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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2015
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 0-24249

PDI, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**22-2919486**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

Morris Corporate Center 1, Building A
300 Interpace Parkway, Parsippany, NJ 07054

(Address of principal executive offices and zip code)

(800) 242-7494

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Shares Outstanding May 7, 2015
Common stock, $0.01 par value	16,198,587

PDI, Inc.
Form 10-Q for Period Ended March 31, 2015
TABLE OF CONTENTS

PDI, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except share and per share data)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,004	$ 23,111
Short-term investments	108	107
Accounts receivable, net	13,386	8,505
Unbilled costs and accrued profits on contracts in progress	5,498	5,918
Other current assets	7,066	7,225
Total current assets	43,062	44,866
Property and equipment, net	3,323	3,184
Goodwill	15,545	15,545
Other intangible assets, net	46,434	47,304
Other long-term assets	4,248	5,007
Total assets	$ 112,612	$ 115,906
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,034	$ 4,308
Unearned contract revenue	10,896	6,752
Accrued salary and bonus	8,736	7,696
Other accrued expenses	11,332	14,822
Total current liabilities	33,998	33,578
Contingent consideration	25,909	25,909
Long-term debt, net of debt discount	27,349	27,154
Other long-term liabilities	8,732	9,143
Total liabilities	95,988	95,784
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $.01 par value; 40,000,000 shares authorized		
17,418,569 and 16,558,140 shares issued, respectively;		
16,204,762 and 15,361,133 shares outstanding, respectively	174	165
Additional paid-in capital	134,558	134,171
Accumulated deficit	(103,764)	(99,896)
Accumulated other comprehensive income	16	16
Treasury stock, at cost (1,213,807 and 1,197,007 shares, respectively)	(14,360)	(14,334)
Total stockholders' equity	16,624	20,122
Total liabilities and stockholders' equity	$ 112,612	$ 115,906

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

PDI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited, in thousands, except for per share data)

	Three Months Ended March 31,	
	2015	**2014**
Revenue, net		
Commercial Services	$ 36,202	$ 31,832
Interpace Diagnostics	2,117	—
Total revenue, net	38,319	31,832
Cost of revenue		
Commercial Services	29,100	26,493
Interpace Diagnostics	1,574	219
Total cost of revenue	30,674	26,712
Gross profit	7,645	5,120
Sales and marketing	2,226	—
Research and development	232	—
General and administrative	7,199	5,534
Acquisition related amortization expense	870	—
Total operating expenses	10,527	5,534
Operating loss	(2,882)	(414)
Interest expense	(848)	—
Other expense, net	(86)	(17)
Loss from continuing operations before income tax	(3,816)	(431)
(Benefit) provision for income tax	(73)	66
Loss from continuing operations	(3,743)	(497)
Loss from discontinued operations, net of tax	(125)	(1,115)
Net loss	$ (3,868)	$ (1,612)
Other comprehensive income (loss):		
Unrealized holding gain (loss) on available-for-sale securities, net	—	—
Comprehensive loss	$ (3,868)	$ (1,612)
Basic and diluted loss per share of common stock from:		
Continuing operations	$ (0.25)	$ (0.03)
Discontinued operations	(0.01)	(0.08)
Net loss per basic and diluted share of common stock	$ (0.26)	$ (0.11)
Weighted average number of common shares and common share equivalents outstanding:		
Basic	15,037	14,760
Diluted	15,037	14,760

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

PDI, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Three Months Ended March 31,	
	2015	**2014**
Cash Flows From Operating Activities		
Net loss	$ (3,868)	$ (1,612)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,195	457
Realignment accrual accretion	35	35
Interest accretion	261	—
Bad debt expense	96	—
Gain on sale of discontinued operations	(285)	—
Stock-based compensation	396	690
Other changes in assets and liabilities:		
Increase in accounts receivable	(5,229)	(6,049)
Decrease in unbilled costs	420	2,424
(Increase) decrease in other current assets	(438)	32
Decrease in other long-term assets	2,156	140
(Decrease) increase in accounts payable	(1,274)	143
Increase (decrease) in unearned contract revenue	4,144	(594)
Increase (decrease) in accrued salaries and bonus	1,040	(2,480)
(Decrease) increase in other accrued expenses	(4,602)	835
Increase (decrease) in long-term liabilities	336	(484)
Net cash used in operating activities	(5,617)	(6,463)
Cash Flows From Investing Activities		
Purchase of property and equipment	(464)	(514)
Loan to privately held non-controlled entity	—	(569)
Net cash used in investing activities	(464)	(1,083)
Cash Flows From Financing Activities		
Cash paid for repurchase of restricted shares	(26)	(215)
Net cash used in financing activities	(26)	(215)
Net decrease in cash and cash equivalents	(6,107)	(7,761)
Cash and cash equivalents – beginning	23,111	45,639
Cash and cash equivalents – ending	$ 17,004	$ 37,878
Cash paid for interest	$ 818	$ —

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

(Tabular information in thousands, except per share amounts)

1. BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements and related notes (the interim financial statements) should be read in conjunction with the consolidated financial statements of PDI, Inc. and its subsidiaries (the Company or PDI) and related notes as included in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 as filed with the Securities and Exchange Commission (SEC) on March 5, 2015. The interim financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The interim financial statements include all normal recurring adjustments that, in the judgment of management, are necessary for a fair presentation of such interim financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. Operating results for the three-month period ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates are based on historical experience, facts and circumstances available at the time, and various other assumptions that are believed to be reasonable under the circumstances. Significant estimates include best estimate of selling price in multiple element arrangements, valuation allowances related to deferred income taxes, self-insurance loss accruals, allowances for doubtful accounts and notes, income tax accruals, acquisition accounting, asset impairments and facilities realignment accruals. The Company periodically reviews these matters and reflects changes in estimates as appropriate. Actual results could materially differ from those estimates.

Reclassifications

Certain operating expenses within compensation expense and other sales, general and administrative expense in the period ended March 31, 2014 have been reclassified to conform to the current period presentation.

Sales and marketing expenses primarily include personnel and related costs for the promotion of the Company's Diagnostic tests. Research and development expenses primarily include personnel and related costs for research and development related to new and existing tests. The Company did not incur these costs in the period ended March 31, 2014.

Basic and Diluted Net Loss per Share

A reconciliation of the number of shares of common stock used in the calculation of basic and diluted loss per share for the three-month periods ended March 31, 2015 and 2014 is as follows:

	Three Months Ended March 31,	
	2015	2014
Basic weighted average number of common shares	15,037	14,760
Dilutive effect of stock-based awards	—	—
Diluted weighted average number of common shares	15,037	14,760

The following outstanding stock-based awards were excluded from the computation of the effect of dilutive securities on loss per share for the following periods because they would have been anti-dilutive:

(Tabular information in thousands, except per share amounts)

	Three Months Ended March 31,	
	2015	2014
Options	25	43
Stock-settled stock appreciation rights (SARs)	1,066	1,238
Restricted stock/units	1,632	754
Market contingent SARs	188	188
	2,911	2,223

Goodwill and Other Intangible Assets

The Company allocates the cost of acquired companies to the identifiable tangible and intangible assets acquired and liabilities assumed, with the remaining amount classified as goodwill. Since the entities the Company has acquired do not have significant tangible assets, a significant portion of the purchase price has been allocated to intangible assets and goodwill. The identification and valuation of these intangible assets and the determination of the estimated useful lives at the time of acquisition, as well as the completion of impairment tests require significant management judgments and estimates. These estimates are made based on, among other factors, consultations with an accredited independent valuation consultant, reviews of projected future operating results and business plans, economic projections, anticipated highest and best use of future cash flows and the market participant cost of capital. The use of alternative estimates and assumptions could increase or decrease the estimated fair value of goodwill and other intangible assets, and potentially result in a different impact to the Company's results of operations. Further, changes in business strategy and/or market conditions may significantly impact these judgments thereby impacting the fair value of these assets, which could result in an impairment of the goodwill.

The Company tests goodwill and indefinite lived intangible assets for impairment at least annually (as of December 31) and whenever events or circumstances change that indicate impairment may have occurred. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in stock price and market capitalization; a significant adverse change in legal factors or in the business climate of the pharmaceutical industry; unanticipated competition; and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and our consolidated financial results. At March 31, 2015, no indicators of impairment were identified.

Receivables and Allowance for Doubtful Accounts

Commercial Services segment: Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews a customer’s credit history before extending credit. The Company records a provision for estimated losses based upon the inability of its customers to make required payments using historical experience and periodically adjusts these provisions to reflect actual experience. Additionally, the Company will establish a specific allowance for doubtful accounts when it becomes aware of a specific customer’s inability or unwillingness to meet its financial obligations (e.g., bankruptcy filing). There was no allowance for doubtful accounts as of March 31, 2015.

Interpace Diagnostics segment: The Company’s accounts receivable are generated using its proprietary tests. The Company’s services are fulfilled upon completion of the test, review and release of the test results. In conjunction with fulfilling these services, the Company bills the third-party payor or hospital. The Company recognizes accounts receivable related to billings for Medicare, Medicare Advantage, and hospitals on an accrual basis, net of contractual adjustment, when collectability is reasonably assured. 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.

Proprietary tests billed to commercial insurance carriers or governmental programs that do not have a contract in place for its proprietary tests may or may not be covered by the entities existing reimbursement policies. In addition, the Company does not enter into direct agreements with patients that commit them to pay any portion of the cost of the tests in the event that their commercial insurance carrier or governmental program does not pay the Company for its services. In the absence of an agreement with the patient, or other clearly enforceable legal right to demand payment from commercial insurance carriers or governmental agencies, no accounts receivable is recognized. The Company records a

(Tabular information in thousands, except per share amounts)

provision for estimated losses based upon estimates and historical experience and periodically adjusts these provisions to reflect actual experience. There was a $0.1 million allowance for doubtful accounts as of March 31, 2015.

3. INVESTMENTS IN MARKETABLE SECURITIES

Available-for-sale securities are carried at fair value with the unrealized holding gains or losses, net of tax, included as a component of accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses on available-for-sale securities are computed based upon specific identification and included in other expense, net in the condensed consolidated statements of comprehensive loss. Declines in value judged to be other-than-temporary on available-for-sale securities are recorded in other expense, net in the condensed consolidated statements of comprehensive loss and the cost basis of the security is reduced. The fair values for marketable equity securities are based on quoted market prices. Held-to-maturity investments are stated at amortized cost which approximates fair value. Interest income is accrued as earned. Realized gains and losses on held-to-maturity investments are computed based upon specific identification and included in other expense, net in the condensed consolidated statement of comprehensive loss. The Company does not have any investments classified as trading.

Available-for-sale securities consist of assets in a rabbi trust associated with the Company's deferred compensation plan. As of both March 31, 2015 and December 31, 2014, the carrying value of available-for-sale securities was approximately $108,000 and is included in short-term investments. Available-for-sale securities as of both March 31, 2015 and December 31, 2014 consisted of approximately $60,000 in mutual funds and approximately $48,000 in money market accounts.

The Company's other marketable securities consist of investment grade debt instruments such as obligations of U.S. Treasury and U.S. Federal Government agencies. These investments are categorized as held-to-maturity since the Company's management has the ability and intent to hold these securities to maturity. The Company's held-to-maturity investments are carried at amortized cost which approximates fair value and are maintained in separate accounts to support the Company's letters of credit. The Company had standby letters of credit of approximately $1.4 million as of both March 31, 2015 and December 31, 2014, as collateral for its existing insurance policies and facility leases.

At March 31, 2015 and December 31, 2014, held-to-maturity investments included the following:

	March 31, 2015	Maturing within 1 year	Maturing after 1 year through 3 years	December 31, 2014	Maturing within 1 year	Maturing after 1 year through 3 years
Cash/money accounts	$ 82	$ 82	$ —	$ 204	$ 204	$ —
US Treasury securities	1,283	105	1,178	1,070	105	965
Government agency securities	221	129	92	317	225	92
Total	$ 1,586	$ 316	$ 1,270	$ 1,591	$ 534	$ 1,057

At March 31, 2015 and December 31, 2014, held-to-maturity investments were recorded in the following accounts:

	March 31, 2015	December 31, 2014
Other current assets	$ 316	$ 534
Other long-term assets	1,270	1,057
Total	$ 1,586	$ 1,591

4. GOODWILL

Goodwill recorded as of March 31, 2015 and December 31, 2014 of $15.5 million is attributable to the 2014 acquisition of RedPath. A rollforward of the carrying value of goodwill from January 1, 2015 to March 31, 2015 is as follows:

(Tabular information in thousands, except per share amounts)

	2015				
	January 1,	Additions	Adjustments	Impairments	March 31,
RedPath	$ 15,545	—	—	—	$ 15,545

Other Intangible Assets

The net carrying value of the identifiable intangible assets as of March 31, 2015 is as follows:

		As of March 31, 2015		
	Life (Years)	Carrying Amount	Accumulated Amortization	Net
Diagnostic assets:				
Asuragen acquisition:				
Thyroid	9	$ 8,519	$ —	$ 8,519
Pancreas	7	2,882	257	2,625
Biobank	4	1,575	246	1,329
RedPath acquisition:				
Pancreas test	7	16,141	961	15,180
Barrett's test	9	18,351	—	18,351
Total		$ 47,468	$ 1,464	$ 46,004
Diagnostic lab:				
CLIA Lab	2.3	$ 609	$ 179	$ 430

Amortization expense was $0.9 million for the three-month period ended March 31, 2015. There was no amortization expense for the quarter ended March 31, 2014. Amortization of the thyroid and Barrett's diagnostic assets will begin upon launch of the products. Estimated amortization expense for the next five years is as follows:

2015	2016	2017	2018	2019
$ 5,102	$ 6,358	$ 6,097	$ 5,949	$ 5,703

5. FACILITIES REALIGNMENT

The following table presents a rollforward of the Company's restructuring reserve from December 31, 2014 to March 31, 2015, of which approximately $0.5 million is included in other accrued expenses and $0.1 million is included in long-term liabilities as of March 31, 2015. The Company recognizes accretion expense in *Other expense, net* in the Condensed Consolidated Statement of Comprehensive Loss.

	Commercial Services	Discontinued Operations	Total
Balance as of December 31, 2014	$ 560	$ 207	$ 767
Accretion	28	7	35
Adjustments	—	—	—
Payments	(170)	(46)	(216)
Balance as of March 31, 2015	$ 418	$ 168	$ 586

6. FAIR VALUE MEASUREMENTS

(Tabular information in thousands, except per share amounts)

The Company's financial assets and liabilities reflected at fair value in the consolidated financial statements include: cash and cash equivalents; short-term investments; accounts receivable; other current assets; accounts payable; and contingent consideration. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based upon observable inputs used in the valuation techniques, the Company is required to provide information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values into three broad levels as follows:

Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3: Valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. The valuation methodologies used for the Company's financial instruments measured on a recurring basis at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, is set forth in the tables below.

	As of March 31, 2015		Fair Value Measurements As of March 31, 2015		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents:					
Cash	$ 12,229	$ 12,229	$ 12,229	$ —	$ —
Money Market Funds	4,775	4,775	4,775	—	—
Total	$ 17,004	$ 17,004	$ 17,004	$ —	$ —
Marketable securities:					
Money Market Funds	$ 48	$ 48	$ 48	$ —	$ —
Mutual Funds	60	60	60	—	—
U.S. Treasury securities	1,283	1,283	1,283	—	—
Government agency securities	221	221	221	—	—
Total	$ 1,612	$ 1,612	$ 1,612	$ —	$ —
Liabilities:					
Contingent consideration:					
Asuragen	$ 4,476	$ 4,476	$ —	$ —	$ 4,476
RedPath	22,066	22,066	—	—	22,066
	$ 26,542	$ 26,542	$ —	$ —	$ 26,542

The fair value of cash and cash equivalents and marketable securities is valued using market prices in active markets (level 1). As of March 31, 2015, the Company did not have any marketable securities in less active markets (level 2) or without observable market values that would require a high level of judgment to determine fair value (level 3).

In connection with the acquisition of the Acquired Property from Asuragen and acquisition of RedPath, the Company recorded $4.5 million and $22.1 million of contingent cash consideration related to deferred payments and revenue based payments, respectively. The Company determined the fair value of the contingent consideration based on a probability-weighted income approach derived from revenue estimates. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. There was no change in the fair value of the contingent consideration during the period ended March 31, 2015.

The Company considers carrying amounts of accounts receivable, accounts payable and accrued expenses to approximate fair value due to the short-term nature of these financial instruments. There is no fair value ascribed to the letters of credit as management does not expect any material losses to result from these instruments because performance is not expected to be required.

Certain of the Company's non-financial assets, such as other intangible assets are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized.

7. COMMITMENTS AND CONTINGENCIES

Letters of Credit

As of March 31, 2015, the Company had outstanding letters of credit of $1.4 million as required by its existing insurance policies and facility leases. These letters of credit are supported by investments in held-to-maturity securities. See Note 3, Investments in Marketable Securities, for additional detail regarding investments in marketable securities.

Litigation

Due to the nature of the businesses in which the Company is engaged, such as product detailing and in the past, the distribution of products, it is subject to certain risks. Such risks include, among others, risk of liability for personal injury or death to persons using products the Company promotes or distributes. There can be no assurance that substantial claims or liabilities will not arise in the future due to the nature of the Company’s business activities and recent increases in litigation related to healthcare products, including pharmaceuticals. The Company seeks to reduce its potential liability under its service agreements through measures such as contractual indemnification provisions with customers (the scope of which may vary from customer to customer, and the performance of which is not secured) and insurance. The Company could, however, also be held liable for errors and omissions of its employees in connection with the services it performs that are outside the scope of any indemnity or insurance policy. The Company could be materially adversely affected if it were required to pay damages or incur defense costs in connection with a claim that is outside the scope of an indemnification agreement; if the indemnity, although applicable, is not performed in accordance with its terms; or if the Company’s liability exceeds the amount of applicable insurance or indemnity.

The Company routinely assesses its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where the Company assesses the likelihood of loss as probable. The Company accrues for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. In addition, in the event the Company determines that a loss is not probable, but is reasonably possible, and it becomes possible to develop what the Company believes to be a reasonable range of possible loss, then the Company will include disclosures related to such matter as appropriate and in compliance with ASC 450. To the extent there is a reasonable possibility that the losses could exceed the amounts already accrued, the Company will, as applicable, adjust the accrual in the period the determination is made, disclose an estimate of the additional loss or range of loss, indicate that the estimate is immaterial with respect to its financial statements as a whole or, if the amount of such adjustment cannot be reasonably estimated, disclose that an estimate cannot be made. As of March 31, 2015 the Company's accrual for litigation and threatened litigation was not material to the consolidated financial statements.

In connection with the October 31, 2014 acquisition of RedPath the Company assumed a liability for a January 2013 settlement agreement entered into by the former owners of RedPath with the DOJ. Under the terms of the Settlement Agreement, the Company is obligated to make payments to the DOJ for the calendar years ended December 31, 2014 through 2017 up to a maximum of $3.0 million.

(Tabular information in thousands, except per share amounts)

Payments are due March 31st following the calendar year that the revenue milestones are achieved. The Company has been indemnified by the former owners of RedPath for $2.5 million of the obligation and has recorded an indemnification asset of that amount within other non-current assets. During the three-month period ended March 31, 2015, the Company paid $0.3 million and has $2.8 million recorded as its best estimate of the amount that remains to be paid under the settlement agreement based on its estimate of future revenues, of which $0.5 million is included in *other accrued expenses* and $2.3 million is included in *other long-term liabilities*.

Prolias Technologies, Inc. v. PDI, Inc.

On April 8, 2015, Prolias Technologies, Inc. ("Prolias") filed a complaint (the "Complaint") against the Company with the Superior Court of New Jersey (Morris County) in a matter entitled Prolias Technologies, Inc. v. PDI, Inc. (Docket No. MRS-L-899-15). In the Complaint, Prolias alleges that it and the Company entered into an August 19, 2013 Collaboration Agreement and a First Amendment thereto (collectively the "Agreement"), whereby Prolias and the Company agreed to work in good faith to commercialize a diagnostic test known as "Thymira." Thymira is a minimally invasive diagnostic test that is being developed to detect thyroid cancer.

Prolias alleges in the Complaint that the Company wrongfully terminated the Agreement, breached obligations owed to it under the Agreement and committed torts by (i) failing to effectively and timely validate Thymira, (ii) purchasing a competitor of Prolias and working to commercialize the competitive product at the expense of Thymira, and (iii) interfering with a license agreement that Prolias had with Cornell University related to a license for Thymira. Prolias asserts claims against the Company for breach of contract, breach of the covenant of good faith and fair dealing, intentional interference with contract and breach of fiduciary duty and seeks to recover unspecified compensatory damages, punitive damages, interest and costs of suit.

The Company was served with the Complaint on April 15, 2015 and its deadline to respond to the Complaint is May 20, 2015. The Company denies that it is liable to Prolias for any of the claims asserted in the Complaint and it intends to vigorously defend itself.

8. ACCRUED EXPENSES AND LONG-TERM LIABILITIES

Other accrued expenses consisted of the following as of March 31, 2015 and December 31, 2014:

	March 31, 2015	December 31, 2014
Accrued pass-through costs	$ 2,476	$ 1,043
Facilities realignment accrual	520	517
Self-insurance accruals	524	463
Indemnification liability	875	875
Contingent consideration	633	633
Acquisition related costs	200	1,225
Liabilities held-for-sale	—	2,820
Rent payable	563	348
DOJ settlement	500	500
Accrued interest	323	465
All others	4,718	5,933
	$ 11,332	$ 14,822

Long-term liabilities consisted of the following as of March 31, 2015 and December 31, 2014:

(Tabular information in thousands, except per share amounts)

	March 31, 2015	December 31, 2014
Rent payable	$ 305	$ 209
Uncertain tax positions	3,307	3,267
Deferred tax liability	2,526	2,525
DOJ settlement (indemnified by RedPath)	2,250	2,500
Liabilities held-for-sale	—	329
Other	344	313
	$ 8,732	$ 9,143

9. STOCK-BASED COMPENSATION

In February 2015, under the terms of the stockholder-approved PDI, Inc. 2004 Stock Award Incentive Plan (the 2004 Plan), the Compensation and Management Development Committee of the Board (the Compensation Committee) approved grants of restricted stock to certain executive officers and members of senior management of the Company. The full Board approved the portion of these grants made to the Company's Chief Executive Officer. As part of the Company's 2014 long-term incentive plan, these grants aggregated 444,364 shares of restricted stock issued with a weighted average grant date fair value of $1.73 per share.

The grant date fair values of SARs awards are determined using a Black-Scholes pricing model. Assumptions utilized in the model are evaluated and revised, as necessary, to reflect market conditions and experience. The following table provides the weighted average assumptions used in determining the fair value of the non-market based SARs awards granted during the three-month period ended March 31, 2015:

	Three Months Ended March 31,	
	2015	2014
Risk-free interest rate	0.97%	0.69%
Expected life	3.5 years	3.5 years
Expected volatility	52.03%	48.01%
Dividend yield	—%	—%

In February 2014, the Company's chief executive officer was granted 188,165 market contingent SARs. The market contingent SARs have an exercise price of $5.10, a five year term to expiration, and a weighted-average fair value of $1.87. The fair value estimate of the market contingent SARs was calculated using a Monte Carlo Simulation model. The market contingent SARs are subject to a time-based vesting schedule, but will not vest unless and until certain additional, market-based conditions are satisfied: (1) with respect to the initial 36,496 market contingent SARs, which vest on a time-based schedule on the first anniversary of the date of grant, the closing price of the Company's common stock is at least $7.65 per share for the average of 60 consecutive trading days anytime within five years from the grant date; (2) with respect to the next 64,460 market contingent SARs, which vest on a time-based schedule on the second anniversary of the date of grant, the closing price of the Company's common stock is at least $10.20 per share for the average of 60 consecutive trading days anytime within five years from the grant date; and (3) with respect to the final 87,209 market contingent SARs, which vest on a time-based schedule on the third anniversary of the date of grant, the closing price of the Company's common stock is at least $15.30 per share for the average of 60 consecutive trading days anytime within five years from the grant date. These stock prices represent premiums in excess of at least 50% of the closing stock price of the Company's common stock on the date of grant.

The Company recognized $0.4 million and $0.7 million of stock-based compensation expense during each of the three-month periods ended March 31, 2015 and 2014, respectively.

10. INCOME TAXES

(Tabular information in thousands, except per share amounts)

Generally, accounting standards require companies to provide for income taxes each quarter based on their estimate of the effective tax rate for the full year. The authoritative guidance for accounting for income taxes allows use of the discrete method when it provides a better estimate of income tax expense. Due to the Company's valuation allowance position, it is the Company's position that the discrete method provides a more accurate estimate of income tax expense and therefore income tax expense for the current quarter has been presented using the discrete method. As the year progresses, the Company refines its estimate based on the facts and circumstances by each tax jurisdiction. The following table summarizes income tax (benefit) expense on loss from continuing operations and the effective tax rate for the three-month periods ended March 31, 2015 and 2014:

	Three Months Ended March 31,	
	2015	2014
(Benefit) provision for income tax	$ (73)	$ 66
Effective income tax rate	1.9%	(15.3)%

Income tax benefit for the quarter ended March 31, 2015 was primarily due to a loss at one of the Company's operating subsidiaries for which it is able to benefit the net operating losses, offset by minimum state and local taxes and gross margin taxes at various subsidiaries. Income tax expense for the quarter ended March 31, 2014 was primarily due to state and local taxes as the Company and its subsidiaries file separate income tax returns in numerous state and local jurisdictions.

11. SEGMENT INFORMATION

The accounting policies of the segments are described in Note 1 of the Company's audited consolidated financial statements in its Annual Report on Form 10-K for the year ended December 31, 2014. Corporate charges are allocated to each of the reporting segments on the basis of total salary expense. Corporate charges include corporate headquarters costs and certain depreciation expenses. Certain corporate capital expenditures have not been allocated from the Commercial Services segment to the other reporting segments since it is impracticable to do so.

	Commercial Services	Interpace Diagnostics	Consolidated
Three months ended March 31, 2015:			
Revenue, net	$ 36,202	$ 2,117	$ 38,319
Operating income (loss)	$ 1,463	$ (4,345)	$ (2,882)
Capital expenditures	$ 6	$ 458	$ 464
Depreciation and amortization expense	$ 251	$ 944	$ 1,195
Three months ended March 31, 2014:			
Revenue, net	$ 31,832	$ —	$ 31,832
Operating income (loss)	$ 466	$ (880)	$ (414)
Capital expenditures	$ 514	$ —	$ 514
Depreciation and amortization expense	$ 235	$ 1	$ 236

12. DISCONTINUED OPERATIONS

On December 31, 2014 the Company classified Group DCA as held-for-sale and wrote the assets of the business down to their fair values as the assets have become impaired. On February 27, 2015, the Company entered into an agreement (the Haymarket Agreement) to sell certain assets and liabilities of Group DCA to Haymarket Media, Inc. (Haymarket) in exchange for future services and potential future royalty payments.

(Tabular information in thousands, except per share amounts)

The assets transferred under the Haymarket Agreement are customer facing contracts and agreements, and the related supporting records. The liabilities transferred are obligations to complete services under the aforementioned contracts and agreements. In exchange, the Company will receive:

1. services performed by Haymarket, valued at approximately $0.8 million; and
2. a 15% royalty on contracts signed over the period from March 1, 2015 through February 28, 2018 relating to the clients, contracts and opportunities transferred to Haymarket under the agreement, valued at $0.1 million.

As of December 31, 2014, the Company incurred a non-cash charge of approximately $1.9 million. This non-cash charge included the write-down of goodwill and the accounts receivable of Group DCA, which is partially offset by the value of services performed by Haymarket and the fair value of future royalties, and included the write-off of assets of $0.7 million. During the quarter ended March 31, 2015, the Company closed the transaction with Haymarket, reviewed its previous assumptions and recorded a non-cash adjustment of $0.3 million. The operations and related exit costs of Group DCA are shown as discontinued operations in all periods presented.

On December 29, 2011 the Company entered into an agreement to sell certain assets of our Pharmakon business unit to Informed Medical Communications, Inc. (“Informed”) in exchange for potential future royalty payments and an ownership interest in Informed. In the fourth quarter of 2012, the Company wrote-off all of the assets related to the sale of Pharmakon to Informed as it believes that these assets have become impaired. On July 19, 2010, the Board approved closing the TVG business unit. The Company notified employees and issued a press release announcing this decision on July 20, 2010. The Consolidated Statements of Comprehensive Loss reflect the presentation of Group DCA, Pharmakon, and TVG as discontinued operations in all periods presented.

The table below presents the significant components of Group DCA's, Pharmakon's and TVG’s results included in *Loss from Discontinued Operations, Net of Tax* in the consolidated statements of comprehensive loss for the quarters ended March 31, 2015 and 2014.

	Three Months Ended March 31,	
	2015	2014
Revenue, net	$ 260	$ 988
Loss from discontinued operations, before income tax	(124)	(1,114)
Provision for income tax	1	1
Loss from discontinued operations, net of tax	$ (125)	$ (1,115)

The major classes of assets and liabilities included in the Condensed Consolidated Balance Sheets for Group DCA, TVG, and Pharmakon as of March 31, 2015 and December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
Current assets	$ 1,495	$ 613
Non-current assets	418	1,445
Total assets	$ 1,913	$ 2,058
Current liabilities	$ 1,856	$ 2,820
Non-current liabilities	250	329
Total liabilities	$ 2,106	$ 3,149

13. INVESTMENT IN PRIVATELY HELD NON-CONTROLLED ENTITY AND OTHER ARRANGEMENTS

In August 2013, PDI entered into phase one of a collaboration agreement with a privately held molecular diagnostics company, Prolias Technologies, Inc., (the Diagnostics Company) to commercialize its fully-developed, molecular diagnostic tests. Under the terms of phase one of the collaboration agreement, PDI paid an initial fee of $1.5 million and had the ability to enter the second phase of the collaboration agreement in the form of a call option to purchase the outstanding common stock of the Diagnostics Company. The Company also had the option to contribute an additional $0.5 million for mutually agreed upon activities in furtherance of collaboration efforts. If PDI purchased the outstanding common stock of the Diagnostics Company, in addition to the option price based on the achievement of milestones, beginning in 2015, PDI would have paid a royalty of 7.0% on annual net revenue up to $50.0 million with escalating royalty percentages for higher annual net revenue capped at 11.0% for annual net revenue in excess of $100.0 million. In the fourth quarter of 2014, the Company identified events that have had an adverse effect on the fair value of this cost-method investment and impaired the initial investment of $1.5 million.

