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

FORM 10-K

FOR ANNUAL AND TRANSITION REPORT
PURSUANT TO SECTIONS 13 OR 15 (d) OF THE
SECURITIES AND EXCHANGE ACT OF 1934

(Mark One)
|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

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.)

10 Mountainview Road
Upper Saddle River, NJ 07458-1937
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (201) 258-8450

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

Securities registered pursuant to section 12(g) of the Act:

Common Stock, $.01 par value
(Title of class)

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 |X| No |_|

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 8, 2002 was approximately $134,312,858.

The number of shares outstanding of the registrant's common stock, $.01 par value, as of March 8, 2002 was 14,012,732 shares.

DOCUMENTS INCORPORATED BY REFERENCE

NONE

PDI, INC.

Form 10-K Annual Report

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FORWARD LOOKING STATEMENT INFORMATION

Various statements made in this Annual Report on Form 10-K are "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The forward-looking statements included in this report are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on 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. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of these assumptions could prove inaccurate and, therefore, we cannot assure you that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included in this report, the inclusion of these statements should not be interpreted by anyone that we can achieve our objectives or implement our plans. Factors that could cause actual results to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, the factors set forth under the headings "Business," "Certain Factors That May Affect Future Growth," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PART 1

ITEM 1. BUSINESS

Summary of business

We are an innovative sales and marketing company serving the pharmaceutical, biotech, and medical devices and diagnostics (MD & D) industries. Partnering with clients, we provide product-specific programs designed to maximize profitability throughout a product's lifecycle from pre-launch through maturity. We are recognized as an industry-leader based on our track record of innovation and our ability to keep pace in a rapidly changing industry. We leverage our expertise in sales, brand management and product marketing, marketing research, medical education, medical affairs, and managed markets and trade relations to help meet strategic objectives and provide incremental value for product sales.

We create and execute sales and marketing solutions which are intended to maximize sales and marketing impact. These solutions are designed both for clients' products we promote either in exchange for fees or percentages of

sales, as well as products that we may distribute, license, or own outright. We have assembled a broad range of sales and marketing capabilities, both through acquisition and through internal expansion. These capabilities are both stand alone and integrated, enabling us to provide a wide range of marketing and promotional services that can benefit many different products throughout the various stages of their life cycles.

Our sales and marketing capabilities enable us to take commercial responsibility for pharmaceutical and MD&D brands. Our capabilities include many of the support functions necessary to effectively and legally market pharmaceutical and medical products in the U.S. These functions include medical affairs, regulatory, managed markets and trade relations, and distribution; which we have developed either in-house or through strategic alliances.

Our strategy is to leverage our sales and marketing expertise by sourcing products to market and sell employing either our contract sales outsourcing or copromotion models or our emerging in-licensing and product ownership models. These products could range from compounds in their late stages of development to products in various stages of their patent life. During 2000, approximately 75% of our revenues came from our traditional contract sales and marketing services. For 2001 that amount decreased to approximately 40%, reflecting this shift to a product driven strategy.

We operate under two reporting segments: "contract sales and marketing services" and "product sales and distribution". Contract sales and marketing services include the services we provide for our clients. Product sales and distribution includes the partnerships where we have commercial responsibility for a brand, provide distribution and recognize revenue from product sales. Contract sales and marketing may include partnerships where we have commercial responsibility for a brand and recognize revenue from product sales even if we do not provide distribution.

Contract sales and marketing services

Contract sales

Our clients engage us on a contractual basis to design and implement product detailing programs for both prescription and over-the-counter products. Product detailing involves meeting face-to-face with targeted prescribers and other healthcare decision-makers to provide a technical review of the product being promoted.

We have achieved a leadership position in the pharmaceutical services industry based on 15 years of designing and executing customized sales and marketing programs for many of the pharmaceutical industry's largest companies, including Abbott, Allergan, AstraZeneca, Bayer, Eli Lilly, GlaxoSmithKline, Johnson & Johnson, Novartis, Pfizer, Pharmacia, Procter & Gamble, Schering Plough, and Hoffman LaRoche. We have designed and implemented sales and marketing programs for more than 100 products, including some of the leading prescription medications.

Dedicated sales

When we deploy a contract sales team on behalf of a client, it is dedicated to that client. The members do not represent products of other manufacturers and often carry business cards of the client. The sales team is customized to meet the specifications of our client with respect to the representative profile, physician targeting, product training, incentive compensation plans, integration with clients' in-house sales force, the call reporting platform and data integration. The sales team looks just like it would if the client were to build it themselves. The primary difference is that the client gets a high quality, industry standard sales team without committing to the permanent headcount themselves.

Shared sales

In order to make a face-to-face selling resource available to those products that cannot support the cost of a dedicated team, we create shared teams. These teams sell multiple, non-competitive brands from different pharmaceutical companies. Because the costs of the resource are shared among various pharmaceutical companies, these programs may be less expensive than programs involving a dedicated sales force. The client still gets targeted coverage of their physician audience within the representatives' geographic

territory. The power of the shared sales resource is that it makes face-to-face selling available to products that usually cannot obtain it through other means. The PDI Shared Sales team (formerly known as ProtoCall) is a leading provider of these detailing programs in the U.S.

Copromotion

Copromotion arrangements are agreements with a company to mutually promote a product. Each party to the agreement contributes toward the sales and marketing effort and expenses with the financial risks and rewards being shared on a predetermined basis. Copromotion is a frequently used promotional strategy within the pharmaceutical industry.

In October 2001, we signed an agreement with Eli Lilly and Company (Eli Lilly) to copromote Evista(R) in the U.S. Evista is approved in the U.S. for the prevention and treatment of osteoporosis in postmenopausal women. Since its launch in 1998, more than 10 million prescriptions have been written for Evista in the U.S. Annual net sales were approximately $526 million in 2001. Under the terms of the agreement, we provide a significant number of sales representatives to copromote Evista to U.S. physicians. Our sales representatives augment the Eli Lilly sales force promoting Evista. Under this agreement, we are entitled to be compensated based on net sales achieved above a predetermined level. In the event these predetermined net sales levels are not achieved, we will not receive any revenue to offset expenses incurred. The agreement runs through December 31, 2003, subject to earlier termination upon the occurrence of specific events.

Medical education and communications

Our medical education and communications group creates custom-designed programs focusing on informing our clients' target audiences about the benefits of their products. Depending on the needs of our clients and their products, programs may include evening teleconferences, telesymposia, audio seminars, medical center briefings, advisory boards, sales support programs, speaker development meetings, investigators' meetings, publication planning, scientific manuscripts, poster session preparations and continuing medical education (CME) programs.

Marketing research

Employing leading edge, often proprietary research methodologies, we provide qualitative and quantitative

marketing research to healthcare providers, patients and managed care customers in the U.S. and globally. We offer a full range of pharmaceutical marketing research services, which include studies to identify the most impactful business strategy, profile, positioning, message, execution, implementation and post implementation for a product. Correctly implemented, our marketing model improves the knowledge clients obtain about how physicians and other healthcare professionals will react to the product.

We utilize a systematic approach to pharmaceutical marketing research. Recognizing that every marketing need, and therefore every marketing research solution, is unique, we have developed our marketing model to help identify the work that needs to be done to identify critical paths to marketing goals. At each step of the marketing model we offer proven research techniques, proprietary methodologies and custom study designs to address specific product needs.

Medical devices and diagnostics

In 2001 we created a business unit to focus on the MD&D market segment. Many of the sales and marketing activities we have historically provided to the pharmaceutical industry are also conducted in the MD&D market. We believe that the infrastructure we have built in support of the pharmaceutical industry, in conjunction with a new staff of experienced MD&D managers, can be leveraged to take advantage of opportunities in the MD&D market.

On September 10, 2001, we acquired InServe Support Solutions ("InServe"). InServe is a leading nationwide supplier of supplemental field-staffing programs for the MD&D industry. InServe employs approximately 800 field-based flex and full-time employees comprised of nurses, medical technicians and other clinicians who visit hospital and alternate-site accounts and provide hands-on clinical education and after-sales support to maximize product utilization and

customer satisfaction. In 2001 InServe had 33 full-time employees. InServe's clients include many of the leading medical device and diagnostics companies, including Becton Dickinson, Roche Diagnostics and Johnson & Johnson.

Product commercialization

Product commercialization is a solution we offer for products in the pre-launch phase of their lifecycle. It integrates many of the capabilities we have built or acquired. With product commercialization we gain greater involvement in the commercialization of the brand. We can execute our marketing solutions within a range of deal structures from a fee for service basis to a partnership in which we receive a portion of product sales.

The pre-launch activities include extensive market research, advocacy development, market awareness activities and preparations for launching the sales force. PDI product commercialization is well positioned for companies with little sales and marketing infrastructure and a product in the later stages of development. PDI product commercialization is also designed to meet the needs of a large pharmaceutical company that has a product coming to market and, due to resource allocation constraints, chooses not to utilize its own sales and marketing infrastructure to commercialize the product.

LifeCycle X-tension

LifeCycle X-tension is our name for an arrangement in which a pharmaceutical company with a product nearing patent expiration no longer desires to support that product with its own sales and marketing resources. When a company decides to no longer support a product, sales of the product will likely decline. Such declines are typically a result of reduced promotional activities such as detailing, medical education and other components of a pharmaceutical marketing plan. It is also common that pharmaceutical companies will reduce internally dedicated management resources.

Through a life cycle extension solution, a focused marketing effort for the brand should result in improved sales when compared to the forecasted declining sales line associated with the strategy of no longer providing sales and marketing resources. When successful this creates incremental revenue, which may be shared between PDI and the pharmaceutical company. We take on brand responsibility, which could include distribution, managed care contracting, medical affairs and trade relations. The pharmaceutical company may benefit by being able to get an

incremental return for the product while freeing up the sales and marketing resources previously assigned to that product.

