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

FORM 8-K/A

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

Date of Report (Date of earliest event reported): **September 16, 2014**

VERACYTE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**001-36156**	**20-5455398**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7000 Shoreline Court, Suite 250, South San Francisco, California 94080
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(650) 243-6300**

N/A
(Former name or former address, if changed since last report.)

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

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

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

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

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

EXPLANATORY NOTE

On September 17, 2014, Veracyte, Inc. (the "Company") filed a Current Report on Form 8-K (the "September 8-K") with the Securities and Exchange Commission (the "Commission") to report the completion of its previously announced acquisition of Allegro Diagnostics Corp., a Delaware corporation ("Allegro"), pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated September 4, 2014 among the Company, Allegro, Full Moon Acquisition, Inc., a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub"), Andrey Zarur, as Stockholders' Agent, and certain stockholders of Allegro.

On November 6, 2014, the Company amended the September 8-K in order to include the financial statements and pro forma financial information required by parts (a) and (b) of Item 9.01 of Form 8-K (the "Amended 8-K").

In December 2014, the Company identified a transposition error in the unaudited condensed statement of operations of Allegro Diagnostics Corp. as of June 30, 2014 and the unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2014 included in the Amended 8-K. The error related to the transposition of the amounts reported as research and development expenses and general and administrative expenses. The error had no impact on operating loss or net loss for the six months ended June 30, 2014. The unaudited condensed statement of operations of Allegro Diagnostics Corp. as of June 30, 2014 and the unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2014 have been revised to correct for this transposition error.

The Company hereby amends the Amended 8-K in order to include the corrected unaudited condensed statement of operations of Allegro Diagnostics Corp. for the six months ended June 30, 2014 and the unaudited pro forma condensed combined statement of operations for the six months ended June 30, 2014.

Except as described above, this Amended 8-K does not amend, update, or change any other items or disclosures in the September 8-K or the Amended 8-K and does not purport to reflect any information or events subsequent to the filing date of the original filing.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The unaudited condensed financial statements of Allegro as of June 30, 2014 and for the six months ended June 30, 2014 and 2013 (revised) are attached hereto as Exhibit 99.2.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial statements as of June 30, 2014 and for the year ended December 31, 2013 and the six months ended June 30, 2014 are attached hereto as Exhibit 99.3.

(d) Exhibits

Exhibit No.	Description
99.2	Unaudited condensed financial statements of Allegro Diagnostics Corp. as of June 30, 2014 and for the six months ended June 30, 2014 and 2013 (revised).
99.3	Unaudited pro forma condensed combined financial statements as of June 30, 2014 and for the year ended December 31, 2013 and the six months ended June 30, 2014.

SIGNATURE

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

Dated: December 10, 2014

VERACYTE, INC.

By	/s/ Shelly D. Guyer
Name:	Shelly D. Guyer
Title:	Chief Financial Officer

INDEX TO EXHIBITS

Exhibit No.	Description
99.2	Unaudited condensed financial statements of Allegro Diagnostics Corp. as of June 30, 2014 and for the six months ended June 30, 2014 and 2013 (revised).
99.3	Unaudited pro forma condensed combined financial statements as of June 30, 2014 and for the year ended December 31, 2013 and the six months ended June 30, 2014.

Exhibit 99.2

Allegro Diagnostics Corp.
Condensed Balance Sheets
June 30, 2014 and December 31, 2013