Through June 30, 2014, the Company loaned the Diagnostics Company approximately $0.7 million bearing a 4.0% interest rate. As of December 31, 2014, the loan balance was $0.6 million. PDI recorded the loan receivable within *Other current assets* in the Condensed Consolidated Balance Sheets. In the fourth quarter of 2014, the Company fully reserved for the loan, recording a charge of approximately $0.6 million. On March 30, 2015, the Company terminated the collaboration agreement between the parties.

Other Arrangements

In October 2013, the Company entered into phase one of a collaboration agreement to commercialize CardioPredict™, a molecular diagnostic test developed by Transgenomic, in the United States. Under the terms of the collaboration agreement, PDI was responsible for all U.S.-based marketing and promotion of CardioPredict™, while Transgenomic would be responsible for processing CardioPredict™ in its state-of-the-art CLIA lab and all customer support. Both parties were responsible for their respective expenses. Subsequently, the Company determined that it would not enter into the second phase of the collaboration agreement with Transgenomic and notified Transgenomic of its decision to terminate the collaboration agreement effective June 30, 2014.

PDI's costs related to both of these agreements are expensed in the Company's Interpace Diagnostics segment and reflected in *Cost of sales* or *General and administrative expenses* in the Consolidated Statement of Comprehensive Loss, depending upon the underlying nature of the expenses incurred.

(Tabular information in thousands, except per share amounts)

14. LONG-TERM DEBT

On October 31, 2014, the Company and its wholly-owned subsidiary, Interpace, entered into an Agreement to acquire RedPath. In connection with the Transaction, the Company entered into a Note, dated October 31, 2014.

The Note is $11.0 million, interest-free and will 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. Based on the Company's incremental borrowing rate under its Credit Agreement, the fair value of the Note at the date of issuance was $7.4 million. During the quarter ended March 31, 2015 and the year ended December 31, 2014, the Company accreted approximately $0.2 million and $0.1 million into interest expense, respectively, using the effective interest method. As of March 31, 2015, the balance of the Note is approximately $7.7 million and the unamortized discount is $3.3 million.

In addition, the Company entered into the Credit Agreement with the Agent and the Lenders in connection with the Transaction 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 received net proceeds of approximately $19.6 million following payment of certain fees and expenses in connection with the Credit Agreement.

The Company paid approximately $0.1 million of certain out-of-pocket costs and expenses incurred by the Lenders and the Agent and a $0.3 million origination fee, both of which are being accreted as interest expense over the life of the loan using the effective interest method. The Company is also obligated to pay a $0.8 million exit fee which the Company is also accreting to interest expense over the life of the Loan. During the quarter ended March 31, 2015, the Company accreted approximately $0.2 million into interest expense and recorded the liability within *Long-term debt, net of debt discount* in the condensed consolidated balance sheet. If the Company prepays the Loan, the Company is obligated to pay 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. In addition the Company will also pay 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. As of March 31, 2015 the balance of the Loan, net of unamortized debt discount, was $19.7 million.

The obligations of the Company under the Credit Agreement are guaranteed by the Company and its Subsidiaries in favor of the Agent for the benefit of the Lenders. The Credit Agreement contains customary representations and warranties in favor of the Agent and the Lenders and certain covenants, including among other things, financial covenants relating to liquidity and revenue targets. As of March 31, 2015, the Company is in compliance with these covenants.

Principal payments due related to the long-term debt over next five are as follows:

	2015	2016	2017	2018	2019
Subordinated note	$ —	$ 1,375	$ 4,125	$ 4,125	$ 1,375
Loan	—	—	2,534	5,000	5,000
	$ —	$ 1,375	$ 6,659	$ 9,125	$ 6,375

In addition, the Company recorded approximately $0.3 million of legal costs in connection with the Credit Facility and capitalized them as deferred financing costs within *Other long-term assets* in the condensed consolidated balance sheet. These deferred financing costs are being amortized to interest expense using the effective interest method over the term of the Credit Facility.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934 (the Exchange Act). Statements that are not historical facts, including statements about our plans, objectives, beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "believes," "expects," "anticipates," "plans," "estimates," "intends," "projects," "should," "may," "will" or similar words and expressions. These forward-looking statements are contained throughout this Form 10-Q.

Forward-looking statements are only predictions and are not guarantees of future performance. These statements are based on current expectations and assumptions involving judgments about, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. These predictions are also affected by known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by any forward-looking statement. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

- our ability to profitably grow our Interpace Diagnostics segment, including our ability to successfully compete in the market;
- our ability to successfully negotiate contracts in our Commercial Services segment with reasonable margins and favorable payment terms;
- our ability to obtain broad adoption of and reimbursement for our molecular diagnostic tests in a changing reimbursement environment;
- the demand for our molecular diagnostic tests from physicians and patients;
- whether we are able to successfully utilize our operating experience from our Commercial Services segment to sell our molecular diagnostic tests;
- our dependence on third parties for the supply of some of the materials used in our molecular diagnostic tests;
- our plans to develop, acquire and commercialize our existing and planned molecular diagnostic tests, as applicable;
- the effect current and future laws, licensing requirements and regulation have on our Commercial Services and Interpace Diagnostics segments;
- our exposure to environmental liability as a result of our Interpace Diagnostics segment;
- the susceptibility of our information systems to security breaches, loss of data and other disruptions;
- our compliance with our license agreements and our ability to protect and defend our intellectual property rights;
- product liability claims against us;
- our involvement in current and future litigation against us;
- our billing practices and our ability to collect on claims for the sale of our molecular diagnostic tests and Interpace Diagnostics;
- in our Commercial Services segment, early termination of a significant services contract, the loss of one or more of our significant customers or a material reduction in service revenues from such customers;
- our customer concentration risk in our Commercial Services segment in light of continued consolidation within the pharmaceutical industry and our current business development opportunities;
- our ability to meet performance goals in incentive-based arrangements with customers in our Commercial Services segment;
- our ability to attract and retain qualified sales representatives and other key employees and management personnel;
- changes in outsourcing trends or a reduction in promotional and sales expenditures in the pharmaceutical, biotechnology and healthcare industries;
- competition in the industries in which we operate or expect to operate;
- our ability to obtain additional funds in order to implement our business models and strategies;
- our ability to satisfy our debt, royalty and milestone obligations and comply with our debt covenants;
- our ability to successfully identify, complete and integrate any future acquisitions or successfully complete and integrate our Interpace Diagnostics segment and the effects of any such items on our revenues, profitability and ongoing business;
- failure of third-party service providers to perform their obligations to us;
- the results of any future impairment testing for goodwill and other intangible

assets;

- the effect our largest stockholder may have on us; and

- volatility of our stock price and fluctuations in our quarterly and annual revenues and earnings.

Please see Part I – Item 1A – "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, as well as other documents we file with the United States Securities and Exchange Commission (SEC) from time-to-time, for other important factors that could cause our actual results to differ materially from our current expectations as expressed in the forward-looking statements discussed in this Form 10-Q. Because of these and other risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. In addition, these statements speak only as of the date of the report in which they are set forth and, except as may be required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

OVERVIEW

We are a leading healthcare commercialization company providing go-to-market strategy and execution to established and emerging pharmaceutical, biotechnology, diagnostics and healthcare companies in the United States through our Commercial Services segment, and developing and commercializing molecular diagnostic tests through our Interpace Diagnostics segment.

Our Commercial Services segment is focused on providing outsourced pharmaceutical, biotechnology, medical device and diagnostic sales teams to our customers. Through this business, we offer a range of complementary sales support services designed to achieve our customers' strategic and financial objectives. Our customers in this business include pharmaceutical, biotechnology, diagnostics and healthcare companies. In this business, we also provide integrated multi-channel message delivery.

Our Interpace Diagnostics segment is focused on developing and commercializing molecular diagnostic tests, leveraging the latest technology and personalized medicine for better patient diagnosis and management. Through our Interpace Diagnostics segment, we aim to provide physicians and patients with diagnostic options for detecting genetic and other molecular alterations that are associated with gastrointestinal and endocrine cancers. Customers in our Interpace Diagnostics segment consist primarily of physicians, hospitals and clinics.

We provide pharmaceutical, biotechnology, diagnostics and healthcare companies with full-service outsourced product commercialization and promotion solutions through our Commercial Services segment. Our Commercial Services segment offers customers a range of standard and customizable options for their products throughout their entire lifecycles, from development to commercialization. We have over 25 years of experience in the services business that allows us to provide services that are innovative, flexible and designed to drive our customers' profits and respond to a continually changing market. Over the course of our operating history, we have designed and successfully implemented commercialization programs for many large pharmaceutical companies, a variety of emerging and specialty pharmaceutical and biotechnology companies and diagnostic and other healthcare service providers. Our services provide a vital link between our customers and the medical community through the communication of product information to physicians and other healthcare professionals for use in the care of their patients.

We are also developing and commercializing molecular diagnostic tests to detect genetic and other molecular alterations that are associated with gastrointestinal and endocrine cancers through our Interpace Diagnostics segment. As a result of our 2014 acquisitions of RedPath Integrated Pathology, Inc. (RedPath) and certain assets from Asuragen, Inc. (Asuragen) our Interpace Diagnostics segment offers PancraGen™ (formerly known as PathFinderTG® Pancreas), a diagnostic test designed for determining risk of malignancy in pancreatic cysts, and ThyGenX™, a next-generation sequencing test designed to assist physicians in distinguishing between benign and malignant genotypes in indeterminate thyroid nodules. We are also excited about the April 2015 launch of ThyraMIR™, our second thyroid nodule cancer test, which is a micro RNA-based highly sensitive "rule out" thyroid cancer complementary test. The combination of ThyGenX™ and ThyraMIR™ should establish us as a strong competitor in the thyroid cancer test space.

In addition, we have three diagnostic tests in late stage development that are designed to detect genetic and other molecular alterations that are associated with gastrointestinal cancers.

DESCRIPTION OF REPORTING SEGMENTS

For the quarter ended March 31, 2015, the operating segments or service offerings included in our reporting segments are as follows:

- Commercial Services reporting segment, consists of the following service offerings:

- Personal Promotion, through our:
  - Dedicated Sales Teams; and
  - Established Relationship Team.
- Medical and Clinical Services; and
- Full product commercialization.

- Interpace Diagnostics reporting segment, which consists of the following operating segments:
  - Gastrointestinal; and
  - Endocrinology.

Selected financial information for each of these segments is contained in Note 11, Segment Information, to these interim financial statements and in the discussion under the caption *Consolidated Results of Operations.*

Commercial Services

Nature of Contracts by Segment

Revenue, net (revenue) under Commercialization Services contracts is generally based on the number of sales representatives utilized or the number of physician details made and, when applicable, the full commercial operations services provided. If contracts include full commercial operations services, we have determined that there are two units of accounting in these arrangements: the sales team providing product detailing services; and the commercial operations providing full supply chain management, operations, marketing, compliance, and regulatory/medical management services. Revenue is generally recognized on a straight-line basis over the contract period or as the physician details are performed. A portion of revenues earned under certain contracts may be risk-based. The risk-based metrics may be based on activity metrics such as call activity, turnover, or other agreed upon measures, or on contractually defined percentages of prescriptions written. Revenue from risk-based metrics is recognized in the period which the metrics have been attained and when we are reasonably assured that payment will be made. Many of our product detailing contracts also allow for additional periodic incentive fees to be earned if certain activities have occurred or client specific sales performance benchmarks have been attained. Revenue from incentive fees is recognized in the period earned when the performance benchmarks have been attained and when we are reasonably assured that payment will be made. Many contracts also stipulate penalties if agreed upon performance benchmarks have not been met. Revenue is recognized net of any potential penalties until the performance criteria relating to the penalties have been achieved. Commission based revenue is recognized when performance is completed.

Our Commercial Services contracts are generally for terms of one to three years and may be renewed or extended. The majority of these contracts, however, are terminable by the customer without cause upon 30 days' to 180 days' prior written notice. Certain contracts include provisions mandating that such notice may not be provided prior to a pre-determined future date and also provide for termination payments if the customer terminates the agreement without cause. Typically, however, the total compensation provided by minimum service periods (otherwise referred to as minimum purchase obligations) and termination payments within any individual agreement will not fully offset the revenue we would have earned from fully executing the contract or the costs we may incur as a result of its early termination.

We maintain continuing relationships with our Commercial Services customers which may lead to multiple ongoing contracts between us and one customer. In situations where we enter into multiple contracts with one customer at or near the same time, we evaluate the various factors involved in negotiating the arrangements in order to determine if the contracts were negotiated as a package and should be accounted for as a single agreement.

Cost of services consists primarily of the costs associated with executing product detailing programs, performance based contracts or other sales and marketing services identified in the contract and includes personnel costs and other direct costs, as well as the initial direct costs associated with staffing a product detailing program. Personnel costs, which constitute the largest portion of cost of services, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the sales representatives, sales managers and professional staff that are directly responsible for executing a particular program. Other direct costs include, but are not limited to, facility rental fees, travel expenses, sample expenses and other promotional expenses.

Initial direct program costs are the costs associated with initiating a product detailing program, such as recruiting and hiring and certain other direct incremental costs, excluding pass through costs that are billed to customers. Other direct costs include, but are not limited to, facility rental fees, travel expenses, sample expenses and other promotional expenses.

Reimbursable out-of-pocket expenses include those relating to travel and other similar costs, for which we are reimbursed at cost by our customers. Reimbursements received for out-of-pocket expenses incurred are characterized as revenue and an identical amount is included as cost of services in the consolidated statements of comprehensive loss.

Training costs include the costs of training the sales representatives and managers on a particular product detailing program so that they are qualified to properly perform the services specified in the related contract. For the majority of our contracts, training costs are reimbursable out-of-pocket expenses.

Interpace Diagnostics

Interpace Diagnostics revenue is generated using our proprietary tests. Our performance obligation is fulfilled upon the completion, review and release of test results. In conjunction with fulfilling these services, we bill the third-party payor or hospital. We recognize Interpace Diagnostics revenue related to billings for Medicare, Medicare Advantage, and hospitals on an accrual basis, net of contractual adjustment, when a contract is in place, a reliable pattern of collectability exists and collectability is reasonably assured. Contractual adjustments represent the difference between the list prices and the reimbursement rate set by Medicare and Medicare Advantage, the contractual rate or the amounts agreed to with hospitals.

Until a contract has been negotiated with a commercial insurance carrier or governmental program, the services may or may not be covered by these entities existing reimbursement policies. In addition, we do not enter into direct agreements with patients that commit them to pay any portion of the cost of the tests in the event that insurance declines to reimburse us. 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 or cash receipt. Accordingly, we recognize revenue from commercial insurance carriers and governmental programs without contracts, when payment is received.

Persuasive evidence of an arrangement exists and delivery is deemed to have occurred upon completion, review, and release of the test results at which time we will bill 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, requires significant judgment by our management. Our management believes that these two criteria have been met when there is contracted reimbursement coverage 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, we believe that the fee is fixed or determinable and collectability is reasonably assured only upon request of third-party payor notification of payment or when cash is received, and we recognize revenue at that time.

Cost of services consists primarily of the costs associated with operating our laboratories and other costs directly related to our tests. Personnel costs, which constitute the largest portion of cost of services, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for laboratory personnel. Other direct costs include, but are not limited to, laboratory supplies, certain consulting expenses, and facility expenses.

CONSOLIDATED RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain statements of operations data as a percentage of revenue, net. The trends illustrated in this table may not be indicative of future results.

	Three Months Ended March 31,	
	2015	2014
Revenue, net		
Commercial Services	94.5 %	100.0 %
Interpace Diagnostics	5.5 %	— %
Total revenue, net	100.0 %	100.0 %
Cost of revenue		
Commercial Services	80.4 %	83.2 %
Interpace Diagnostics	74.4 %	— %
Total cost of revenue	80.0 %	83.9 %
Gross profit	20.0 %	16.1 %
Sales and marketing expense	5.8 %	— %
Research and development expense	0.6 %	— %
General and administrative expense	18.8 %	17.4 %
Acquisition related amortization expense	2.3 %	— %
Total operating expenses	27.5 %	17.4 %
Operating loss	(7.5)%	(1.3)%
Interest expense	(2.2)%	— %
Other expense, net	(0.2)%	(0.1)%
Loss income from continuing operations before income tax	(10.0)%	(1.4)%
(Benefit) provision for income tax	(0.2)%	0.2 %
Loss from continuing operations	(9.8)%	(1.6)%
Loss from discontinued operations, net of tax	(0.3)%	(3.5)%
Net loss	(10.1)%	(5.1)%

Results of Continuing Operations for the Quarter Ended March 31, 2015 Compared to the Quarter Ended March 31, 2014

Overview

We currently operate in two reporting segments: Commercial Services and Interpace Diagnostics. In the first quarter of 2015, the revenue, net (revenue) increase in our Commercial Services segment drove an increase in gross profit relative to the first quarter of 2014. As anticipated, we incurred a loss within the quarter around our Interpace Diagnostics segment due to the ramping up of this business.

Our Commercial Services revenue and profitability depend to a great extent on our relationships with a limited number of large pharmaceutical companies. Our two largest customers in 2014 accounted for approximately 47.4% and 22.3%, respectively, of our revenue. We believe that we will continue to experience a high degree of customer concentration and that the loss or a significant reduction of business from any of our major customers, or a decrease in demand for our services, could have a material adverse effect on our business, financial condition and results of operations.

Revenue, net (in thousands)

	Three Months Ended March 31,			
	2015	2014	Change ($)	Change (%)
Commercial Services	$ 36,202	$ 31,832	$ 4,370	13.7%
Interpace Diagnostics	2,117	—	2,117	—%
Total	$ 38,319	$ 31,832	$ 6,487	20.4%

Consolidated revenue for the quarter ended March 31, 2015 increased by $6.5 million, or 20.4%, to $38.3 million, compared to the quarter ended March 31, 2014. The increase was primarily a result of the start of a large Established Relationship Team (ERT) contract in the fourth quarter of 2014 in our Commercial Services segment and sales of PancraGen in our Diagnostic Services segment.

Revenue in our Commercial Services segment for the quarter ended March 31, 2015 increased by $4.4 million, or 13.7%, to $36.2 million, compared to the quarter ended March 31, 2014. This increase was primarily due to the start of the ERT contract mentioned above.

Revenue in our Interpace Diagnostic segment for the quarter ended March 31, 2015 was $2.1 million. This revenue was attributable to our 2014 acquisitions and sales of PancraGen. There was no revenue for this segment in the first quarter of 2014.

Cost of revenue (in thousands)

	Three Months Ended March 31,			
	2015	2014	Change ($)	Change (%)
Commercial Services	$ 29,100	$ 26,493	$ 2,607	9.8%
Interpace Diagnostics	1,574	219	1,355	618.7%
Total	$ 30,674	$ 26,712	$ 3,962	14.8%

Consolidated cost of revenue for the quarter ended March 31, 2015 increased by $4.0 million, or 14.8%, to $30.7 million, compared to the quarter ended March 31, 2014. The increase in cost of revenue is directly attributable to the increase in revenues in both of our segments.

Cost of revenue in our Commercial Services segment for the quarter ended March 31, 2015 increased by $2.6 million, or 9.8%, to $29.1 million, compared to the quarter ended March 31, 2014. The increase in Commercial Services cost of revenue is due to the additional headcount associated with the increase in revenue discussed above.

Cost of revenue in our Interpace Diagnostic segment for the quarter ended March 31, 2015 was $1.6 million, compared to the quarter ended March 31, 2014 of $0.2 million. The cost of revenue increase was attributable to the acquisitions we made in the third and fourth quarters of 2014.

Gross profit (in thousands)

Three Months Ended March 31,	Commercial Services	% of Sales	Interpace Diagnostics	% of Sales	Total	% of Sales
2015	$ 7,102	19.6%	$ 543	25.6%	$ 7,645	20.0%
2014	5,339	16.8%	(219)	—%	5,120	16.1%
Change	$ 1,763		$ 762		$ 2,525	

Consolidated gross profit for the quarter ended March 31, 2015 increased by $2.5 million, or 49.3%, to $7.6 million, compared to the quarter ended March 31, 2014. The change in consolidated gross profit was primarily attributable to the increase in revenue in both segments.

The gross profit percentage in our Commercial Services segment for the quarter ended March 31, 2015 increased to 19.6%, from 16.8% in the quarter ended March 31, 2014. This increase was primarily due to slightly higher margins within our Dedicated Sales Teams and an increase in revenue and gross profit from our ERT.

The gross profit percentage in our Interpace Diagnostics segment for the quarter ended March 31, 2015 was 25.6%.

Sales and marketing expense (in thousands)

Three Months Ended March 31,	Commercial Services	% of Sales	Interpace Diagnostics	% of Sales	Total	% of Sales
2015	$ —	—%	$ 2,226	105.1%	$ 2,226	5.8%
2014	—	—%	—	—%	—	—%
Change	$ —		$ 2,226		$ 2,226	

Sales and marketing expense in our Interpace Diagnostic segment for the quarter ended March 31, 2015 was $2.2 million. As a percentage of segment revenue, sales and marketing expense was 105.1% for the quarter ended March 31, 2015, due to the ramping up of the business. We did not have sales and marketing expenses in the first quarter of 2014.

Research and development expenses (in thousands)

Three Months Ended March 31,	Commercial Services	% of Sales	Interpace Diagnostics	% of Sales	Total	% of Sales
2015	$ —	—%	$ 232	11.0%	$ 232	0.6%
2014	—	—%	—	—%	—	—%
Change	$ —		$ 232		$ 232	

Research and development expenses in our Interpace Diagnostics segment for the quarter ended March 31, 2015 was $0.2 million compared. As a percentage of revenue, research and development expenses were 11.0% for the quarter ended March 31, 2015. There were no research and development expenses in the first quarter of 2014.

General and administrative expenses (in thousands)

Three Months Ended March 31,	Commercial Services	% of Sales	Interpace Diagnostics	% of Sales	Total	% of Sales
2015	$ 5,639	15.6%	$ 1,560	73.7%	$ 7,199	18.8%
2014	4,873	15.3%	661	—%	5,534	17.4%
Change	$ 766		$ 899		$ 1,665	

Consolidated general and administrative expenses for the quarter ended March 31, 2015 increased by $1.7 million compared to the quarter ended March 31, 2014. This is primarily attributable to our third and fourth quarter 2014 acquisitions and an increase in employee compensation costs. General and administrative expenses as a percentage of segment revenue were 18.8% for the quarter ended March 31, 2015 and 17.4% for the quarter ended March 31, 2014.

General and administrative expenses in our Commercial Services segment for the quarter ended March 31, 2015 increased by $0.8 million compared to the quarter ended March 31, 2014. This is primarily attributable to an increase in employee compensation costs of $0.6 million. General and administrative expenses as a percentage of segment revenue were 15.6%. General and administrative expenses for the quarter ended March 31, 2014 were $4.9 million and 15.3% as a percentage of segment revenue.

General and administrative expenses in our Interpace Diagnostics segment for the quarter ended March 31, 2015 increased by $0.9 million compared to the quarter ended March 31, 2014. This is primarily attributable to our acquisitions in the third and fourth quarters of 2014. General and administrative expenses as a percentage of revenue were 73.7% due to the ramping up of the business. General and administrative expenses for the quarter ended March 31, 2014 were $0.7 million.

Acquisition related amortization expense (in thousands)

Three Months Ended March 31,	Commercial Services	% of Sales	Interpace Diagnostics	% of Sales	Total	% of Sales
2015	$ —	—%	$ 870	41.1%	$ 870	2.3%
2014	—	—%	—	—%	—	—%
Change	$ —		$ 870		$ 870	

Acquisition related amortization expense in our Interpace Diagnostics segment for the quarter ended March 31, 2015 was $0.9 million. There was no amortization expense for the quarter ended March 31, 2014.

Operating loss

We had consolidated operating losses of $2.9 million and $0.4 million for the quarters ended March 31, 2015 and 2014, respectively. The increase in operating loss was primarily due to the start-up costs and investments made in our Interpace Diagnostics segment, partially offset by improved performance in our Commercial Services segment.

(Benefit) provision for income tax

We had an income tax benefit of approximately $0.1 million for the quarter ended March 31, 2015 and income tax expense of approximately $0.1 million for the quarter ended March 31, 2014. Income tax benefit for the quarter ended March 31, 2015 was primarily due to a loss at one of our operating subsidiaries for which we are able to benefit the net operating losses, offset by minimum state and local taxes and gross margin taxes at various subsidiaries. Income tax expense for the quarter ended March 31, 2014 was primarily due to state and local taxes as we and our subsidiaries file separate income tax returns in numerous state and local jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2015, we had cash and cash equivalents and short-term investments of approximately $17.1 million and working capital of $9.1 million, compared to cash and cash equivalents and short-term investments of approximately $23.2 million and working capital of approximately $11.3 million at December 31, 2014. As of March 31, 2015 we had outstanding commercial debt of $20.0 million and subordinated notes payable of $11.0 million with a net present value of $7.7 million.

For the three-month period ended March 31, 2015, net cash used in operating activities was $5.6 million, compared to net cash used in operations of $6.5 million for the three-month period ended March 31, 2014. The primary component of cash used in operating activities during the three-month period ended March 31, 2015 was the net loss of $3.9 million and the increase in accounts receivable. The main component of cash used in operating activities during the three-month period ended March 31, 2014 was an increase in accounts receivable of $6.0 million.

As of March 31, 2015 and December 31, 2014, we had $5.5 million and $5.9 million of unbilled costs and accrued profits on contracts in progress, respectively. When services are performed in advance of billing, the value of such services is recorded as unbilled costs and accrued profits on contracts in progress. Normally all unbilled costs and accrued profits are earned and billed within 12 months from the end of the respective period. As of March 31, 2015 and December 31, 2014, we had $10.9 million and $6.8 million of unearned contract revenue, respectively. When we bill clients for services before they have been completed, billed amounts are recorded as unearned contract revenue and are recorded as income when earned.

For the three-month period ended March 31, 2015, we had net cash used in investing activities of $0.5 million related to capital expenditures. For the three-month period ended March 31, 2014, there was $1.1 million of cash used in investing activities including $0.5 million of capital expenditures and $0.6 million in a loan made to a diagnostic company. All capital expenditures were funded out of available cash.

For the three-month periods ended March 31, 2015 and March 31, 2014, net cash used in financing activities consisted of shares of our stock that were delivered to us and included in treasury stock for the payment of taxes resulting from the vesting of restricted stock. During the period ended March 31, 2015 we made $0.8 million in interest payments on our financing arrangement.

Going Forward

In 2014 we differentiated ourselves by acting on our strategy of adding more predictable, higher growth, higher margin business that could reduce the natural volatility of our current core business. With our acquisitions of RedPath and certain assets from Asuragen, we executed on our strategic intent of becoming a leading commercialization company for the molecular diagnostics industry. We will expand commercialization of our Interpace Diagnostics as we progress 2015.

In addition, we will continue to focus on the flawless execution of our Commercial Services contracts in order to consistently deliver desired results. We recognize that our relationships with customers are dependent upon the quality of our performance and our ability to reach and engage their target audiences in a positive and meaningful manner. Through our core outsourced promotional services expertise, we will continue to provide innovative and flexible service offerings designed to drive our customers' businesses forward and successfully respond to a continually changing market. We have, and will continue to, evolve our promotional capabilities for many large pharmaceutical companies, a variety of emerging and specialty pharmaceutical and biotechnology companies as well as diagnostic and other healthcare service providers.

We will continue to be diligent with our cash, supplemented by additional financings, if necessary, to continue our strategy of commercializing our molecular diagnostic tests. We will focus on non-dilutive financing opportunities through collaborations and licensing and, if necessary, through equity offerings and debt financing. We will continue to manage resources efficiently, and add both internal and external resources, if necessary, to execute upon our strategy.

Our primary sources of liquidity are cash generated from our operations and available cash and cash equivalents. These sources of liquidity are needed to fund our working capital requirements, contractual obligations and estimated capital expenditures of approximately $1.5 million in 2015. We expect our working capital requirements to increase as a result of growing our molecular diagnostics business.

Considering the information provided above, we anticipate 2015 operations will result in a loss and 2015 cash flows will be negative. We believe that we have adequate cash resources to execute our strategy for our next 12 months. We are constantly evaluating strategies to provide the resources that will allow us to execute our strategic plan. We may require alternative forms of financing to achieve our strategic plan. There are many risks associated with executing our strategy. Failure to meet our financing requirements, if and when needed, would have an adverse effect on our operations or could restrict our growth, limit the development of our businesses, and hinder our ability to fulfill existing or future obligations.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

PDI is a smaller reporting company as defined by the disclosure requirements in Regulation S-K of the SEC and therefore not required to provide this information.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, management is required to apply its judgment in evaluating the benefits of possible disclosure controls and procedures relative to their costs to implement and maintain.

Based on our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in internal controls

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Prolias Technologies, Inc. v. PDI, Inc.

On April 8, 2015, Prolias Technologies, Inc. ("Prolias") filed a complaint (the "Complaint") against the Company with the Superior Court of New Jersey (Morris County) in a matter entitled Prolias Technologies, Inc. v. PDI, Inc. (Docket No. MRS-L-899-15). In the Complaint, Prolias alleges that it and the Company entered into an August 19, 2013 Collaboration Agreement and a First Amendment thereto (collectively the "Agreement"), whereby Prolias and the Company agreed to work in good faith to commercialize a diagnostic test known as "Thymira." Thymira is a minimally invasive diagnostic test that is being developed to detect thyroid cancer.

Prolias alleges in the Complaint that the Company wrongfully terminated the Agreement, breached obligations owed to it under the Agreement and committed torts by (i) failing to effectively and timely validate Thymira, (ii) purchasing a competitor of Prolias and working to commercialize the competitive product at the expense of Thymira, and (iii) interfering with a license agreement that Prolias had with Cornell University related to a license for Thymira. Prolias asserts claims against the Company for breach of contract, breach of the covenant of good faith and fair dealing, intentional interference with contract and breach of fiduciary duty and seeks to recover unspecified compensatory damages, punitive damages, interest and costs of suit.