In May 2001, we entered an agreement with Novartis Pharmaceuticals Corporation (Novartis) for the U.S. sales, marketing and promotion rights for Lotensin(R) and Lotensin HCT(R), which agreement runs through December 31, 2003. Under this agreement, we provide promotional, selling and marketing for Lotensin, an ACE inhibitor, as well as brand management. In exchange, we are entitled to receive a split of incremental net sales generated above specified baselines. Also, under this agreement, we copromote Lotrel(R) in the U.S. for which we are entitled to be compensated on a fee for service basis with potential incentive payments based on achieving certain net sales objectives. Lotrel is a combination of the ACE inhibitor benazepril and the calcium channel blocker amlodipine. In 2001 approximately 8.1 million Lotrel prescriptions were dispensed. Novartis has retained certain regulatory responsibilities for Lotensin and Lotrel and ownership of all intellectual property. Additionally, Novartis will continue to manufacture and distribute the products and provide all managed care and trade activities and pricing. In the event our estimates of the demand for Lotensin are not accurate or more sales and marketing resources than anticipated are required, the Novartis transaction could have a material adverse impact on our results of operations, cash flows and liquidity.

Product sales and distribution

We have developed the capabilities to take on commercial responsibility for pharmaceutical and MD&D brands through either an in-licensing or distribution agreement. In these instances, we have total commercial responsibility for a brand, including pricing, but another company retains ownership of the brand. When we provide the distribution of the product, we recognize product revenue which is currently reported in our product segment.

In October 2000, we signed a five-year agreement with GlaxoSmithKline (GSK) for the exclusive U.S. marketing, sales and distribution rights for Ceftin(R) Tablets and Ceftin(R) for Oral Suspension, two dosage forms of a cephalosporin antibiotic. From October 2000 through February 2002, we marketed and sold Ceftin products primarily to wholesale drug distributors, retail chains and managed care providers.

On December 21, 2000, the United States District Court for New Jersey granted a preliminary injunction which enjoined Ranbaxy Pharmaceuticals Inc. (Ranbaxy) from offering for sale or selling in the U.S. any generic versions of Ceftin. In August 2001, the United States Federal Court of Appeals, D.C Circuit, overturned that injunction, allowing Ranbaxy to commence manufacturing and marketing a Ceftin tablet generic equivalent upon approval from the U.S. Food and Drug Administration (FDA). As a result, during the fourth quarter, we reached a mutual agreement with GSK to terminate the Ceftin distribution agreement effective February 28, 2002. Subsequently, on February 18, 2002, Ranbaxy announced that it had received manufacturing and marketing approval from the FDA for cefuroxime axetil 125mg, 250mg and 500mg tablets.

We intend to continue to pursue in-licensing and distribution agreements or outright product acquisitions, where we have commercial responsibility for a brand, inclusive of distribution, and the direct recognition of revenue from product sales.

Corporate strategy

Our strategy is to continue to find opportunities to leverage the infrastructure we have built providing services to the pharmaceutical, biotechnology and MD&D industries. Those opportunities include a focused effort to identify products that we can completely commercialize through in-licensing and copromotion arrangements. Additionally, we may acquire products. These type arrangements typically provide longer-term contracts with greater upside potential and reduced provisions for at will termination by clients than traditional fee for service contracts. However, in that we will typically be responsible for promotional expenses, with our compensation based upon brand performance, these type arrangements could result in substantial losses.

Our strategy also includes a strong contribution from our traditional services. Contract sales, shared sales, marketing research and medical education remain important strategic capabilities for us. Additionally, we intend to commercialize a new service aimed at managed markets and trade relations.

We believe that growth in the pharmaceutical industry is being driven primarily by:

- an aging population;
- technological developments, which have increased the number of medical conditions that can be treated or prevented by prescription pharmaceuticals; and
- managed care's preference for drug therapies over other treatment methods.

The primary users of our contract sales services, which have been large pharmaceutical companies, are facing the following dynamics which should create incremental demand for our services:

- pharmaceutical companies are focusing their marketing efforts on drugs with high volume sales, newer or novel drugs and products which fit within core therapeutic or marketing priorities. As a result, major pharmaceutical companies will continue to seek alternatives to maximize the value of their entire portfolios;
- pharmaceutical companies will continue to expand their product portfolios and as a result will need to add sales and marketing capacity; and
- pharmaceutical companies will continue to face margin pressures and will seek to maintain flexibility over both resource strategies and portfolio management.

We further believe that smaller pharmaceutical companies, biotechnology companies and others will have increased demand for our services due to the tremendous influx of investment dollars into the specialty pharmaceutical and biotechnology industries that has decreased the reliance of these companies on the larger pharmaceutical companies for commercialization capabilities and marketing dollars.

In order to leverage our competitive advantages, our corporate strategy emphasizes:

- maintaining our leadership position in our traditional service areas of contract sales, shared sales and marketing research;
- expanding our concentrated efforts for sourcing products for our commercialization capabilities of copromotion, in-licensing and acquisition; and
- continuing our investment in our commercialization infrastructure, thereby enhancing our ability to generate demand for the products which we will sell and market.

Contracts

Given the customized nature of our business, we utilize a variety of contract structures. Historically, most of our product detailing contracts were fee for services, i.e., the client pays a fee for a specified package of services. These contracts typically include operational benchmarks, such as a minimum number of sales representatives or a minimum number of calls. Also, our contracts might have a lower base fee offset by incentives we can earn. In these situations, we have the opportunity to earn additional fees based typically on product sales results.

Our product detailing contracts generally are for terms of one to three years and may be renewed or extended. However, the majority of these contracts are terminable by the client for any reason upon 30 to 90 days notice. These contracts typically, but not always, provide for termination payments by the client upon a termination without cause. While the cancellation of a contract by a client without cause may result in the imposition of penalties on the client, these penalties may not act as an adequate deterrent to the termination of any contract. In addition, these penalties may not offset the revenue we could have earned under the contract or the costs we may incur as a result of its termination. The loss or termination of a large contract or the loss of multiple contracts could adversely affect our future revenue and profitability. As an example, in February 2001, GSK notified us that they were exercising their right to terminate one of our contracts without cause. The termination was effective April 18 2001. Contracts may also be terminated for cause if we fail to meet stated performance benchmarks. To date, no programs have been terminated for cause.

Beginning with the fourth quarter of 2000, we have entered into a number of significant performance based contracts, and we will also use a variety of structures for these type contracts. Our agreement with GSK regarding

Ceftin was an exclusive marketing and distribution contract. The agreement had a five-year term but was cancelable by either party without cause on 120 days notice. The agreement was terminated by mutual consent, effective February 28, 2002. Contracts such as the Ceftin agreement, which require us to take title and distribute product, have a greater number of risk factors than traditional fee for service contracts. Any future agreement that involves in-licensing or product acquisition would have similar type risks. Some of these risks associated with distribution, in-licensing, or product acquisitions are described in "Certain Factors That May Affect Future Growth," beginning on page 11 of this report.

We have also entered into other performance based agreements that do not require the distribution, in-licensing or ownership of product. An important performance parameter is normally the level of sales or prescriptions attained by the product during the period of our marketing or promotional responsibility, and in some cases for periods after promotional activities have ended.

For example, in May 2001 we entered an agreement with Novartis for the U.S. sales, marketing and promotion rights for Lotensin and Lotensin HCT. Under this agreement, we provide promotional, selling and marketing for Lotensin, an ACE inhibitor, as well as brand management. In exchange, we are entitled to receive a split of incremental net sales above specified baselines. Also under this agreement with Novartis, we copromote Lotrel in the U.S. for which we are entitled to be compensated on a fee for service basis with potential incentive payments based upon achieving certain net sales objectives. Novartis has retained certain regulatory responsibilities for Lotensin and Lotrel and ownership of all intellectual property. Additionally, Novartis will continue to manufacture and distribute the products.

Also, under the terms of an agreement entered into in October 2001 with Eli Lilly, we copromote Evista in the U.S. Our sales representatives augment the Eli Lilly sales force promoting Evista. Under this agreement, we are entitled to be compensated based on net sales achieved above a predetermined level. The agreement runs through December 31, 2003, subject to earlier termination upon the occurrence of specific events.

Our product detailing contracts and copromotion contracts typically contain cross-indemnification provisions between our client and us. The client will usually indemnify us against product liability and related claims arising from the sale of the product and we indemnify the clients with respect to the errors and omissions of our sales representatives in the course of their detailing activities. To date, no client has asserted any claim for indemnification against us under any contract. We have asserted a claim for indemnification against Bayer Pharmaceuticals in connection with the Baycol legal proceedings. See Item 3. - Legal Proceedings.

Significant customers

Our significant customers are discussed in note 12 to the consolidated financial statements included elsewhere in this report.

Marketing

Our marketing efforts are targeted toward the pharmaceutical and MD&D industries. Companies with large product portfolios have been the most likely customers for the services and solutions we provide, but smaller, emerging companies have also been clients and partners of ours. Our marketing and new business development efforts are primarily targeted toward the senior sales and marketing personnel within these companies. A range of personnel within marketing departments, including vice presidents, group product managers and product managers, purchases our services and solutions. Our marketing research services are primarily targeted toward the marketing research departments within large pharmaceutical companies. Increasingly, we expect to target the most senior managers of our target customers.

Our marketing efforts are designed to reach these audiences, with the goal of making them aware of our full range of services, and projecting us as a high quality sales and marketing organization. Our tactical plan includes advertising in trade publications, direct mail, presence at industry seminars and a direct selling effort. We have a dedicated team of business development specialists who work across the organization to identify needs within the pharmaceutical and MD&D industries which we can satisfy.

A multidisciplinary team of senior managers reviews possible business opportunities as identified by the business development team, and determines strategies and negotiation positions to contract for the most attractive business opportunities.