	June 30, 2014 (unaudited)	December 31, 2013 (Note 1)
ASSETS		
Current assets		
Cash	$ 199,807	$ 529,485
Total current assets	199,807	529,485
Other assets	13,170	13,170
Total assets	$ 212,977	$ 542,655
LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities		
Accounts payable	$ 1,032,906	$ 941,136
Accrued expenses	942,084	765,161
Convertible promissory notes	6,575,000	5,749,722
Derivative liability	9,598,980	7,837,680
Total current liabilities	18,148,970	15,293,699
Redeemable convertible preferred stock		
Series A redeemable convertible preferred stock: $0.01 par value; 44,145,897 shares authorized as of June 30, 2014 and December 31, 2013; 4,094,795 shares issued and outstanding as of June 30, 2014 and December 31, 2013	13,117,186	12,708,012
Stockholders' deficit		
Common stock: $0.01 par value; 65,082,781 shares authorized as of June 30, 2014 and December 31, 2013; 809,114 shares issued and outstanding as of June 30, 2014 and December 31, 2013	8,091	8,091
Additional paid-in-capital	—	—
Accumulated deficit	(31,061,270)	(27,467,147)
Total stockholders' deficit	(31,053,179)	(27,459,056)
Total liabilities, redeemable convertible preferred stock and stockholders' deficit	$ 212,977	$ 542,655

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

Allegro Diagnostics Corp.
Condensed Statements of Operations
Six Months Ended June 30, 2014 and 2013

	June 30, 2014 (revised)	June 30, 2013
	(unaudited)	
Operating expenses		
Research and development (1)	$ 405,335	$ 848,692
General and administrative (1)	759,035	566,574
Total operating expenses	1,164,370	1,415,266
Loss from operations	(1,164,370)	(1,415,266)
Other (expense) income		
Interest expense	(287,836)	(126,663)
Change in fair value of derivative liability	(1,761,300)	(4,140,000)
Other income	—	21,131
Interest income	483	468
Total other expense, net	(2,048,653)	(4,245,064)
Net loss	$ (3,213,023)	$ (5,660,330)

(1) As revised to correct transposition error, see Note 2.

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

Allegro Diagnostics Corp.
Condensed Statements of Cash Flows
Six Months Ended June 30, 2014 and 2013

	June 30, 2014	June 30, 2013
	(unaudited)	

Cash flows from operating activities		
Net loss	$ (3,213,023)	$ (5,660,330)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	—	3,397
Stock-based compensation	28,074	28,325
Change in fair value of derivative liability	1,761,300	4,140,000
Non-cash interest expense	287,836	126,663
Change in operating assets and liabilities		
Increase in other assets	—	219
Increase in accounts payable	91,770	342,016
Decrease in accrued expenses	(54,419)	(101,274)
Net cash used in operating activities	(1,098,462)	(1,120,984)
Cash flows from financing activities		
Proceeds from issuance of convertible promissory notes	1,275,000	1,150,000
Repayment of convertible promissory notes	(506,216)	—
Net cash provided by financing activities	768,784	1,150,000
Net cash (decrease) increase in cash	(329,678)	29,016
Cash and equivalents		
Beginning of period	529,485	128,671
End of period	$ 199,807	$ 157,687

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

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1. Significant Accounting Policies

Nature of the Business and Basis of Presentation

Allegro Diagnostics Corp. (the “Company”) was incorporated on August 11, 2006 as a Delaware corporation. The Company is a leader in the field of gene expression molecular diagnostic testing for lung cancer and other diseases, the results of which are intended to provide earlier, more accurate information to clinicians and patients regarding patient health.

Unaudited Interim Financial Statements

The condensed balance sheet as of June 30, 2014, and the condensed statements of operations and cash flows for the six months ended June 30, 2014 and 2013 are unaudited. The unaudited interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary for a fair statement of the Company’s financial position as of June 30, 2014 and its results of operations and cash flows for the six months ended June 30, 2014 and 2013. The financial data and the other financial information contained in these notes to the condensed financial statements related to the six month periods are also unaudited. The condensed balance sheet as of December 31, 2013 has been derived from audited financial statements at that date but does not include all of the financial information required by U.S. generally accepted accounting principles for complete financial statements. These financial statements should be read in conjunction with the Company’s audited financial statements.

