

	PDI, Inc.	Historical RedPath	Pro Forma Adjustments	Pro Forma Combined
Revenue, net	$ 150,842	$ 11,165	$ -	$ 162,007
Cost of Services	126,432	3,184	-	129,616
Gross profit	24,410	7,981	-	32,391
Operating expenses:				
Compensation expense	17,405	4,230	-	21,635
Other selling, general and administrative expenses	11,282	3,586	5,206 (n)	20,074
Settlement expense	-	2,000	-	2,000
Total operating expenses	28,687	9,816	5,206	43,709
Operating Loss	(4,277)	(1,835)	(5,206)	(11,318)
Interest expense, net	-	696	3,558 (o)	4,254
Other expense, net	59	(152)	-	(93)
Total other expense	59	544	3,558	4,161
Loss from continuing operations before tax	(4,336)	(2,379)	(8,764)	(15,479)
Provision (benefit) for income tax	180	142	(6,000) (m)	(5,678)
Loss from continuing operations	(4,516)	(2,521)	(2,764)	(9,801)
Loss from discontinued operations, net of tax	(49)	-	-	(49)
Net loss	$ (4,565)	$ (2,521)	$ (2,764)	$ (9,850)
Basic and diluted loss per share of common stock from:				
Continuing operations	$ (0.31)			$ (0.67)
Discontinued operations	-			-
Net loss per share of common stock	$ (0.31)			$ (0.67)
Basic and diluted number of common shares and common share equivalents outstanding	14,718			14,718

Note 1 - Description of Acquisition

On October 31, 2014 (the "Closing Date"), PDI, Inc. (the "Company") and its wholly-owned subsidiary, Interpace Diagnostics, LLC ("Interpace"), entered into an Agreement and Plan of Merger (the "Agreement") to acquire RedPath Integrated Pathology, Inc. ("RedPath"), a molecular diagnostics company helping physicians better manage patients at risk for certain types of gastrointestinal cancers through its proprietary *PathFinderTG®* platform (the "Transaction").

Under the terms of the Agreement, the Company paid $12.0 million in cash, plus working capital adjustments, to the Equityholder Representative, on behalf of the equityholders of RedPath (the "Equityholders"), at the closing of the Transaction. The Agreement contains customary representations, warranties and covenants of the Company and RedPath. Subject to certain limitations, the parties will be required to indemnify each other for damages resulting from breaches of the representations, warranties and covenants made in the Agreement and certain other matters.

The Company also issued an interest-free Note to the Equityholder Representative, on behalf of the Equityholders, at the closing of the Transaction for $11.0 million to be paid in eight equal consecutive quarterly installments beginning October 1, 2016. The interest rate will be 5.0% in the event of a default under the Note. The obligations of the Company under the Note are guaranteed by the Company and its Subsidiaries pursuant to the Subordinated Guarantee in favor of the Equityholder Representative. Pursuant to the Subordinated Guarantee, the Company and its Subsidiaries also granted a security interest in substantially all of their assets, including intellectual property, to secure their obligations to the Equityholder Representative.

In connection with the Transaction, the Company and Interpace also entered into the Contingent Consideration Agreement with the Equityholder Representative. Pursuant to the Contingent Consideration Agreement, the Company has agreed to issue to the Equityholders 500,000 shares of the Company's common stock, par value $0.01 ("Common Stock"), upon acceptance for publication of a specified article related to *PathFinderTG®* for the management of Barrett's esophagus, and an additional 500,000 shares of the Company's Common Stock upon the commercial launch of *PathFinderTG®* for the management of Barrett's esophagus (collectively, the "Common Stock Milestones"). In the event of a change of control of the Company, Interpace or RedPath on or before April 30, 2016, the Common Stock Milestones not then already achieved will be accelerated and the Equityholders will be immediately entitled to receive the Common Stock not yet previously issued to them. The Equityholders are entitled to an additional $5 million cash payment upon the achievement by the Company of $14.0 million or more in annual net sales of *PathFinderTG®* for the management of Barrett's esophagus and a further $5 million cash payment upon the achievement by the Company of $37.0 million or more in annual net sales of a basket of assays of Interpace and RedPath. In addition, the Company is obligated to pay revenue based payments through 2025 of 6.5% on annual net sales above $12.0 million of *PathFinderTG®*-Pancreas, 10% on annual net sales up to $30 million of *PathFinderTG®* for the management of Barrett's esophagus and 20% on annual net sales above $30 million of *PathFinderTG®* for the management of Barrett's esophagus.

The Credit Agreement, the Senior Guarantee and the Intercreditor Agreement

In connection with the Transaction, the Company entered into the Credit Agreement with the Agent and the Lenders. Pursuant to and subject to the terms of the Credit Agreement, the Lenders agreed to provide a term loan to the Company in the aggregate principal amount of $20.0 million (the "Loan"). The maturity date of the loan is October 31, 2020. The Loan bears interest at the greater of (a) three month LIBOR and (b) 1.0%, plus a margin of 12.5%, payable in cash quarterly in arrears, beginning on February 17, 2015. The interest rate will be increased by 3.0% in the event of a default under the Credit Agreement. Beginning in January 2017, the Company will be required to make principal payments on the Loan. Beginning in January 2017 and ending on October 31, 2020, subject to a $250,000 per quarter cap, the Lenders will be entitled to receive quarterly revenue based payments from the Company equal to 1.25x of revenue derived from net sales of molecular diagnostics products (the "Synthetic Royalty").