Competition

We believe that the primary competitive factor affecting contract sales services is the ability to quickly hire, train, deploy and manage qualified sales representatives to implement product detailing programs. Our competition includes in-house sales and marketing departments of pharmaceutical companies, emerging pharmaceutical companies, wholesale drug distributors, and other contract sales organizations (CSOs), the largest of which are Innovex (a subsidiary of Quintiles Transnational), the various sales and marketing affiliates of Ventiv Health (formerly Snyder Communications) and Nelson Professional Sales. We also compete on the basis of such factors as reputation, quality of services, experience of management, performance record, customer satisfaction, ability to respond to specific client needs, integration skills and price. We believe we compete effectively with respect to each of these factors.

For the distribution and marketing of pharmaceutical products, we primarily compete with pharmaceutical companies. These competitors include all of the major pharmaceutical companies as well as emerging pharmaceutical companies including Reliant, Bradley Pharmaceuticals, Inc., Dura Pharmaceuticals, Inc. (purchased in 2000 by Elan Corporation PLC), King Pharmaceuticals, Inc., and other companies that acquire branded products and product lines from other pharmaceutical companies. Competing to copromote, license and/or acquire brands is an entirely new business for us and, as such,

we face all the risks generally associated with identifying, assessing and contracting effectively for products in addition to the marketing and distribution of the products we obtain.

There are relatively few barriers to entry into the businesses in which we operate and, as the industry continues to evolve, new competitors are likely to emerge. Many of our current and potential competitors are larger than we are and have greater financial, personnel and other resources than we do. Increased competition may lead to price and other forms of competition that may have a material adverse effect on our business and results of operations.

Government and industry regulation

The healthcare sector is heavily regulated by both government and industry. Various laws, regulations and guidelines promulgated by government, industry and professional bodies affect, among other matters, the approval, the provision, licensing, labeling, marketing, promotion, price, sale and reimbursement of healthcare services and products, including pharmaceutical products. The federal government has extensive enforcement powers over the activities of pharmaceutical manufacturers, including authority to withdraw product approvals, commence actions to seize and prohibit the sale of unapproved or non-complying products, to halt manufacturing operations that are not in compliance with Good Manufacturing Procedures, and to impose or seek injunctions, voluntary recalls, and civil monetary and criminal penalties. These restrictions or prohibitions on sales or withdrawal of approval of products marketed by us could materially adversely affect our business, financial condition and results of operations.

The Food, Drug and Cosmetic Act, as supplemented by various other statutes, regulates, among other matters, the approval, labeling, advertising, promotion, sale and distribution of drugs, including the practice of providing product samples to physicians. Under this statute, the FDA regulates all promotional activities involving prescription drugs. The distribution of pharmaceutical products is also governed by the Prescription Drug Marketing Act (PDMA), which regulates these activities at both the federal and state level. The PDMA imposes extensive licensing, personnel record keeping, packaging, quantity, labeling, product handling and facility storage and security requirements intended to prevent the sale of pharmaceutical product samples or other diversions. Under the PDMA and its implementing regulations, states are permitted to require registration of manufacturers and distributors who provide pharmaceutical products even if such manufacturers or distributors have no place of business within the state. States are also permitted to adopt regulations limiting the distribution of product samples to licensed practitioners and require extensive record keeping and labeling of such samples for tracing purposes. The sale or distribution of pharmaceuticals is also governed by the Federal Trade Commission Act.

Some of the services that we currently perform or that we may provide in the future may also be affected by various guidelines promulgated by industry and professional organizations. For example, ethical guidelines promulgated by the American Medical Association (AMA) govern, among other matters, the receipt by physicians of gifts from health-related entities. These guidelines govern honoraria, and other items of pecuniary value, which AMA member physicians may receive, directly or indirectly, from pharmaceutical companies. Similar guidelines and policies have been adopted by other professional and industry organizations, such as Pharmaceutical Research and Manufacturers of America, an industry trade group.

There are also numerous federal and state laws pertaining to healthcare fraud and abuse. In particular, certain federal and state laws prohibit manufacturers, suppliers and providers from offering or giving or receiving kickbacks or other remuneration in connection with ordering or recommending purchase or rental of healthcare items and services. The federal anti-kickback statute imposes both civil and criminal penalties for, among other things, offering or paying any remuneration to induce someone to refer patients to, or to purchase, lease, or order (or arrange for or recommend the purchase, lease, or order of), any item or service for which payment may be made by Medicare or certain federally-funded state healthcare programs (e.g., Medicaid). This statute also prohibits soliciting or receiving any remuneration in exchange for engaging in any of these activities. The prohibition applies whether the remuneration is provided directly or indirectly, overtly or covertly, in cash or in kind. Violations of the law can result in numerous sanctions, including criminal fines, imprisonment, and exclusion from participation in the Medicare

and Medicaid programs.

Several states also have referral, fee splitting and other similar laws that may restrict the payment or receipt of remuneration in connection with the purchase or rental of medical equipment and supplies. State laws vary in scope and have been infrequently interpreted by courts and regulatory agencies, but may apply to all healthcare items or services, regardless of whether Medicare or Medicaid funds are involved.

We cannot determine what effect changes in regulations or statutes or legal interpretations, when and if promulgated or enacted, may have on our business in the future. Changes could, among other things, require changes to manufacturing methods, expanded or different labeling, the recall, replacement or discontinuance of certain products, additional record keeping or expanded documentation of the properties of certain products and scientific substantiation. Such changes, or new legislation, could have a material adverse effect on our business, financial condition and results of operations. Our failure, or the failure of our clients to comply with, or any change in, the applicable regulatory requirements or professional organization or industry guidelines could, among other things, limit or prohibit us or our clients from conducting business activities as presently conducted, result in adverse publicity, increase the costs of regulatory compliance or result in monetary fines or other penalties. Any of these occurrences could have a material adverse affect on us.

Insurance

We maintain various types of insurance relating to our operations. We cannot assure you that the insurance policies we have will cover all potential claims that may be brought against us or that the particular policy limits are adequate.

Liability insurance

We protect ourselves against potential liability by maintaining general liability and professional liability insurance, and by contractual indemnification provisions. We review our policies and limits from time to time and may adjust them to meet our business needs. Although we have not experienced difficulty obtaining insurance coverage in the past, we cannot be certain that we can increase our existing policy limits or obtain additional insurance coverage on acceptable terms or at all.

Product liability insurance

In connection with our marketing and distribution of Ceftin, we maintained product liability insurance. To date, to our knowledge, no product liability claim has been asserted against us, and we have no reason to believe that any claim is pending or threatened. We cannot assure you that our product liability coverage is sufficient to protect

us against any claim. In connection with the termination of our agreement to distribute Ceftin, we have cancelled our product liability insurance as of the termination date of the agreement. We have purchased a policy extension rider to cover claims which may be asserted after the termination date of the contract.

Employment practice liability insurance

The success of our business depends on our ability to deploy a high-quality sales force quickly. As part of our recruiting and hiring process, we conduct a thorough screening process, drug testing and rigorous interviews. In addition, we must continually evaluate our personnel and, when necessary, terminate some of our employees with or without cause. Accordingly, we may be subject to lawsuits relating to wrongful termination, discrimination and harassment. We have obtained employment practice liability insurance, which insures us against claims made by employees or former employees relating to their employment, i.e., wrongful termination, sexual harassment, etc. To date, we have not made any claims under this policy. We cannot be sure that the coverage we maintain will be sufficient to cover any future claims or will continue to be available in adequate amounts or at a reasonable cost. We could be materially and adversely affected if we were required to pay damages or incur defense costs in connection with a claim by an employee that is outside the scope of coverage or exceeds the limits of our policy.

Automobile Insurance

We maintain a fleet of automobiles for our sales force and certain other employees. These automobiles are covered by a fleet automobile insurance policy.

Other Insurance

We maintained insurance to protect the inventory of Ceftin while in storage. We also maintained business interruption insurance to protect against sudden and unexpected events where manufacturing problems might make Ceftin unavailable to us. In connection with the termination of our agreement to distribute Ceftin we cancelled these policies.

CERTAIN FACTORS THAT MAY AFFECT FUTURE GROWTH

In addition to the other information provided in our reports, you should consider the following factors carefully in evaluating our business and us. Additional risks and uncertainties not presently known to us, that we currently deem immaterial or that are similar to those faced by other companies in our industry or business in general, such as competitive conditions, may also impair our business operations. If any of the following risks occur, our business, financial condition, or results of operations could be materially adversely affected.

We are in the process of implementing our evolving business model, which includes copromotion and brand ownership. We cannot assure you that we will successfully execute this business plan.

Our growth strategy contemplates agreements and other arrangements whereby we would acquire distribution or ownership rights in products. Despite our Ceftin experience, these types of arrangements are relatively new to our business model and, as such, we face all the risks generally associated with emerging pharmaceutical companies. These risks include the following:

- identifying and obtaining the rights to sell and distribute pharmaceutical products;
- assessing intellectual property protection;
- establishing and maintaining relationships with wholesale drug distributors, third party payors, retail drug chains and other distributors;
- obtaining capital to finance the expansion of the business;
- our success in accurately forecasting the demand for our current and future products;
- attracting, hiring and retaining qualified personnel;
- complying with regulatory requirements;

- establishing inventory control procedures; and
- establishing and maintaining relationships with contract manufacturers and contract research organizations.

In addition, these types of arrangements can significantly increase our operating expenditures. These expenditures could include minimum purchase requirements, payments to third parties for inventory maintenance and control, distribution services and accounts receivable administration, as well as expenditures for sales and marketing.

If we are unable to increase sales of products we market and promote, our profitability could be adversely affected, which could adversely affect the price of our common stock.

Some of our programs require us to increase sales of the products beyond minimum threshold requirements in order for the program to be profitable for us. Decreased or lower-than-anticipated demand could have a material negative affect on our operating results and our share price, which could in turn limit our access to new capital. The market demand for any product could be adversely affected by many unforeseen events including:

- competition from new or existing drug products, including introduction of generic equivalents;
- our ability to maintain adequate and uninterrupted sources of supply to meet demand;
- contamination of product lots or product recalls;
- changes in private health insurer reimbursement rates or policies; and

- changes in government reimbursement rates or polices.