Risks and Uncertainties

The Company’s financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities in the ordinary course of business. The Company has experienced recurring losses and negative cash flows since inception, has a working capital deficit at June 30, 2014, and has an accumulated deficit of $31,061,270 at June 30, 2014. The future viability of the Company is largely dependent on its ability to generate cash from operating activities or to raise additional capital to finance its operations. The Company’s failure to raise capital as and when needed will have a negative impact on its financial condition and its ability to pursue its business strategies. If adequate funds are not available to the Company, the Company will be required to delay, reduce or eliminate research and development programs, reduce or eliminate product commercialization efforts, obtain funds through arrangements with collaborators on terms unfavorable to the Company or pursue merger or acquisition strategies. Although Management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations, if at all. These circumstances raise substantial doubt about the Company’s ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty

Use of Estimates

Management has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). Actual results experienced by the Company may differ from those estimates.

Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. A fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last is considered unobservable, is used to measure fair value:

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

Level 2 Observable inputs (other than Level 1 quoted prices) such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company's cash equivalents are carried at fair value using Level 1 inputs as described above. The carrying values of accounts payable and accrued expenses approximate their fair value due to the short-term nature of these liabilities.

The Company has classified its derivative liabilities within Level 3 of the fair value hierarchy because the fair values are determined using significant unobservable inputs, which include the probabilities of sale and/or liquidation, discount rates, and potential third party sales values. These values are significant inputs into the model used to calculate the estimated fair value of the derivative liability.

The derivative liability consists of the right contained in the 2012 and 2013 convertible promissory notes whereby under certain conditions, the holders of the notes can elect to receive an amount equal to five times the then outstanding principal amount. As of June 30, 2014 and December 31, 2013, the Company utilized a probability-weighted valuation model to estimate the fair value of this derivative liability which takes into consideration various outcomes. The fair value of these derivative liabilities as recorded in the balance sheet was $9,598,980 and $7,837,680 at June 30, 2014 and December 31, 2013, respectively.

The recurring Level 3 fair value measurements of the Company's derivative liability using probability-weighted discounted cash flow include the following significant unobservable inputs:

	Unobservable Input	At June 30, 2014	At December 31, 2013
Derivative Liability	Probabilities of Company sale	1% - 85%	5% - 70%
	Probability of Company liquidation	14%	25%
	Enterprise value	$21,000,000	$21,000,000
	Discount rate	15%	15%

The following table provides a roll forward of the aggregate fair values of the Company's derivative liability for which fair value is determined by Level 3 inputs:

Balance, December 31, 2013	$	7,837,680
Increase in fair value		1,761,300
Balance, June 30, 2014	$	9,598,980

2. Revision of Financial Statements

The Company has revised its unaudited condensed statement of operations to correct for a transposition error related to the amounts reported as research and development expenses and general and administrative expenses for the six months ended June 30, 2014. This correction has no impact on operating loss or net loss for the six months ended June 30, 2014.

The effect of the revision on the statement of operations for the six months ended June 30, 2014 is summarized in the following table:

	Previously Reported	Adjustment	As Revised
Research and development	759,035	(353,700)	405,335
General and administrative	405,335	353,700	759,035

3. Notes Payable

2011 Note

On November 18, 2011, the Company converted $480,000 of license fees owed to a third party plus accrued but unpaid interest thereon into a promissory note payable of $506,216 ("2011 Note"). The 2011 Note bears interest at a rate equal to 3.25% per annum, increasing to 6% per annum on November 1, 2013, and is due and payable at maturity. The outstanding balance of the 2011 Note was paid in full in May 2014.

2012 Notes

On May 25, 2012, the Company entered into convertible promissory note purchase agreements with certain investors providing for an aggregate of $3,550,000 for working capital needs ("2012 Notes"). In 2012 and 2013, the Company issued notes for cash proceeds of $2,550,000 and $1,000,000, respectively. The 2012 Notes bear interest at a compound rate of 7% per annum and mature on December 31, 2014.

2013 Notes

On June 28, 2013 the Company entered into convertible promissory note purchase agreements with certain investors providing for an aggregate of $450,000 for working capital needs ("2013 Notes"). The 2013 Notes bear interest at a compound rate of 7% per annum and mature on January 31, 2014. In March 2014, that date was extended to December 31, 2014. The 2013 Notes are senior to the 2012 Notes in terms of repayment priority.