The Company agreed to pay certain out-of-pocket costs and expenses incurred by the Lenders and the Agent in connection with the Credit Agreement and related documents, the administration of the Loan and related documents or the enforcement or protection of the Lenders' rights. The Lenders are also entitled to (a) a $300,000 origination fee and (b) a $800,000 exit fee. In addition, if the Loan is prepaid, the Lenders are entitled to (c) a prepayment fee equal to 6.0% of the Loan if the Loan is prepaid on or after October 31, 2015 but prior to October 31, 2016, 5.0% of the Loan if the Loan is prepaid on or after October 31, 2016 but prior to October 31, 2017 and 2.0% if the Loan is prepaid on or after October 31, 2017 but prior to October 31, 2018, and (d) a prepayment premium applicable to the Synthetic Royalty equal to (i)(1) 1.25% multiplied by (2) the lesser of (A) $80.0 million and (B) the aggregate revenue on net sales of molecular diagnostics products for the four most recently-completed fiscal quarters, multiplied by (ii) the number of days remaining until October 31, 2020, divided by (iii) 360. The Company must also make a mandatory prepayment in connection with the disposition of certain of the Company's assets.

We received net proceeds of approximately $19.6 million following payment of certain fees and expenses in connection with the Credit Agreement.

Note 2 - Basis of Pro Forma Presentation

The acquisition has been accounted for as a purchase, subject to the provisions of Accounting Standards Codification 805-10-50 and has been treated as an asset acquisition for tax purposes. In connection with the transaction, the Company has preliminarily recorded $33.8 million of other identified intangible assets and $9.6 million of goodwill as of September 30, 2014. The identified finite-lived intangible assets have a weighted average amortization period of 6.5 years. The Company determined the preliminary acquisition date fair value of the contingent consideration of $23.9 million based on a probability-weighted income approach derived from revenue. The fair value measurement is based on significant subjective assumptions and inputs not observable in the market. Future revisions to these assumptions could materially change the estimate of the fair value of the contingent consideration and therefore materially affect the presented unaudited pro forma condensed consolidated financial information.

Note 3 - Pro Forma Adjustments

(a) Reflects the Cash borrowed by the Company under the term loan of $20.0 million, net of loan origination fees of $0.4 million paid at the closing of the Loan, which is recorded as a debt discount.

(b) Represents deferred financing fees incurred but not paid.

(c) Reflects the $12.0 million, plus $1.6 in working capital adjustments, paid in cash at the closing of Transaction.

(d) Preliminary estimate of amounts billed to customers that are anticipated to be collected but not recognized as accounts receivable and will not be recognized as revenue when collected by PDI, Inc.

(e) Other intangible assets represent the finite-lived identified intangible assets recognized in the Transaction. The preliminary allocation of fair value to these identified intangible assets was based on the application of relief from royalty valuation approach. The preliminary purchase price allocation is as follows:

	Preliminary	
	Allocated Fair Value	Estimated Useful Life (Years)
PancraGen	$ 15,724	6.0
BarraGen	18,097	7.0
	$ 33,821	

(f) Represents portion of accrued settlement liability that PDI, Inc. has been indemnified for.

(g) Amount that was outstanding under the RedPath line of credit that was paid in full by RedPath at the closing of the Transaction.

(h) Preliminary estimate of fair value of contingent consideration, including: $15.3 million of estimated royalties on future net sales; $6.8 million of milestones on future net sales; and $1.8 million of milestones based on specific events (paid in common stock of PDI, Inc.).

(i) Impact of present value on settlement.

(j) Interest and loan acquisition fees that were paid in full by RedPath at the closing of the Transaction.

(k) Amount is the net adjustment of the repayment of the $4.7 million of RedPath Note Payable and the $7.4 million present value of the $11.0 million Note to the Equityholders of RedPath.

(l) The elimination of the equity of Redpath and (m) below.

(m) $6.0 million is the estimated income tax benefit recorded in connection with the deferred tax liability created by the identified intangible assets acquired and the offsetting valuation allowance released through the statement of operations in accordance with Accounting Standards Codification 740, Income Taxes.

(n) Adjustment to record estimated amortization expense for the identifiable intangible assets of approximately $5.2 million for the period of January 1, 2013 through December 31, 2013, and approximately $3.9 for the period of January 1, 2014 through September 30, 2014, as if the acquisition had occurred on January 1, 2013. The weighted average useful life of the finite-lived identifiable intangible assets acquired is approximately 6.5 years and these assets are amortized using the straight line method.

(o) Includes adjustments to record expense for: imputed interest on the Note Payable to the Equityholders of RedPath Payable; effective interest on the Term Loan; accrual of the $0.8 million Loan Maturity Fee; and amortization of $0.2 million of deferred financing fees.