If we acquire ownership or marketing rights in drugs under development, the clinical trial and regulatory approval process for these products will be expensive and time consuming, and the outcome is uncertain.

If we acquire or license rights to development stage products, in order to sell these products we must receive regulatory approvals for each product. The FDA and comparable agencies in foreign countries extensively and rigorously regulate the testing, manufacturing, distribution, advertising, pricing and marketing of the drugs. This approval process includes preclinical studies and clinical trials of each pharmaceutical compound to establish its safety and effectiveness and confirmation by the FDA and comparable agencies in foreign countries that the manufacturer maintains good laboratory and manufacturing practices during testing and manufacturing. The process is lengthy, expensive and outcomes are uncertain. It is also possible that the FDA or comparable foreign regulatory authorities could interrupt, delay or halt our clinical trials. If we, or any regulatory authorities, believe that trial participants face unacceptable health risks, the trials could be suspended or terminated. We also may not reach agreement with the FDA and/or comparable foreign agencies on the design of clinical studies necessary for approval. In addition, conditions imposed by the FDA and comparable agencies in foreign countries on clinical trials could significantly increase the time required for completion of our clinical trials and the costs of conducting the clinical trials. If we experience unexpected delays and expenditures in the FDA regulatory process our business and results of operation could be adversely affected.

We may require additional funds.

Although we do not have any present need or intention to raise additional funds, certain economic and strategic factors could change that may require us to seek substantial additional funds in order to:

- license or acquire additional pharmaceutical products or technologies;
- pursue regulatory approvals;
- develop incremental marketing and sales capabilities;
- prosecute and defend intellectual property rights; and
- pursue other business opportunities or meet future operating requirements.

We may seek additional funding through public or private equity or debt financing or other arrangements with collaborative partners. If we raise additional funds by issuing equity securities, further dilution to existing stockholders may result. In addition, as a condition to providing us with additional funds, future investors may

demand, and may be granted, rights superior to those of existing stockholders. We cannot be sure, however, that additional financing will be available from any of these sources or, if available, will be available on acceptable or affordable terms. If adequate additional funds are not available, we may be required to delay, reduce the scope of, or eliminate one or more of our programs.

If a manufacturer fails to supply us with sufficient quantities of a compound to meet continued demand for the product, our business and financial results may be adversely affected.

We do not currently manufacture any pharmaceutical compounds and do not anticipate engaging in these activities. We expect to continue to depend on third parties to provide us with sufficient quantities of products to meet demand. We will try to maintain inventory levels that are no greater than necessary to meet our projected needs. Although third parties will generally be contractually bound to meet our supply requirements, we cannot assure you that they will be able to manufacture sufficient quantities to meet demand. Limits on our sources of supply could have a material adverse impact on our financial condition, results of operation and cash flows. We cannot be certain that supply interruptions will not occur or that our inventory will always be adequate. Numerous factors could cause interruptions in the supply of our finished products including shortages in raw material required by our manufacturers, changes in our sources for manufacturing, our failure to timely locate and obtain replacement manufacturers as needed and conditions effecting the cost and availability of raw materials. Any disruption in the supply of raw materials or an increase in the cost of raw materials to our supplier could have a significant effect on its ability to supply us with products.

If we are unable to attract key employees and consultants, we may be unable to develop our emerging business model.

Successful execution in general depends, in large part, on our ability to attract and retain qualified management and marketing personnel with the skills and qualifications necessary to fully execute our programs and strategy. Competition for personnel among companies in the pharmaceutical industry is intense and we cannot assure you that we will be able to continue to attract or retain the personnel necessary to support the growth of our business.

Failure to have products we market designated for reimbursement by third party payors will adversely affect our sales.

The amount of sales of any given pharmaceutical product depends substantially on our success in contracting with governmental agencies, private health insurers and health maintenance organizations which reimburse patients for the cost of prescriptions. There are many considerations that determine whether a particular product will be approved by these agencies and organizations, including price. If products we promote are not reimbursed or included on formulary lists of these agencies and organizations, and therefore not approved for use by affiliated physicians, demand for them could decline which would adversely impact our results of operations. In addition, any change in reimbursement rates or reimbursement policies by these organizations could adversely affect the market for a compound.

We may be required to defend lawsuits or pay damages for product liability claims. Product liability litigation is costly and could divert management's time and attention from more productive activities.

Product liability is a major risk in distributing and marketing pharmaceutical products. We could face substantial product liability exposure relating to the distribution and sale of products. We have been named in several lawsuits as a result of our distribution of Baycol(R) on behalf of Bayer Pharmaceutical. Product liability claims, regardless of their merits, could be costly and divert management's attention, or adversely affect our reputation and the demand for our products. Although we currently maintain product liability insurance coverage with respect to our distribution of Ceftin, there is no assurance that this coverage or that any other coverage will be adequate to offset potential damages.

If our performance based programs under perform, it could have a negative impact on our financial results.

As part of our growth strategy, we have entered into arrangements in which we take on some of the risk of the potential success or failure of the customer's product. For example, we may build a sales organization for a

biotechnology customer to commercialize a new product in exchange for a share in the revenues of the product. We must carefully analyze and select the customers and products with which we are willing to structure our risk-based deals. If we underestimate the costs associated with the services to be provided under a particular contract, or if there are unanticipated increases in our operating or administrative expenses, or if we fail to meet certain performance objectives, or if we incorrectly assess the market potential of a particular product, the margins on that contract and our overall profitability may be adversely affected.

We and two of our officers are defendants in a class-action shareholder lawsuit which could divert our time and attention from more productive activities.

Beginning on January 24, 2002, several purported class action complaints were filed in the U.S. District Court for the District of New Jersey, against us and certain of our officers on behalf of persons who purchased our common stock during the period between May 22, 2001 and November 12, 2001. We believe that the named defendants have meritorious defenses to the allegations asserted in these lawsuits and we intend to vigorously defend these actions. Although we currently maintain director and officer liability insurance coverage, there is no assurance that we will continue to maintain such coverage or that any such coverage will be adequate to offset potential damages.

Changes in outsourcing trends in the pharmaceutical and biotechnology industries could adversely affect our operating results and growth rate.

Economic factors and industry trends that affect our primary customers, pharmaceutical and biotechnology companies, also affect our business. For example, the practice of many companies in these industries has been to hire outside organizations like us to conduct large sales and marketing projects. This practice has grown substantially over the past decade, and we have benefited from this trend. Recently there has been a reduced level of outsourcing activity. Some industry commentators believe that this trend will continue. If these industries reduce their tendency to outsource those projects, our operations, financial condition and growth rate could be materially and adversely affected. We also believe that we have recently been negatively impacted by pending mergers and other factors in the pharmaceutical industry, which appear to have slowed decision making by our customers and delayed certain trials. A continuation of these trends would have an ongoing adverse effect on our business.

A decrease in marketing or promotional expenditures by the pharmaceutical industry as a result of private initiatives, government reform or otherwise, could have an adverse affect on our business.

Our business, financial condition and results of operations depend in part upon marketing and promotional expenditures by pharmaceutical companies for their products. Unfavorable developments in the pharmaceutical industry could adversely affect our business. These developments could include reductions in expenditures for marketing and promotional activities or a shift in marketing focus away from product detailing. Promotional, marketing and sales expenditures by pharmaceutical companies could also be negatively impacted by government reform or private market initiatives intended to reduce the cost of pharmaceutical products or by government, medical association or pharmaceutical industry initiatives designed to regulate the manner in which pharmaceutical companies promote their products.

Most of our service revenue is derived from a limited number of clients, the loss of any one of which could adversely affect our business.

Our revenue and profitability are depends to a great extent on our relationships with a limited number of large pharmaceutical companies. In 2001, we had two major clients that accounted for approximately 31.8% and 21.4%, respectively, or a total of 53.2%, of our service revenue. We are likely to continue to experience a high degree of client concentration, particularly if there is further consolidation within the pharmaceutical industry. The loss or a significant reduction of business from any of our major clients could have a material adverse effect on our business and results of operations. As an example, on February 4, 2002, we announced the termination of our fee for service contract arrangement with Bayer Pharmaceuticals. As a result of this contract being terminated four and a half months early, we announced that we expected our 2002 revenues would be reduced by $20 to $25 million and our earnings would be reduced by approximately $0.25 to $0.30 per share.

Our contracts are generally short-term agreements and are generally subject to cancellation at any time, which may result in lost revenue, additional costs and expenses and adversely affect our stock price.

Our contracts are generally for a term of one year and may be terminated by the client at any time for any reason. As an example, on February 4, 2002, we announced the termination of our fee for service contract arrangement with Bayer Pharmaceuticals. As a result of this contract being terminated four and a half months early, we announced that we expected our 2002 revenues would be reduced by $20 to $25 million and our earnings would be reduced by approximately $0.25 to $0.30 per share. The termination of a contract by one of our major clients not only results in lost revenue, but may cause us to incur additional costs and expenses. For example, all of our sales representatives are employees rather than independent contractors. Accordingly, when a contract is terminated, unless we can immediately transfer the related sales force to a new program, we either must continue to compensate those employees, without realizing any related revenue, or terminate their employment. If we terminate their employment, we may incur significant expenses relating to their termination.

Government or private initiatives to reduce healthcare costs could have a material adverse effect on the pharmaceutical industry and on us.

A primary trend in the U.S. healthcare industry is toward cost containment. Comprehensive government healthcare reform intended to reduce healthcare costs, the growth of total healthcare expenditures and expand

healthcare coverage for the uninsured have been proposed in the past and may be considered again in the near future. Government healthcare reform may adversely affect promotional and marketing expenditures by pharmaceutical companies, which could decrease the business opportunities available to us. In addition, the increasing use of managed care, centralized purchasing decisions, consolidations among and integration of healthcare providers are continuing to affect purchasing and usage patterns in the healthcare system. Decisions regarding the use of pharmaceutical products are increasingly being consolidated into group purchasing organizations, regional integrated delivery systems and similar organizations and are becoming more economically focused, with decision makers taking into account the cost of the product and whether a product reduces the cost of treatment. Governmental entities are increasingly promulgating measures targeted at controlling the prices of prescription products. Significant cost containment initiatives adopted by government or private entities could have a material adverse effect on our business.