The Company has accounted for the extension of the maturity date of the 2013 Notes as a debt modification as the change in the present value of the cash flows from the original term to the modified term was not material.

2014 Notes

In March and June 2014, the Company borrowed an aggregate of $1,275,000 from investors from the sale of Convertible Promissory Notes ("2014 Notes"). In August 2014, the Company borrowed $225,000 from investors from the sale of additional 2014 Notes. The 2014 Notes mature on December 31, 2014 and accrue interest at 9% per annum. The 2014 Notes are convertible into the next series of stock in a QEF, defined as the sale of the next series of stock whereby the Company receives proceeds of at least $7,500,000, of which $4,000,000 is from a new investor. The 2014 Notes would automatically convert at a discount of 75% of the amount paid for the new securities. In the event a QEF has not occurred by the maturity date, these notes are optionally convertible into a newly designated Series A-1 Preferred Stock at a price of $2.467 per share.

Gala Therapeutics Note Payable

On October 30, 2013, the Company entered into a promissory note purchase agreement ("Gala Note") with certain lenders providing for an aggregate of $1,300,000 for working capital needs. The Gala Note bears interest at 9% per annum. On March 28, 2014, the maturity date was revised from February 15, 2014 to be the earlier of (i) a deemed liquidation event or (ii) December 31, 2014.

4. Subsequent Events

The Company has performed an evaluation of subsequent events through November 6, 2014, which is the date the financial statements were issued.

In August 2014, the Company borrowed $225,000 from investors from the sale of additional 2014 Notes.

On September 16, 2014, Veracyte Inc. ("Veracyte") acquired all the outstanding shares of capital stock of the Company in exchange for 964,377 shares of Veracyte's common stock and $2.8 million in cash. Immediately prior to the closing date of the acquisition, the Company's outstanding convertible notes payable were converted into Series A-1 Redeemable Convertible Preferred Stock. In addition, as a result of the acquisition, the Company's equity incentive plan was terminated and all outstanding stock options thereunder were cancelled.

VERACYTE, INC.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

On September 16, 2014, Allegro Diagnostics Corp. ("Allegro") merged with Full Moon Acquisition, Inc., a wholly-owned subsidiary of Veracyte, Inc. ("Veracyte" or the "Company"), ("Merger") with Allegro surviving the Merger as a wholly-owned subsidiary of the Company. The unaudited pro forma condensed combined statements of operations for the six months ended June 30, 2014 and year ended December 31, 2013 are presented as if the Merger had occurred on January 1, 2013. The unaudited pro forma condensed combined balance sheet is presented as if the Merger had occurred on June 30, 2014. The unaudited pro forma condensed combined financial statements presented herein are based on the historical financial statements of Veracyte and Allegro using the acquisition method of accounting and applying the assumptions and adjustments described in the accompanying notes. In addition, the unaudited pro forma condensed combined financial information should be read in conjunction with the:

- Separate audited historical financial statements of Veracyte as of and for the year ended December 31, 2013, and the related notes, included in the Annual Report on Form 10-K for the year ended December 31, 2013, filed by Veracyte with the Securities and Exchange Commission ("SEC");

- Separate unaudited historical condensed financial statements of Veracyte as of and for the six months ended June 30, 2014 and the related notes, included in the Quarterly Report on Form 10-Q for the period ended June 30, 2014 filed by Veracyte with the SEC;

- Separate audited historical financial statements of Allegro as of and for the year ended December 31, 2013, and the related notes included in Exhibit 99.1 of the Current Report on Form 8-K/A filed by Veracyte with the SEC on November 6, 2014; and

- Separate unaudited historical condensed financial statements of Allegro as of June 30, 2014 and for the six month periods ended June 30, 2014 and 2013 (revised) and the related notes included in Exhibit 99.2 of this Current Report on Form 8-K/A.