The Company was served with the Complaint on April 15, 2015 and its deadline to respond to the Complaint is May 20, 2015. The Company denies that it is liable to Prolias for any of the claims asserted in the Complaint and it intends to vigorously defend itself.

Item 1A. Risk Factors

There have been no material changes to the risk factors discussed in Part I, “Item 1A. Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2014 (Form 10-K). You should carefully consider the risks described in our Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or results of operations. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
10.1	Collaboration Agreement, dated August 19, 2013, by and between Prolias Technologies Inc., a Delaware corporation and the Company, filed herewith.
10.2	Severance Agreement and General Release, dated February 27, 2015, by and between the Company and Jeffrey E. Smith, filed herewith.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101	The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015 formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Cash Flows; and (iv) the Notes to Condensed Consolidated Financial Statements.

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, thereunto duly authorized.

Date: May 12, 2015

PDI, Inc.
(Registrant)

/s/ Nancy S. Lurker
Nancy S. Lurker
Chief Executive Officer

/s/ Graham G. Miao
Graham G. Miao
Chief Financial Officer

COLLABORATION AGREEMENT

By and Between
PROLIAS TECHNOLOGIES INC.

and

PDI, INC.

Dated as of August 19, 2013

TABLE OF CONTENTS

EXHIBITS

COLLABORATION AGREEMENT

COLLABORATION AGREEMENT, dated as of August 19, 2013 (the "Effective Date"), by and between **PROLIAS TECHNOLOGIES INC.**, a Delaware corporation (**"Prolias"**) and **PDI, INC.**, a Delaware corporation (**"PDI"**).

STATEMENT

A. Prolias is an emerging molecular diagnostics company focusing on predictive and prognostic genetic cytology.

B. Prolias has rights to the following diagnostic tests: (i) Thymira™ - a diagnostic test used to differentiate between benign and malignant 'indeterminate' thyroid FNA lesions comprised of 4 biomarkers that measure microRNA expression levels from a sample using fine needle aspiration ("**Thymira**"); and (ii) Armira™ - a test to diagnose kidney transplant rejection by predicting acute rejection and renal allograft function.

C. PDI is a provider of outsourced commercial services to pharmaceutical, biotechnology and medical device clients in the United States and offers a broad range of sales support services, clinical educator services, digital communications, tele-detailing and full-service product commercialization solutions.

D. PDI and Prolias desire to collaborate on the commercialization of Thymira pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, PDI and Prolias hereby agree as follows:

Article 1
DEFINITIONS

1.1. DEFINITIONS

In this Agreement, the following terms have the meanings specified or referred to in this Section 1.1 and shall be equally applicable to both the singular and plural forms. Any agreement referred to below shall mean such agreement as amended, supplemented and modified from time to time to the extent permitted by the applicable provisions thereof and by this Agreement.

"Acquisition" has the meaning set forth in Section 3.5(a) below.

"Alternative Transaction" has the meaning set forth in Section 8.6.

"Affiliate" of any Person shall mean any other Person which directly or indirectly controls, is controlled by or is under common control with, such Person. The term "control" (including its correlative meanings "controlled by" and "under common control with") means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

"Agreement" means this Collaboration Agreement (including all Exhibits hereto other than Exhibit A) as it may be amended from time to time.

"Anniversary Date" has the meaning set forth in Section 2.1 below.

"Applicable Law" means any United States or foreign statute, law (including the common law), ordinance, rule, code, or regulation that applies in whole or in part to, as the case may be, Prolias or PDI or any of their respective businesses, properties or assets. Any reference to any federal, provincial, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

"Business Day" means any day of the year on which national banking institutions in New Jersey are open to the public for conducting business and are not required or authorized to close.

"Claim Notice" has the meaning set forth in Section 9.5(a).

"Closing" has the meaning set forth in Section 3.5(a).

"Closing Conditions" has the meaning set forth in Section 3.4.

"Closing Date" has the meaning set forth in Section 3.5(b).

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

"Commercial Reimbursement Milestone Payment" has the meaning set forth in Section 4.1(b)(i).

"Commercialization" has the meaning set forth in Section 2.1(b).

"Confidentiality Agreement" means the Confidential Disclosure Agreement dated May 7, 2013 between PDI and Prolias.

"Cornell License Agreements" means (i) the Amended and Restated License Agreement between Prolias and Cornell University for Docket No. D-5394, dated August 16, 2013 and (ii) the Amended and Restated Copyright License Agreement between Prolias and Cornell University for Docket No. D-5919, dated August 16, 2013.

"Cornell Rights" has the meaning set forth in the definition of IP Clearance.

"Effective Date" has the meaning set forth in the introductory paragraph to this Agreement.

"Established Commercial Reimbursement Amount" means, as to any commercial use of the Thymira diagnostic test, the net reimbursement per specimen paid by any one of the nationally recognized third party insurance companies with respect to such diagnostic test; provided, however, that if multiple nationally recognized third party insurance companies have paid reimbursements with respect to the commercial use of the Thymira diagnostic test, the Commercial Reimbursement Milestone Payment shall be calculated based on the average net reimbursement per specimen paid by all such nationally recognized third party insurance companies.

"Established Medicare Reimbursement Amount" means, as to any commercial use of the Thymira diagnostic test, the net reimbursement per specimen paid by the Centers for Medicare & Medicaid Services ("CMS") for such diagnostic test.

"Expenses" means all reasonable out-of-pocket expenses incurred in connection with defending any claim, action, suit or proceeding incident to any matter indemnified hereunder (including court filing fees, court costs, arbitration or mediation fees or costs, and reasonable fees and disbursements of legal counsel).

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Government Program" means any program administered by any Governmental Body applicable to Prolias.

"Governmental Body" means any United States or foreign government, whether federal, state, municipal or local, or other governmental, legislative, executive or judicial authority, commission or regulatory body.

"Hernandez" means Joseph Hernandez, an individual and the principal stockholder of Prolias.

"Indemnification Threshold" has the meaning set forth in Section 9.4(a).

"Indemnified Party" has the meaning set forth in Section 9.5(a).

"Indemnitor" has the meaning set forth in Section 9.5(a).

"Intellectual Property" means all trademarks, trademark applications, trade names, copyrights, copyright applications, patents and patent applications (and all royalty, license or other agreements regarding

such intellectual property), logos, licenses, trade secrets, internet domain names owned or reserved, Software owned or licensed, Technology owned or licensed and other rights and registrations.

"IP Clearance" means:

(a) there is no Legal Proceeding pending or, to the Knowledge of the Parties, threatened, by any third party, claiming or alleging that Prolias has interfered with, infringed upon, misappropriated, or violated any Intellectual Property or Technology of a third party (collectively, "**Third Party Infringement**"); and

(b) no Party is aware of any facts, circumstances or other grounds to reasonably believe that: (i) practicing any of the rights granted to Prolias pursuant to the Cornell License Agreements, including use of the Patent Rights or Technology and/or the development, manufacturing and/or selling of Licensed Products (collectively, the "**Cornell Rights**"), is reasonably likely to constitute or result in any Third Party Infringement; and (ii) a reasonable possibility exists that a Legal Proceeding may be filed or commenced against any Party or its Affiliates claiming or alleging that practicing any of the Cornell Rights by any such Party (or its Affiliates) does or would constitute a Third Party Infringement; and

(c) no patents under any of the Cornell License Agreements have been declared or held invalid or are being challenged.

"JS Genetics JV Agreement" means the Joint Venture Agreement between Prolias and JS Genetics, Inc. made and entered into as of December 1, 2012.

"Legal Proceeding" means any action, suit, proceeding, hearing, mediation, claim (including any counterclaim), written notice or other written assertion of legal liability or investigation of, in, or before any Governmental Body or before any arbitrator.

"Licensed Method" means any method that is claimed in Patent Rights, the use of which would constitute, but for the license granted to Prolias under the Cornell License Agreements, an infringement, an inducement to infringe or contributory infringement, of any Patent Rights.

"Licensed Product" means any service, composition or product that is claimed in Patent Rights, or that is produced or enabled by a Licensed Method, or the manufacture, use, sale, offer for sale, or importation of which would constitute, but for the license granted to Prolias under the Cornell License Agreements, an infringement, an inducement to infringe or contributory infringement, of any Patent Rights.

"Losses" means any and all losses, costs, obligations, liabilities, settlement payments, awards, judgments, fines, penalties, damages (including incidental damages, but excluding indirect, consequential, exemplary and punitive damages except to the extent such damages are payable to a third party), reasonable expenses, deficiencies, debts, adverse claims or other charges (whether in contract, tort, strict liability or otherwise).

"Material Adverse Change" means any change, effect, event, occurrence or state of facts that is materially adverse to (a) the business, properties, assets, financial condition, prospects or results of operations of Prolias, taken as a whole or (b) the ability of Prolias to perform its obligations under this Agreement or to consummate the transactions contemplated hereby; provided, however, any adverse change, effect or circumstance resulting from general economic factors affecting the economy as a whole, to the extent that such factors do not have a disproportionate effect on Prolias relative to other companies operating in the

molecular diagnostics industry, that materially impair Prolias's ability to conduct its operations shall not be deemed in themselves, either alone or in combination, to constitute, and shall not be taken into account in determining whether there has been, a Material Adverse Change.

"Medicare Reimbursement Milestone Payment" has the meaning set forth in Section 4.1(a)(i).

"Milestone Payment" or **"Milestone Payments"** have the meanings set forth in Article 4.

"Net Revenue" means the total of the gross revenue actually collected on Licensed Products sold or leased by PDI (or its Affiliates), or any Affiliate of such party, as applicable), or any combination thereof, less the sum of the following deductions: cash, trade, or quantity discounts; sales, use, tariff, import/export duties or other excise taxes imposed on particular sales; transportation charges; or credits to customers because of rejections or returns.

"NY CLIA Approval" means that a CLIA application (Form CMS-116) has been completed and it and all accompanying documents have been submitted to and accepted by the New York State Department of Health (the "**NYDOH**") for a laboratory facility selected by Prolias (and approved by PDI, such approval not to be unreasonably withheld) and the NYDOH has issued (i) a certificate of compliance (containing a CLIA number) with all applicable CLIA requirements to such laboratory authorizing it to conduct the Thymira tests, or (ii) waivers necessary to enable the commencement of commercialization of the Thymira tests in New York.

"Option Conditions" has the meaning set forth in Section 3.3 below.

"Order" means any order, judgment, injunction, decree, award, ruling, doctrine, assessment, arbitration award, charge or writ of any court, tribunal or other Governmental Body or arbitrator.

"Ordinary Course" means any transaction relating to Prolias which constitutes an ordinary day-to-day business activity of Prolias reasonably consistent with past practice of Prolias.

"Organic Documents" means, with respect to a corporation, such corporation's charter or certificate of incorporation and by-laws, or, with respect to a general or limited partnership, such partnership's general or limited partnership agreement, or, with respect to a limited liability company, such limited liability company's certificate of formation and operating agreement.

"Parties" means PDI and Prolias, collectively, and "**Party**" means any one of them.

"Patent Rights" shall have the meaning ascribed to it in the Cornell License Agreements.

"PDI" has the meaning set forth in the introductory paragraph to this Agreement.

"PDI Call Option" has the meaning set forth in Section 3.1.

"PDI Call Option Expiration Date" has the meaning set forth in Section 3.1.

"PDI Commercialization Expenditures" has the meaning set forth in Section 2.1(e).

"PDI Documents" has the meaning set forth in Section 6.1(b).

"PDI Indemnitees" has the meaning set forth in Section 9.2.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or other entity.

"Prolias" has the meaning set forth in the introductory paragraph to this Agreement.

"Prolias Documents" means all agreements, documents, or instruments or certificates contemplated by this Agreement or to be executed by Prolias in connection with the transactions contemplated by this Agreement.

"Prolias Indemnitees" has the meaning set forth in Section 9.3.

"Prolias Put Option" has the meaning set forth in Section 3.2.

"Prolias Put Option Expiration Date" has the meaning set forth in Section 3.2.

"Prolias Shareholders" shall mean the shareholders of Prolias.

"Promissory Note" has the meaning set forth in Section 10.2(a).

"Representatives" has the meaning set forth in Section 8.6.

"Royalty Payments" has the meaning set forth in Section 5.1.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Interest" means any mortgage, pledge, lien, deed of trust, claim, lease, option, right of first refusal, easement, servitude, proxy, voting trust or agreement, transfer restriction under any shareholder or similar agreement, encumbrance, charge, or other security interest, restriction or limitation.

"Sensitivity Milestone Payment" has the meaning set forth in Section 4.2(a).

"Sensitivity Rating" means a rating to determine sensitivity utilizing true positives divided by the sum of true positives and false negatives times one hundred (100).

"Shares" shall mean all of the issued and outstanding capital stock of Prolias.

"Software" means computer programs, whether in source code or object code, databases, and all descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing; and all documentation including user manuals and other training documentation related to any of the foregoing.

"Specificity Milestone Payment" has the meaning set forth in Section 4.2(b).

"Stock Purchase Agreement" has the meaning set forth in Section 3.5(a).

"Stock Purchase Price" means the total Milestone Payments payable under Article 4 subject to any adjustments to such purchase price as set forth in the Stock Purchase Agreement.

"Specificity Rating" means a rating to determine specificity utilizing true negatives divided by the sum of false positives and true negatives times one hundred (100).

"Technology" means, collectively, designs, formulae, procedures, methods, techniques, ideas, know-how, results of research and development, Software, inventions, apparatus, creations, works of authorship and other similar materials, and all recordings, graphs, drawings, reports, analyses, and other writings, and any other embodiments of the above, in any form whether or not specifically listed herein.

"Third Party Claim" has the meaning set forth in Section 9.6(a).

"Third Party Infringement" has the meaning set forth in the definition of IP Clearance.

"Thymira Study" means a study to be conducted after the Effective Date, using a minimum number of human subjects to be agreed to by the Parties, to test the clinical effectiveness of Thymira when compared to other technologies, diagnostic tests or products, the results of which shall be statistically significant and the cost of which shall not exceed $500,000.

"Thymira Validation" shall mean a Validation Study completed and ready for submission to New York State by JS Genetics, Inc. (or an equivalent New York State-certified organization), which has been reviewed and approved by PDI before submission, showing that the Thymira assay meets analytical and clinical validation requirements using standard and well-accepted NY CLIA approval guidelines and NY CLIA submission standards.

"Torreya Agreement" has the meaning set forth in Section 8.9.

1.2. CONSTRUCTION

The Parties have participated jointly in the negotiation and preparation of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

1.3. HEADINGS

The division of this Agreement into articles, sections, subsections, and exhibits and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The article, section, subsection and exhibit headings in this Agreement are not intended to be full or precise descriptions of the text to which they refer and are not to be considered part of this Agreement.

1.4. NUMBER AND GENDER

In this Agreement, words in the singular include the plural and vice-versa and words in one gender include all genders.

1.5. KNOWLEDGE

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the "Knowledge" of a natural Person, it shall be deemed to refer to knowledge of such Person after due inquiry, and where any representation or warranty contained in this Agreement is expressly qualified by reference to the "Knowledge" of a Person that is not an individual, it shall be deemed to refer to the knowledge after due inquiry of such Person's directors and executive officers (including, in the case of Prolias, Hernandez) and all other officers and managers having responsibility relating to the applicable matter.

1.6. STATUTES

Unless specified otherwise, reference in this Agreement to a statute refers to that statute or to any amended or restated legislation of comparable effect. Reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

1.7. "INCLUDING", "HEREIN" AND REFERENCES

The word "including" means "including without limitation" and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it. All uses of the words "herein", "hereto", "hereof", "hereby" and "hereunder" and similar expressions refer to this Agreement and not to any particular section or portion of it. References to an Article, Section, Subsection or Exhibit refer to the applicable article, section, subsection or exhibit of this Agreement.

Article 2
COLLABORATION

2.1. COLLABORATION EFFORTS.

(a) Each of the parties shall use commercially reasonable efforts to achieve Commercialization on or before the first anniversary of the Effective Date (the "**Anniversary Date**"). The Parties will work together to agree upon the general approach and timing of achieving each of the elements comprising Commercialization as set forth in Section 2.1(b), with the understanding that any activity included within such general approach that will require material commitments, obligations, expenditures or deployment of other resources shall be undertaken only with the concurrence of both Parties. Except with respect to achieving IP Clearance, NY CLIA Approval and Thymira Validation, PDI shall have the right to take the lead in such efforts and Prolias agrees to support PDI in such efforts as may reasonably be requested by PDI, and not to pursue any such efforts unilaterally without prior consultation with and authorization by PDI as to any such efforts. None of the Parties guaranty, or provide any assurances to the other Party, that Commercialization can or will be achieved by the Anniversary Date or any time thereafter. PDI and Prolias shall keep each other reasonably informed on the Parties' collaboration efforts and activities and any actual and anticipated material delays in connection therewith.

(b) For purposes of this Agreement, the term **"Commercialization"** shall mean satisfaction of each and every of the following (unless waived by the Parties in writing in accordance with Section 11.9):

(i) there shall be an Established Medicare Reimbursement Amount of at least $2,000.00 per test.

(ii) there shall be an Established Commercial Reimbursement Amount of at least $2,000.00 per test.

(iii) the Thymira Study shall have achieved a Sensitivity Rating of at least 93% or higher.

(iv) the Thymira Study shall have achieved a Specificity Rating of at least 90% or higher.

(v) IP Clearance shall have been achieved and shall continue to be in effect as of the Closing Date; provided, however, for purposes of Section 3.3, IP Clearance shall

have been achieved and shall continue to be in effect as of the date of exercise of the Prolias Put Option.

(vi) Thymira Validation shall have been achieved.

(vii) NY CLIA Approval shall have been achieved.

(viii) There shall be either (a) an amended agreement with JS Genetics, Inc. on economic terms substantially equivalent to the JS Genetics JV Agreement but with a revised termination provision that provides reasonable assurance to PDI of long-term performance under such agreement, or (b) an agreement for substantially equivalent services with another organization equivalent to JS Genetics, Inc. and reasonably satisfactory to PDI that would otherwise satisfy the requirements of clause (a) regarding economic terms and reasonable assurance to PDI of long-term performance.

(c) The Parties will commence efforts to achieve IP Clearance as soon as reasonably possible following the Effective Date; provided, however, the Parties shall agree upon the approach to obtaining such IP Clearance and neither Party will engage in any substantive discussions or negotiations with third parties or otherwise commit to any obligations with regard to IP Clearance, without the other Party's prior consent. PDI shall not be responsible to incur any costs, expenses or other obligations in connection with achieving IP Clearance for purposes of achieving Commercialization.

(d) The Parties will begin the process of planning and preparing for the Thymira Study as soon as reasonably possible following the Effective Date.

(e) Notwithstanding any of the foregoing, in no event shall PDI be obligated to expend in excess of $500,000, in the aggregate, which expenditures shall be for mutually agreed upon activities in furtherance of Commercialization efforts (such amount actually expended, whether greater or less than $500,000, the "**PDI Commercialization Expenditures**"). The PDI Commercialization Expenditures shall be primarily used for the Thymira Study and establishing the reimbursement amount for commercial use of the Thymira diagnostic test from Medicare and a nationally recognized third party insurance company. In no event shall PDI be obligated to initiate the Thymira Study or otherwise incur any obligations, costs or expense unless and until IP Clearance has been achieved or to pursue the Thymira Study if and so long as the IP Clearance is not continuing; provided, however, in the event of any delay or interruption in the Thymira Study because of the lack of IP Clearance, Prolias may pursue any agreed-upon activities related to the Thymira Study using its own funds, subject to reimbursement by PDI promptly after the achievement of IP Clearance (so long as such reimbursement together with PDI's other expenditures in furtherance of Commercialization efforts do not exceed $500,000).

(f) Subject to the provisions of Section 2.1(e), PDI shall reimburse Prolias for any and all amounts expended by Prolias in furtherance of Commercialization, if and to the extent that PDI has agreed in writing to reimburse Prolias for same; provided, however, that prior written approval of PDI shall not be required with respect to any individual expenditure if the amount expended by Prolias does not exceed $15,000, unless a series of individual expenditures would exceed $35,000 in the aggregate. Expenditures by Prolias that do not require prior written approval are still subject to the provisions of Section 2.1(e). As to any such reimbursable amounts, Prolias shall submit itemized invoices to PDI on a monthly basis, together with appropriate supporting documentation, with respect to any amounts due to Prolias pursuant to this Section 2.1(f). PDI shall pay each invoice submitted by Prolias within thirty (30) days of PDI's receipt of such invoice. Prolias shall deliver all invoices to PDI, and PDI shall make all payments to Prolias, at the

Parties' respective addresses set forth in Section 11.6. In the event a dispute arises between the Parties regarding any portion of any invoice, PDI shall pay all undisputed portions of the invoice(s) while withholding payment of the disputed portions pending good faith resolution by the Parties, and such withholding shall not constitute a breach of this Agreement.

(g) At any time following achievement of IP Clearance, the Parties may agree (but shall not be obligated to agree) that PDI may begin limited marketing and/or promotional efforts in connection with the Licensed Product, the parameters and cost of which are to be agreed upon in advance by the Parties. PDI agrees to pay its own costs and expenses associated with its marketing and promotional efforts pursuant to this Section 2.1(g) and such costs and expenses shall not be considered PDI Commercialization Expenditures for purposes of this Agreement. The Parties agree that any and all proceeds generated by PDI's marketing and/or promotional efforts shall be paid to PDI until such time as all costs and expenses incurred by PDI in connection with such marketing and promotional efforts have been paid in full, and any remaining profits shall be shared equally by the Parties, until either the Closing or the termination of this Agreement pursuant to Section 10.2.

2.2. COMPENSATION FOR COLLABORATION.

As full compensation to Prolias for its obligations and collaboration efforts under this Article 2 and for granting the PDI Call Option under Article 3, upon execution and delivery of this Agreement, PDI shall pay Prolias the sum of One Million Five Hundred Thousand Dollars ($1,500,000.00), payable in U.S. Dollars by wire transfer to a Prolias U.S. bank account pursuant to wire instructions to be provided by Prolias. Prolias shall use a portion of these funds to pay and satisfy Prolias's liabilities and obligations due as of the Effective Date, or which become due hereafter, to Cornell University. Prolias shall pay Cornell University all outstanding amounts, including all principal and accrued and unpaid interest, under any and all convertible notes issued by Prolias to Cornell University or its Affiliates, within three (3) Business Days from the effective date of the Cornell License Agreements.

Article 3

CALL AND PUT OPTIONS

3.1. PDI CALL OPTION. PDI shall have the option (but not the obligation) to acquire one hundred percent (100%) of the Shares, which option may be exercised, so long as no notice of termination pursuant to Section 10.2(f) shall be pending, by PDI at any time during the term of this Agreement (whether or not Commercialization shall have been achieved) prior to the date that is the second anniversary date of the Effective Date (the "**PDI Call Option Expiration Date**"), by PDI providing written notice of such exercise to Prolias at any time on or before the PDI Call Option Expiration Date (the "**PDI Call Option**"). If PDI exercises the PDI Call Option on or before the PDI Call Option Expiration Date, then the Prolias Shareholders shall be required to sell all of their Shares to PDI for the Stock Purchase Price.

3.2. PROLIAS PUT OPTION. Prolias shall have the option (but not the obligation) to require PDI to acquire one hundred percent (100%) of the Shares, which option may be exercised by Prolias at any time during the term of this Agreement following satisfaction of the Option Conditions (and provided such Option Conditions remain satisfied at the time of exercise) and prior to the date that is the second anniversary date of the Effective Date (the **"Prolias Put Option Expiration Date")**, by Prolias providing written notice of such exercise to PDI at any time on or before the Prolias Put Option Expiration Date (the **"Prolias Put Option"**). If Prolias exercises the Prolias Put Option, then PDI shall be required to purchase all (but not less than all) of the Shares, from the Prolias Shareholders, for the Stock Purchase Price, and in such event the Prolias Shareholders shall be required to sell all of the Shares to PDI for the Stock Purchase Price.

3.3. PROLIAS PUT OPTION – CONDITIONS TO EXERCISE.

Prolias's right to exercise the Prolias Put Option shall be subject to and conditioned upon complete satisfaction of each and every of the following conditions (collectively, the **"Option Conditions"**) (unless waived by the Parties in writing in accordance with Section 11.9):

(a) Achievement of Commercialization; provided, however, that there is also Commercialization as of the date of exercise of the Prolias Put Option;

(b) the representations and warranties set forth in or referred to in Article 7 and/or Exhibit B shall be true and correct in all material respects, in each case, as of the date of this Agreement and (except for matters which PDI has approved in advance) as of the date of the exercise of the Prolias Put Option, in each case as though made at and as of each such date, except to the extent such representations and warranties expressly speak as of an earlier date (in which case such representations and warranties shall be true and correct in all material respects on and as of such earlier date);

(c) Prolias shall have performed and complied with all obligations and agreements required hereunder in all material respects through the date of exercise of the Prolias Put Option, and no notice of termination pursuant to Section 10.2(e) shall be pending;

(d) there shall not have been or occurred, as of the date of exercise of the Prolias Put Option, any Material Adverse Change;

(e) no Legal Proceeding shall be pending before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an Order would (i) prevent consummation of any of the Acquisition or other transactions contemplated by this Agreement, (ii) cause the Acquisition or the other transactions contemplated by this Agreement to be rescinded following consummation or (iii) affect adversely the right of PDI to own the Shares and to control Prolias; and

(f) Prolias shall have delivered a certificate to PDI signed by Hernandez as an officer of Prolias, dated as of the date of the exercise of the Put Option, stating that to its Knowledge, the Option Conditions set forth in this Section 3.3 have all been satisfied.

3.4. PROLIAS PUT OPTION – CONDITIONS TO CLOSING.

After Prolias's exercise of the Prolias Put Option, the obligation of PDI to consummate the Acquisition shall be subject to and conditioned upon complete satisfaction of each and every of the following conditions (collectively, the **"Closing Conditions"**) (unless waived by the Parties in writing in accordance with Section 11.9):

(a) Achievement of Commercialization; provided, however, that there is also Commercialization as of the Closing Date;

(b) the representations and warranties set forth in or referred to in Article 7 and/or Exhibit B shall be true and correct in all material respects, in each case (except for matters which PDI has approved in advance), as of the Closing Date, as though made at and as of the Closing Date, except to the extent such representations and warranties expressly speak as of an earlier date (in which case such representations and warranties shall be true and correct in all material respects on and as of such earlier date);

(c) Prolias shall have performed and complied with all obligations and agreements required hereunder in all material respects through the Closing Date, and no notice of termination pursuant to Section 10.2(e) shall be pending;

(d) there shall not have been or occurred, as of the Closing Date, any Material Adverse Change;

(e) no Legal Proceeding shall be pending before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an Order would (i) prevent consummation of any of the Acquisition or other transactions contemplated by this Agreement, (ii) cause the Acquisition or the other transactions contemplated by this Agreement to be rescinded following consummation or (iii) affect adversely the right of PDI to own the Shares and to control Prolias;

(f) Prolias shall have delivered a certificate to PDI signed by Hernandez as an officer of Prolias, dated as of the Closing Date, stating that to its Knowledge, the Closing Conditions set forth in this Section 3.4 have all been satisfied; and

(g) such other conditions as may be set forth in the Stock Purchase Agreement.

3.5. STOCK PURCHASE AGREEMENT; CLOSING.

(a) In connection with the closing of the sale and purchase of the Shares (the **"Closing"**) following the exercise of the PDI Call Option or Prolias Put Option, as the case may be (the **"Acquisition"**), each of the Parties shall execute and deliver a stock purchase agreement in form and substance attached hereto as Exhibit A (the **"Stock Purchase Agreement"**). Any such Acquisition shall be accomplished pursuant to the terms of the Stock Purchase Agreement.

(b) The Closing of the Acquisition shall take place at the office of Norris, McLaughlin & Marcus, P.A. (or such other place as may be agreed to by the Parties in writing), at 10:00 a.m. local time, on a date to be specified by the parties (the **"Closing Date"**), which date shall be no later than fifteen (15) Business Days following the exercise of either the PDI Call Option or the Prolias Put Option, as the case may be, or such sooner date as the Parties may agree.

Article 4
MILESTONES

Subject to the terms hereof, if the Closing of the Acquisition occurs following exercise of either the PDI Call Option or the Prolias Put Option, as the case may be, then PDI shall pay to Hernandez for further distribution to the Prolias Shareholders certain milestone payments in accordance with the Stock Purchase Agreement and the terms set forth below (each a "**Milestone Payment**" and collectively, the "**Milestone Payments**"). For the avoidance of doubt, no Milestone Payment otherwise specified in this Article 4 shall be payable unless the Closing shall have also occurred contemporaneously, following exercise of either the PDI Call Option or the Prolias Put Option. Any Extension Fee paid under Section 10.2(c) shall be deemed a partial prepayment of the Milestone Payments otherwise due under this Article 4.

4.1. REIMBURSEMENT.

(a) Medicare (CMS) Reimbursement

(i) If at Closing, the Established Medicare Reimbursement Amount is at least $2,000 per test but not more than $2,499 per test, the Milestone Payment associated with the Established Medicare Reimbursement Amount (the "**Medicare Reimbursement Milestone Payment**") shall be $375,000.

(ii) If at Closing, the Established Medicare Reimbursement Amount is at least $2,500 per test but not more than $2,999 per test, the Medicare Reimbursement Milestone Payment shall be $750,000.

(iii) If at Closing, the Established Medicare Reimbursement Amount is $3,000 per test or greater, the Medicare Reimbursement Milestone Payment shall be $1,250,000.

(b) Commercial Reimbursement

(i) If at Closing, the Established Commercial Reimbursement Amount is at least $2,000 per test, but not more than $2,499 per test, the Milestone Payment associated with the Established Commercial Reimbursement Amount (the "**Commercial Reimbursement Milestone Payment**") shall be $375,000.

(ii) If at Closing, the Established Commercial Reimbursement Amount is at least $2,500 per test, but not more than $2,999 per test, the Commercial Reimbursement Milestone Payment shall be $750,000.

(iii) If at Closing, the Established Commercial Reimbursement Amount is $3,000 per test, or greater, the Commercial Reimbursement Milestone Payment shall be $1,250,000.