Our failure, or that of our clients, to comply with applicable healthcare regulations could limit, prohibit or otherwise adversely impact our business activities.

Various laws, regulations and guidelines promulgated by government, industry and professional bodies affect, among other matters, the provision, licensing, labeling, marketing, promotion, sale and distribution of healthcare services and products, including pharmaceutical products. In particular, the healthcare industry is governed by various Federal and state laws pertaining to healthcare fraud and abuse, including prohibitions on the payment or acceptance of kickbacks or other remuneration in return for the purchase or lease of products that are paid for by Medicare or Medicaid. Sanctions for violating these laws include civil and criminal fines and penalties and possible exclusion from Medicare, Medicaid and other Federal healthcare programs. Although we believe our current business arrangements do not violate these Federal and state fraud and abuse laws, we cannot be certain that our business practices will not be challenged under these laws in the future or that a challenge would not have a material adverse effect on our business, financial condition and results of operations. Our failure, or the failure of our clients, to comply with these laws, regulations and guidelines, or any change in these laws, regulations and guidelines may, among other things, limit or prohibit our business activities or those of our clients, subject us or our clients to adverse publicity, increase the cost of regulatory compliance and insurance coverage or subject us or our clients to monetary fines or other penalties.

Our industry is highly competitive and our failure to address competitive developments promptly will limit our ability to retain and increase our market share.

Our primary competitors include in-house sales and marketing departments of pharmaceutical companies, other CSOs, such as Innovex (a subsidiary of Quintiles Transnational) the various sales and marketing affiliates of Ventiv Health (formerly, Snyder Communications) and Nelson Professional Sales (a division of Nelson Communications, Inc.), drug wholesalers and emerging pharmaceutical companies. We also compete with other

pharmaceutical companies for the distribution and marketing of pharmaceutical products. There are relatively few barriers to entry in the businesses in which we compete and, as the industry continues to evolve, new competitors are likely to emerge. Many of our current and potential competitors are larger than we are and have substantially greater capital, personnel and other resources than we have. Increased competition may lead to price and other forms of competition that could have a material adverse effect on our market share, our ability to source new business opportunities and results of operations.

Our business will suffer if we fail to attract and retain experienced sales representatives.

The success and growth of our business depends on our ability to attract and retain qualified and experienced pharmaceutical sales representatives. There is intense competition for experienced pharmaceutical sales representatives from competing CSOs and pharmaceutical companies. On occasion our clients have hired the sales representatives that we trained to detail its products. We cannot be certain that we can continue to attract and retain qualified personnel. If we cannot attract, retain and motivate qualified sales personnel, we will not be able to expand our business and our ability to perform under our existing contracts will be impaired.

Our business will suffer if we lose certain key management personnel.

The success of our business also depends on our ability to attract, retain and motivate qualified senior management, financial and administrative personnel who are in high demand and who often have multiple employment options. Currently, we depend on a number of our senior executives, including Charles T. Saldarini, our chief executive officer; Steven K. Budd, our president and chief operating officer; and Bernard C. Boyle, our chief financial officer. The loss of the services of any one or more of these executives could have a material adverse effect on our business, financial condition and results of operations. Except for a $5 million key-man life insurance policy on the life of Mr. Saldarini and a $3 million policy on the life of Mr. Budd, we do not maintain and do not contemplate obtaining insurance policies on any of our employees.

The costs and difficulties of acquiring and integrating new businesses could impede our future growth and adversely affect our competitiveness.

As part of our growth strategy, we constantly evaluate new acquisition opportunities. Since our initial public offering in May 1998, we have completed three acquisitions: InServe, TVG and ProtoCall. Acquisitions involve numerous risks and uncertainties, including:

- the difficulty of identifying appropriate acquisition candidates;
- the difficulty integrating the operations and products and services of the acquired companies;
- the expenses incurred in connection with the acquisition and subsequent integration of operations and products and services;
- the impairment of relationships with employees, customers or vendors as a result of changes in management and ownership;
- the diversion of management's attention from other business concerns; and
- the potential loss of key employees or customers of the acquired company.

We may be unable to successfully identify, complete or integrate any future acquisitions, and acquisitions that we complete may not contribute favorably to our operations and future financial condition. We may also face increased competition for acquisition opportunities, which may inhibit our ability to consummate suitable acquisitions on favorable terms.

Our controlling stockholder continues to have effective control of us, which could delay or prevent a change in corporate control that stockholders may believe will improve management.

John P. Dugan, our chairman, beneficially owns approximately 35% of our outstanding common stock (excluding shares issuable upon the exercise of options). As a result, Mr. Dugan will be able to exercise substantial control over the election of all of our directors, and to determine the outcome of most corporate actions requiring stockholder approval, including a merger with or into another company, the sale of all or substantially all of our

assets and amendments to our certificate of incorporation.

We have anti-takeover defenses that could delay or prevent an acquisition and could adversely affect the price of our common stock.

Our certificate of incorporation and bylaws include provisions, such as three classes of directors, which are intended to enhance the likelihood of continuity and stability in the composition of our board of directors. These provisions may make if more difficult to remove our directors and management and may adversely affect the price of our common stock. In addition, our certificate of incorporation authorizes the issuance of "blank check" preferred stock. This provision could have the effect of delaying, deterring or preventing a future takeover or a change in control, unless the takeover or change in control is approved by our board of directors, even though the transaction might offer our stockholders an opportunity to sell their shares at a price above the current market price.

Our quarterly revenues and operating results may vary which may cause the price of our common stock to fluctuate.

Our quarterly operating results may vary as a result of a number of factors, including:

- the commencement, delay, cancellation or completion of programs;
- regulatory developments;
- the mix of services provided;
- the timing and amount of expenses for implementing new programs and services;
- the accuracy of estimates of resources required for ongoing programs;
- uncertainty related to compensation based on achieving performance benchmarks;
- the timing and integration of acquisitions;
- changes in regulations related to pharmaceutical companies; and
- general economic conditions.

In addition, generally, we recognize revenue as services are performed, while program costs, other than training costs, are expensed as incurred. As a result, during the first two to three months of a new contract, we may incur substantial expenses associated with implementing that new program without recognizing any revenue under that contract. This could have an adverse impact on our operating results and the price of our common stock for the quarters in which these expenses are incurred. For these and other reasons, we believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. Fluctuations in quarterly results could adversely affect the market price of our common stock in a manner unrelated to our long-term operating performance.

Our stock price is volatile and could be further affected by events not within our control. In 2001 our stock traded at a low of $16.43 and a high of $109.63.

The market for our common stock is volatile. The trading price of our common stock has been and will continue to be subject to:

- volatility in the trading markets generally;
- significant fluctuations in our quarterly operating results;
- announcements regarding our business or the business of our competitors;
- industry development;
- regulatory developments;
- changes in product mix;
- changes in revenue and revenue growth rates for us and for our industry as a whole; and
- statements or changes in opinions, ratings or earnings estimates made by brokerage firms or industry analysts relating to the markets in which we operate or expect to operate.

Employees

As of December 31, 2001, we had 4,963 employees, including 3,391 sales representatives and 730 InServe field representatives, substantially all of whom were flex-time employees. Approximately 219 employees work out of our headquarters in Upper Saddle River, New Jersey, 146 employees work out of TVG's headquarters in Fort Washington, Pennsylvania, 24 employees work out of LCV's headquarters in Lawrenceville, New Jersey, 21 employees work out of InServe's headquarters in Novato, California, and 42 employees work out of ProtoCall's headquarters in Cincinnati, Ohio. In addition, we have 390 field based sales managers. We are not party to a collective bargaining agreement with a labor union. Our relations with our employees are good.

ITEM 2. PROPERTIES

Facilities

Our corporate headquarters is located in Upper Saddle River, New Jersey, in approximately 46,500 square feet of space. The lease for all but 8,000 square feet of this space expires in the fourth quarter of 2004 with an option to extend for an additional five years. The remaining 8,000 square feet was taken by assignment and expires in the second quarter of 2004. In July 2000, to accommodate growth at our headquarters' facility, we leased approximately 20,000 square feet in Mahwah, New Jersey. This lease commenced in September 2000 and expires in the first quarter of 2003.

In December 2000, we signed a three-year lease for an operating office in High Point, North Carolina. The lease is for approximately 1,200 square feet of office space.

TVG operates from a 48,000 square foot facility in Fort Washington,

Pennsylvania, under a lease that expires in the second quarter of 2005.

ProtoCall's headquarters are located in Cincinnati, Ohio, in approximately 11,000 square feet of space. This lease is for a five year term that commenced in April 2000.

LCV occupies space in two facilities. LCV's main office is located in Lawrenceville, New Jersey in approximately 14,000 square feet of space. The lease for this space commenced in October 2000 and expires in July 2003. LCV also rents a 1,200 square foot sales office in High Point, North Carolina. This three-year lease commenced in October 2001.

InServe's headquarters are located in Novato, California, in approximately 9,100 square feet of space, under a lease which expires in the second quarter of 2005.

We signed a lease for approximately 7,300 square feet of office space in Bridgewater, New Jersey that became effective July 1, 2001. The lease is for a five year term and expires on June 30, 2006.

ITEM 3. LEGAL PROCEEDINGS

In January and February 2002, we, our chief executive officer and our chief financial officer were served with three complaints that were filed in the U.S. District Court for the District of New Jersey alleging violations of the Securities Act of 1934 (the "1934 Act"). These complaints were brought as purported shareholder class actions under Sections 10(b) and 20(a) of the 1934 Act and Rule 10b-5 promulgated thereunder. Each of the complaints alleges a purported class period which runs from May 22, 2001 through November 12, 2001; seeks to represent a class of stockholders who purchased shares of our common stock during that period; and seeks money damages in unspecified amounts and litigation expenses including attorneys' and experts' fees.