The unaudited pro forma condensed combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the Merger. The unaudited pro forma condensed combined financial statements also do not include any future integration costs. The unaudited pro forma condensed combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that would have been realized had Veracyte and Allegro been a combined company during the specified periods. There were no transactions between Veracyte and Allegro during the periods presented in the unaudited pro forma condensed combined financial statements that would need to be eliminated.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2014
(in thousands)

	Historical Veracyte	Historical Allegro	Pro Forma Adjustments	Notes	Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 57,998	$ 200	$ (6,915)	(a)	$ 51,183
			(100)	(b)	
Accounts receivable	1,430	—	—		1,430
Supplies inventory	3,300	—	—		3,300
Restricted cash — current	—	—	100	(b)	100
Prepaid expenses and other current assets	1,450	—	—		1,450
Total current assets	64,178	200	(6,915)		57,463
Property and equipment, net	3,312	—	—		3,312
In-process research and development	—	—	16,000	(c)	16,000
Goodwill	—	—	1,170	(d)	1,170
Restricted cash	118	—			118
Other assets	142	13	—		155
Total assets	$ 67,750	$ 213	$ 10,255		$ 78,218
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 8,539	$ 1,033	$ (1,033)	(e)	$ 8,539
Accrued liabilities	5,128	942	100	(a)	8,742
			(713)	(e)	
			3,285	(f)	
Derivative liability	—	9,599	(9,599)	(e)	—
Convertible promissory notes	—	6,575	(6,575)	(e)	—
Deferred Genzyme co-promotion fee	2,500	—	—		2,500
Current portion of long-term debt	940	—	—		940
Total current liabilities	17,107	18,149	(14,535)		20,721
Deferred tax liability	—	—	61	(g)	61
Long-term debt, net of current portion	4,031	—	—		4,031
Deferred rent, net of current portion	223	—	—		223
Deferred Genzyme co-promotion fee, net of current portion	1,364	—	—		1,364
Total liabilities	22,725	18,149	(14,474)		26,400
Redeemable convertible preferred stock	—	13,117	(13,117)	(h)	—
Stockholders' equity:					

Common stock	21	8	1	**(a)**	22
			(8)	**(h)**	
Additional paid-in capital	143,982	—	10,077	**(a)**	154,059
Accumulated deficit	(98,978)	(31,061)	(3,285)	**(f)**	(102,263)
			31,061	**(h)**	
Total stockholders’ equity	45,025	(31,053)	37,846		51,818
Total liabilities and stockholders’ equity	$ 67,750	$ 213	$ 10,255		$ 78,218

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2013
(in thousands, except per share amounts)

	Historical Veracyte	Historical Allegro	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue	$ 21,884	$ —	$ —		$ 21,884
Operating expenses:					
Cost of revenue	12,607	—	—		12,607
Research and development	7,810	1,624	—		9,434
Selling and marketing	12,540	—	—		12,540
General and administrative	12,100	1,357	(67)	**(i)**	13,390
Total operating expenses	45,057	2,981	(67)		47,971
Loss from operations	(23,173)	(2,981)	67		(26,087)
Interest income	5	1	—		6
Interest expense	(233)	(2,347)	2,347	**(e)**	(233)
Change in fair value of derivative liability	—	(4,142)	4,142	**(e)**	—
Other income (expense), net	(2,179)	22	—		(2,157)
Net loss and comprehensive loss	$ (25,580)	$ (9,447)	$ 6,556		$ (28,471)
Net loss per common share, basic and diluted	$ (6.15)				$ (5.56)
Weighted-average shares used in computing net loss per common share, basic and diluted	4,159		964	**(a)**	5,123

See accompanying notes to the unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Six Months Ended June 30, 2014
(in thousands, except per share amounts)