4.2. THYMIRA STUDY.

(a) (a) Sensitivity Rating

(i) If the Thymira Study results in Sensitivity Rating of at least 95% or higher, the Milestone Payment associated with such achievement (the "**Sensitivity Milestone Payment**") shall be $1,250,000 (if the Thymira Study results in a Sensitivity Rating that is less than 95%, there shall be no Sensitivity Milestone Payment).

(b) Specificity Rating

(i) If the Thymira Study results in Specificity Rating of at least 90% but not more than 92.99%, the Milestone Payment associated with such achievement (the **"Specificity Milestone Payment"**) shall be $500,000 (if the Thymira Study results in a Specificity Rating that is less than 90%, there shall be no Specificity Milestone Payment).

(ii) If the Thymira Study results in Specificity Rating of at least 93% or higher the Specificity Milestone Payment shall be $1,250,000.

4.3. THYMIRA VALIDATION. For the Thymira Validation achieved as part of Commercialization, the Validation Milestone Payment shall be $500,000.

4.4. **NY CLIA APPROVAL.** For the NY CLIA Approval achieved as part of Commercialization, the NY CLIA Approval Milestone Payment shall be $500,000.

4.5. **TOTAL MILESTONE PAYMENTS; SET OFF.** In no event shall the total Milestone Payments (including any Extension Fee paid pursuant to Section 10.2(c) exceed $6,000,000 in the aggregate. In addition, the total Milestone Payments payable by PDI shall be reduced by any and all payments made by PDI or its Affiliate(s) directly or indirectly through Prolias to any third party (or parties) in connection with achieving and maintaining IP Clearance, either prior to Closing, or after Closing if required by commitments or contractual obligations made or agreed to by Prolias prior to Closing, but including only payments that are reduced to a set or fixed known amount, and payable on a date certain, at the time of entering into the commitment to make such payments. Notwithstanding any other provision herein to the contrary, there shall be no reduction to the Milestone Payments under this Section 4.5 (i) on account of the $1,500,000 payable to Prolias under Section 2.2, or (ii) payments made to Cornell University under the Cornell License Agreements. Subject to Section 9.4(d), nothing in this Section 4.5 shall limit the PDI Indemnitees' rights to indemnification pursuant to Article 9.

Article 5
ROYALTIES

5.1. **ROYALTY PAYMENTS**. Subject to the terms hereof, if (and only if) the Closing of the Acquisition occurs following exercise of either the PDI Call Option or the Prolias Put Option, as the case may be, then PDI shall pay Hernandez for further distribution to the Prolias Shareholders royalty payments in accordance with the terms set forth below (collectively, the "**Royalty Payments**").

(a) A royalty based on the Net Revenue for each calendar year beginning January 1, 2015, by PDI and/or its Affiliate(s) as follows:

(i) 7.0% on such Net Revenue up to and equal to $50 million in each such calendar year;

(ii) 9.0% on such Net Revenue greater than $50 million and up to and equal to $100 million in each such calendar year; and

(iii) 11% on such Net Revenue greater than $100 million in each such calendar year.

(b) The Royalty Payments payable by PDI shall be reduced by any and all payments made or to be made at or after Closing by PDI or its Affiliate(s), directly or indirectly through Prolias, to any third party (or parties) in connection with achieving and maintaining IP Clearance, if required by commitments or contractual obligations made or agreed to by Prolias prior to Closing, except to the extent that such amounts were withheld from the Milestone Payments in accordance with Section 4.5. If any payments to third parties as described above result in a reduction in royalty payments to Cornell University under the Cornell License Agreements as a result of the provisions in the Cornell License Agreements that permit reductions due to royalties paid to third parties (the amount of such reduction, the "Cornell Adjustment Amount"), then the Cornell Adjustment Amount shall be credited against any amount by which the Royalty Payments would otherwise be reduced under this Section 5.1(b). For the avoidance of doubt, in no event shall the aggregate amount of any reductions to the Royalties Payments under this Section 5.1(b) plus the Cornell Adjustment Amount exceed the amount of any payments made by PDI or its Affiliate(s), directly or indirectly through Prolias, to any third party (or parties) in connection with achieving and maintaining IP Clearance. Subject

to Section 9.4(d), nothing in this Section 5.1(b) shall limit the PDI Indemnitees' rights to indemnification pursuant to Article 9.

(c) Without the prior written consent of Hernandez, neither PDI nor its Affiliates shall transfer, assign, sell, license or sub-license any rights under the Cornell License Agreements, including the Patent Rights, except (i) to an organization that PDI reasonably believes is capable of long-term performance of PDI's obligations under this Article 5 and (ii) in such a way that requires any such transferee, assignee, purchaser, licensee or sub-licensee (collectively, a "Successor") to assume, for the benefit of the Prolias Shareholders, obligations of reporting, payment, record-keeping and audit equivalent to those imposed on PDI under this Article 5 (and subject to the same terms and other limitations herein), but for purposes of calculating the Royalty Payments payable by such Successor following such transfer, assignment, sale, license or sub-license of any rights under the Cornell License Agreements, as to any such Successor, such Successor's equivalent "Net Revenue" shall be calculated based upon the sales or leases of Licensed Products by such party and its Affiliates; provided, however, that notwithstanding such transfer, assignment, sale, license or sub-license of any rights under the Cornell License Agreements, PDI's obligations hereunder shall continue with respect to and to the extent of any rights under the Cornell License Agreements retained by PDI; provided further that in no event shall any such transfer, assignment, sale, license or sub-license be done for the purpose of adversely affecting the economic benefits to which the Prolias Shareholders would otherwise be entitled under this Agreement.

5.2. ROYALTY REPORTING AND PAYMENT.

(a) Reporting. Commencing thirty days after the close of the calendar quarter beginning January 1, 2015, PDI shall submit to Hernandez quarterly reports describing the Net Revenue during the most recently completed calendar quarter and the Royalty Payments payable with respect thereto. If no amount is collected during any reporting period, a written statement to that effect shall be delivered to Hernandez within thirty days after the close of the applicable calendar quarter.

(b) Payment.

(i) With the delivery of each report required under Section 5.2(a), PDI shall pay the Royalty Payments shown as due on such report.

(ii) All royalties due shall be paid in United States dollars.

(iii) Any Royalty Payment payable under this Agreement, when overdue, shall bear interest at a rate per annum of three percent (3%) in excess of the Prime Rate as published by "The Wall Street Journal" at the time such payment is due and until payment is received by Hernandez. The accrual of such interest shall not foreclose Hernandez or the Prolias Shareholders from exercising any other rights he or they may have resulting from the failure of PDI and/or its Affiliates to make the payment when due.

5.3. TERM OF ROYALTY. Royalty Payments under this Article 5 shall be payable with respect to each calendar quarter through December 31, 2034, and the remaining obligations of PDI (and/or its Affiliates) under this Article 5 shall expire upon PDI's satisfaction of all reporting and payment obligations with respect to such Royalty Payments; provided, however, Section 5.4 shall continue beyond such expiration in accordance with its terms. Notwithstanding any other provision herein to the contrary, if Hernandez or any of his Affiliates breach any of the covenants contained in Section 5.3 of the Stock Purchase Agreement related to non-competition or non-solicitation, after PDI provides written notice of such breach to Hernandez,

Hernandez's pro rata portion of the Royalty Payments otherwise payable hereunder shall thereafter be paid into escrow until the claim of breach is resolved by (a) written agreement of PDI and Hernandez or (b) a final, non-appealable judgment or decree of any Governmental Body. If such resolution contemplates the payment of damages by Hernandez to PDI and/or its Affiliates, the funds paid into escrow shall be released first to PDI in an amount equal to the amount of such damages, and the remaining escrow funds, if any, shall then promptly be released to Hernandez. Notwithstanding the foregoing, all funds paid into escrow shall promptly be released to Hernandez if the dispute has not been resolved within 180 days after delivery by PDI of a notice of breach to Hernandez, or such longer period as PDI and Hernandez may agree, if prior to the conclusion of such period neither PDI nor Hernandez has commenced a Legal Proceeding with respect to the alleged breach.

5.4. RECORDS & AUDITS.

(a) PDI shall keep, and shall require its Affiliates to keep, accurate and correct records of all Licensed Products manufactured, used, and sold and all Net Revenue relating thereto. Such records shall be retained by PDI for at least three (3) years following the conclusion of the reporting period to which such records relate.

(b) PDI shall make all records relating to Net Revenue available during normal business hours for inspection and audit, upon the reasonable request and at the sole expense of Hernandez, by a Certified Public Accountant reasonably selected by Hernandez for the sole purpose of verifying Net Revenue amounts for the applicable reporting period. Any such request for inspection and audit shall be made within three years after the close of the applicable reporting period or periods to be examined. PDI may require, in its reasonable discretion, that such Certified Public Accountants execute a confidentiality agreement in a customary form prior to being provided access to such PDI's records. If the audit discloses a deficiency in the amounts owed to the Prolias Shareholders under this Agreement, PDI shall pay to Hernandez such deficiency plus interest thereon in accordance with Section 5.2(b)(iii). In addition, if the audit discloses an underpayment of amounts owed in excess of five percent (5%) of the actual amount owed, PDI shall also reimburse Hernandez for the reasonable costs and expenses associated with the audit.

Article 6
REPRESENTATIONS AND WARRANTIES OF PDI CONCERNING THE TRANSACTION

6.1. REPRESENTATIONS AND WARRANTIES OF PDI

PDI represents and warrants to Prolias that:

(a) Organization of PDI. PDI is a corporation duly formed, validly existing, and in good standing under the laws of Delaware.

(b) Authorization of Transaction. PDI has full power and authority to execute and deliver this Agreement and each other agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by PDI in connection with the transactions contemplated by this Agreement (the "**PDI Documents**") and to perform its obligations hereunder or thereunder and to consummate the transactions contemplated hereby. This Agreement has been, and each of PDI Documents will be at or prior to the Closing, duly and validly executed and delivered by PDI and (assuming due authorization, execution and delivery

by each other party thereto) this Agreement constitutes, and each of PDI Documents when so executed and delivered will constitute, the valid and legally binding obligation of PDI, enforceable in accordance with their respective terms and conditions.

(c) Noncontravention.

(i) Neither the execution and the delivery of this Agreement nor any of PDI Documents, nor the consummation of the transactions contemplated hereby, will violate any Applicable Law to which PDI is subject or any provision of its Organic Documents.

(ii) Neither the execution and the delivery of this Agreement nor any of PDI Documents, nor the consummation of the transactions contemplated hereby, will conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which PDI is a party or by which it is bound or to which any of its assets are subject. Except for any filing requirements in connection with applicable securities laws, PDI does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Person or Governmental Body in connection with the execution and delivery of this Agreement or in order for the Parties to consummate the transactions contemplated by this Agreement.

(d) Brokers' Fees. PDI has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which Prolias could become liable or obligated.

(e) Litigation. There is no Legal Proceeding against PDI or to which PDI is otherwise a party that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement or the Stock Purchase Agreement. To PDI's Knowledge, no event has occurred or circumstances exist that does or could result in or serve as a basis for any such Legal Proceeding.

(f) Sufficiency of Funds. At the Effective Date, and at such time as payment may be required to be made by PDI under this Agreement (including, without limitation, the Closing Date), PDI will have sufficient funds available to it to permit PDI to pay all amounts payable to Prolias, including all amounts payable pursuant to Article 2 and the Stock Purchase Price.

(g) Purchase for Investment. All Shares purchased by PDI pursuant to this Agreement and the Stock Purchase Agreement are being acquired for investment only and not with a view to any public distribution thereof. PDI shall not offer to sell or otherwise dispose of, or sell or otherwise dispose of, the Shares so acquired by it in violation of any of the registration requirements of the Securities Act of 1933.

Article 7

REPRESENTATIONS AND WARRANTIES CONCERNING PROLIAS

Prolias hereby represents and warrants to PDI that the representations and warranties set forth on Exhibit B attached hereto are true and correct. The inclusion of any information in any section of the exhibits hereto or any other document delivered by Prolias pursuant to this Agreement shall not be deemed to be an

admission or evidence of the materiality of such item, nor shall it establish a standard of materiality for any purpose whatsoever.

Article 8

COVENANTS

The Parties agree as follows with respect to the period between the Effective Date and any termination or expiration of this Agreement in accordance with its terms.

8.1. OPERATION AND PRESERVATION OF BUSINESS

(a) Except as otherwise expressly provided in this Agreement or with the prior written consent of PDI, Prolias will not engage in any practice, take any action, or enter into any transaction outside the Ordinary Course. Without limiting the generality of the foregoing, Prolias will not (i) engage in any practice, take any action, or enter into any transaction or agreement of the sort described in Section 7.9 of Exhibit B, and (ii) fail to comply in all material respects with all Applicable Laws.

(b) Prolias will use all commercially reasonable efforts to keep the business and properties of Prolias in all material respects in the state as of the date hereof, including its present operations, physical facilities, working conditions, and relationships with lessors, licensors, suppliers, customers, and employees.

8.2. ACCESS TO INFORMATION

Prolias will permit PDI and representatives of PDI to have access at all reasonable times, and in a manner so as not to interfere with the normal business operations of Prolias, to all premises, properties, personnel, books, records (including Tax and Tax related records), contracts, and documents of or pertaining to Prolias. All information received by PDI and representatives of PDI in the course of the reviews contemplated by this Section 8.2 and which is "Confidential Information", as that term is defined in the Confidentiality Agreement, shall be subject to the terms of the Confidentiality Agreement.

8.3. NOTICE OF DEVELOPMENTS

Prolias will give written notice to PDI, as promptly as reasonably possible upon becoming aware of: (i) any fact, change, condition, circumstance, event, occurrence or non-occurrence or development that has caused or is reasonably likely to cause any of the representations and warranties in this Agreement to be untrue or inaccurate in any material respect at any time after the Effective Date and prior to the Closing, or to cause a Material Adverse Change (ii) any material failure on its part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, or (iii) the institution of or the threat of institution of any Legal Proceeding against Prolias or any of the Prolias Shareholders related to this Agreement or the transactions contemplated hereby; provided that the delivery of any notice pursuant to this Section 8.3 shall not limit or otherwise affect the Option Conditions, the remedies available hereunder to PDI or the representations or warranties of Prolias.

8.4. REPORTING

Prolias shall provide semiannually to PDI copies of its regularly prepared financial statements and summaries of all material decisions and undertakings made by Prolias management during the preceding semiannual period.

8.5. LEGAL PROCEEDINGS

In the event any Legal Proceeding described in Section 3.3(e) above is commenced by any Governmental Body or third party, Prolias agrees, at PDI's written request, to cooperate with PDI and use all commercially reasonable efforts to defend such Legal Proceeding and, if an Order is issued in any such Legal Proceeding, to use all commercially reasonable efforts to have such Order lifted.

8.6. EXCLUSIVITY

(a) During the term of this Agreement, Prolias will not, and will not permit any of the Affiliates, shareholders, directors, officers, employees, representatives or agents of Prolias (collectively the "**Representatives**"), to directly or indirectly (i) solicit, initiate, facilitate or encourage discussions, negotiations or submissions of any proposal or offer from any Person with respect to the acquisition of any capital stock or other equity interests of Prolias, or any substantial portion of the assets of Prolias (including any acquisition structured as a merger, consolidation, or share exchange) (an "**Alternative Transaction**") or (ii) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, authorize, recommend, propose to enter into or facilitate or assist in any other manner any effort or attempt by any Person to do or seek any of the foregoing or (iii) enter into any Alternative Transaction.

(b) During the term of this Agreement, Prolias shall notify PDI orally and in writing promptly (but in no event later than 24 hours) after receipt by Prolias or any of the Representatives of any proposal or offer from any Person other than PDI to effect an Alternative Transaction or any request for non-public information relating to Prolias or for access to the properties, books or records of Prolias by any Person other than PDI.

(c) Prolias shall (and shall cause its Representatives to) immediately cease and cause to be terminated any existing discussions or negotiations with any Persons (other than PDI) conducted heretofore with respect to any Alternative Transaction. Prolias agrees not to release any third party from the confidentiality and standstill provisions of any agreement to which Prolias is a party.

8.7. RESTRICTIVE LEGEND

Within five (5) Business Days after the Effective Date, Prolias shall cause the following restrictive legend to be endorsed on each certificate representing the Shares:

"The shares of stock represented by this certificate are subject to restrictions on transfer, as contained in a Collaboration Agreement dated August 19, 2013, as the same may be amended from time to time."

8.8. CRL MASTER SERVICES AGREEMENT

Prolias shall, within ninety (90) days following the Effective Date , execute an agreement with Clinical Reference Laboratory, Inc. ("**CRL**") amending the Master Service Agreement dated July 25, 2012 between Prolias and CRL (the '**CRL Agreement**"), which deletes in its entirety Section 14 of the CRL Agreement and otherwise eliminates any and all exclusivity rights of CRL under the CRL Agreement. The deadline established by the preceding sentence may be extended by Prolias if delays are caused by CRL, so long as Prolias continues to use commercially reasonable efforts to effectuate the amendment as soon as reasonably possible and keeps PDI reasonably informed of the status of the negotiations, and the amendment in any event is executed before the Closing Date. Prolias shall not otherwise amend or terminate the CRL Agreement, without the prior written consent of PDI. Prolias shall deliver a copy of all such amendment to PDI within five (5) Business Days after same has been executed.

8.9. TORREYA AGREEMENT

Prolias shall, within ninety (90) days following the Effective Date, terminate that certain engagement letter between Prolias and Torreya Capital, a division of the Financial West Investment Group, dated October 4, 2012 (the "**Torreya Agreement**"), in accordance with its terms.

8.10. HERNANDEZ CONSULTING AGREEMENT

Prolias shall, prior to Closing, terminate any and all oral agreements between Prolias and Hernandez such that Prolias has no further liabilities or obligations to Hernandez under such oral agreements.

8.11. FINANCIAL INFORMATION AND TAXES

(a) Prolias shall, within forty-five (45) days following the Effective Date, deliver to PDI the following financial statements for Prolias (collectively the "**Financial Statements**"): (i) unaudited balance sheet, statement of income, and statement of cash flow, as of and for the fiscal year ended December 31, 2012; and (ii) unaudited balance sheet, statement of income, and statement of cash flow (the "Most Recent Financial Statements") as of and for the 7 months ended July 31, 2013. Prolias covenants and agrees that each of the Financial Statements will be complete and correct in all material respects, will be prepared on a consistent basis throughout the periods covered thereby and will present fairly the financial condition of Prolias as of such dates and the results of operations of Prolias for such periods; provided, however, the Most Recent Financial Statements will be subject to normal year-end adjustments. Prolias covenants and agrees that the liabilities reflected on the balance sheets included within the Financial Statements shall not be materially greater than the liabilities reflected on the corresponding statements of liabilities referred to in Section 7.8 of Exhibit B.

(b) Prolias shall, within forty-five (45) days following the Effective Date, file all Tax Returns (as such term is defined in Exhibit B) for 2012 and shall pay all Taxes (as such term is defined in Exhibit B) payable by Prolias for 2012. Prolias shall deliver a copy of all such Tax Returns to PDI within five (5) Business Days after same have been filed.

Article 9

REMEDIES FOR BREACHES OF THIS AGREEMENT

9.1. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

The representations and warranties in this Agreement and in any certificate delivered pursuant hereto shall survive the Effective Date and terminate at the close of business on the Closing; provided, however, that if the Closing does not occur, such representations and warranties shall survive the Effective Date and terminate (a) at the close of business on the date one year following the termination or expiration of this Agreement, or (b) in the case of the representations and warranties of Prolias contained in Sections 7.1 through 7.4(a) (inclusive), 7.5, 7.7, 7.12 and 7.21 of Exhibit B and of PDI contained in Sections 6.1(a)-(c)(i) (inclusive) and 6.1(d)-(g) (inclusive), until 60 days after the expiration of the applicable underlying statute of limitations; provided, however, that any obligations under Section 9.2 or 9.3 shall not terminate with respect to any Losses and Expenses as to which the Person to be indemnified shall have given notice (stating in reasonable detail the basis of the claim for indemnification) to the indemnifying party in accordance with Section 9.4(a) before the termination of the applicable period for survival of the representation and warranty pursuant to this Section 9.1.

9.2. INDEMNIFICATION OF PDI

Prolias shall defend and indemnify PDI, its Affiliates and each of their officers, directors, employees, stockholders, agents and representatives (collectively, the **"PDI Indemnitees"**) against and hold them harmless from any Losses and Expenses suffered or incurred by any such PDI Indemnitee arising from, relating to or otherwise:

(a) based upon, attributable to or resulting from the failure of any representation or warranty made by Prolias in this Agreement or in any Prolias Document to be true and correct in all respects as of the date hereof and at and as of the Closing Date;

(b) based upon, attributable to or resulting from any breach of any covenant or other agreement of Prolias under this Agreement or any Prolias Document; and

(c) based upon, attributable to or resulting from any and all amounts now or hereafter payable by Prolias under the Torreya Agreement.

9.3. INDEMNIFICATION OF PROLIAS

PDI shall defend and indemnify Prolias and its Affiliates, agents, attorneys, representatives, successors and permitted assigns (collectively, the "**Prolias Indemnitees**") against and hold them harmless from any Losses and Expenses suffered or incurred by any such Prolias Indemnitee arising from, relating to or otherwise:

(a) based upon, attributable to or resulting from the failure of any representation or warranty made by PDI in this Agreement or in any PDI Document, as the case may be, to be true and correct in all respects as of the date hereof and at and as of the Closing Date; and

(b) based upon, attributable to or resulting from any breach of any covenant or other agreement of PDI under this Agreement or any PDI Document.

9.4. LIMITATIONS ON INDEMNIFICATION FOR BREACHES OF REPRESENTATIONS AND WARRANTIES

(a) No Indemnitor shall have any liability under Sections 9.2(a) or 9.3(a) unless the aggregate of all Losses and Expenses relating thereto for which such Indemnitor would, but for this proviso, be liable to indemnify all Indemnified Parties exceeds on a cumulative basis Fifty Thousand Dollars ($50,000) (the "**Indemnification Threshold**"), and then only to the extent the aggregate amount of such Losses and Expenses exceed the Indemnification Threshold.

(b) The aggregate amount of all Losses and Expenses for which any Indemnitor shall be liable pursuant to Sections 9.2(a) or 9.3(a), other than Third Party Claims, shall not exceed in the aggregate the sum of (i) One Million Five Hundred Thousand Dollars ($1,500,000), plus (ii) the PDI Commercialization Expenditures, plus (iii) the Extension Fee if paid pursuant to Section 10.2(c); provided, however, that the limitation on Prolias's liability set forth in this Section 9.4(b) shall be reduced by the amount of any termination fee actually paid by Prolias under the applicable promissory note pursuant to Section 10.2.

(c) The limitations on indemnification set forth in Sections 9.4(a) and 9.4(b) shall not apply to Losses and Expenses related to the failure to be true and correct of any of the representations and warranties

contained in Sections 6.1(a)-(c)(i) (inclusive) and 6.1(d)-(g) (inclusive) and Sections 7.1 through 7.4(a) (inclusive), 7.5, 7.7, 7.12 and 7.21 of Exhibit B.

(d) In the event a Party is entitled to recover the same Losses under more than one provision of this Agreement, such Party shall only be permitted to recover such Losses one time, and without duplication.

(e) Notwithstanding the foregoing, this Section 9.4 shall not (i) limit the rights of the Parties to seek equitable remedies (including specific performance or injunctive relief) or (ii) apply in respect of any claim of fraud, including any tort claim or cause of action based upon, arising out of or related to any intentional misrepresentation made in or in connection with this Agreement or as an inducement to enter into this Agreement.

(f) Subject to Section 9.4(d), the Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims on the part of any other Party hereto in connection with the transactions contemplated by this Agreement for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Article 9.

9.5. NOTICE OF CLAIM

(a) Any Party seeking indemnification hereunder (the "**Indemnified Party**") shall give to the Party obligated to provide indemnification to such Indemnified Party (the "**Indemnitor**") a notice (a "**Claim Notice**") describing in reasonable detail the facts giving rise to any claim for indemnification hereunder and shall include in such Claim Notice a reference to the provision of this Agreement, Prolias Document or PDI Document upon which such claim is based; provided, that a Claim Notice in respect of any Legal Proceeding by or against a third Person as to which indemnification will be sought shall be given, promptly after the action or suit is commenced; and provided, further, that failure to give such notice shall not relieve the Indemnitor of its obligations hereunder except to the extent it shall have been actually prejudiced by such failure.

(b) After the giving of any Claim Notice pursuant hereto, the amount of indemnification to which an Indemnified Party shall be entitled under this Article 9 shall be determined: (i) by the written agreement between the Indemnified Party and the Indemnitor; (ii) by a final judgment or decree of any Governmental Body of competent jurisdiction; or (iii) by any other means to which the Indemnified Party and the Indemnitor shall agree. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined. Following such determination of the amount of indemnification, the Indemnified Party shall forward to the Indemnitor written notice of any sums due and owing by the Indemnitor and the Indemnitor shall pay all of such sums so due and owing within 5 Business Days by wire transfer of immediately available funds.

9.6. THIRD PERSON OR GOVERNMENTAL BODY CLAIMS

(a) The Indemnitor shall have the right to conduct and control, through counsel of its choosing, who is reasonably satisfied to the Indemnified Party, the defense, compromise or settlement of any third Person or Governmental Body claim, action or suit (a "**Third Party Claim**") against any Indemnified Party as to which indemnification will be sought by such Indemnified Party from such Indemnitor hereunder. If the Indemnitor acknowledges its obligation and elects to defend against, compromise, or, settle any Third Party Claim which relates to any Losses indemnified by it hereunder, it shall within five (5) days of the Indemnified Party's claim notice with respect to such Third Party Claim in accordance with Section 9.5(a)

(or sooner, if the nature of the Third Party Claim so requires) notify the Indemnified Party of its intent to do so; provided, that the Indemnitor must conduct the defense of the Third Party Claim actively and diligently thereafter in order to preserve its rights in this regard. If the Indemnitor elects not to defend against, negotiate, settle or otherwise deal with any Third Party Claim which relates to any Losses indemnified against hereunder or fails to notify the Indemnified Party of its election as herein provided, the Indemnified Party may defend against, negotiate, settle or otherwise deal with such Third Party Claim. If the Indemnified Party defends any Third Party Claim, then the Indemnitor shall promptly reimburse the Indemnified Party, for reasonable attorneys' fees and other expenses of defending such Third Party Claim upon submission of periodic bills. The Parties shall, in connection with any Third Party Claim the Indemnitor has elected to defend against, compromise or settle, furnish such records, information as may be reasonably requested by the in connection therewith. The Indemnified Party may participate, through counsel chosen by it and at its own expense, in the defense of any Third Party Claim as to which the Indemnitor has so elected to conduct and control the defense compromise or settlement thereof; provided, however, that such Indemnified Party shall be entitled to participate in any such defense with separate counsel at the expense of the Indemnitor, and all reasonable attorneys' fees and costs of defense incurred in the defense thereof will be paid promptly, if (i) so requested by the Indemnitor to participate or (ii) in the reasonable opinion of counsel to the Indemnified Party, a conflict or potential conflict exists between the Indemnified Party and the Indemnitor that would make such separate representation advisable; and provided, further, that the Indemnitor shall not be required to pay for more than one such counsel for all Indemnified Parties in connection with any Third Party Claim. Notwithstanding anything in this Section 9.6 to the contrary, neither the Indemnitor nor the Indemnified Party shall, without the written consent of the other party, settle or compromise any Third Party Claim or permit a default or consent to entry of any judgment unless the claimant or claimants and such party provide to such other party an unqualified release from all liability in respect of the Third Party Claim.

(b) Notwithstanding the provisions of Section 9.6(a), in the event of any claim for injunctive or other equitable relief against PDI that would if successful reasonably be expected to have a material and continuing effect on Prolias, and for which PDI would be entitled to indemnification, PDI may assume the defense of such claim at the cost and expense of Prolias.

9.7. CALCULATION OF LOSSES

Notwithstanding anything to the contrary set forth herein, solely for purposes of Section 9.2 in determining the amount of any Losses and Expenses suffered or incurred by any PDI Indemnitee related to a breach of any representation or warranty of Prolias, but not whether there has occurred any such breach, the representations and warranties set forth in this Agreement shall be considered without regard to any "material," "Material Adverse Change" or similar qualifications set forth therein.

Article 10

TERM AND TERMINATION

10.1. TERM OF AGREEMENT

This Agreement shall commence on the Effective Date and continue until the earlier of the Closing Date or a termination in accordance with Section 10.2 below.

10.2. TERMINATION OF AGREEMENT

This Agreement may be terminated as provided below:

(a) PDI shall have the right to terminate this Agreement, at any time after the Anniversary Date, upon thirty (30) days' prior written notice to Prolias, in the event that Commercialization is not achieved on or before the Anniversary Date, or in the event PDI determines, in good faith, that Commercialization cannot be reasonably achieved within the Anniversary Date. In the event of such termination, Prolias shall be obligated to pay PDI the sum of One Million Dollars ($1,000,000) pursuant to a promissory note in the form attached hereto as Exhibit C (the "**Promissory Note"**); provided, however, the principal amount of the Promissory Note shall be increased by the amount of any Extension Fee paid pursuant to Section 10.2(c). The Promissory Note shall bear interest at five percent (5%) per annum. Subject to the provisions below, the Promissory Note shall be a five (5) year note, with no payment of principal or interest due during the first twenty-four (24) months, and the cumulative balance payable in thirty-six (36) consecutive, equal monthly installments of principal and interest, commencing on the first day of the twenty-fifth (25th) full calendar month following the date of the termination notice. The Promissory Note will be subject to acceleration as set forth therein, including in the event of the receipt by Prolias of $7,500,000 in funding on a cumulative basis (whether in the form of equity capital or other indebtedness convertible into equity capital), and can be prepaid at any time, in whole or in part, without penalty or premium. In addition, in the event of the receipt by Prolias of $5,000,000 in funding on a cumulative basis (whether in the form of equity capital or other indebtedness convertible into equity capital) during the first twenty-four months, payment of the Promissory Note in consecutive, equal monthly installments of principal and interest will commence on the first day of the next calendar month following the date of such funding, with the monthly payment computed so that the Promissory Note will be fully amortized and paid in sixty (60) months after its initial issuance.