Each of these complaints contain substantially similar allegations, the essence of which is that the defendants intentionally or recklessly made false or misleading public statements and omissions concerning our financial condition and prospects with respect to our marketing of Ceftin in connection with the October 2000 distribution

agreement with GlaxoSmithKline, as well as our marketing of Lotensin and Lotrel in connection with the May 2001 distribution agreement with Novartis Pharmaceuticals Corp.

We believe that each of these three complaints will ultimately be consolidated into one action. As of this filing, we have not yet answered any of the complaints, and discovery has not yet commenced. We believe that the allegations in these complaints are without merit and we intend to defend these actions vigorously.

We have been named as a defendant in several lawsuits, including a class action matter, alleging claims arising from the use of the prescription compound Baycol that was manufactured by Bayer Pharmaceuticals and marketed by us on Bayer's behalf. In August 2001, Bayer announced that it was voluntarily withdrawing Baycol from the U.S. market. We intend to defend these actions vigorously and have asserted a contractual right of indemnification against Bayer for all costs and expenses we incur related to these proceedings.

Other than the foregoing, we are not currently a party to any material pending litigation and we are not aware of any material threatened litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the Nasdaq National Market under the symbol "PDII". The following table sets forth, for each of the periods indicated, the

range of high and low closing sales prices for the common stock as reported by the Nasdaq National Market.

	High	Low
2001		
First quarter	106.375	50.688
Second quarter	96.530	57.500
Third quarter	88.050	22.780
Fourth quarter	33.330	16.580
2000		
First quarter	30.000	19.625
Second quarter	34.063	19.000
Third quarter	57.250	34.313
Fourth quarter	135.188	72.000

We believe that, as of March 1, 2002, we had approximately 6,500 beneficial stockholders.

Dividend policy

We have not paid any dividends and do not intend to pay any dividends in the foreseeable future. Future earnings, if any, will be used to finance the future growth of our business. Future dividends, if any, will be determined by our board of directors.

Changes in securities and use of proceeds

In May 1998, we completed our initial public offering (the "IPO") of 3,220,000 shares of Common Stock (including 420,000 shares in connection with the exercise of the underwriters' over-allotment option) at a price per share of $16.00. Net proceeds to us after expenses of the IPO were approximately $46.4 million.

(1) Effective date of Registration Statement: May 19, 1998 (File No. 333-46321).

(2) The Offering commenced on May 19, 1998 and was consummated on May 22, 1998.

(4)(i) All securities registered in the Offering were sold.

(4)(ii) The managing underwriters of the Offering were Morgan Stanley Dean Witter, William Blair & Company and Hambrecht & Quist.

(4)(iii) Common Stock, $.01 par value

(4)(iv) Amount registered and sold: 3,220,000 shares
Aggregate purchase price: $51,520,000
All shares were sold for the account of the Issuer.

(4)(v) $3,606,400 in underwriting discounts and commissions were paid to the underwriters. $1,490,758 of other expenses were incurred, including estimated expenses.

(4)(vi) $46,422,842 of net Offering proceeds to the Issuer.

(4)(vii) Use of Proceeds:
$46,422,842 for general working capital purposes.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial data set forth below as of and for the years ended December 31, 2001, 2000, 1999, 1998 and 1997 are derived from our audited consolidated financial statements and the accompanying notes. Our consolidated financial statements for each of the periods prior to 2000 presented reflects our acquisition of TVG in May 1999, which was accounted for as a pooling of interests, on a pro forma basis as if TVG had been owned by the Company the entire period. Consolidated balance sheets at December 31, 2001 and

2000 and consolidated statements of operations, stockholders' equity and cash flows for the three years ended December 31, 2001, 2000 and 1999 and the accompanying notes are included elsewhere in this Annual Report on Form 10-K and have been audited by PricewaterhouseCoopers LLP, independent accountants. Our audited consolidated balance sheets at December 31, 1998 and 1997 and our consolidated statements of operations, stockholder's equity and cash flows for the year ended December 31, 1997 are not included in this report but have been audited by PricewaterhouseCoopers LLP in reliance on audit reports issued to TVG by Grant Thornton LLP for 1998 and 1997. The selected financial data set forth below should be read together with, and are qualified by reference to, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited Financial Statements and related notes appearing elsewhere in this report.

Statement of operations data:

<TABLE>
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	Years Ended December 31,				
	2001	2000	1999	1998	1997
	(In thousands, except per share and statistical data)				
<S>	<C>	<C>	<C>	<C>	<C>
Revenue					
Service, net	$281,269	$315,867	$174,902	$119,421	$ 75,243
Product, net	415,314	101,008	--	--	--
Total revenue, net	696,583	416,875	174,902	119,421	75,243
Cost of goods and services					
Program expenses	232,171	235,355	130,121	87,840	55,854
Cost of goods sold	328,629	68,997	--	--	--
Total cost of goods and services	560,800	304,352	130,121	87,840	55,854
Gross profit	135,783	112,523	44,781	31,581	19,389
Compensation expense	39,263	32,820	19,611	15,779	12,021
Bonus to controlling stockholder (1) (2)	--	--	--	--	2,243
Stock grant expense (2) (3)	--	--	--	--	4,470
Other selling, general and administrative expenses	83,815	38,827	9,448	6,546	4,749
Acquisition and related expenses	--	--	1,246	--	--
Total selling, general and administrative expenses	123,078	71,647	30,305	22,325	23,483
Operating income (loss) (2)	12,705	40,876	14,476	9,256	(4,094)
Other income, net	2,275	4,864	3,471	2,273	376
Income (loss) before provision for income taxes	14,980	45,740	17,947	11,529	(3,718)
Provision for income taxes	8,626	18,712	7,539	1,691	126
Net income (loss)	$ 6,354	$ 27,028	$ 10,408	$ 9,838	$ (3,844)
Basic net income (loss) per share(5)	$ 0.46	$ 2.00	$ 0.87	$ 0.92	$ (0.44)
Diluted net income (loss) per share(5)	$ 0.45	$ 1.96	$ 0.86	$ 0.91	$ (0.44)
Basic weighted average number of shares outstanding(5)	13,886	13,503	11,958	10,684	8,730
Diluted weighted average number of shares outstanding(5)	14,113	13,773	12,167	10,814	8,730

<CAPTION>

	Years Ended December 31,				
	2001	2000	1999	1998	1997
	(In thousands, except per share and statistical data)				
<S>	<C>	<C>	<C>	<C>	<C>
Pro forma data (unaudited)					
Income (loss) before provision for income taxes			$ 17,947	$ 11,529	$ (3,718)

Pro forma provision for income taxes (4)	7,677	4,611	--
Pro forma net income (loss) (4)	$ 10,270	$ 6,918	$ (3,718)
Pro forma basic net income (loss) per share (4)	$ 0.86	$ 0.65	$ (0.43)
Pro forma diluted net income (loss) per share (4)	$ 0.84	$ 0.64	$ (0.43)
Basic weighted average number of shares outstanding (5)	11,958	10,684	8,730
Pro forma diluted weighted average number of shares outstanding (5)	12,167	10,814	8,730

</TABLE>

Other operating data (unaudited):

<TABLE>
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	Years Ended December 31,				
	2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Number of sales representatives at end of period:					
Full-time	2,845	2,947	1,669	1,143	529
Part-time	546	372	433	242	401
Total	3,391	3,319	2,102	1,385	930

</TABLE>

Balance sheet data:

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	As of December 31,				
	2001	2000	1999	1998	1997
	(in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$160,043	$109,000	$ 57,787	$ 56,989	$ 7,762
Working capital	113,685	120,720	53,144	47,048	584
Total assets	302,671	270,225	102,960	77,390	21,868
Total long-term debt	--	--	--	--	--
Stockholders' equity	150,935	138,110	60,820	50,365	1,647

</TABLE>

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(1) Prior to the IPO, we were treated as an S corporation under subchapter S of the Internal Revenue Code and under the corresponding provisions of the tax laws of the State of New Jersey. Historically, as an S corporation, we made annual bonus payments to our controlling stockholder based on our estimated profitability and working capital requirements. We have not paid bonuses to our controlling stockholder since 1997 and do not expect to in future periods.

(2) There were no bonus payments to our controlling stockholder or stock grant expense charges in 2001, 2000 and 1999, and we do not expect to incur these charges in future periods. Exclusive of these non-recurring charges, our operating income for the year ended December 31, 1997 would have been $2,619. See note 1 above.

(3) On January 1, 1997, we issued shares of our common stock to Charles T. Saldarini, our current vice chairman and chief executive officer. For financial accounting purposes, a non-recurring, non-cash compensation expense was recorded in the quarter ended March 31, 1997.

(4) Prior to the IPO, we were an S corporation and had not been subject to Federal or New Jersey corporate income taxes, other than a New Jersey state corporate income tax of approximately 2%. In addition, TVG, a 1999 acquisition accounted for as a pooling of interest, was also taxed as an S corporation from January 1997 to May 1999. Pro forma provision for income

taxes, pro forma net income (loss) and basic and diluted net income (loss) per share for all periods presented reflect a provision for income taxes as if we and TVG had been taxed at the statutory tax rates in effect for C corporations for all periods. See note 22 to our audited consolidated financial statements included elsewhere in this report.

(5) See note 9 to our audited consolidated financial statements included elsewhere in this report for a description of the computation of basic and diluted weighted average number of shares outstanding.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Statement Identifying Important Factors That Could Cause Our Actual Results to Differ From Those Projected in Forward Looking Statements.

Pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, readers of this report are advised that this document contains both statements of historical facts and forward looking statements. Forward looking statements are subject to risks and uncertainties, which could cause our actual results to differ materially from those indicated by the forward looking statements. Examples of forward looking statements include, but are not limited to (i) projections of revenues, income or loss, earnings per share, capital expenditures, dividends, capital structure and other financial items, (ii) statements regarding our plans and objectives including product enhancements, or estimates or predictions of actions by customers, suppliers, competitors or regulatory authorities, (iii) statements of future economic performance, and (iv) statements of assumptions underlying other statements.