	Historical Veracyte	Historical Allegro	Pro Forma Adjustments	Notes	Pro Forma Combined
Revenue	$ 16,153	$ —	$ —		$ 16,153
Operating expenses:					
Cost of revenue	7,573	—	—		7,573
Research and development (1)	4,369	405	—		4,774
Selling and marketing	9,437	—	—		9,437
General and administrative (1)	7,910	759	2	**(i)**	8,671
Total operating expenses	29,289	1,164	2		30,455
Loss from operations	(13,136)	(1,164)	(2)		(14,302)
Interest expense	(224)	(288)	288	**(e)**	(224)
Change in fair value of derivative liability	—	(1,761)	1,761	**(e)**	—
Other income (expense), net	31	—	—		31
Net loss and comprehensive loss	$ (13,329)	$ (3,213)	$ 2,047		$ (14,495)
Net loss per common share, basic and diluted	$ (0.63)				$ (0.65)
Weighted-average shares used in computing net loss per common share, basic and diluted	21,193		964	**(a)**	22,157

(1) As revised to correct transposition error.

See accompanying notes to the unaudited pro forma condensed combined financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

1. Basis of Presentation

On September 16, 2014, Allegro merged with Full Moon Acquisition, Inc., a wholly-owned subsidiary of the Company, ("Merger") with Allegro surviving the Merger as a wholly-owned subsidiary of the Company. Allegro is a privately-held company based in Maynard, Massachusetts, focused on the development of genomic tests to improve the preoperative diagnosis of lung cancer. At the effective time of the Merger, each share of the common stock of Full Moon Acquisition, Inc. issued and outstanding immediately prior to the effective time of the Merger was automatically converted into one share of common stock of Allegro and represented the only outstanding common stock of Allegro at the effective time of the Merger; all previously issued and outstanding shares of common stock of Allegro were cancelled. The Series A preferred stock of Allegro issued and outstanding immediately prior to the effective time of the Merger was cancelled and automatically converted into the right to receive a total of 964,377 shares of the Company's common stock and $2.7 million in cash. Outstanding indebtedness of Allegro totaling $4.3 million was settled in cash by the Company on the effective date of the Merger. All outstanding stock options under Allegro's equity incentive plan were cancelled.

The unaudited pro forma condensed combined balance sheet at June 30, 2014 gives effect to the Merger as if it had occurred on June 30, 2014. The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2013 and the six months ended June 30, 2014 are presented as if the Merger had occurred on January 1, 2013. The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting, based on the historical financial statements of Veracyte and Allegro.

Acquisition of Allegro

The Merger was accounted for using the acquisition method of accounting with the Company treated as the accounting acquirer. The purchase price was preliminarily allocated based on the estimated fair value of net assets acquired and liabilities assumed at the date of the acquisition. The preliminary purchase price allocation is subject to further refinement and may require adjustments, such as related to working capital and indebtedness, to arrive at the final purchase price allocation.

The acquisition consideration was comprised of (in thousands):

Stock	$	10,078
Cash		2,725
Payment of outstanding indebtedness(1)		4,290
Total acquisition consideration	$	17,093

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(1) Refer to adjustment (e) in Note 2, Pro Forma Adjustments.

Under the acquisition method of accounting, identifiable assets and liabilities of Allegro, including identifiable intangible assets, were recorded based on their estimated fair values as of the effective time of the Merger. Tangible assets and liabilities were valued at their respective carrying amounts. Management believes that these amounts approximate their current fair values as of the deemed acquisition date of June 30, 2014.

The fair value of in-process research and development ("IPR&D") was determined using the income approach, which was based on forecasts prepared by management. The fair value of the IPR&D was capitalized as of the closing date of the Merger and is subsequently accounted for as an indefinite-lived intangible asset until completion or abandonment of the associated research and development efforts. Accordingly, during the development period after the closing date, these assets will not be amortized but will be subject to periodic impairment testing. Upon successful completion of the development process for the acquired IPR&D project, determination of the useful life of the asset will be made and amortization of the asset would begin over its remaining estimated useful life.