(b) Prolias shall have the right to terminate this Agreement, at any time prior to the exercise of the PDI Call Option, upon thirty (30) days' prior written notice to PDI, in the event that Commercialization is achieved and PDI neither has exercised the PDI Call Option nor elects to so exercise before the expiration of such 30-day termination notice period. In the event of such termination, Prolias shall be obligated to pay PDI the sum of (i) One Million Five Hundred Thousand Dollars ($1,500,000), plus (ii) the PDI Commercialization Expenditures, plus (iii) any Extension Fee paid pursuant to Section 10.2(c), the aggregate of such amounts to be paid pursuant to a promissory note identical to the Promissory Note except that the principal amount shall be the amount stated in this paragraph.

(c) Prolias shall have the right to terminate this Agreement, at any time prior to the exercise of the PDI Call Option, upon thirty (30) days' prior written notice to PDI, in the event that Commercialization is not achieved within twelve months after the Effective Date, and PDI neither has exercised the PDI Call Option nor elects to so exercise before the expiration of such 30-day termination notice period. In the event of such termination, Prolias shall be obligated to pay PDI the sum of One Million Dollars ($1,000,000) pursuant to a promissory note identical to the Promissory Note required by Section 10.2(a). PDI shall have the right to extend for six (6) months the effective date of termination under this Section 10.2(c) by making a payment to Prolias of Five Hundred Thousand Dollars ($500,000) (the "**Extension Fee**") before the expiration of such 30-day termination notice period. If the Extension Fee is paid, and if thereafter a Closing occurs, then the Extension Fee shall be deemed a prepayment of Milestone Payments, and the amount due at Closing for Milestone Payments shall be reduced by the amount of the Extension Fee. In the event there is no Closing and termination occurs after payment of the Extension Fee, the amount of the promissory note required by this Section 10.2(c) shall be increased to One Million Five Hundred Thousand Dollars ($1,500,000). Payment of the Extension Fee, and the resulting extension of the effective date of termination, shall not prevent PDI from exercising its rights to terminate under Section 10.2(a) during such extended termination period.

(d) PDI and Prolias shall have the right to terminate this Agreement by mutual written consent at any time;

(e) PDI shall have the right to terminate this Agreement upon sixty (60) days' prior written notice to Prolias in the event of a material breach by Prolias of any of its representations, warranties or covenants contained in this Agreement. Upon the expiration of such notice period, this Agreement shall terminate without the need for further action by either Party; provided, however, that if the breach upon which such notice of termination is based shall have been cured by Prolias within such sixty (60) day period, to the reasonable satisfaction of PDI, then such notice of termination shall be deemed rescinded, and this Agreement shall continue in full force and effect.

(f) Prolias may terminate this Agreement upon sixty (60) days' prior written notice to PDI in the event of a material breach by PDI of any of its representations, warranties or covenants contained in this Agreement. Upon the expiration of such notice period, this Agreement shall terminate without the need for further action by either party; provided, however, that if the breach upon which such notice of termination is based shall have been cured within such sixty (60) day period, to the reasonable satisfaction of Prolias, then such notice of termination shall be deemed rescinded, and this Agreement shall continue in full force and effect.

(g) On the date that is the second anniversary date of the Effective Date, this Agreement, if not previously terminated in accordance with its terms, shall automatically terminate if, prior to such date, PDI has not exercised the PDI Call Option and Prolias has not exercised the Prolias Put Option.

(h) Except as expressly provided otherwise in Section 9.4(b), and subject to Section 9.4(d), no termination in accordance with this Section 10.2 (or payment of any promissory note required by Section 10.2(a) or 10.2(b)) shall limit any rights to indemnification pursuant to Article 9.

10.3. SURVIVAL

The provisions of Article 9, Article 10 and Article 11 shall survive the termination or expiration of this Agreement; provided, however, that in the event of a Closing of the Acquisition, only the provisions of Article 5 and Article 11 shall survive termination or expiration of this Agreement, each in accordance with its terms.

Article 11

MISCELLANEOUS

11.1. PRESS RELEASES AND PUBLIC ANNOUNCEMENTS

No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of PDI and Prolias; provided, however, that any Party may make any public disclosure it believes in good faith is required by Applicable Law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use all commercially reasonable efforts to advise the other Parties prior to making the disclosure).

11.2. NO THIRD-PARTY BENEFICIARIES

Except as specifically provided in Section 11.4, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

11.3. ENTIRE AGREEMENT

This Agreement (including the documents referred to herein), the Prolias Documents, the PDI Documents and the Confidentiality Agreement constitute the entire understanding and agreement among the Parties with respect to the subject matter hereof and supersede any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

11.4. SUCCESSION AND ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Parties; provided, however, that, subject to Sections 5.1(c) and 11.12(b) PDI may (i) assign this Agreement and/or any or all of its rights and interests hereunder to any entity with which it may merge or consolidate, or which acquires all or substantially all of its business and assets, (ii) assign this Agreement and/or any or all of its rights and interests hereunder to one or more of its Affiliates and/or (iii) designate one or more of its Affiliates to perform its obligations hereunder. In addition, rights provided to Prolias under this Agreement are not transferrable or assignable under any circumstance without a written opinion of counsel for PDI that such transfer or assignment complies with applicable securities laws.

11.5. COUNTERPARTS

For the convenience of the Parties, this agreement may be executed in counterparts and by facsimile or email exchange of pdf signatures, each of which counterpart shall be deemed to be an original, and both of which taken together, shall constitute one agreement binding on the Parties.

11.6. NOTICES

All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two Business Days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

IF TO PDI: PDI, Inc. Morris Corporate Center 1, Building A 300 Interpace Parkway Parsippany, NJ 07054 Attn: Jeffrey Smith, CFO	COPY TO: Norris McLaughlin & Marcus, P.A. 721 Route 202-206, Suite 200 Bridgewater, NJ 08807 Attn: David S. Blatteis, Esq.
IF TO PROLIAS: Prolias Technologies Inc. 302A West 12th Street, Suite 114 New York, NY 10014 Attn: Joe Hernandez	COPY TO: Thompson Hine LLP 335 Madison Avenue 12th Floor New York, NY 10017-4611 Attn: Faith L. Charles, Esq.

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, or ordinary mail, but not electronic mail or messaging), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

11.7. GOVERNING LAW

This Agreement, and all claims or causes of action that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or covenant made in or in connection with this Agreement or as an inducement to enter into this Agreement), shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to contracts made and performed in such State without giving effect to any choice or conflict of law provision or rule (whether of the State of New Jersey or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New Jersey.

11.8. SUBMISSION TO JURISDICTION; CONSENT TO SERVICE OF PROCESS

(a) The Parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of any federal or state court located within the State of New Jersey over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby and each Party hereby irrevocably agrees that all claims in respect of such dispute or any suit, action proceeding related thereto may be heard and determined in such courts. The Parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the Parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the Parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by delivery of a copy thereof in accordance with the provisions of Section 11.8.

(c) THE PARTIES TO THIS AGREEMENT EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. THE PARTIES TO THIS AGREEMENT EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

11.9. AMENDMENTS AND WAIVERS

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties hereto. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. No action taken pursuant to this Agreement, including any investigation by or on behalf of any Party, shall be deemed to constitute a waiver by the Party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. No failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

11.10. SEVERABILITY

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

11.11. EXPENSES Each Party will bear its and their own costs and expenses (including legal fees and expenses) incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and each other agreement, document and instrument contemplated by this Agreement.

11.12. CORNELL PATENT LICENSE RELATING TO DOCKET NO. D-4416

(a) The Parties acknowledge and agree that certain rights granted to Prolias pursuant to a certain Amended and Restated License Agreement between Prolias and Cornell University for Docket No. D-4416, dated August 16, 2013 (the "**D-4416 License**"), have potential value that is not readily ascertainable as of the Effective Date. Accordingly, the Parties agree that any actions taken by Prolias or PDI after the Effective Date to monetize such rights under the D-4416 License (including, without limitation, commercialization efforts, the initiation of any Legal Proceeding and any favorable resolution of such Legal Proceeding, or the transfer, assignment, sale, licensing or sub-licensing of such rights) shall be for the mutual benefit of PDI and the Prolias Shareholders. Accordingly, the Parties agree that any and all proceeds generated by such monetization efforts under the D-4416 License shall be used first to reimburse any actual, out-of-pocket expenses paid by PDI, Prolias and/or Hernandez in furtherance of such monetization efforts (including any payments made to Cornell University under the D-4416 License) (all such amounts to be reimbursed pro rata based on the total amount of expenses paid by each) until such time as all costs and expenses incurred by PDI, Prolias and/or Hernandez in connection with such monetization efforts have been paid in full, and any remaining profits shall be split equally and paid 50% to PDI and 50% to Hernandez (in his capacity as a representative of the Prolias Shareholders for further distribution to the Prolias Shareholders). For purposes of the preceding sentence, "proceeds" generated by such monetization efforts shall not include increased sales of Licensed Products resulting from the D-4416 License, such as, for example, limiting sales of products that would otherwise compete with Licensed Products.

(b) Without the prior written consent of Hernandez, neither PDI nor its Affiliates shall transfer, assign, sell, license or sub-license any rights under the D-4416 License, except (i) to an organization that PDI reasonably believes is capable of long-term performance of PDI's obligations under this Section 11.12 and (ii) in such a way that requires any such transferee, assignee, purchaser, licensee or sub-licensee to assume, for the benefit of the Prolias Shareholders, obligations equivalent to those imposed on PDI under

this Section 11.12 (and subject to the same terms and other limitations herein); provided, however, that notwithstanding such transfer, assignment, sale, license or sub-license of any rights under the D-4416 License, PDI's obligations hereunder shall continue with respect to and to the extent of any rights under the D-4416 License retained by PDI; provided further that in no event shall any such transfer, assignment, sale, license or sub-license be done for the purpose of adversely affecting the economic benefits to which the Prolias Shareholders would otherwise be entitled under this Section 11.12.

[*signature page follows*]

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed the day and year first above written.

PROLIAS TECHNOLOGIES, INC.	**PDI, INC.**
By: _____	By: _____
Print Name: _____	Print Name _____
Title: _____	Title _____

Shareholder Joinder

Each of the undersigned hereby joins in the foregoing Agreement for the limited purposes as set forth in this Shareholder Joinder. Each of the undersigned represents and warrants that he or she owns the number of shares of common stock of Prolias ("Shares") specified on Attachment 1 to this Shareholder Joinder, and that such Shares are free and clear of any liens or encumbrances, restrictions on transfer, legal requirements or proceedings, or prior agreements or commitments would that limit the ability of such undersigned to sign this Shareholder Joinder or sell such Shares to PDI, or require such undersigned to give notice to or obtain consent from any third party in connection with the Agreement or such sale. Based on the undersigned's independent investigation, which has included the opportunity to engage in due diligence and review publicly available information regarding PDI, each of the undersigned expects to benefit from the Agreement. In order to induce PDI to enter into the Agreement, each of the undersigned hereby consents to the Agreement, agrees not to transfer or encumber any of his or her Shares except as may be consented to in writing by PDI, confirms his or her consent to the PDI Call Option and the Prolias Put Option, including all provisions in the Agreement and Exhibit A of the Agreement relating thereto, agrees to be bound by such provisions as if he or she were each individually a party to the Agreement, and consents to the specific enforcement of such provisions against himself or herself. Each of the undersigned further agrees to be bound by the exclusivity provision in Section 8.6 of the Agreement. Each of the undersigned confirms that he or she has no claim or dispute with Prolias or any shareholder, director or officer of Prolias relating in any way to Prolias or its business or operations.

By signing this Shareholder Joinder, each of the undersigned acknowledges and confirms that (1) all agreements, oral or written, between such undersigned and Prolias have terminated, either by their terms or by agreement of the parties thereto, except to the extent any obligations of such undersigned under any such agreements by their terms survive termination of the agreement, (2) such undersigned's interest in his or her Shares is fully vested as of the Effective Date and (3) other than such undersigned's ownership of Shares as specified on Attachment 1 hereto, such undersigned has no right to or interest in any equity securities, including options to acquire any equity securities, of Prolias.

This Shareholder Joinder is binding on each of the undersigned, and PDI may rely on the representations and agreements of each such undersigned in connection with its decision to enter into the Agreement.

Each of the undersigned agree and acknowledge that their respective counsel have reviewed, or have had the opportunity to review, this Shareholder Joinder and the terms herein.

IN WITNESS WHEREOF, the undersigned hereto have executed this Shareholder Joinder as of the Effective Date of the Agreement.

_____ JOSEPH HERNANDEZ	_____ JUSTINA GROSSMAN
_____ GEORGE ELSTON	_____ THOMAS J. FAHEY

Attachment 1

List of Stockholders

Name of Stockholder	**Number of Shares Owned**	**Percentage Ownership**
Joseph Hernandez	1,864,300	90.5%
George Elston	103,000	5.0%
Justina Grossman	61,800	3.0%
Thomas J. Fahey	30,900	1.5%
Total:	2,060,000	100%

EXHIBIT A
STOCK PURCHASE AGREEMENT

[Exhibit A to Collaboration Agreement]

STOCK PURCHASE AGREEMENT

Dated as of _____ __, ____

By and Among

[PDI, INC.], Buyer

And the Shareholders of

PROLIAS TECHNOLOGIES, INC., Sellers

TABLE OF CONTENTS

Exhibits

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT , dated as of _____ __, ____ by and among [**PDI, INC.**, a Delaware corporation] (the "**Buyer**") and the individuals identified on the signature page hereto (collectively, the " **Sellers**").

WHEREAS, Sellers own 100% of the issued and outstanding shares (the " **Shares**") of **Prolias Technologies, Inc.**, a Delaware corporation (the " **Company**"); and

WHEREAS, Sellers desire to sell to the Buyer, and the Buyer desires to purchase from Sellers, all of each Sellers' respective Shares, upon the terms and subject to the conditions set forth in this Agreement, so that the Buyer will become the owner of all of the issued and outstanding Shares of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the Buyer and the Sellers hereby agree as follows:

Article 1
DEFINITIONS

1.1 DEFINITIONS

In this Agreement, the following terms have the meanings specified or referred to in this Section 1.1 and shall be equally applicable to both the singular and plural forms. Any agreement referred to below shall mean such agreement as amended, supplemented and modified from time to time to the extent permitted by the applicable provisions thereof and by this Agreement.

"Affiliate" means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by or is under common control with such Person. The term "control" (including its correlative meanings "controlled by" and "under common control with") means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

"Agreement" means this Stock Purchase Agreement, including all exhibits hereto, as it may be amended from time to time.

"Applicable Law" means any United States or foreign statute, law (including the common law), ordinance, rule, code, or regulation that applies in whole or in part to, as the case may be, the Company, the Buyer or Sellers or any of their respective businesses, properties or assets. Any reference to any federal, provincial, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

"Business Day" means any day of the year on which national banking institutions in New Jersey are open to the public for conducting business and are not required or authorized to close.

"Buyer" has the meaning set forth in the first paragraph of this Agreement.

"Buyer Documents" has the meaning set forth in Section 3.2(b).

"Buyer Indemnitees" has the meaning set forth in Section 7.2.

"Claim Notice" has the meaning set forth in Section 7.5(a).

"Closing" has the meaning set forth in Section 2.3.

"Closing Consideration" has the meaning set forth in Section 2.2(a).

"Closing Date" has the meaning set forth in Section 2.3.

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

"Collaboration Agreement" means that certain Collaboration Agreement between PDI, Inc. and the Company, dated August__, 2013, to which this Agreement is Exhibit A.

"Company" has the meaning set forth in the second paragraph of this Agreement.

"Company Documents" has the meaning set forth in Section 4.2.

"Company GAAP Liabilities" means, without duplication, all liabilities of the Company as of the Closing Date (i) for Indebtedness or (ii) that would have been disclosed on a balance sheet of the Company prepared according to GAAP as of the Closing Date, including without limitation accounts payable, accrued but unpaid expenses, and other liabilities.

"Confidential Information" has the meaning set forth in Section 1 of the Confidential Disclosure Agreement dated May 7, 2013 between Buyer and the Company, as applicable to information relating to the businesses and affairs of the Company.

"Expenses" means all reasonable out-of-pocket expenses incurred in connection with defending any claim, action, suit or proceeding incident to any matter indemnified hereunder (including court filing fees, court costs, arbitration or mediation fees or costs, and reasonable fees and disbursements of legal counsel).

"FIRPTA Certificate" means a statement complying with the relevant provisions of the Treasury Regulations under Code Section 1445 certifying as to a Seller's non-foreign status.

"Fundamental Representations" means the representations Sections 7.1 through 7.5 (inclusive), 7.7, 7.12, and 7.21 of Exhibit B to the Collaboration Agreement.

"GAAP" means United States generally accepted accounting principles as in effect from time to time.

"Governmental Body" means any United States or foreign government, whether federal, state, municipal or local, or other governmental, legislative, executive or judicial authority, commission or regulatory body.

"Hernandez" means Joseph Hernandez, an individual and the principal stockholder of the Company.

"Indebtedness" of any Person means, without duplication, (i) the principal, accreted value, accrued and unpaid interest, prepayment and redemption premiums or penalties (if any), unpaid fees or expenses and other monetary obligations in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the Ordinary Course (other than the current liability portion of any indebtedness for borrowed money)); (iii) all obligations of such Person under leases required to be capitalized in accordance with GAAP; (iv)

all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction; (v) all obligations of such Person under interest rate or currency swap transactions (valued at the termination value thereof); (vi) the liquidation value, accrued and unpaid dividends, prepayment or redemption premiums and penalties (if any), unpaid fees or expenses and other monetary obligations in respect of any redeemable preferred stock of such Person; (vii) all obligations of any other Persons of the type referred to in clauses (i) through (vi), the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations; and (viii) all obligations of the type referred to in clauses (i) through (vii) of other Persons secured by (or for which the holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Security Interest on any property or asset of such Person (whether or not such obligation is assumed by such Person).

"Indemnification Threshold" has the meaning set forth in Section 7.4(a).

"Indemnified Party" has the meaning set forth in Section 7.5(a).

"Indemnitor" has the meaning set forth in Section 7.5(a).

"IRS" means the Internal Revenue Service.

"Legal Proceeding" means any action, suit, proceeding, hearing, mediation, claim (including any counterclaim), notice or other assertion of legal liability or investigation of, in, or before any Governmental Body or before any arbitrator.

"Litigating Party" has the meaning set forth in Section 5.2.

"Losses" means any and all losses, costs, obligations, liabilities, settlement payments, awards, judgments, fines, penalties, damages (including incidental damages, but excluding indirect, consequential, exemplary and punitive damages except to the extent such damages are payable to a third party), reasonable expenses, deficiencies, debts, adverse claims or other charges (whether in contract, tort, strict liability or otherwise).

"Material Adverse Change" means any change, effect, event, occurrence or state of facts that is materially adverse to (a) the business, properties, assets, financial condition, prospects or results of operations of the Company, taken as a whole or (b) the ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated hereby; provided, however, any adverse change, effect or circumstance resulting from general economic factors affecting the economy as a whole, to the extent that such factors do not have a disproportionate effect on the Company relative to other companies operating in the molecular diagnostics industry, that materially impair the Company's ability to conduct its operations shall not be deemed in themselves, either alone or in combination, to constitute, and shall not be taken into account in determining whether there has been, a Material Adverse Change.

"Net Milestone Payments" means the aggregate amount of the Milestone Payments (as defined in the Collaboration Agreement) payable to the Sellers pursuant to Article 4 of the

Collaboration Agreement (net of any reduction required by Section 4.5 of the Collaboration Agreement or any Extension Fee paid pursuant to Section 10.2(c) of the Collaboration Agreement), which amount is equal to $[_____].

"Ordinary Course" means any transaction relating to the Company which constitutes an ordinary day-to-day business activity of the Company reasonably consistent with past practice of the Company.

"Organic Documents" means, with respect to a corporation, such corporation's charter or certificate of incorporation and by-laws, or, with respect to a general or limited partnership, such partnership's general or limited partnership agreement, or, with respect to a limited liability company, such limited liability company's certificate of formation and operating agreement.

"Parties" means the Buyer and the Sellers, collectively, and **"Party"** means any one of them.

"Person" means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or other entity.

"Post-Closing Tax Period" means any taxable period beginning after the Closing Date and the portion of any Straddle Period ending after the Closing Date.

"Pre-Closing Tax Period" means any taxable period ending on or before the Closing Date and the portion of any Straddle Period ending on the Closing Date.

"Restricted Business" means any business or other enterprise involved in the development or commercialization of any products, services or technology for, or related to, diagnosis of thyroid cancer or diagnosis of kidney rejection.

"Securities Act" means the Securities Act of 1933, as amended.

"Security Interest" means any mortgage, pledge, lien, deed of trust, claim, lease, option, right of first refusal, easement, servitude, proxy, voting trust or agreement, transfer restriction under any shareholder or similar agreement, encumbrance, charge, or other security interest, restriction or limitation.

"Seller Documents" has the meaning set forth in Section 3.1(a).

"Seller Indemnitees" has the meaning set forth in Section 7.3.

"Seller Representative" has the meaning set forth in Section 8.1.

"Sellers" has the meaning set forth in the first paragraph of this Agreement.

"Shares" has the meaning set forth in the recitals of this Agreement.

"Straddle Period" has the meaning set forth in Section 5.5(c)(i).

"Tax" means (i) any federal, state, local or foreign net income, alternative or add-on minimum, gross income, gross receipts, property, sales, franchise, use, value added, transfer, gains, capital gains, license, excise, employment, payroll, withholding, capital, ad valorem, profits, inventory, capital stock, social security, unemployment, severance, stamp, occupation, estimated or minimum tax, or any other tax, custom duty, governmental fee or other like assessment or charge of any kind whatsoever, (ii) any interest, penalty, fine, addition to tax or additional amount imposed by any Governmental Body in connection with any item described in clause (i) and (iii) any liability in respect of any item described in clause (i) or (ii) payable by reason of contract, assumption, transferee liability, operation of law, Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision under law) or otherwise.

"Tax Claim" has the meaning set forth in Section 5.5(f).

"Tax Return" means any return, report or similar statement required to be filed with respect to any Taxes (including any attached schedules), including any information return, claim for refund, amended return and declaration of estimated Tax.

"Taxing Authority" means the IRS and any other Governmental Body responsible for the administration of any Tax.

"Third Party Claim" has the meaning set forth in Section 7.6(a).

"Total Consideration" means the sum of (i) One Million Five Hundred Thousand Dollars ($1,500,000), (ii) the PDI Commercialization Expenditures (as defined in the Collaboration Agreement), (iii) the Closing Consideration and (iv) the Royalty Payments (as defined in the Collaboration Agreement).

"Treasury Regulations" means the U.S. Department of Treasury regulations promulgated under the Code, including any successor provisions thereto.

1.2 CONSTRUCTION

The Parties have participated jointly in the negotiation and preparation of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

1.3 HEADINGS

The division of this Agreement into articles, sections, subsections, and exhibits and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The article, section, subsection and exhibit headings in this Agreement are not intended to be full or precise descriptions of the text to which they refer and are not to be considered part of this Agreement.

1.4 NUMBER AND GENDER

In this Agreement, words in the singular include the plural and vice-versa and words in one gender include all genders.

1.5 KNOWLEDGE

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the "Knowledge" of a natural Person, it shall be deemed to refer to knowledge of such Person after due inquiry, and where any representation or warranty contained in this Agreement is expressly qualified by reference to the "Knowledge" of a Person that is not an individual, it shall be deemed to refer to the knowledge after due inquiry of such Person's directors and executive officers (including, in the case of the Company, Hernandez) and all other officers and managers having responsibility relating to the applicable matter.

1.6 STATUTES

Unless specified otherwise, reference in this Agreement to a statute refers to that statute or to any amended or restated legislation of comparable effect. Reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

1.7 "INCLUDING", "HEREIN" AND REFERENCES

The word "including" means "including without limitation" and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it. All uses of the words "herein", "hereto", "hereof", "hereby" and "hereunder" and similar expressions refer to this Agreement and not to any particular section or portion of it. References to an Article, Section, Subsection or Exhibit refer to the applicable article, section, subsection or exhibit of this Agreement.

Article 2
PURCHASE AND SALE; CLOSING

2.1 PURCHASE AND SALE OF SHARES

Upon the terms and subject to the conditions of this Agreement, on the Closing Date each Seller shall sell, transfer, assign, convey and deliver to Buyer, and Buyer shall purchase from each Seller, all of such Seller's Shares, free and clear of any and all Security Interests.

2.2 PURCHASE PRICE

(a) In consideration for the Shares, at the Closing, the Buyer will pay the following (collectively, the "Closing Consideration"):

(i) to the Sellers an aggregate cash amount equal to (i) the Net Milestone Payments, minus (ii) the aggregate amount of the Company GAAP Liabilities, and minus (iii) the amounts payable under Section 2(a)(ii); and

(ii) to each Person set forth on Exhibit 2.2(a), the amount set forth opposite such Person's name; provided, however, that in no event shall the amounts payable under this Section 2(a)(ii) exceed an amount equal to the Net Milestone Payments minus the Company GAAP Liabilities.

(b) The Buyer shall pay to Hernandez in his capacity as Seller Representative for further distribution to the Sellers at the Closing, the Net Milestone Payments, by wire transfer of immediately available funds to the accounts in the United States specified by Hernandez in writing to the Buyer at least three (3) Business Days prior to the Closing.

(c) In the event any Company GAAP Liabilities are identified within two (2) years after Closing that were not deducted from the Net Milestone Payments as required by Section 2.2(a), Sellers shall reimburse Buyer for each and every such Company GAAP Liability within five (5) Business Days after receiving the Buyer's written demand therefor. Subject to Section 7.4(d), the foregoing does not limit or modify the indemnification obligations in Article 7.

2.3 CLOSING; CLOSING DATE

The closing of the transactions contemplated by this Agreement (the " **Closing**") shall take place concurrently with the execution hereof at the offices of [***] at [address] (or at such other place as shall be agreed upon by the parties hereto in writing) at 10:00 a.m. (local time) on the date hereof (the "**Closing Date**"), unless another time or date is agreed to in writing by the Parties hereto.

2.4 DELIVERIES AT THE CLOSING

At the Closing, (i) the Sellers will deliver to the Buyer the various certificates, instruments, and documents referred to in Section 6.1 below, including duly executed instruments of transfer or assignment representing all of his or her Shares, (ii) the Buyer will deliver to the Sellers the various certificates, instruments, and documents referred to in Section 6.2 below, and (iii) the Buyer will deliver to Hernandez in his capacity as Seller Representative for further distribution to each of the Sellers the amounts required pursuant to Section 2.2(b) above.

2.5 CONDITIONS TO THE SELLERS' OBLIGATIONS AT CLOSING

The obligations of the Sellers to sell the Shares to the Buyer at the Closing are subject to PDI's full payment of all undisputed invoices, and the Parties' good faith resolution of all disputed invoices, submitted by Prolias to PDI pursuant to Section 2.1(f) of the Collaboration Agreement.

Article 3
REPRESENTATIONS AND WARRANTIES CONCERNING THE TRANSACTION

3.1 REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each of the Sellers represents and warrants to the Buyer that, with respect to himself or herself:

(a) Authorization of Transaction. The Seller has full power and authority to execute and deliver this Agreement and each other agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by the Seller in connection with the transactions contemplated by this Agreement (the **"Seller Documents"**) and to perform his or her obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been, and each of the Seller Documents will be at or prior to the Closing, duly and validly executed and delivered by the Seller and (assuming due authorization, execution and delivery by the Buyer) this Agreement constitutes, and each of the Seller Documents when so executed and delivered will constitute, the valid and legally binding obligation of the Seller, enforceable in accordance with their respective terms and conditions.

(b) Noncontravention.

(i) Except as disclosed in Exhibit 3.1(b), neither the execution and the delivery of this Agreement nor any of the Seller Documents, nor the consummation of the transactions contemplated hereby or thereby, will violate any Applicable Law to which the Seller is subject.

(ii) Except as disclosed in Exhibit 3.1(b), neither the execution and the delivery of this Agreement nor any of the Seller Documents, nor the consummation of the transactions contemplated hereby or thereby, will conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any agreement, contract, lease, license, instrument, or other arrangement to which the Seller is a party or by which he or she is bound or to which any of his or her assets are subject. Except as otherwise disclosed in Exhibit 3.1(b), the Seller does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Person or Governmental Body in connection with the execution and delivery of this Agreement and the Seller Documents or in order for the Parties to consummate the transactions contemplated by this Agreement.

(c) Brokers' Fees. Except as disclosed in Exhibit 3.1(c), the Seller has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

(d) Ownership. Except as disclosed in Exhibit 3.1(d), (i) the Seller holds of record and owns beneficially his or her Shares, free and clear of any restrictions on transfer (other than any restrictions under the Securities Act, state securities laws and restrictions in favor of Buyer pursuant to the Collaboration Agreement), Security Interests, options, warrants, purchase rights, contracts, commitments, equities, claims, and demands, and holds no other rights to acquire any additional capital stock or other equity interests from the Company, (ii) the Seller is not a party to any option, warrant, purchase right, or other contract or commitment that could require the Seller to sell, transfer, or otherwise dispose of any capital stock or other equity interests of the Company (other than those

in favor of Buyer under this Agreement and the Collaboration Agreement), (iii) the Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any capital stock or other equity interests of the Company and (iv) the Seller has the power and authority to sell, transfer, assign and deliver the Shares, and such delivery will convey to Buyer good and marketable title to such Shares, free and clear of any and all Security Interests.

(e) No Claims or Disputes. No Seller currently has any claim or dispute with any other Seller, the Company or any of the Company's managers or any other Person of any nature relating in any way to the Company, the business and operations of the Company or such Seller's ownership of Shares in the Company, including, but not limited to, disputes concerning wages, taxes and distributions. There is no Legal Proceeding pending, or to the Knowledge of the Seller threatened, against the Seller or to which the Seller is otherwise a party relating to this Agreement or the Seller Documents or the transactions contemplated hereby.

(f) Litigation. There is no Legal Proceeding against Seller or to which Seller is otherwise a party that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. To the Seller's Knowledge, no event has occurred or circumstances exist that does or could result in or serve as a basis for any such Legal Proceeding.

3.2 REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Sellers that:

(a) Organization of the Buyer. The Buyer is a corporation duly formed, validly existing, and in good standing under the laws of Delaware.