This report also identifies important factors that could cause our actual results to differ materially from those indicated by the forward looking statements. These risks and uncertainties include the factors discussed under the heading "Certain Factors That May Affect Future Growth" beginning at page 11 of this report.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and the notes thereto appearing elsewhere in this report.

Overview

We are an innovative sales and marketing company serving the pharmaceutical, biotech, and medical devices and diagnostics industries. Partnering with clients, we provide product-specific programs designed to maximize profitability throughout a product's lifecycle from pre-launch through maturity. We are recognized as an industry-leader based on our track record of innovation and our ability to keep pace in a rapidly changing industry. We leverage our expertise in sales, brand management and product marketing, marketing research, medical education, medical affairs, and managed markets and trade relations to help meet strategic objectives and provide incremental value for product sales. We operate under two reporting segments: product sales and distribution; and contract sales and marketing services. Within our two reporting segments we provide the following services:

- Product sales and distribution;
- Contract sales and marketing services:
  - dedicated contract sales services (CSO);
  - shared contract sales services (CSO);
  - LifeCycle X-Tension services (LCXT);
  - product commercialization services (PCS);
  - copromotion services;
  - medical device and diagnostics sales and marketing services;
  - marketing research and consulting services (TVG); and
  - medical education and communication services (TVG).

Our contracts within the LCXT, PCS and copromotion subcategories are more heavily performance based and have a higher risk potential and correspondingly an opportunity for higher profitability. These contracts involve significant startup expenses and a greater risk of operating losses. These contracts normally require significant participation from our LCV and TVG professionals whose skill sets include marketing, brand management, trade relations and marketing research.

Contract Sales and Marketing Services

Given the customized nature of our business, we utilize a variety of contract structures. Historically, most of our product detailing contracts were fee for services, i.e., the client pays a fee for a specified package of services. These contracts typically include operational benchmarks, such as a minimum number of sales representatives or a minimum number of calls. Also, our contracts might have a lower base fee offset by built-in incentives we can earn based on our performance. In these situations, we have the opportunity to earn additional fees based on enhanced program results.

Our product detailing contracts generally are for terms of one to three years and may be renewed or extended. However, the majority of these contracts are terminable by the client for any reason on 30 to 90 days notice. These contracts typically, but not always, provide for termination payments in the event they are terminated by the client without cause. While the cancellation of a contract by a client without cause may result in the imposition of penalties on the client, these penalties may not act as an adequate deterrent to the termination of any contract. In addition, we cannot assure you that these penalties will offset the revenue we could have earned under the contract or the costs we may incur as a result of its termination. The loss or termination of a large contract or the loss of multiple contracts could adversely affect our future revenue and profitability. As an example, in February 2002,

Bayer notified us that they were exercising their right to terminate their contract with us without cause. Contracts may also be terminated for cause if we fail to meet stated performance benchmarks. To date, no programs have been terminated for cause.

In May 2001 we entered an agreement with Novartis Pharmaceuticals Corporation for the U.S. sales, marketing and promotion rights for Lotensin(R) and Lotensin HCT(R), which agreement runs through December 31, 2003. Under this agreement, we provide promotional, selling and marketing for Lotensin, an ACE inhibitor, as well as brand management. In exchange, we are entitled to receive a split of incremental net sales above specified baselines. Also under this agreement with Novartis, we copromote Lotrel(R) (amlodipine and benazepril HCI) in the U.S. for which we are entitled to be compensated on a fee for service basis with potential incentive payments based upon achieving certain net sales objectives. Lotrel is a combination of the ACE inhibitor benazepril and the calcium channel blocker amlodipine. Novartis has retained regulatory responsibilities for Lotensin and Lotrel and ownership of all intellectual property. Additionally, Novartis will continue to manufacture and distribute the products. In the event our estimates of the demand for Lotensin are not accurate or more sales and marketing resources than anticipated are required, the Novartis transaction could have a material adverse impact on our results of operations, cash flows and liquidity. During 2001 our efforts on this contract did result in an operating loss because the sales of Lotensin did not exceed the specified baselines by an amount great enough to cover our operating costs.

On September 10, 2001, we acquired InServe Support Solutions in a transaction treated as an asset acquisition for tax purposes. The acquisition was accounted for as a purchase in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) 141 and SFAS 142. The net assets of InServe on the date of acquisition were approximately $1.3 million. At closing, we paid the former stockholders of InServe $8.5 million, net of cash acquired. Additionally, we deposited $3.0 million in escrow related to contingent payments payable during 2002 if certain defined benchmarks are achieved. In connection with this transaction, we recorded $7.9 million in goodwill, which is included in other long-term assets, and the remaining purchase price was allocated to identifiable assets and liabilities acquired.

InServe is a leading nationwide supplier of supplemental field-staffing programs for the medical device and diagnostics industries. InServe provides hands-on clinical education and after-sales support to maximize product utilization and customer satisfaction. InServe's clients include many of the leading medical device and diagnostics companies, including Becton Dickinson, Roche Diagnostics and Johnson & Johnson.

In October 2001, we signed an agreement with Eli Lilly to copromote Evista in the U.S. Evista is approved in the U.S. for the prevention and treatment of osteoporosis in postmenopausal women. Under the terms of the agreement, we provide a significant number of sales representatives to copromote Evista to

U.S. physicians. Our sales representatives augment the Eli Lilly sales force promoting Evista. Under this agreement, we are entitled to be compensated based on net sales achieved above a predetermined level. Since its launch in 1998, more than 10 million prescriptions have been written for Evista in the U.S. alone.

The Evista contract is a performance based contract for a term through December 31, 2003, subject to earlier termination upon the occurrence of specific events. Our compensation is earned as a percentage of net factory sales above contractual baselines. To the extent that such baselines are not exceeded, which was the case in 2001, we receive no revenue. Further, we are required to commit a certain level of spending for promotional and selling activities including but not limited to sales force representatives. These costs could range from $9.0 million to $12.0 million per quarter. The sales force assigned to Evista may be used to promote other products, including products covered in other PDI copromotion arrangements which may allow us to generate additional revenue to cover the costs of the sales force.

Product Sales and Distribution

Beginning with the fourth quarter of 2000 we have entered into a number of significant performance based contracts and we use a variety of structures for such contracts. Our agreement with GSK regarding Ceftin was a marketing and distribution contract, under which we had the exclusive right to market and distribute the designated Ceftin products in the U.S. The agreement had a five-year term but was cancelable by either party without cause on 120 days notice. The agreement was terminated by mutual consent, effective February 28, 2002. Contracts such as the Ceftin agreement, which require us to purchase and distribute product, have a greater number of risk factors than a traditional fee for service contract. Any future agreement that involves in-licensing or product acquisition would have similar risk factors. Some of the additional risk factors associated with distribution, in-licensing, or product acquisitions are described in this report under, "Certain Factors That May Affect Future Growth", beginning on page 11 of this report.

We have also entered other performance based agreements that do not require the distribution, in-licensing or ownership of product. An important performance parameter is normally the level of sales attained by the product while we have marketing or promotional responsibility.

Revenues and expenses

Our revenues and expenses are segregated between service and product sales for reporting purposes. Historically, we have derived a significant portion of our service revenue from a limited number of clients. However, concentration of business in the pharmaceutical outsourcing industry is common and we believe that pharmaceutical companies will continue to outsource large projects as the pharmaceutical outsourcing industry continues to demonstrate an ability to successfully implement large programs. Accordingly, we are likely to continue to experience significant client concentration in future periods. Our three largest clients accounted for approximately 60%, 62% and 71%, of our service revenue for the years ended December 31, 2001, 2000 and 1999, respectively. For the years ended December 31, 2001 and 2000, product revenue from sales of Ceftin primarily came from two major customers who accounted for approximately 67% and 62%, respectively, of total net product revenue.

Service revenue and program expenses

Contract sales and marketing services revenue is earned primarily by performing product detailing programs and other marketing and promotional services under contracts. Revenue is recognized as the services are performed and the right to receive payment for the services is assured. Revenue is recognized net of any potential penalties until the performance criteria eliminating the penalties have been achieved. Bonus and other performance incentives as well as termination payments are recognized as revenue in the period earned and when payment of the bonus, incentive or other payment is assured. Under performance based contracts revenue is recognized when the performance based parameters are attained.

Program expenses consist primarily of the costs associated with executing product detailing programs or other marketing services identified in the contract. Program expenses include personnel costs and other costs, including facility rental fees, honoraria and travel expenses, associated with executing a

product detailing or other marketing or promotional program, as well as the initial direct costs associated with staffing a product detailing program. Personnel costs, which constitute the largest portion of program expenses, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the sales representatives and sales managers and professional staff who are directly responsible for executing a particular program. Initial direct program costs are those costs associated with initiating a product detailing program, such as recruiting, hiring and training the sales representatives who staff a particular product detailing program. All personnel costs and initial direct program costs, other than training costs, are expensed as incurred for service offerings. 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. Training costs are deferred and amortized on a straight-line basis over the shorter of the life of the contract to which they relate or 12 months. Expenses related to the product detailing of products we distribute such as Ceftin (as discussed below under Product revenue and cost of goods sold) are recorded as a selling expense and are included in other selling, general and administrative expenses in the consolidated statements of operations.

As a result of the revenue recognition and program expense policies described above, we may incur significant initial direct program costs before recognizing revenue under a particular product detailing program. We typically receive an initial contract payment upon commencement of a product detailing program as compensation for recruiting, hiring and training services associated with staffing that program. In these cases, the initial payment is recorded as revenue in the same period in which the costs of the services are expensed. Our inability to specifically negotiate in our product detailing contracts payments that are specifically attributable to recruiting, hiring or training services could adversely impact our operating results for periods in which the costs associated with the product detailing services are incurred.