Goodwill, which represents the purchase price in excess of the fair value of net assets acquired, is not expected to be deductible for income tax purposes. Goodwill will not be amortized but will be tested for impairment at least annually or whenever certain indicators of impairment are present. If, in the future, it is determined that goodwill is impaired, an impairment charge would be recorded at that time.

The fair value of the assets acquired and liabilities, assuming the Merger had closed on June 30, 2014, are summarized below (in thousands):

Cash and cash equivalents	$	200
Other assets		13
IPR&D		16,000
Goodwill		1,170
Accrued liabilities		(229)
Deferred tax liability		(61)
Total net assets acquired	$	17,093

2. Pro Forma Adjustments

Pro forma adjustments are necessary to reflect the acquisition consideration exchanged and to adjust amounts related to the tangible and intangible assets and liabilities of Allegro to reflect the preliminary estimate of their fair values, and to reflect the impact on the statements of operations of the Merger as if the companies had been combined during the periods presented therein. The pro forma adjustments included in the unaudited pro forma condensed combined financial statements are as follows:

(a) To record the purchase consideration comprised of the issuance of 964,377 shares of the Company's common stock (valued using the closing price of the Company's common stock as of September 16, 2014 which was the closing date of the Merger), cash consideration of $6.9 million, and a liability of $0.1 million representing additional consideration due to the selling stockholders upon the completion of the purchase price allocation.

(b) To reclassify to restricted cash an amount to be held by the Company in a restricted account to cover additional payments to the selling stockholders arising from adjustments to working capital or indebtedness upon the completion of the purchase price allocation.

(c) To record the estimated fair value of Allegro's IPR&D acquired.

(d) To record goodwill as part of the Merger.

(e) To record the settlement of Allegro's outstanding indebtedness immediately prior to the closing of the Merger. Both Allegro's non-convertible promissory note, with an outstanding balance of $1.4 million including accrued interest, and the outstanding accounts payable were paid by the Company on behalf of Allegro immediately prior to the closing of the Merger. Allegro's remaining convertible promissory notes, with an outstanding principal balance of $5.3 million and related accrued interest, were converted into Allegro Series A preferred stock immediately prior to the closing date of the Merger and the related derivative liability was extinguished. The preferred stock was subsequently exchanged for 964,377 shares of the Company's common stock.

(f) To record transaction costs incurred by the Company subsequent to June 30, 2014.

(g) To record the income tax impact of the Merger arising from the value assigned to the acquired IPR&D based on an acquisition date of June 30, 2014 for the unaudited pro forma condensed combined balance sheet.

(h) To eliminate Allegro's historical equity amounts consisting of redeemable convertible preferred stock, common stock and accumulated deficit.

(i) To eliminate transaction costs of $67,000 and $48,000 included in Allegro's statement of operations for the year ended December 31, 2013 and the six months ended June 30, 2014, respectively, and to eliminate reimbursement of $50,000 by the Company in the six month period ended June 30, 2014 of transaction costs incurred by Allegro in 2012 and 2013.

3. Non-recurring Transaction Costs

The Company and Allegro have incurred, and the Company will continue to incur, certain non-recurring transaction expenses in connection with the Merger. Non-recurring transaction expenses incurred by Allegro were $67,000 and $48,000 during the year ended December 31, 2013 and the six months ended June 30, 2014, respectively, and are reflected as an adjustment to reduce general and administrative expenses in the pro forma condensed combined statement of operations as they are non-recurring and directly attributable to the Merger. In addition, the Company reimbursed Allegro $50,000 in June 2014 for non-recurring transaction costs incurred in previous years. The reimbursement is reflected as an adjustment to increase general and administrative expenses in the pro forma condensed combined statement of operations for the six months ended June 30, 2014. The pro forma condensed combined balance sheet as of June 30, 2014 includes an adjustment of $3.3 million to accrued liabilities for transaction expenses incurred by the Company subsequent to June 30, 2014 (see Note 2, Pro Forma Adjustments above). These transaction expenses are not reflected in the pro forma condensed combined statement of operations for the six months ended June 30, 2014, as they are not expected to have a continuing impact on operations.