(b) Authorization of Transaction. The Buyer has full power and authority to execute and deliver this Agreement and each other agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by the Buyer in connection with the transactions contemplated by this Agreement (the **"Buyer Documents"**) and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been, and each of the Buyer Documents will be at or prior to the Closing, duly and validly executed and delivered by the Buyer and (assuming due authorization, execution and delivery by each other Party thereto) this Agreement constitutes, and each of the Buyer Documents when so executed and delivered will constitute, the valid and legally binding obligation of the Buyer, enforceable in accordance with their respective terms and conditions.

(c) Noncontravention.

(i) Neither the execution and the delivery of this Agreement nor any of the Buyer Documents, nor the consummation of the transactions contemplated hereby or thereby, will violate any Applicable Law to which the Buyer is subject or any provision of its Organic Documents.

(ii) Neither the execution and the delivery of this Agreement nor any of the Buyer Documents, nor the consummation of the transactions contemplated hereby or thereby, will conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party

the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which the Buyer is a party or by which it is bound or to which any of its assets are subject. Except as otherwise disclosed in Exhibit 3.2(c), the Buyer does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Person or Governmental Body in connection with the execution and delivery of this Agreement and the Buyer Documents or in order for the Parties to consummate the transactions contemplated by this Agreement.

(d) Brokers' Fees. The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which any Seller could become liable or obligated.

(e) Litigation. There is no Legal Proceeding against Buyer or to which Buyer is otherwise a party that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. To the Buyer's Knowledge, no event has occurred or circumstances exist that does or could result in or serve as a basis for any such Legal Proceeding.

(f) Sufficiency of Funds. At the Closing Date, and at such time as payment may be required to be made by the Buyer under this Agreement and/or the Collaboration Agreement, the Buyer will have sufficient funds available to it to permit the Buyer to pay all amounts payable to the Sellers, including the Closing Consideration.

(g) Investment Intent. The Shares are being purchased for the Buyer's own account, for investment purposes only and not with the view to, or for resale in connection with, any distribution or public offering thereof (within the meaning of such terms in the Securities Act). The Buyer understands that the Shares have not been registered under the Securities Act and cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available. The Buyer is an "accredited investor" within the meaning of Rule 501 under the Securities Act.

(h) Disclosure of Information. The Buyer has had an opportunity to discuss the Company's business, management, and financial affairs with the Company's management. The foregoing, however, does not limit or modify the representations and warranties of the Company in Article 4 of this Agreement or the right of the Buyer to rely thereon.

Article 4
REPRESENTATIONS AND WARRANTIES CONCERNING THE COMPANY

Hernandez represents and warrants to the Buyer that:

4.1 ORGANIZATION, QUALIFICATION, AND CORPORATE POWER

The Company is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and duly authorized to conduct business and in good standing under the laws of each jurisdiction where qualification is required, except for jurisdictions where the failure to be

so qualified would not cause the Company to experience a Material Adverse Change. The Company has full power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it. Exhibit 4.1 lists the directors and officers of the Company.

4.2 AUTHORIZATION OF TRANSACTION

The Company has full power and authority to execute and deliver each agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by it in connection with the transactions contemplated by this Agreement (collectively, the **"Company Documents"**), and to perform its obligations thereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of each of the Company Documents, and the consummation of the transactions contemplated thereby, have been duly authorized and approved by all required action on the part of the Company. Each of the Company Documents will be at or prior to the Closing, duly and validly executed and delivered by the Company, and (assuming due authorization, execution and delivery by Buyer) each of the Company Documents to which the Company is a party, when so executed and delivered, will constitute, the valid and legally binding obligation of the Company, enforceable in accordance with their respective terms and conditions.

4.3 CAPITALIZATION

The entire authorized capital stock of the Company consists of 10,000,000 voting shares of Common Stock, of which 2,060,000 shares of Common Stock are issued and outstanding as of the date hereof. All of the issued and outstanding shares of Common Stock have been duly authorized, are validly issued, fully paid, and nonassessable, are held of record by the Sellers as disclosed in Exhibit 4.3 and were not issued to or acquired by the Sellers in violation of any Applicable Law applicable to the Company, or of any agreement to which the Company is a party, or of any preemptive rights granted by the Company or, to the Knowledge of the Company, any other Person. Except as disclosed in Exhibit 4.3, (i) no shares of capital stock or other equity interests of the Company are reserved for issuances or are held as treasury shares, (ii) there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments relating to the capital stock or other equity interests of the Company, granted by the Company or, to the Knowledge of the Company, any other Person, (iii) there are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Company, (iv) there are no obligations, contingent or otherwise, of the Company or, to the Knowledge of the Company, any of the Sellers or any other Persons, to purchase, redeem or otherwise acquire any capital stock or other equity interests of the Company, (v) there are no agreements or understandings, including voting trusts and proxies, among or by the Company and any of the Sellers or any other Persons with respect to the Company, and (vi) there are no dividends which have accrued or have been declared but are unpaid on the capital stock or other equity interests of the Company.

4.4 NONCONTRAVENTION

(a) Except as disclosed in Exhibit 4.4, neither the execution and the delivery of this Agreement or the Company Documents, nor the consummation of the transactions contemplated

hereby, will violate any Applicable Law to which the Company is subject or any provision of the Organic Documents of the Company.

(b) Except as disclosed in Exhibit 4.4, neither the execution and the delivery of this Agreement or the Company Documents, nor the consummation of the transactions contemplated hereby, will conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any material agreement, contract, lease, license, instrument, or other arrangement to which the Company is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Security Interest upon any of its assets). Except as disclosed in Exhibit 4.4, the Company does not need to give any notice to, make any filing with, or obtain any authorization, consent (all of which have already been obtained), or approval of any Person or Governmental Body in connection with the execution and delivery of this Agreement and the Company Documents and in order for the Parties to consummate the transactions contemplated by this Agreement.

4.5 BROKERS' FEES

Except as disclosed in Exhibit 4.5, the Company has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

4.6 OTHER MATTERS

Attached hereto as Exhibit 4.6 is an update to the representations contained in Exhibit B to the Collaboration Agreement and updated counterparts of the exhibits to the Collaboration Agreement referred to in Exhibit B of the Collaboration Agreement. The representations and warranties in Exhibit 4.6 are true and correct, in each case, as of the date of this Agreement and as of the Closing as though made at and as of the Closing, except to the extent such representations and warranties expressly speak as of an earlier date (in which case such representations and warranties are true and correct on and as of such earlier date).

4.7 PERFORMANCE UNDER COLLABORATION AGREEMENT

The Company has complied in all material respects with the terms and conditions of the Collaboration Agreement, the Company is not in material breach or default under the Collaboration Agreement, and no event has occurred which with notice or lapse of time would constitute a material breach or default, or permit termination, modification, or acceleration, under the Collaboration Agreement.

Article 5
POST-CLOSING COVENANTS

The Parties agree as follows with respect to the period following the Closing.

5.1 ACCESS TO RECORDS

After the Closing, Buyer will cause the Company to allow the Seller Representative to inspect, for all proper purposes, any and all books and records of the Company existing on the Closing Date as may be reasonably required in order to allow the Sellers to comply with their obligations to Buyer or third parties in connection with any Legal Proceedings, except that Buyer shall not be required to provide access to such books and records in connection with a dispute between Buyer and the Company and/or any Seller; provided, that such access will be upon reasonable prior written notice, during normal business hours, at Sellers' expense and conducted in a manner so as not to unreasonably interfere with the Company's business.

5.2 LITIGATION SUPPORT

In the event and for so long as any Party (the **"Litigating Party"**) is actively contesting or defending against any Legal Proceeding in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Company, each of the other Parties will reasonably cooperate with the Litigating Party and his or its counsel in the contest or defense, and make available their personnel and provide such testimony and access to their books and records as shall be reasonably necessary in connection with the contest or defense, all at the sole cost and expense of the Litigating Party (except as otherwise provided in Article 7), provided that this Section 5.2 shall not apply in respect of any Legal Proceeding brought against the Litigating Party by any other Party hereto.

5.3 NON-COMPETITION; NON-SOLICITATION

(a) Hernandez agrees that for a period of three (3) years from and after the Closing Date, neither he nor any of his Affiliates shall, directly or indirectly, own, manage, engage in, operate, control, work for, consult with, render services for, do business with, maintain any interest in (proprietary, financial or otherwise) or participate in the ownership, management, operation or control of, any business, whether in corporate, proprietorship or partnership form or otherwise, engaged in a Restricted Business; provided, however, that the restrictions contained in this Section 5.3(a) shall not restrict the acquisition by Hernandez or any of his Affiliates, directly or indirectly, of less than 2% of the outstanding capital stock of any publicly traded company engaged in a Restricted Business.

(b) Hernandez agrees that for a period of three (3) years from and after the Closing Date, neither he nor any of his Affiliates shall, directly or indirectly: (i) cause, solicit, induce or encourage any employees of the Company to leave such employment or hire, employ or otherwise engage any such individual; or (ii) cause, induce or encourage any material actual or prospective client, customer, supplier, or licensor of the Company (including any existing or former customer of the Company and any Person that becomes a client or customer of the Company after the Closing) or any other Person who has a material business relationship with the Company to terminate or modify any such actual or prospective relationship.

5.4 CONFIDENTIALITY

Each of the Sellers will treat and hold as confidential all of the Confidential Information, refrain from using any of the Confidential Information except in connection with this Agreement, Article 5 of the Collaboration Agreement and/or Section 11.12 of the Collaboration Agreement, and deliver promptly to the Buyer or destroy, at the request and option of the Buyer, all tangible embodiments of the Confidential Information which are in his or its possession; provided, however, that the Sellers may retain, and shall have no obligation to return to Buyer or destroy, any information provided to the Sellers pursuant to Article 5 of the Collaboration Agreement or generated in connection with the undertakings described in Section 11.12 of the Collaboration Agreement. In the event that any of the Sellers is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information, that Seller will notify the Buyer promptly of the request or requirement so that the Buyer may seek an appropriate protective order or waive compliance with the provisions of this Section 5.4 at the Buyer's expense.

5.5 TAX MATTERS

(a) Tax Indemnity.

(i) The Sellers hereby agree collectively, in proportion to their respective pro rata share of the Total Consideration, to be liable for and to indemnify and hold the Buyer Indemnitees harmless from and against, and pay to the Buyer Indemnitees, the amount of any and all Losses in respect of (i) all Taxes of the Company (or any predecessor thereof) for any Pre-Closing Tax Period (determined as provided in Section 5.5(c)); (ii) the failure of any of the representations and warranties contained in Section 7.12 of Exhibit 4.6 to be true and correct in all respects (determined without regard to any qualification related to materiality or Knowledge contained therein) or the failure to perform any covenant contained in this Agreement with respect to Taxes; and (iii) any failure by the Sellers to timely pay any and all Taxes required to be borne by the Sellers pursuant to Section 8.12.

(ii) The Buyer hereby agrees to be liable for and to indemnify and hold the Seller Indemnitees harmless from and against, and pay to the Seller Indemnitees, the amount of any and all Losses in respect of (x) all Taxes of the Company (or any predecessor thereof) for any Post-Closing Tax Period; and (y) the failure of the Buyer to perform any covenant contained in this Agreement with respect to Taxes.

(b) Tax Returns; Payment of Taxes .

(i) Prior to the Closing Date, the Company shall timely prepare and file with the appropriate Taxing Authorities all Tax Returns required to be filed on or before the Closing Date and shall pay all Taxes due with respect to such Tax Returns or owed (whether or not shown to be due on any Tax Returns).

(ii) Buyer shall cause the Company to timely prepare and file with the appropriate Taxing Authorities all Tax Returns related to the Company not described in subsection (i) above and, subject to the rights to payment from the Sellers under subsection (iii) below, shall cause the Company to pay all Taxes due with respect to such Tax Returns or owed (whether or not shown to

be due on any Tax Returns). In the case of any Tax Return required to be filed pursuant to this subsection (ii) that reflects Taxes that are the subject of indemnification by the Sellers under Section 5.5(a), above, Buyer shall provide the Seller Representative at least fifteen (15) Business Days before filing with copies of such completed Tax Returns, along with supporting workpapers, for the review and approval of the Seller Representative, such approval not to be unreasonably withheld or delayed. The Seller Representative and the Buyer shall attempt in good faith to resolve any disagreements regarding such Tax Returns prior to the due date for filing. In the event that the Seller Representative and the Buyer are unable to resolve any dispute with respect to such Tax Returns prior to the due date for filing, such dispute shall be resolved pursuant to Section 5.5(g), which resolution shall be binding on the parties.

(iii) Not later than ten (10) Business Days prior to the due date for the payment of Taxes on any Tax Returns for which the Buyer has filing responsibility pursuant to subsection (ii), the Sellers shall pay to the Buyer the amount of Taxes owed by the Sellers, as reasonably determined by the Buyer in accordance with the provisions of Section 5.5(a) and 5.5(c). No payment pursuant to this subsection (iii) shall excuse the Sellers from their indemnification obligations pursuant to Section 5.5(a) if the amount of Taxes for which Sellers are liable under this Agreement as ultimately determined (on audit or otherwise) for the periods covered by such Tax Returns exceeds the amount of the Sellers' payment under this Section 5.5(b)(iii). If the amount of Taxes for which Sellers are liable under this Agreement as ultimately determined (on audit or otherwise) for the periods covered by such Tax Returns is less than the amount of the Sellers' payment under this Section 5.5(b)(iii), the Buyer shall reimburse to Sellers the amount of such overpayment not later than ten (10) Business Days following the date of such ultimate determination.

(c) Allocations; Straddle Period.

(i) In any case in which a Tax is assessed with respect to a taxable period that includes the Closing Date (but does not begin or end on that day) (a **"Straddle Period"**), the Taxes of the Company, if any, attributable to a Straddle Period shall be allocated (i) to Sellers for the period up to and including the close of business on the Closing Date, and (ii) to Buyer for the period subsequent to the Closing Date. Any allocation of income or deductions required to determine any Taxes attributable to a Straddle Period shall be made by means of a closing of the books and records of the Company as of the close of business on the Closing Date, provided that exemptions, allowances or deductions that are calculated on an annual basis (including, but not limited to, depreciation and amortization deductions) shall be allocated between the period ending on the Closing Date and the period after the Closing Date in proportion to the number of days in each such period.

(ii) To the extent that Taxes are not apportioned pursuant to Section 5.5(c)(i) using the closing of the books method, such as in the case of real, personal and intangible property Taxes, the amount of these Taxes shall be allocated to the Pre-Closing and Post-Closing Tax Periods based on a fraction, the denominator of which is the number of days during such Tax Period and the numerator of which is the number of days in the Straddle Period.

(d) Cooperation. The Seller Representative, the Company, and the Buyer shall reasonably cooperate, and shall cause their respective Affiliates, officers, employees, agents, auditors and representatives reasonably to cooperate, in preparing and filing all Tax Returns

(including amended Tax Returns, if any) and any other matters relating to Taxes, including maintaining and making available to each other all records necessary in connection with Taxes and in resolving Tax Claims.

(e) Tax Refunds. Any refund received by the Company of Taxes attributable to a Pre-Closing Tax Period (determined in accordance with Section 5.5(c)) shall be for the account of the Sellers; provided, however, that the Sellers shall not be entitled to any refund of Taxes to the extent such refund is attributable to the carryback of losses arising in or attributable to a taxable period (including the portion of any Straddle Period) beginning after the Closing Date to a Pre-Closing Tax Period. All other Company Tax refunds, including those described in clauses (i) and (ii) above, shall be for the account of the Buyer. The Buyer shall, and shall cause the Company to, forward any Tax refund received by the Company to which the Sellers may be entitled in accordance with this Section 5.5(e) to the Seller Representative for further distribution to the Sellers as promptly after such receipt as is commercially practicable.

(f) Tax Audits.

(i) If notice of any judicial, administrative or arbitral actions, suits, mediation, investigation, inquiry, proceedings or claims (including counterclaims) by or before any Taxing Authority with respect to Taxes of the Company (a **"Tax Claim"**) shall be received by any Party for which the other Party would be liable pursuant to Section 5.5(a), the notified Party shall notify such other Party in writing of such Tax Claim; provided, however, that the failure of the notified Party to give the other Party notice as provided herein shall not relieve such failing Party of its obligations under this Section 5.5 except to the extent that the other Party is actually and materially prejudiced thereby.

(ii) The Seller Representative shall have the sole right to represent the interests of the Company in any Tax Claim relating exclusively to taxable periods ending on or before the Closing Date if and to the extent the Sellers are potentially liable for any Taxes resulting therefrom, and to employ counsel of their choice at their expense; provided, however, that the Seller Representative may not agree to a settlement or compromise thereof without the prior written consent of the Buyer, which consent shall not be unreasonably withheld or delayed; and provided, further, that if such Tax Claim involves an issue that recurs in a Post-Closing Tax Period of Buyer, the Company or any of their respective Affiliates or otherwise could adversely affect the Buyer, the Company or any or their respective Affiliates for a Post-Closing Tax Period, then (A) the Seller Representative and the Buyer shall jointly control the defense and settlement or compromise of any such Tax Claim and each Party shall cooperate with the other Party at its own expense, and (B) there shall be no settlement or closing or other agreement with respect thereto without the written consent of each of the Buyer and the Seller Representative, which consents shall not be unreasonably withheld or delayed.

(iii) In the case of any Tax Claim not described in (ii) above, the Buyer shall have the right, at the expense of the Sellers to the extent such Tax Claim is subject to indemnification by the Sellers pursuant to Section 5.5(a) hereof, to represent the interests of the Company; provided that in the case of any Tax Claim that is the subject of indemnification under Section 5.5(a), Buyer

shall not settle such claim without the written consent of the Seller Representative, which consent shall not be unreasonably withheld or delayed.

(g) Disputes. Any dispute as to any matter covered under this Section 5.5 shall be resolved by an independent accounting firm mutually acceptable to the Seller Representative and the Buyer. The fees and expenses of such accounting firm shall be borne equally by the Sellers, on the one hand, and Buyer on the other. If any dispute with respect to a Tax Return is not resolved prior to the due date of such Tax Return, such Tax Return shall be filed in the manner which the Party responsible for preparing such Tax Return deems correct.

(h) Exclusivity. The indemnification provided for in this Section 5.5 shall be the sole remedy for any claim in respect of Taxes. In the event of a conflict between the provisions of this Section 5.5, on the one hand, and the provisions of Article 7, on the other, the provisions of this Section 5.5 shall control. For the avoidance of doubt, the limitations contemplated in Section 7.4 shall not apply to any recovery under Section 5.5(a) hereof.

Article 6
DELIVERABLES AT CLOSING

6.1 SELLERS' DELIVERABLES

The obligation of the Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to delivery of the following documents by Sellers:

(a) a certificate of an officer of the Company dated as of the Closing Date and certifying (i) that correct and complete copies of its Organic Documents are attached thereto, (ii) that correct and complete copies of each resolution of its board of directors approving the Company Documents to which it is a party and authorizing the execution thereof and the consummation of the transactions contemplated thereby are attached thereto and (iii) the incumbency and signatures of the persons authorized to execute and deliver the Company Documents on behalf of the Company;

(b) the resignations, effective as of the Closing, and release of claims to fees or expenses of each director and officer of the Company whose resignation has been requested by the Buyer;

(c) duly executed instruments of assignment or transfer from each Seller with respect to all of his or her Shares;

(d) a FIRPTA Certificate in form and substance satisfactory to the Buyer; and

(e) such other documents and instruments as may be required by any other provision of this Agreement or as may reasonably be required to consummate the transactions contemplated by this Agreement, each in form and substance reasonably satisfactory to the Buyer.

The Buyer may waive any of the foregoing deliverables specified in this Section 6.1 if it executes a writing so stating at or prior to the Closing.

6.2 BUYER'S DELIVERABLES

The obligation of the Sellers to consummate the transactions to be performed by them in connection with the Closing is subject to Buyer's payment of the Closing Consideration as provided in Section 2.2 and delivery of the following documents by Buyer:

(a) a certificate of an officer of the Buyer dated as of the Closing Date and certifying (i) that correct and complete copies of its Organic Documents are attached thereto, (ii) that correct and complete copies of each resolution of its board of directors approving the Buyer Documents to which it is a party and authorizing the execution thereof and the consummation of the transactions contemplated thereby are attached thereto and (iii) the incumbency and signatures of the persons authorized to execute and deliver the Buyer Documents on behalf of the Buyer;

(b) such other documents and instruments as may be required by any other provision of this Agreement or as may reasonably be required to consummate the transactions contemplated by this Agreement, each in form and substance reasonably satisfactory to the Sellers.

The Sellers may waive any of the foregoing deliverables condition specified in this Section 6.2 if they execute a writing so stating at or prior to the Closing.

Article 7
REMEDIES FOR BREACHES OF THIS AGREEMENT

7.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

The representations and warranties in this Agreement and in any certificate delivered pursuant hereto shall survive the Closing and shall terminate at the close of business on the date two (2) years following the Closing Date, except that the representations and warranties of the Sellers contained in Sections 7.11 and 7.14 of Exhibit 4.6 and in Section 4.7 hereof shall survive the Closing and shall terminate at the close of business on the date three (3) years following the Closing Date, and except further that the representations and warranties of the Sellers contained in Sections 3.1(a), (b)(i) and (c)-(f), 4.1, 4.2, 4.3, 4.4(a), 4.5 and 4.6 to the extent such Section 4.6 relates to the Fundamental Representations, and of the Buyer contained in Sections 3.2(a)-(c)(i) and (d)-(h), shall survive until 90 days after the expiration of the applicable underlying statute of limitations; provided, however, that any obligations under Section 7.2 or 7.3 shall not terminate with respect to any Losses and Expenses as to which the Person to be indemnified shall have given notice (stating in reasonable detail the basis of the claim for indemnification) to the identifying party in accordance with Section 7.4(a) before the termination of the applicable period for survival of the representation and warranty pursuant to this Section 7.1.

7.2 INDEMNIFICATION OF BUYER

(a) Each Seller shall severally (but not jointly) defend and indemnify the Buyer, its Affiliates (including the Company) and each of their officers, directors, employees, stockholders, agents and representatives (collectively, the **"Buyer Indemnitees"**) against and hold them harmless

from any Losses and Expenses suffered or incurred by any such Buyer Indemnitee arising from, relating to or otherwise:

i. based upon, attributable to or resulting from the failure of any representation or warranty made by such Seller in Section 3.1 or in any Seller Document of such Seller to be true and correct in all respects as of the date hereof and at and as of the Closing Date;

ii. based upon, attributable to or resulting from any breach of any covenant or other agreement of such Seller under this Agreement or any Seller Document of such Seller; or

iii. based upon, attributable to or resulting from an exercise of the Prolias Put Option that is not in compliance with the Option Conditions, as such terms are defined in the Collaboration Agreement.

(b) Hernandez shall defend and indemnify the Buyer Indemnitees against and hold them harmless from any Losses and Expenses suffered or incurred by any such Buyer Indemnitee arising from, relating to or otherwise:

i. based upon, attributable to or resulting from the failure of any representation or warranty made by Hernandez in Article 4 of this Agreement or by the Company in any Company Document, as the case may be, to be true and correct in all respects as of the date hereof and at and as of the Closing Date;

ii. any claim in relation to Taxes, as provided in Section 5.5; and

iii. based upon, attributable to or resulting from any and all amounts now or hereafter payable by the Company under that certain engagement letter between the Company and Torreya Capital, a division of the Financial West Investment Group, dated October 4, 2012.

7.3 INDEMNIFICATION OF SELLERS

The Buyer shall defend and indemnify the Sellers and their respective Affiliates, agents, attorneys, representatives, successors and permitted assigns (collectively, the **"Seller Indemnitees"**) against and hold them harmless from any Losses and Expenses suffered or incurred by any Seller arising from, relating to or otherwise:

(a) based upon, attributable to or resulting from the failure of any representation or warranty made by the Buyer in this Agreement or in any Buyer Document, as the case may be, to be true and correct in all respects as of the date hereof and at and as of the Closing Date;

(b) based upon, attributable to or resulting from any breach of any covenant or other agreement of the Buyer under this Agreement or any Buyer Document; and

(c) based upon, attributable to or resulting from any breach of any covenant or other agreement of the Buyer under Sections 5.1(c) or 11.12 of the Collaboration Agreement.

7.4 LIMITATIONS ON INDEMNIFICATION FOR BREACHES OF REPRESENTATIONS AND WARRANTIES

(a) Hernandez shall not have any liability under Section 7.2(b)(i) unless the aggregate of all Losses and Expenses relating thereto for which Hernandez would, but for this proviso, be liable to indemnify all Indemnified Parties exceeds on a cumulative basis Fifty Thousand Dollars ($50,000) (the **"Indemnification Threshold"**), and then only to the extent the aggregate amount of such Losses and Expenses exceed the Indemnification Threshold.

(b) The aggregate amount of all Losses and Expenses for which (i) the Sellers in the aggregate shall be liable pursuant to Sections 7.2(a) or 7.2(b) shall not exceed the Total Consideration and (ii) any Seller individually shall be liable pursuant to Sections 7.2(a) shall not exceed such Seller's pro rata portion of the Total Consideration. The aggregate amount of all Losses and Expenses for which Buyer shall be liable pursuant to 7.3 shall not exceed the Total Consideration.

(c) The limitations on indemnification set forth in Sections 7.4(a) and Section 7.4(b) shall not apply to Losses and Expenses related to the failure to be true and correct of any of the representations and warranties contained in Sections 3.1(a), 3.1(b)(i), 3.1(c)-(f), 3.2(a)-(c)(i), 3.2(d)-(h), 4.1, 4.2, 4.3, 4.4(a), 4.5 and 4.6 to the extent such Section 4.6 relates to the Fundamental Representations.

(d) In the event a Party is entitled to recover the same Losses under more than one provision of this Agreement, such Party shall only be permitted to recover such Losses one time, and without duplication.

(e) Notwithstanding the foregoing, this Section 7.4 shall not (i) limit the rights of the Parties to seek equitable remedies (including specific performance or injunctive relief) or (ii) apply in respect of any claim of fraud, including any tort claim or cause of action based upon, arising out of or related to any intentional misrepresentation made in or in connection with this Agreement or as an inducement to enter into this Agreement.

(f) Subject to Section 7.4(d), the Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims on the part of any other Party hereto in connection with the transactions contemplated by this Agreement for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Article 7.

7.5 NOTICE OF CLAIM

(a) Any Party seeking indemnification hereunder (the **"Indemnified Party"**) shall give to the Party obligated to provide indemnification to such Indemnified Party (the **"Indemnitor"**) a

notice (a **"Claim Notice"**) describing in reasonable detail the facts giving rise to any claim for indemnification hereunder and shall include in such Claim Notice a reference to the provision of this Agreement, Seller Document, Company Document or Buyer Document upon which such claim is based; provided, that a Claim Notice in respect of any Legal Proceeding by or against a third Person as to which indemnification will be sought shall be given, promptly reasonable after the action or suit is commenced; and provided, further, that failure to give such notice shall not relieve the Indemnitor of its obligations hereunder except to the extent it shall have been actually prejudiced by such failure.

(b) After the giving of any Claim Notice pursuant hereto, the amount of indemnification to which an Indemnified Party shall be entitled under this Article 7 shall be determined: (i) by the written agreement between the Indemnified Party and the Indemnitor; (ii) by a final judgment or decree of any Governmental Body of competent jurisdiction; or (iii) by any other means to which the Indemnified Party and the Indemnitor shall agree. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined. Following such determination of the amount of indemnification, the Indemnified Party shall forward to the Indemnitor written notice of any sums due and owing by the Indemnitor and the Indemnitor shall pay all of such sums so due and owing within five (5) Business Days by wire transfer of immediately available funds.

7.6 THIRD PERSON OR GOVERNMENTAL BODY CLAIMS

(a) The Indemnitor shall have the right to conduct and control, through counsel of its choosing, who is reasonably satisfied to the Indemnified Party, the defense, compromise or settlement of any third Person or Governmental Body claim, action or suit (a **"Third Party Claim"**) against any Indemnified Party as to which indemnification will be sought by such Indemnified Party from such Indemnitor hereunder. If the Indemnitor acknowledges its obligation and elects to defend against, compromise, or, settle any Third Party Claim which relates to any Losses indemnified by it hereunder, it shall within five (5) Business Days of the Indemnified Party's claim notice with respect to such Third Party Claim in accordance with Section (a) (or sooner, if the nature of the Third Party Claim so requires) notify the Indemnified Party of its intent to do so; provided, that the Indemnitor must conduct the defense of the Third Party Claim actively and diligently thereafter in order to preserve its rights in this regard. If the Indemnitor elects not to defend against, negotiate, settle or otherwise deal with any Third Party Claim which relates to any Losses indemnified against hereunder or fails to notify the Indemnified Party of its election as herein provided, the Indemnified Party may defend against, negotiate, settle or otherwise deal with such Third Party Claim. The Parties shall, in connection with any Third Party Claim the Indemnitor has elected to defend against, compromise or settle, furnish such records, information as may be reasonably requested by the in connection therewith. The Indemnified Party may participate, through counsel chosen by it and at its own expense, in the defense of any Third Party Claim as to which the Indemnitor has so elected to conduct and control the defense compromise or settlement thereof; provided, however, that such Indemnified Party shall be entitled to participate in any such defense with separate counsel at the expense of the Indemnitor, if (i) so requested by the Indemnitor to participate or (ii) in the reasonable opinion of counsel to the Indemnified Party, a conflict or potential conflict exists between the Indemnified Party and the Indemnitor that would make such separate representation advisable; and

provided, further, that the Indemnitor shall not be required to pay for more than one such counsel for all Indemnified Parties in connection with any Third Party Claim. Notwithstanding anything in this Section 7.6 to the contrary, neither the Indemnitor nor the Indemnified Party shall, without the written consent of the other party, settle or compromise any Third Party Claim or permit a default or consent to entry of any judgment unless the claimant or claimants and such party provide to such other party an unqualified release from all liability in respect of the Third Party Claim.

(b) Notwithstanding the provisions of Section (a), in the event of any claim for injunctive or other equitable relief against the Buyer that would if successful reasonably be expected to have a material and continuing effect on the Company, and for which the Buyer would be entitled to indemnification, the Buyer may assume the defense of such claim at the cost and expense of the Sellers.

7.7 PURCHASE PRICE ADJUSTMENT

Any indemnification payment made by the Buyer or any Seller under this Article 7 or Section 5.5 shall be treated by the Buyer and the Sellers as an adjustment to the Closing Consideration for federal, state and local Tax purposes.

7.8 CALCULATION OF LOSSES

Notwithstanding anything to the contrary set forth herein, solely for purposes of Section 7.2 in determining the amount of any Losses and Expenses suffered or incurred by any Buyer Indemnitee related to a breach of any representation or warranty of any Seller, but not whether there has occurred any such breach, the representations and warranties set forth in this Agreement shall be considered without regard to any "material," "Material Adverse Change" or similar qualifications set forth therein.

7.9 NO CONTRIBUTION

The Sellers shall have no right of contribution or other recourse against the Company or its directors, officers, employees, Affiliates, agents, attorneys, representatives, assigns or successors for any Third Party Claims asserted by the Buyer, it being acknowledged and agreed that the covenants and agreements of the Company are solely for the benefit of the Buyer.

7.10 OFFSET RIGHTS

Buyer shall have the right to set off any amounts owed by the Sellers to Buyer under this Agreement against any amounts owed by Buyer to the Sellers under the Collaboration Agreement. If PDI intends to exercise such right, it shall provide written notice to the Seller Representative, and if the Seller Representative disputes PDI's notice, the amount claimed to be subject to set-off shall thereafter be paid by PDI into escrow until the claim is resolved by (a) written agreement of PDI and the Seller Representative, or (b) a final, non-appealable judgment or decree of any Governmental Body. If such resolution upholds the set-off in whole or in part, the funds paid into escrow shall be released first to PDI in an amount equal to the amount of such determination, and the remaining escrow funds, if any, shall then promptly be released to the Seller Representative. If

such resolution denies the set-off, the funds paid into escrow shall promptly be released to the Seller Representative. Notwithstanding the foregoing, all funds paid into escrow shall promptly be released to the Seller Representative if the dispute has not been resolved within 180 days after delivery by PDI of the applicable set-off notice to the Seller Representative, or such longer period as PDI and the Seller Representative may agree, if prior to the conclusion of such period neither PDI nor the Seller Representative has commenced a Legal Proceeding with respect to the claimed set-off.

Article 8
MISCELLANEOUS

8.1 SELLER REPRESENTATIVE

(a) By virtue of the adoption of this Agreement by the Sellers other than Hernandez, and without further action of any such Seller, each such Seller shall be deemed to have irrevocably constituted and appointed Hernandez (and by execution of this Agreement Hernandez hereby accepts such appointment) as agent and attorney-in-fact (in such capacity, the **"Seller Representative"**) for and on behalf of the Sellers (in their capacity as such), with full power of substitution, to act in the name, place and stead of each Seller with respect to and in connection with and to facilitate the consummation of the transactions contemplated hereby, including the taking by the Seller Representative of any and all actions and the making of any decisions required or permitted to be taken by the Seller Representative under Section 2.2 or Article 7. The power of attorney granted in this Section 8.1 is coupled with an interest and is irrevocable, may be delegated by the Seller Representative and shall survive the death or incapacity of each Seller. No bond shall be required of the Seller Representative, and the Seller Representative shall receive no compensation for his services.

(b) The Seller Representative shall not be liable to any Person for any act taken in good faith and in the exercise of his reasonable judgment and arising out of or in connection with the acceptance or administration of his duties under this Agreement (it being understood that any act done or omitted pursuant to the advice of legal counsel shall be conclusive evidence of such good faith and reasonable judgment), and shall not be liable for, and may seek indemnification from the Sellers for, any Losses incurred by the Seller Representative, except to the extent of any Losses actually incurred as a proximate result of the gross negligence or bad faith of the Seller Representative. The Seller Representative shall be entitled to recover any out-of-pocket costs and expenses reasonably incurred by the Seller Representative in connection with actions taken by the Seller Representative pursuant to the terms of Section 2.2 or Article 7 of this Agreement or Article 5 or Section 11.12 of the Collaboration Agreement (including the payment of brokers' fees and expenses, the hiring of legal counsel and the incurring of legal fees and costs), from the Sellers jointly and severally, including, without limitation, by deducting such costs and expenses from amounts otherwise distributable to the Sellers.

(c) From and after the date of this Agreement, any decision, act, consent or instruction of the Seller Representative with respect to Section 2.2 or Article 7 shall constitute a decision of all Sellers and shall be final, binding and conclusive upon each Seller, and the Buyer may rely upon

any decision, act, consent or instruction of the Seller Representative as being the decision, act, consent or instruction of each Seller. Buyer is hereby relieved from any liability to any Person for any acts done by Buyer in accordance with any such decision, act, consent or instruction of the Seller Representative.

8.2 PRESS RELEASES AND PUBLIC ANNOUNCEMENTS

No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the Buyer and the Seller Representative; provided, however, that any Party may make any public disclosure it believes in good faith is required by Applicable Law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use all commercially reasonable efforts to advise the other Parties prior to making the disclosure).

8.3 NO THIRD-PARTY BENEFICIARIES

Except as specifically provided in Section 8.5, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

8.4 ENTIRE AGREEMENT

This Agreement (including the documents referred to herein), the Seller Documents, the Company Documents, the Buyer Documents and the Confidentiality Agreement constitute the entire understanding and agreement among the Parties with respect to the subject matter hereof and supersede any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

8.5 SUCCESSION AND ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Parties; provided, however, that the Buyer may (i) assign this Agreement and/or any or all of its rights and interests hereunder to any entity with which it may merge or consolidate, or which acquires all or substantially all of its business and assets, (ii) assign this Agreement and/or any or all of its rights and interests hereunder to one or more of its Affiliates, and/or (iii) designate one or more of its Affiliates to perform its obligations hereunder. In addition, rights provided to Sellers under this Agreement are not transferrable or assignable under any circumstance without a written opinion of counsel for Buyer that such transfer or assignment complies with applicable securities laws.

8.6 COUNTERPARTS

For the convenience of the Parties, this agreement may be executed in counterparts and by facsimile or email exchange of pdf signatures, each of which counterpart shall be deemed to be an original, and both of which taken together, shall constitute one agreement binding on the Parties.

8.7 NOTICES

All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two (2) Business Days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

IF TO THE SELLERS:

Joe Hernandez
302A West 12th Street, Suite 114
New York, NY 10014

COPY TO:

Thompson Hine LLP
335 Madison Avenue
12th Floor
New York, NY 10017-4611

Attn: Faith L. Charles, Esq.

IF TO THE BUYER:

[PDI, Inc.]
Morris Corporate Center 1, Building A
300 Interpace Parkway
Parsippany, NJ 07054

Attn: Jeffrey Smith., CFO

COPY TO:

Norris McLaughlin & Marcus, P.A.
721 Route 202-206, Suite 200
Bridgewater, NJ 08807

Attn: David Blatteis, Esq.

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, or ordinary mail, but not electronic mail or messaging), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

8.8 GOVERNING LAW

This Agreement, and all claims or causes of action that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or covenant made in or in connection with this Agreement or as an inducement to enter into this Agreement), shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to contracts made and performed in such State without giving effect to any choice or conflict of law provision or rule (whether of the State of New Jersey or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New Jersey.

8.9 SUBMISSION TO JURISDICTION; CONSENT TO SERVICE OF PROCESS

(a) The Parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of any federal or state court located within the State of New Jersey over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby and each Party hereby irrevocably agrees that all claims in respect of such dispute or any suit, action proceeding related thereto may be heard and determined in such courts. The Parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the Parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the Parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by delivery of a copy thereof in accordance with the provisions of Section 8.7.

(c) THE PARTIES TO THIS AGREEMENT EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. THE PARTIES TO THIS AGREEMENT EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

8.10 AMENDMENTS AND WAIVERS

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties hereto. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. No action taken pursuant to this Agreement, including any investigation by or on behalf of any Party, shall be deemed to constitute a waiver by the Party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. No failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

8.11 SEVERABILITY

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

8.12 EXPENSES

Each Party will bear its and their own costs and expenses (including legal fees and expenses) incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and each other agreement, document and instrument contemplated by this Agreement. All transfer Taxes and other expenses required to complete the sale of the Shares shall be borne by the Sellers.

8.13 FURTHER ASSURANCES

The Parties will from time to time do and perform such additional acts and execute and deliver such additional documents and instruments as may be required by Applicable Law or reasonably requested by any Party to establish, maintain or protect its rights and remedies or to effect the intents and purposes of this Agreement and the other documents delivered in connection with the Closing. Without limiting the generality of the foregoing, each party agrees to endorse (if necessary) and deliver to the other, promptly after its receipt thereof, any payment or document which it receives after the Closing Date and which is the property of the other.

8.14 RELEASE

Effective as of the Closing, each Prolias Shareholder on behalf of himself or herself and his or her respective Affiliates hereby releases, remises and forever discharges, to the extent permitted by law, any and all rights and claims that he or she has had, now has or might now have against the Company, except with respect to or in connection with (a) matters which such Prolias Shareholder is entitled to indemnification pursuant to this Agreement, (b) indemnification as an officer or director arising under the Company's Certificate of Incorporation or Bylaws, the Delaware General Corporation Law or any insurance policy, (c) obligations of the Company under this Agreement, Article 5 or Section 11.12 of the Collaboration Agreement, or any other document or instrument executed and delivered by the Company pursuant to this Agreement and (d) accrued but unpaid compensation payable to any Prolias Shareholder in his or her capacity as a consultant of the Company in the ordinary course of their consultancy for periods prior to the Closing provided same is disclosed at Closing as a Company GAAP Liability or on Exhibit 2.2(a). Each Prolias Shareholder has been advised by, or has had the opportunity to be advised by and has waived such opportunity, independent legal counsel and is familiar with the provisions of certain state laws that provide, in effect, that a general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

8.15 INCORPORATION OF EXHIBITS

The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

SELLERS:	BUYER:
_____	[PDI, INC.]
JOSEPH HERNANDEZ	
	By: __
__	
GEORGE ELSTON	Title: __
__	
JUSTINA GROSSMAN	
__	
THOMAS J. FAHEY	

EXHIBIT 3.1(b)

None

EXHIBIT 3.1(c)

See Engagement letter, between Prolias and Torreya Capital, a division of the Financial West Investment Group, dated October 4, 2012.

EXHIBIT 3.1(d)

None

EXHIBIT 3.2(c)

None

EXHIBIT 4.3

None

EXHIBIT 4.4

None

EXHIBIT B
REPRESENTATIONS AND WARRANTIES CONCERNING PROLIAS

Capitalized terms used in this Exhibit B are defined as follows:

"Confidential Information" shall mean "Confidential Information" as such term is defined in the Confidentiality Agreement.

"Environmental Law" means any Applicable Law that relates to Hazardous Substances, pollution or protection of the environment or natural resources, including without limitation any Applicable Law relating to the generation, use, processing, treatment, storage, discharge, release, transport or disposal of Hazardous Substances.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Financial Statements" has the meaning set forth in Section 7.8.

"Hazardous Substance" means any substance that constitutes, in whole or in part, a pollutant, contaminant or toxic or hazardous or extremely hazardous substance or waste under, or the generation, use, processing, treatment, storage, release, transport or disposal of which is regulated by, any Applicable Law, including but not limited to petroleum, petroleum hydrocarbons, petroleum products or petroleum by-products, radioactive substances, asbestos or asbestos-containing materials, gasoline, diesel fuel, pesticides, radon, urea formaldehyde, mold, lead or polychlorinated biphenyls ("PCBs").

"Health Care Laws" means:

(i) the statutes, rules and regulations applicable to the regulatory authority of the Food and Drug Administration;

(ii) all federal and state fraud and abuse Laws promulgated thereunder, including, but not limited to, the federal Anti-Kickback Statute (42 U.S.C. §1320a-7(b)), the Stark Law (42 U.S.C. §1395nn and §1395(q)), the civil False Claims Act (31 U.S.C. §3729 et seq.), Sections 1320a-7 and 1320a-7a of Title 42 of the United States Code;

(iii) Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. Sections 1320d through d-8 (collectively, "HIPAA");

(iv) Medicare (Title XVIII of the Social Security Act);

(v) Medicaid (Title XIX of the Social Security Act); and

(vi) any other applicable federal, state or local health care Laws, manual provisions, policies and administrative guidance.

"IRS" means the Internal Revenue Service.

"Medicaid Audits" has the meaning set forth in Section 7.11(f).

"Most Recent Financial Statements" has the meaning set forth in Section 7.8 below.

"Most Recent Fiscal Month End" has the meaning set forth in Section 7.8 below.

"Most Recent Fiscal Year End" has the meaning set forth in Section 7.8 below.

"Permits" means any approvals, authorizations, consents, licenses, permits or certificates of a Governmental Body.

"Permitted Exceptions" means (a) materialmen's, workers' and similar liens arising or incurred in the Ordinary Course that are not material to the business or operations of Prolias or financial condition of Prolias property so encumbered and that are not resulting from a breach, default or violation by Prolias of any agreement, contract, lease, license, instrument, or other arrangement to which Prolias is a party or by which it is bound or to which any of its assets are subject or any Applicable Law, (b) liens for Taxes not yet due and payable or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings and (c) zoning and other land use regulations by any Governmental Body of record not interfering with the Ordinary Course or detracting from the use, occupancy, value or marketability of Prolias's assets, provided that such regulations have not been violated.

"Product Liability" has the meaning set forth in Section 7.24.

"Prolias Benefit Plans" has the meaning set forth in Section 7.21.

"Prolias Documents" has the meaning set forth in Section 7.2

"Related Person" has the meaning set forth in Section 7.23.

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

"Tax" means (i) any federal, state, local or foreign net income, alternative or add-on minimum, gross income, gross receipts, property, sales, franchise, use, value added, transfer, gains, capital gains, license, excise, employment, payroll, withholding, capital, ad valorem, profits, inventory, capital stock, social security, unemployment, severance, stamp, occupation, estimated or minimum tax, or any other tax, custom duty, governmental fee or other like assessment or charge of any kind whatsoever, (ii) any interest, penalty, fine, addition to tax or additional amount imposed by any Governmental Body in connection with any item described in clause (i) and (iii) any liability in respect of any item described in clause (i) or (ii) payable by reason of contract, assumption, transferee liability, operation of law, Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision under law) or otherwise.

"Tax Return" means any return, report or similar statement required to be filed with respect to any Taxes (including any attached schedules), including any information return, claim for refund, amended return and declaration of estimated Tax.

"Taxing Authority" means the IRS and any other Governmental Body responsible for the administration of any Tax.

"Treasury Regulations" means the U.S. Department of Treasury regulations promulgated under the Code, including any successor provisions thereto.

7.1 ORGANIZATION, QUALIFICATION, AND CORPORATE POWER

Prolias is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and duly authorized to conduct business and in good standing under the laws of each jurisdiction where qualification is required, except for jurisdictions where the failure to be so qualified would not cause Prolias to experience a Material Adverse Change. Prolias has full power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it. Exhibit 7.1 lists the directors and officers of Prolias.

7.2 AUTHORIZATION OF TRANSACTION

Prolias has full power and authority to execute and deliver this Agreement and each other agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by it in connection with the transactions contemplated by this Agreement (collectively, the "Prolias Documents"), and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and each of Prolias Documents, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized and approved by all required action on the part of Prolias. This Agreement has been, and each of Prolias Documents will be at or prior to the Closing, duly and validly executed and delivered by Prolias, and (assuming due authorization, execution and delivery by PDI) this Agreement constitutes, and each of Prolias Documents to which Prolias is a party, when so executed and delivered, will constitute, the valid and legally binding obligation of Prolias, enforceable in accordance with their respective terms and conditions.

7. CAPITALIZATION

The entire authorized capital stock of Prolias consists of 10,000,000 voting shares of Common Stock, of which 2,060,000 shares of Common Stock are issued and outstanding as of the date hereof. All of the issued and outstanding shares of Common Stock have been duly authorized, are validly issued, fully paid, and nonassessable, are held of record by the Prolias Shareholders listed on Exhibit 7.3 and were not issued to or acquired by the Prolias Shareholders in violation of any Applicable Law, or of any agreement to which Prolias is a party, or of any preemptive rights granted by Prolias or, to the Knowledge of Prolias, any other Person. Except as disclosed in Exhibit 7.3, (i) no shares of capital stock or other equity interests of Prolias are reserved for issuances or are held as treasury shares, (ii) there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments relating to the capital stock or other equity interests of Prolias, granted by Prolias or, to the Knowledge of Prolias, any other Person, (iii) there are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar profit-sharing rights with respect to Prolias, (iv) there are no obligations, contingent or otherwise, of Prolias to purchase, redeem or otherwise acquire any capital stock or other equity interests of Prolias or, to the Knowledge of Prolias, any of the Prolias Shareholders or any other Person, (v) there are no agreements or understandings, including voting trusts and proxies, among or by Prolias and any of the Prolias Shareholders or any other Persons with respect to Prolias, and (vi) there are no dividends which have accrued or have been declared but are unpaid on the capital stock or other equity interests of Prolias.

7.4 NONCONTRAVENTION

(a) Except as disclosed in Exhibit 7.4, neither the execution and the delivery of this Agreement or the Prolias Documents, nor the consummation of the transactions contemplated hereby, will violate any Applicable Law to which Prolias is subject or any provision of the Organic Documents of Prolias.

(b) Except as disclosed in Exhibit 7.4, neither the execution and the delivery of this Agreement or the Prolias Documents, nor the consummation of the transactions contemplated hereby, will conflict with,

result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any material agreement, contract, lease, license, instrument, or other arrangement to which Prolias is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Security Interest upon any of its assets). Except as disclosed in Exhibit 7.4, Prolias does not need to give any notice to, make any filing with, or obtain any authorization, consent (all of which have already been obtained), or approval of any Person or Governmental Body in connection with the execution and delivery of this Agreement and Prolias Documents and in order for the Parties to consummate the transactions contemplated by this Agreement.

7.5 BROKERS' FEES

Except as disclosed in Exhibit 7.5, Prolias has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

7.6 RESERVED

7.7 SUBSIDIARIES

Prolias has no subsidiaries and does not directly or indirectly own any share capital, voting securities or other equity interests of any other Person.

7.8 FINANCIAL STATEMENTS

Attached hereto as Exhibit 7.8 are the following financial statements (collectively the**"Financial Statements"**): (i) internal unaudited statements of liabilities as of and for the fiscal year ended December 31, 2012 (the **"Most Recent Fiscal Year End"**) for Prolias; and (ii) internal unaudited statement of liabilities (the**"Most Recent Financial Statements"**) as of and for the 7 months ended July 31, 2013 (the **"Most Recent Fiscal Month End"**) for Prolias. Each of the Financial Statements is complete and correct in all material respects and presents fairly the financial condition of Prolias as of such dates; provided, however, the Most Recent Financial Statements are subject to normal year-end adjustments.

7.9 EVENTS SUBSEQUENT TO MOST RECENT FISCAL YEAR END

Since the Most Recent Fiscal Year End, except as disclosed in Exhibit 7.9, (i) Prolias has conducted its business only in the Ordinary Course, and (ii) Prolias has not experienced any Material Adverse Change. Without limiting the generality of the foregoing, except as disclosed in Exhibit 7.9, since that date:

(i) Prolias has not sold, leased, transferred, assigned or otherwise disposed of, any assets, tangible or intangible, outside the Ordinary Course or, in any event, assets valued in excess of $10,000 individually or $25,000 in the aggregate;

(ii) Prolias has not acquired any assets, tangible or intangible, outside the Ordinary Course or, in any event, assets valued in excess of $10,000 individually or $25,000 in the aggregate;

(iii) Prolias has not entered into any agreement, contract, lease, or license outside the Ordinary Course or, in any event, any agreement, contract, lease, or license with a value in excess of $10,000 individually or $25,000 in the aggregate;

(iv) no party (including Prolias) has accelerated, terminated, made material modifications to, or cancelled any material agreement, contract, lease, or license to which Prolias is a party or

by which it is bound (including but not limited to the Cornell License Agreements and the JS Genetics JV Agreement);

(v) Prolias has not imposed any Security Interest upon any of its assets, tangible or intangible, other than Permitted Exceptions;

(vi) Prolias has not made or committed to make any capital expenditures outside the Ordinary Course or in any event in excess of $10,000 individually or $25,000 in the aggregate;

(vii) Prolias has not made any capital investment in, or any loan to, any other Person;

(viii) Prolias has not created, incurred, assumed, or guaranteed or otherwise become liable or responsible with respect to more than $10,000 in aggregate indebtedness for borrowed money and capitalized lease obligations;

(ix) there has been no change made or authorized in the Organic Documents of Prolias;

(x) Prolias has not made any loan to, or entered into any other transaction with, the Prolias Shareholders or any of its directors, officers, Affiliates or employees;

(xi) Prolias has not entered into any employment contract or collective bargaining agreement, written or oral, or modified the terms of any such existing contract or agreement;

(xii) Prolias has not granted any increase in the base compensation of any of its directors, officers, and employees outside the Ordinary Course or, in any event, any increase in excess of $25,000 individually or $50,000 in the aggregate;

(xiii) Prolias not has awarded or paid any bonuses to employees of Prolias;

(xiv) Prolias has not adopted, amended, modified, or terminated any bonus, profit-sharing, incentive, severance, retention, termination, change in control or other plan, contract, or commitment for the benefit of any of its directors, officers, and employees (or taken any action to adopt any Prolias Benefit Plan);

(xv) Prolias has not made any other material change in employment terms for any of its managers, directors, officers, and employees;

(xvi) Prolias has not instituted or settled any Legal Proceeding;

(xvii) there has been no material change in the accounting or Tax reporting principles, methods or policies of Prolias and Prolias has not made a request to any Taxing Authority to change its Tax reporting principles;

(xviii) Prolias has not made, changed, rescinded or revoked any Tax election, settled or compromised any Tax claim or liability or entered into a settlement or compromise in relation to any Tax claim or liability;

(xix) Prolias has not prepared or filed any Tax Return (or any amendment thereof) except a Tax Return prepared in a manner consistent with past practice and in respect of which Prolias has complied with Applicable Law; and

(xx) Prolias has not committed to any of the foregoing.

7.10 UNDISCLOSED LIABILITIES

Except as set forth on Exhibit 7.10, Prolias has no material liability (whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated or due or to become due, including any liability for Taxes) except for (i) liabilities disclosed in the Financial Statements and (ii) liabilities which have arisen after the Most Recent Fiscal Month End in the Ordinary Course.

7.11 LEGAL COMPLIANCE

(a) Except as disclosed in Exhibit 7.11, Prolias complies and at all times has complied in all material respects with all Applicable Laws, and no Legal Proceeding has been filed or commenced against Prolias alleging any failure so to comply or any liability pursuant to any Applicable Law. To the Knowledge of Prolias, Prolias is not under investigation with respect to the violation of any Applicable Law.

(b) Other than filings made with the State of Delaware relating to its incorporation, Prolias has not obtained, and does not own or hold, any Permits and, to the Knowledge of Prolias, Prolias's activities to date do not require any such Permits.

(c) Prolias has not contracted with Government Programs. Neither Prolias nor any of its employees have been excluded, suspended, debarred or otherwise declared ineligible to participate in any Government Program.

(d) During the past three years, Prolias has filed, obtained, maintained or submitted all material reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by any Applicable Laws, and all such reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments were complete and correct in all material respects on the date filed (or were corrected or supplemented by a subsequent submission).

(e) The operation of Prolias's business is in compliance with applicable Environmental Law in all material respects, and Prolias has been in compliance with, and has no liabilities under any Environmental Law. To the Knowledge of Prolias, there are no facts, circumstances or conditions existing, initiated or occurring prior to the Closing that have or will result in a liability, loss to or claim against PDI under any Environmental Law.

(f) Without limiting the generality of Section 7.11(a) or otherwise:

(i) No Violations. Prolias has not violated in any material respect the Medicare and Medicaid provisions of the Social Security Act, the anti-kickback provisions of the Social Security Act, the Stark anti-referral provisions of the Social Security Act, the False Claims Act, or the Civil Monetary Penalty Law of the Social Security Act or the applicable recordkeeping, inventory and other requirements and regulations of the U.S. Food and Drug Administration or the U.S. Drug Enforcement Administration. Prolias is not party to a Corporate Integrity Agreement, consent order, consent decree or other settlement agreement with any Governmental Body.

(ii) State Licensure. Except for a business license in the State of Delaware, Prolias has not obtained any licenses in any state and Prolias's activities to date do not require any such license.

(iii) Medicaid. Prolias is not subject to any current or ongoing Medicaid program audits ("Medicaid Audits") and has not been subject in the past to any Medicaid Audits.

(iv) No Actions - Governmental Body. No action is pending by any Governmental Body that would result in the exclusion of Prolias from any Medicaid program. To the Knowledge of Prolias, no action or investigation is threatened by any Governmental Body that would result in the exclusion of Prolias from any Medicaid program and there have been no inspections, inquiries or audits made or conducted by any Governmental Body regarding Prolias.

(v) Reimbursement - Governmental Body. Prolias has not requested reimbursement under any Government Program.

(vi) Third-Party Payment Programs. Prolias is not a participant in any third-party payment programs and Prolias is not a participating provider of services, in whole or in part, in any Government Program.

7.12 TAX MATTERS

Except as disclosed in Exhibit 7.12:

(a) The jurisdictions in which Prolias is required to file a Tax Return are listed on Exhibit 7.12. All Tax Returns required to be filed on or before the Closing Date by or on behalf of Prolias (i) have been prepared in the manner required by Applicable Law; (ii) have been duly and timely filed with the appropriate Taxing Authority in all jurisdictions in which such Tax Returns are required to be filed (after giving effect to any valid extensions of time in which to make such filings); (iii) accurately reflect the liability for Taxes of Prolias; and (iv) are true, complete and correct in all material respects. All Taxes payable by or on behalf of Prolias with respect to such Tax Returns have been fully and timely paid. With respect to any period for which Tax Returns have not yet been filed or for which Taxes are not yet due or owing, Prolias has made due and sufficient accruals for such Taxes in the Most Recent Financial Statements and its books and records. All required estimated Tax payments sufficient to avoid any underpayment penalties or interest have been made by or on behalf of Prolias.

(b) Prolias has complied in all material respects with all Applicable Laws relating to the withholding and payment of Taxes and has duly and timely withheld and paid over to the appropriate Taxing Authority all amounts required to be so withheld and paid under all Applicable Laws.

(c) Prolias (nor any other Person on its behalf) has not (i) agreed to, and is not required to, make any adjustments pursuant to Section 481(a) of the Code or any similar provision of law nor to the Knowledge of Prolias has any Taxing Authority proposed any such adjustment; (ii) submitted any application to any Taxing Authority requesting permission for any changes in accounting methods; (iii) executed or entered into a closing agreement pursuant to Section 7121 of the Code or any similar provision of law; (iv) requested any extension of time within which to file any Tax Return, which Tax Return has since not been filed; (v) been granted any extension or waiver for the assessment or collection of Taxes, which Taxes have not since been paid; (vi) granted to any Person any power of attorney that is currently in force with respect to any Tax matter, or (vii) received any rulings of, or made any requests for rulings with, any Taxing Authority that are, or if issued would be, binding on Prolias after the Closing Date.

(d) To the Knowledge of Prolias, no audits, investigations or examinations by any Taxing Authority of the Tax Returns of Prolias have been conducted or are currently in progress, and Prolias has not received any notice from any Taxing Authority that it intends to conduct such an audit or investigation.

To the Knowledge of Prolias, no state of facts exists or has existed that would constitute grounds for the assessment of any liability for Taxes with respect to periods that have not been audited by any Taxing Authority.

(e) Prolias is not a party to any Tax sharing, allocation, indemnity or similar agreement or arrangement (whether or not written) pursuant to which it will have any obligation to make any payments after the Closing Date.

(f) There are no liens or judgments as a result of any unpaid Taxes upon any of the assets of Prolias.

(g) No claim has been made by a Taxing Authority with respect to Prolias in a jurisdiction where Prolias does not file Tax Returns such that it is or may be subject to taxation by that jurisdiction.

(h) Prolias has not ever been a member of any consolidated, combined, affiliated, unitary or similar group for any Tax purposes.

(i) There is no taxable income of Prolias that will be required under applicable Tax law to be reported by PDI or any of its Affiliates, including Prolias, for a taxable period beginning after the Closing Date which taxable income was realized (and reflects economic income) arising prior to the Closing Date.

(j) Prolias has not, nor has it ever had, a permanent establishment in any country other than the United States.

(k) Prolias has not engaged in any "reportable transactions" as defined in Treasury Regulation Section 1.6011-4(b).

(l) PDI has been provided correct and complete copies of all federal income Tax Returns filed by or on behalf of Prolias, examination reports, and statements of deficiencies assessed against or agreed to by Prolias with respect to taxable periods ended on or after December 31, 2010.

7.13 REAL PROPERTY

Except as disclosed in Exhibit 7.13, Prolias has not at any time owned, operated or leased any real property.

7.14 INTELLECTUAL PROPERTY

(a) There is no Legal Proceeding pending or, to the Knowledge of Prolias, threatened, by any third party before any court or tribunal (including, without limitation, the United States Patent and Trademark Office or equivalent authority anywhere in the world) relating to any of Prolias's Intellectual Property or Technology, nor has Prolias received within the three years prior to the date hereof any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation (including any claim that Prolias must license or refrain from using any Intellectual Property rights of any third party) or challenging the validity, enforceability, use or exclusive ownership of any Intellectual Property or Technology owned by or licensed to Prolias. Within the three years prior to the date hereof, Prolias has not brought any Legal Proceeding (other than claims that have been resolved to Prolias's satisfaction) against any Person for infringing, misappropriating, or violating any Intellectual Property owned by or licensed to Prolias, and, to the Knowledge of Prolias, no third party has interfered with, infringed upon, misappropriated, or violated any Intellectual Property of Prolias.

(b) All licenses or other agreements under which Prolias is granted rights in Intellectual Property are listed in Exhibit 7.14. All such licenses or other agreements are in full force and effect, there is no material default by Prolias, and to Prolias's Knowledge, by any other party thereto and, except as set forth in Exhibit 7.14, all of the rights of Prolias thereunder are freely assignable. Prolias is not making unlawful use of any Intellectual Property granted to it under any such licenses or other agreements. True, complete and correct copies of all such licenses or other agreements, and any amendments thereto, have been provided to PDI.

(c) Except as set forth on Exhibit 7.14, Prolias has not granted or licensed any Intellectual Property rights to any Person.

(d) Exhibit 7.14 sets forth a complete and accurate list of (i) registered trademarks or service marks with respect to any of its Intellectual Property, (ii) pending applications for any trademark or service mark with respect to any of its Intellectual Property, (iii) domain names registered by Prolias, or (iv) trade names, fictitious names, unregistered trademarks, or unregistered service marks that are used by Prolias in connection with any of its business.

(e) Except as set forth on Exhibit 7.14, Prolias owns all right, title and interest in and to, or has valid and continuing rights to use, sell and license, all Intellectual Property, Software and other Technology used in the conduct of the business and operations of Prolias as presently conducted and as currently proposed to be conducted, free and clear of all Security Interests or obligations to others. As of the Effective Date, and subsequent to the Effective Date to the Knowledge of Prolias, Prolias has not interfered with, infringed upon, misappropriated, or violated any Intellectual Property or Technology of any third party. Without limiting any of the foregoing, except as set forth on Exhibit 7.14, as of the Effective Date, and subsequent to the Effective Date to the Knowledge of Prolias, the business and operations of Prolias, and its Technology, products, services, and the designing, development, manufacturing, reproduction, use, marketing, sale, distribution, maintenance and modification of any of the foregoing as presently performed and as currently contemplated to be performed do not infringe upon, misappropriate or otherwise violate any Intellectual Property of any third party.

(f) Except as set forth in Exhibit 7.14 or with respect to licenses of Software (i) generally available for an annual or one-time license fee of no more than $10,000 in the aggregate, (ii) distributed as "freeware" or (iii) distributed via Internet access without charge and for use without charge, Prolias does not own or license any Software. Following the Closing, Prolias will have the right to exercise all of its current rights under agreements granting rights to it with respect to Intellectual Property to the same extent and in the same manner it would have been able to had the transactions contemplated by this Agreement not occurred, and without the payment of any additional consideration as a result of such transactions and without the necessity of any third party consent as a result of such transactions (and any such consents disclosed on Exhibit 7.14 have already been obtained).

(g) Prolias has taken adequate measures, consistent with standard practices in the industry in which Prolias operates, to protect the confidentiality of all trade secrets owned by Prolias that are material to its business as currently conducted. Prolias has executed valid written agreements with all of its past and present employees, consultants and independent contractors pursuant to which such employees, consultants and independent contractors have agreed to hold all of Prolias' trade secrets and confidential information in confidence both during and after the period during which they provided services to Prolias. No trade secrets or other confidential information owned by Prolias that is material to its business as currently conducted and as proposed to be conducted has been disclosed or authorized to be disclosed by Prolias to any of its employees, consultants or independent contractors other than pursuant to a written non¬disclosure or confidentiality agreement. No consultant or independent contractor of Prolias is, as a result of or in the course of such

consultant's or independent contractor's engagement by Prolias, in default or breach of any material term of any consulting agreement, non-disclosure agreement, assignment of invention agreement or similar agreement.

(h) The information technology systems of Prolias, including the relevant Software and hardware, are adequate for the business as presently conducted. The information technology systems of Prolias have not suffered any material failure within the two (2) years prior to the date hereof.

(i) The information technology systems of Prolias are reasonably secure against intrusion. Prolias has not suffered any security breaches within the past two years that have resulted in a third party obtaining access to any confidential information of Prolias or any of its customers or suppliers.

(j) Prolias is in compliance in all material respects with any posted privacy policies and any laws or regulations relating to personally identifiable information.

7.15 TANGIBLE ASSETS

Prolias has no material tangible assets or properties.

7.16 CONTRACTS

(a) Exhibit 7.16 lists, by reference to the applicable subsection of this Section 7.16, the following contracts and other agreements to which Prolias is a party or by which any of its assets is bound:

(i) any agreement (or group of related agreements) for the lease of personal property to or from any Person providing for lease payments in excess of $15,000 per annum;

(ii) any agreement (or group of related agreements) for the purchase or sale of raw materials, commodities, supplies, products, or other personal property, or for the furnishing or receipt of services, the performance of which will involve consideration in excess of $25,000 or require performance by any party more than one year from the date hereof;

(iii) any agreement concerning a partnership or joint venture, strategic alliance, licensing arrangement or sharing of profits or proprietary information;

(iv) any agreement (or group of related agreements) under which Prolias has created, incurred, assumed, or guaranteed any indebtedness or under which it has imposed a Security Interest on any of its assets, tangible or intangible;

(v) any confidentiality, nonsolicitation or noncompetition agreement or any agreement containing a nonsolicitation or noncompetition covenant;

(vi) any agreement with any of the Prolias Shareholders or any Affiliate thereof or any current or former officer, director, member or Affiliate of Prolias;

(vii) any profit sharing, equity option, equity purchase, equity appreciation, deferred compensation, severance, or other plan or arrangement for the benefit of Prolias's current or former managers, directors, officers, and employees and any agreements providing for severance, retention, change in control or other similar payments;

(viii) any collective bargaining agreement and any agreements with any labor union or association representing any employee of Prolias;

(ix) any agreement for the employment of any individual providing annual compensation in excess of $25,000, any agreement with independent contractors or consultants (or similar arrangements) that provide for annual compensation in excess of $25,000, and any agreements with employees or independent contractors or consultants that are not cancellable without penalty or further payment and without more than 30 days notice;

(x) any agreement under which Prolias has advanced or loaned any amount to any Person;

(xi) any agreement for the sale of any of the assets of Prolias other than in the Ordinary Course or for the grant to any Person of any preferential rights to purchase any of its assets;

(xii) any agreement relating to the acquisition (by merger, purchase of equity or assets or otherwise) by Prolias of any operating business or material assets or the capital stock or equity of any Person;

(xiii) outstanding agreements of guaranty, surety or indemnification, direct or indirect of Prolias;

(xiv) any agreement under which the consequences of a default or termination could be a Material Adverse Change;

(xv) any leases of personal property involving annual payments in excess of $15,000 relating to personal property used in Prolias's business or to which Prolias is a party or by which its properties or assets are bound; or

(xvi) any other agreement (or group of related agreements) the performance of which involves consideration in excess of $25,000 in any fiscal year.

(b) PDI has received a correct and complete copy of each written agreement listed in Exhibit 7.16 (as amended to date) and a written summary setting forth the material terms and conditions of each oral agreement referred to therein. With respect to each such agreement: (i) the agreement is legal, valid, binding, enforceable (except (1) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (2) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (3) insofar as indemnification and contribution provisions may be limited by applicable law), and in full force and effect and, immediately following the consummation of the transactions contemplated in this Agreement, will be in full force and effect without penalty or other adverse consequence; (ii) neither Prolias nor to the Knowledge of Prolias, any other party, is in material breach or default, and no action or omission by Prolias and, to the Knowledge of Prolias, no other event has occurred which with notice or lapse of time would constitute a material breach or default, or permit termination, modification, or acceleration, under the agreement, and (iii) no party has exercised any termination rights with respect thereto and no party has given notice of any material dispute. That certain Summary of Material Terms of a Agreement by Prolias Technologies Inc. and JS Genetics, Inc., dated May 30, 2013, is non-binding on Prolias.

7.17 POWERS OF ATTORNEY

There are no outstanding powers of attorney executed on behalf of Prolias.

7.18 INSURANCE

(a) Exhibit 7.18 sets forth the following information with respect to each insurance policy (including policies providing property, casualty, liability, and workers' compensation coverage and bond and surety arrangements) with respect to which Prolias is a party, a named insured, or otherwise the beneficiary of coverage:

(i) the name of the insurer, the name of the policyholder, and the name of each covered insured;

(ii) the policy number and the period of coverage;

(iii) the scope (including an indication of whether the coverage is on a claims made, occurrence, or other basis) and amount of coverage;

(iv) the annual premium; and

(v) whether the policy may be terminated on the consummation of the transactions contemplated hereby.

(b) With respect to each such insurance policy: (i) the policy is legal, valid, binding, enforceable, and in full force and effect; (ii) all premiums with respect thereto covering all periods up to an including the Closing Date have been, or will have been as of the Closing Date, paid (iii) neither Prolias nor to the Knowledge of Prolias, any other party to the policy is in breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred which, with notice or lapse of time would constitute such a breach or default, or permit termination, modification, or acceleration, under the policy, and (iv) except as set forth on Exhibit 7.18, to the Knowledge of Prolias, no event relating to Prolias has occurred which could reasonably be expected to result in a retroactive upward adjustment or a prospective upward adjustment in the premium payable under the policy.

(c) Prolias has insurance policies in effect for such amounts as are sufficient for all requirements of Applicable Laws and all agreements to which it is a party or by which it is bound.

7.19 LITIGATION

(a) There is no (i) Legal Proceeding pending or, to the Knowledge of Prolias, threatened against Prolias (or to the Knowledge of Prolias, pending or threatened, against any of the officers, directors or employees of Prolias with respect to their business activities on behalf of Prolias), or to which Prolias is otherwise a party.

(b) Prolias is not subject to any outstanding Order nor is Prolias in breach or violation of any Order.

7.20 EMPLOYEES

(a) Exhibit 7.20 sets forth a correct and complete list of (i) all employees of Prolias; (ii) all managers, directors and executive officers (vice president or higher) of Prolias, (iii) all consultants and contractors to Prolias during the fiscal year ended December 31, 2012, (iv) the current job title of each such Person described in clauses (i) and (ii) above, and (iv) the amount of compensation (including bonuses and commissions) paid to each such Person during the fiscal year ended December 31, 2012.

(b) Prolias is not and has not been a party to or bound by any collective bargaining agreement. Prolias is, and has at all times been, in compliance, in all material respects, with all Applicable Laws concerning employment and employment practices, terms and conditions of employment, wages, hours of work and occupational safety and health, and is not engaged in any "unfair labor practices" (as defined in the National Labor Relations Act or other applicable laws).

7.21 EMPLOYEE BENEFITS

There is no (i) employee welfare benefit plan (as defined in Section 3(1) of ERISA); (ii) employee pension benefit plan (as defined in Section 3(2)(A) of ERISA); (iii) contract, program, policy or arrangement which provides for a deferred compensation benefit currently sponsored, maintained or contributed to by Prolias or any Prolias Affiliate or with respect to which Prolias or any Prolias Affiliate may have any liability and there is no employment, severance, change in control (as such term is interpreted for purposes of section 409A of the Code) or similar agreement to which Prolias or any Prolias Affiliate is a party (collectively, the "Prolias Benefit Plans").

7.22 GUARANTIES

Prolias is not a guarantor or otherwise responsible for any liability or obligation (including indebtedness) of any other Person.

7.23 CERTAIN BUSINESS RELATIONSHIPS WITH PROLIAS

Except as disclosed in Exhibit 7.23, to the Knowledge of Prolias, none of the Prolias Shareholders nor any employee, officer, manager, director or partner of Prolias, any member of their respective immediate families or any of their respective Affiliates (each such Person a **"Related Person"**), (i) is, or has been in within the 12 months prior to the date hereof, involved in any business arrangement or relationship with Prolias (whether written or oral), (ii) owes any material amount to Prolias, nor does Prolias owe any material amount to, or has committed to make any loan or extend or guarantee credit to or for the benefit of, any Related Person, (iii) owns any asset, tangible or intangible, which is used in the business of Prolias (iv) has any material claim or cause of action against Prolias or (v) owns any direct or indirect interest of any kind in, or controls or is a manager, director, officer, employee or partner of, or consultant to, or lender to or borrower from or has the right to participate in the profits of, any Person which is a competitor, supplier, customer, landlord, tenant, creditor or debtor of Prolias.

7.24 PRODUCT WARRANTIES AND LIABILITIES

(a) Prolias does not manufacture any products.

(b) Prolias has not distributed, sold, leased, or delivered any product or service and has not committed or agreed to do any of the forgoing.

7.25 BOOKS AND RECORDS

The books and records of Prolias are correct and complete in all material respects and the signatures appearing on all documents contained therein are the true signatures of the person purporting to have signed the same. All actions reflected in said books and records were duly and validly taken in material compliance with the laws of the applicable jurisdiction and no meeting of the board of directors of Prolias or any committee thereof has been held for which minutes have not been prepared and are not contained in the minute books. To the extent that they exist, all personnel files, reports, strategic planning documents, financial forecasts,

accounting and tax records and all other records of every type and description that relate to the business of Prolias have been prepared and maintained in accordance with good business practices and, where applicable, in conformity with applicable laws and regulations. All such books and records have been made available to PDI and, or in connection with the Closing, will be provided to PDI.

7.26 DISCLOSURE

The representations and warranties of Prolias contained in the Collaboration Agreement (including this Exhibit B) do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained herein not misleading. To the Knowledge of Prolias, there are no facts which Prolias has not disclosed to PDI in writing which could, individually or in the aggregate, reasonably be expected to cause Prolias to experience a Material Adverse Change.

EXHIBIT C

PROMISSORY NOTE

Principal: $ Date:

Prolias Technologies, Inc. (hereinafter called the "Maker"), for value received, hereby promises to pay to the order of PDI, Inc. (which, together with its successors and assigns, will be called the "Payee"), the principal amount of Dollars ($), plus interest at the rate of five percent (5%) per annum on the principal amount outstanding from time to time, from the date hereof until this Note shall have been paid in full.

Subject to the provisions below, no payment of principal or interest shall be due for the first twenty-four (24) months from the date hereof. A payment of principal and interest in the amount of $ shall be due on the first day of the twenty-fifth calendar month following the date of this Note, and a like amount shall be due on the first day of each month thereafter until , when the unpaid balance of principal and all accrued and unpaid interest shall be due in full.

The maturity of this Note shall be accelerated, and the unpaid balance of principal and all accrued and unpaid interest shall be due in full, within five (5) business days following receipt by the Maker of $7,500,000 in funding on a cumulative basis (whether in the form of equity capital or other indebtedness convertible into equity capital).

In addition, in the event of the receipt by the Maker of $5,000,000 in funding on a cumulative basis (whether in the form of equity capital or other indebtedness convertible into equity capital) during the first twenty-four months from the date hereof, payment of this Note in consecutive, equal monthly installments of principal and interest will commence on the first day of the next calendar month following the date of such funding, with the monthly payment computed so that this Note will be fully amortized and paid in sixty (60) months after the date hereof.

All payments on this Note shall be made in lawful money of the United States at the office of the Payee at , or such other place as the Payee may designate to the Maker in writing from time to time. Each payment shall be applied first to accrued and unpaid interest, and the balance to the outstanding principal hereof.

This Note shall be prepayable at any time in whole or in part, without penalty or premium.

If any of the following events shall occur, that is to say (i) if a default shall occur in the payment of any amount due hereunder and such default shall not be cured within ten (10) days after such due date; or (ii) if the Maker shall become insolvent or make an assignment for the benefit of creditors; or (iii) if a case shall be commenced with respect to the Maker (whether voluntary or involuntary) under any federal or state bankruptcy or insolvency law; or (iv) if a custodian, receiver, trustee or other similar official shall be appointed for the Maker or for any substantial part of its property; then, and in any such event, the outstanding principal balance hereof, together with all accrued and unpaid interest, shall at the option of the Payee become immediately due and payable.

The Maker agrees to pay all costs (including attorneys' fees) reasonably incurred by the Payee in collecting this Note following a default hereunder.

Presentment for payment, demand, protest, notice of protest and notice of dishonor are hereby waived by all parties to this Note, whether Maker, endorser, guarantor or surety.

No provision of this Note may be changed or waived orally, but only by an instrument in writing signed by the party to be charged by such change or waiver.

This Note shall be construed and enforced in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the Maker has executed this Note as of the day and year first above written.

PROLIAS TECHNOLOGIES, INC.

By: _____

Print Name: _____

Title: _____

SEVERANCE AGREEMENT AND GENERAL RELEASE

This Severance Agreement and General Release (this "Agreement" or this "Agreement and General Release") is entered into by **Jeffrey E. Smith** ("Executive") and **PDI, Inc.** (the "Company"). Executive and the Company are jointly referred to in this Agreement as the "Parties."

1. Termination of Employment. Executive's employment with the Company will terminate upon his retirement effective **February 27, 2015** (the "Termination Date"). Executive and the Company agree that Executive's retirement falls within the scope of Paragraph 2 of the Amended and Restated Employment Separation Agreement dated October 20, 2014 between Executive and PDI ("ES Agreement"), a copy of which is attached hereto as **Exhibit A**. Executive and PDI further agree that his retirement is in accordance with Paragraph 2(iii) of the PDI, Inc. Restricted Stock Grant Agreement for Jeffrey E. Smith Grant Date: April 4, 2013 (the "RS Grant Agreement"), and Paragraph 2(iii) of the PDI, Inc. Restricted Stock Grant Agreement for Jeffrey E. Smith Grant Date: February 25, 2014, a copy of which are attached hereto as **Exhibit B.**

2. **Consideration.** In consideration for signing this Agreement and General Release and in accordance with terms of the ES Agreement (**Exhibit A**), the Company agrees:

i. To pay Executive severance in the lump sum total amount of **Five Hundred Nine Thousand Two Hundred Twenty Dollars and Zero Cents ($509,220.00)** in accordance with Paragraph 2 of the ES Agreement (the "Severance Payment"), less applicable withholding required by law, plus

ii. A lump sum in the amount of **Seventy Seven Thousand Five Hundred Seventy Two Dollars and Eighty-Four Cents ($77,572.84)** for the average cash incentive compensation paid during the most recent three (3) years immediately preceding the termination date.

iii. If Executive properly and timely elects to continue medical and dental coverage under the Company's plan in accordance with the continuation requirements of COBRA, the Company shall reimburse Executive for the cost of the premium for such coverage for up to a twelve (12) month period beginning on the Termination Date and ending on February 29, 2016; or (ii) the date on which Executive becomes eligible for other group health coverage. Thereafter Executive shall be entitled to elect to continue COBRA coverage for the remainder of the COBRA period, at Executive's own expense and as required by law. In order to receive reimbursement hereunder, Executive must submit proof of payment acceptable to the Company within 90 days after Executive incurs such expenses.

Executive understands and agrees that he is not entitled to any severance money or benefits, other than those offered in accordance with the terms of the ES Agreement (**Exhibit A**) and this Agreement, except as may be provided by the RS Stock Agreement.

Subject to Paragraph 3 below and/or as otherwise provided by this Agreement, the Severance Payment will be made once this Agreement becomes effective and within 60 days of the Termination

Date. Notwithstanding the foregoing, if the 60 day period following the Executive's termination ends in a calendar year after the year in which the Executive's employment terminates, the Severance Payment shall be made no earlier than the first day of such later calendar year.

3. **Delay of Payment to Comply with Code Section 409A.** Notwith-standing anything herein to the contrary, if at the time of Executive's termination of employment with the Company, Executive is a "specified employee" within the meaning of Code Section 409A and the regulations promulgated thereunder, then if and to the extent required in order to avoid the imposition on Executive of any excise tax under Code Section 409A, the Company shall delay the commencement of such payments (without any reduction) by a period of six (6) months after Executive's termination date. Any payments that would have been paid during such six (6) month period but for the provisions of the preceding sentence shall be paid in a lump sum to Executive six (6) months and one (1) day after Executive's termination of employment. The 6-month payment delay requirement of this Paragraph 3 shall apply only to the extent that the payments under this Paragraph 3 are subject to Code Section 409A. With respect to payments or benefits under this Agreement that are subject to Code Section 409A, whether Executive has had a termination of employment shall be determined in accordance with Code Section 409A and applicable guidance issued thereunder.

4. **409A Compliance**. The following rules shall apply, to the extent necessary, with respect to distribution of the payments and benefits, if any, to be provided to the Executive under this Agreement. This Agreement is intended to comply with or be exempt from Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A") and the parties hereto agree to interpret, apply and administer this Agreement in the least restrictive manner necessary to comply therewith and without resulting in any increase in the amounts owed hereunder by the Company. Subject to the provisions in this Section, the Severance Payments pursuant to this Agreement shall begin only upon the date of the Executive's "separation from service" which occurs on or after the date of the Executive's termination of employment. It is intended that each installment of the severance payments and benefits provided under this Agreement, if any, shall be treated as a separate "payment" for purposes of Section 409A.

All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A, to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that (i) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (ii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iii) the right to reimbursement is not subject to set off or liquidation or exchange for any other benefit. **Notwithstanding anything herein to the contrary, the Company shall have no liability to the Executive or to any other person if the payments and benefits provided in this Agreement that are intended to be exempt from or compliant with Section 409A are not so exempt or compliant.**

5. **Tax Obligations.** Executive agrees and understands that he will fully assume all tax obligations on the sums set forth in Paragraph 2 of this Agreement and that the will be

exclusively liable for the payment of federal, state, and/or local taxes which may be determined to be due as a result of any consideration or payment received by him pursuant to this Agreement. In addition, Executive agrees to fully indemnify and hold harmless the Company from payment of any and all taxes, interest or penalties that may be required of it by any government agency at any time as a result of any payment or consideration paid by him pursuant to this Agreement. The Executive further acknowledges that neither the company nor any representative of the Company has made any promise, representation or warranty, express or implied, regarding the tax consequences of any consideration paid pursuant to this Agreement.

6. **Limitation of Payments.** If any payment or benefit due under this Agreement, together with all other payments and benefits Executive receives or is entitled to receive from the Company, would (if paid or provided) constitute an excess parachute payment (within the meaning of Section 280G(b)(l) of the Code), the amounts otherwise payable and benefits otherwise due under this Agreement will be limited to be minimum extent necessary to ensure that no portion thereof will fail to be tax-deductible to the Company by reason of Section 280G of the Code. The determination of whether any payment or benefit would (if paid or provided) constitute an excess parachute payment will be made by the Board, in its sole discretion. Any such reduction in the preceding sentence shall be made in the following order: (i) first, any future cash payments (if any) shall be reduced (if necessary, to zero); (ii) second, any current cash payments shall be reduced (if necessary, to zero); (ii) third, all non-cash payments (other than equity or equity derivative related payments) shall be reduced (if necessary, to zero); and (iv) fourth, all equity or equity derivative payments shall be reduced. Notwithstanding the foregoing, the Company shall use commercially reasonable efforts to bring the issue to a shareholder vote in accordance with Section 280G(b)(5) of the Code and the Treasury Regulations thereunder.

7. **Executive's General Release of Claims**. In exchange for the severance benefits described in Paragraph 2 of this Agreement, Executive knowingly and voluntarily releases PDI, Inc., and its parent corporations, affiliates, subsidiaries, divisions, predecessors, insurers, successors and assigns, and their current and former employees, attorneys, officers, directors, shareholders, agents, representatives and employee benefit plans and programs and their administrators and fiduciaries (collectively referred to in this Agreement and General Release as the "Released Parties"), from any and all claims, known and unknown, resulting from anything which has happened up to the date Executive signs this Agreement, including any claim for attorneys' fees. For purposes of this release, "Executive" includes Executive and his heirs and legal representatives.

Without limiting the release in the prior paragraph in any way, Executive expressly waives and releases all claims relating to or arising out of any conduct of the Released Parties and/or any aspect of Executive's employment with the Company and Executive's termination, including, but not limited to all claims under:

- The Age Discrimination in Employment Act;
- The National Labor Relations Act;
- Title VII of the Civil Rights Act;
- Sections 1981 through 1988 of Title 42 of the United States Code;

- The Employee Retirement Income Security Act (except for any vested benefits under any tax qualified benefit plan);
- The Genetic Information Nondiscrimination Act;
- The Immigration Reform and Control Act;
- The Americans with Disabilities Act;
- The Occupational Safety and Health Act;
- The Workers Adjustment and Retraining Notification Act;
- The Fair Credit Reporting Act;
- The Family and Medical Leave Act;
- The Equal Pay Act;
- The Uniformed Services Employment and Reemployment Rights Act;
- Employee Polygraph Protection Act;
- The Employee (whistleblower) civil protection provisions of the Corporate and Criminal Fraud Accountability Act (Sarbanes-Oxley Act);
- The New Jersey Law Against Discrimination;
- The New Jersey Civil Rights Act;
- The New Jersey Family Leave Act;
- The Millville Dallas Airmotive Plant Job Loss Notification Act;
- The New Jersey Conscientious Employee Protection Act;
- The New Jersey Equal Pay Law;
- The New Jersey Occupational Safety and Health Law;
- The New Jersey Smokers' Rights Law;
- The New Jersey Genetic Privacy Act;
- The New Jersey Fair Credit Reporting Act;
- The New Jersey Statutory Provision Regarding Retaliation/Discrimination for Filing A Workers' Compensation Claim;
- other federal, state or local law equal employment opportunity or other laws, regulations, or ordinances;
- breach of contract; quasi contract; negligence; interference with contract/business
- advantage; fraud; defamation; intentional infliction of emotional distress;
- common law wrongful discharge from employment; and
- any other duty or obligation of any kind or description to the fullest extent permissible by law.

Executive does not waive or release: (1) his right to enforce or challenge this Agreement and General Release; (2) any vested rights which Executive may have under any employer sponsored benefit plan; (3) the right to file any unwaivable charge or complaint with a government administrative agency (although Executive does waive and release any right to recover damages in connection with any such charge or complaint relating to anything which has happened up to the date Executive signs this Agreement); (4) rights or claims which cannot lawfully be released; and/or (5) rights or claims arising after the date Executive signs this Agreement.

Executive represents that as of the date he signs this Agreement and General Release, he is unaware of any work related illness or injury. Executive also acknowledges and agrees that he has fully and timely received all wages, overtime compensation, bonuses, commissions, benefits, and/or other amounts due in connection with his employment with and termination from the Company.

6. **Confidentiality and Return of Property .** Executive represents that Executive has not divulged any proprietary or confidential information of the Company and has and will continue to maintain the confidentiality of such information consistent with the Confidentiality, Non-Solicitation, and Covenant Not to Compete Agreement signed by Executive and dated on May 15, 2006 (the "Confidentiality, Non-Solicitation and Covenant Not to Compete Agreement"), a copy of which is attached hereto as **Exhibit C** and incorporated by reference herein, the Company's policies, and/or or as otherwise required by law.

Executive represents that Executive has returned all of the Company's property, documents, and/or any confidential or proprietary information in Executive's possession or control. Executive also agrees that Executive is in possession of all of Executive's property that Executive had at the Company's premises and that the Company is not in possession of any of Executive's property.

8. **Governing Law and Interpretation.** This Agreement shall be interpreted in accordance with the laws of the State of New Jersey without regard to principles of conflicts of laws.

9. **Severability.** Should any provision or part of any provision of this Agreement be declared illegal, unenforceable, or ineffective in any legal forum, that provision or part of that provision shall immediately become null and void, but the rest of this Agreement and General Release will remain in full force and effect.

10. **Nonadmission of Wrongdoing and Attorneys' Fees .** Neither party, by signing this Agreement, admits any wrongdoing or liability to the other. Both Executive and the Company deny any wrongdoing or liability. The Parties shall each bear their own attorneys' fees and/or expenses incurred in connection with this Agreement and no party shall be deemed a prevailing party for any purpose.

11. **Amendment.** This Agreement may not be modified, altered or changed except in writing and signed by both Executive and the Company.

12. **Entire Agreement.** This Agreement and General Release sets forth the entire agreement between Executive and the Company. This Agreement and General Release supercedes and replaces any and all prior agreements or understandings between the Executive and the Company, except the Confidentiality, Non-Solicitation and Covenant Not To Compete Agreement (**Exhibit C**) and the PDI, Inc. Restricted Stock Grant Agreement for Jeffrey E. Smith Grant Date: April 4, 2013 (**Exhibit B**), which shall survive and continue to remain in full force and effect. Executive acknowledges that Executive has not relied on any representations, promises, or agreements of any kind made to Executive in connection with Executive's decision to accept this Agreement and General Release, except for those set forth in this Agreement and General Release.

13. **Representation by Counsel.** Executive acknowledges that he has had ample time and opportunity to consult with the attorney of his choice in connection with his execution of this Agreement if he elected to do so; that he has carefully read and fully understands all of the provisions of this Agreement; and that he has had adequate time to review this Agreement and the General Release contained in this Agreement.

14. **ADEA Waiver . Executive acknowledges that he is releasing claims arising under the Age Discrimination in Employment Act ("ADEA"). To satisfy the requirements of the Older Workers' Benefit Protection Act, 29 U.S.C. § 626(f), the Company and Executive agree as follows:**

a. Executive represents that he has carefully read and fully understands the terms of this Agreement and General Release.

b. Executive is advised to consult with an attorney before signing this Agreement and General Release.

c. Executive acknowledges and understands that he has had twenty-one (21) days to consider this Agreement and General Release.

d. Executive represents that he has taken as much time as necessary to consider whether to sign this Agreement and General Release and has chosen to sign this Agreement and General Release freely, knowingly, and voluntarily.

e. For a seven (7) day period after Executive signs this Agreement and General Release, Executive may revoke this Agreement and General Release by delivering a written revocation to Nancy McConville, PDI, Inc., Morris Corporate Center One, 300 Interpace Parkway, Parsippany, NJ 07054. The revocation must be personally delivered to Nancy McConville or mailed to Nancy McConville and postmarked within seven (7) days of the date the Executive signs this Agreement and General Release. This Agreement and General Release will not become effective or enforceable until after the end of this revocation period.

8. **Agreement is Joint Product.** The Parties acknowledge that this Agreement is a joint product and shall not be construed for or against any party on the ground of sole authorship. This Agreement may be executed in multiple originals, each of which shall be considered an original instrument, but all of which shall constitute one (1) agreement, and shall bind the Parties hereto and their successors, heirs, assigns, and legal representatives.

EXECUTIVE	PDI, Inc.
/s/ Jeffrey E. Smith	By: /s/ Jennifer Leonard
Jeffrey E. Smith	Jennifer Leonard, Sr. Vice President Human Resources and IT
Date: February 28, 2015	Date: March 9, 2015

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Nancy S. Lurker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 of PDI, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2015

/s/ Nancy S. Lurker
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Graham G. Miao, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2015 of PDI, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 12, 2015

/s/ Graham G. Miao
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PDI, Inc. (the "Company") on form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nancy S. Lurker, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2015

/s/ Nancy S. Lurker
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of PDI, Inc. (the "Company") on form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Graham G. Miao, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 12, 2015

/s/ Graham G. Miao
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.