Product revenue and cost of goods sold

Product revenue is recognized when products are shipped and title to products is transferred to the customer. Provision is made at the time of sale for all discounts and estimated sales allowances. We prepare our estimates for sales returns and allowances, discounts and rebates based primarily on historical experience updated for changes in facts and circumstances, as appropriate.

Cost of goods sold includes all expenses for both product distribution costs and manufacturing costs of product sold. Inventory is valued at the lower of cost or fair value. Cost is determined using the first in, first out costing method. Inventory consists of only finished goods. Cost of goods sold and gross margin on sales could fluctuate based on our quantity of product purchased, and our contractual unit costs including applicable discounts, as well as fluctuations in the selling price for our products including applicable discounts.

Corporate overhead

Selling, general and administrative expenses include compensation and general corporate overhead. Compensation expense consists primarily of salaries, bonuses, training and related benefits for senior management and other administrative, marketing, finance, information technology and human resources personnel who are not directly involved with executing a particular program. Other selling, general and administrative expenses (SG&A) include corporate overhead such as facilities costs, depreciation and amortization expenses and professional services fees; and with respect to product that we distribute, other SG&A also includes product detailing, marketing and promotional expenses.

Consolidated results of operations

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

<TABLE>
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Operating data	Years Ended December 31, 2001	2000	1999	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>
Revenue					
Service, net	40.4%	75.8%	100.0%	100.0%	100.0%
Product, net	59.6	24.2	--	--	--
Total revenue, net	100.0	100.0	100.0	100.0	100.0
Cost of goods and services					
Program expenses	33.3	56.5	74.4	73.6	74.2
Cost of goods sold	47.2	16.5	--	--	--
Total cost of goods and services	80.5	73.0	74.4	73.6	74.2
Gross profit	19.5	27.0	25.6	26.4	25.8
Compensation expense	5.7	7.9	11.2	13.2	16.0
Bonus to majority stockholder	--	--	--	--	3.0
Stock grant expense	--	--	--	--	5.9
Other selling, general and administrative expenses	12.1	9.3	5.4	5.5	6.3
Acquisition and related expenses	--	--	0.7	--	--
Total general, selling and administrative expenses	17.8	17.2	17.3	18.7	31.2
Operating income (loss)	1.7	9.8	8.3	7.7	(5.4)
Other income, net	0.3	1.2	2.0	1.9	0.5
Income (loss) before provision for income taxes	2.0	11.0	10.3	9.6	(4.9)
Provision for income taxes	1.2	4.5	4.3	1.4	0.2
Net income (loss)	0.8%	6.5%	6.0%	8.2%	(5.1)%
Pro forma data (unaudited)					
Income (loss) before pro forma provision for income taxes	10.3%	9.6%	(4.9)%		
Pro forma provision for income taxes	4.4	3.8	--		
Pro forma net income (loss)	5.9%	5.8%	(4.9)%		

</TABLE>

Comparison of 2001 and 2000

Revenue, net. Net revenue for 2001 was $696.6 million, an increase of 67.1% over revenue of $416.9 million for 2000. Net revenue from the contract sales and marketing services segment for the year ended December 31, 2001 was $281.3 million, a decrease of $34.6 million, or 11.0%, compared to net revenue from that segment of $315.9 million for the prior year. This decrease was primarily attributable to the loss of one large CSO contract, and the reduction in size, or non-renewal of several others. These losses were partially offset by moderate gains in new business, generally reflecting slower demand for traditional contract sales services. We gained two large performance based contracts during the year, reflecting increased demand for our LCXT and copromotion services, although both fell short of our 2001 revenue expectations. Net product revenue for the year ended December 31, 2001 was $415.3 million, an increase of $314.3 million, or 311.2%, over net product revenue of $101.0 million for the prior year. All product revenue was attributable to sales of Ceftin, for which we had distribution rights for the entire 2001 year and only the fourth quarter of 2000.

Cost of goods and services. Cost of goods and services for the year ended December 31, 2001 was $560.8 million, an increase of 84.3% over cost of goods and services of $304.3 million for the year ended December 31, 2000. As a percentage of total net revenue, cost of goods and services increased to 80.5% in 2001 from 73.0% in 2000. This increase as a percentage of revenue was primarily attributable to the reserve for losses on the Ceftin contract that were recorded in the third quarter of 2001 due to the US Court of Appeals decision in August 2001

which allowed for earlier generic competition. This included certain selling, general and administrative expenses which we were obligated to incur under the Ceftin contract termination. Program expenses (i.e., cost of services) for 2001 were $232.2 million, a decrease of 1.4% over program expenses of $235.4 million for 2000. As a percentage of net service revenue, program expenses for 2001 were 82.5%, an increase of 8.0% over program expenses in 2000 of 74.5%, primarily because of lower than expected revenues for the performance based contracts (Novartis and Eli Lilly) that we began in the second quarter; excluding the effect of these contracts, program expenses would have been 67.2% of service revenue. Performance based contracts can achieve a gross profit percentage above our historical averages for CSO programs if the performance of the product(s) meets or exceeds expectations, but can be below normal gross profit standards if the performance of the product falls short of expectations. Cost of goods sold was $328.6 million for the year ended December 31, 2001, an increase of $259.6 million, or 376.3% above cost of goods sold of $69.0 million for the prior year. As a percentage of net product revenue, cost of goods sold for 2001 and 2000 was 79.1% and 68.3%, respectively. The loss on the Ceftin contract includes the costs we were obligated to incur under the termination agreement with GSK. This included certain marketing and selling costs previously treated as selling, general and administrative expenses. Specifically, the associated selling, general and administrative expenses incurred during the fourth quarter of 2001 of $21.0 million and the $12.3 million of selling, general and administrative expenses anticipated for the remainder of the contract termination period, which extends through February 28, 2002, have been classified as cost of goods sold. Excluding the $21.0 million charge and the remaining reserve of $12.3 million, cost of goods sold as a percentage of net product revenue would have been 71.1%. As our previous reports have noted, cost of goods sold and gross margin on sales could fluctuate based on our quantity of product purchased, and our contractual unit costs including applicable discounts, as well as fluctuations in the selling price for our products including applicable discounts. During the fourth quarter of 2001, we were adversely affected as our selling price reflected greater discounts than normal and our purchasing discounts were reduced because of our agreement with GSK to forego such discounts in exchange for a release from our contractual minimum inventory purchase requirements for the fourth quarter.

Compensation expense. Compensation expense for 2001 was $39.3 million compared to $32.8 million for 2000. As a percentage of total net revenue, compensation expense decreased to 5.7% for 2001 from 7.9% for 2000. Compensation expense for the year ended December 31, 2001 attributable to the contract sales and marketing services segment was $33.2 million compared to $31.8 million for the year ended December 31, 2000. As a percentage of net revenue from that segment, compensation expense increased to 11.8% in 2001 from 10.1% in 2000. Compensation expense for the year ended December 31, 2001 attributable to the product segment was $6.1 million compared to $1.0 million for the prior year period. As a percentage of net revenue from the product segment, compensation expense increased to 1.5% in 2001 from 1.0% in 2000. The low compensation expense for this segment contributed greatly to the overall reduction in compensation expense as a percentage of total net revenue.

Other selling, general and administrative expenses. Total other selling, general and administrative expenses were $83.8 million for the year ended December 31, 2001, an increase of 115.9% over other selling, general and administrative expenses of $38.8 million for 2000. As a percentage of total net revenue, total other selling, general and administrative expenses increased to 12.1% for 2001 from 9.3% for 2000. Other selling, general and administrative expenses attributable to contract sales and marketing services for the year ended December 31, 2001 were $22.7 million, an increase of 34.4% over other selling, general and administrative expenses of $16.9 million attributable to that segment for 2000. As a percentage of net revenue from contract sales and marketing services, other selling, general and administrative expenses for 2001 and 2000 were 8.1% and 5.4%, respectively. This increase was primarily due to facilities expansion resulting in increased rental expense, discretionary expenditures in information technology resulting in increased depreciation expense and other expense categories, most notably professional fees; and the largest increases were marketing expenses related to advertising and promotion associated with our new service offerings. Other selling, general and administrative expenses attributable to the product segment for 2001 were $61.1 million, or 14.6% of net product revenue, an increase of $39.2 million, or 178.7%, over other selling, general and administrative expenses of $21.9 million, or 21.7% of net product revenue, for the year ended December 31, 2001. As discussed previously, approximately $21 million of committed selling expenses

were included in the determination of the loss on the Ceftin contract which was recorded through cost of goods sold. If this $21.0 million had been included, total other selling, general and administrative expenses as a percentage of revenue would have been 19.8%. Other selling, general and administrative expenses for the product segment consisted primarily of field selling costs, direct marketing expenses, business insurance and professional fees; all of these costs were fully implemented in 2001, while during the fourth quarter of 2000 the related capabilities were

being developed. The seasonality of Ceftin sales also caused other selling, general and administrative expenses to vary as a percentage of revenue.

Operating income. Operating income for 2001 was $12.7 million, a decrease of $28.2 million, or 68.9%, compared to operating income of $40.9 million for 2000. There was an operating loss for 2001 for the contract sales and marketing services segment of $6.8 million, compared to contract sales and marketing services operating income in 2000 of $31.8 million. The performance based contracts instituted beginning in May 2001 incurred a negative gross profit and a significant operating loss in the third and fourth quarters of 2001, thereby having an adverse effect on the services segment. Operating income for the product segment for 2001 was $19.5 million, or 4.7% of net product revenue, compared to $9.1 million, or 9.0% of net product revenue in 2000.

Other income, net. Other income, net, for 2001 was $2.3 million, compared to other income, net of $4.9 million for 2000. Interest income of $5.0 million was the primary component of other income, net in 2001, compared to $7.4 million in 2000. The $2.4 million decrease in interest income in 2001 compared to 2000 was the result of lower available average cash balances, as well as decreasing interest rates throughout 2001. The $5.0 million in interest income for 2001 was partially offset by the $1.9 million loss on investment in in2Focus. In 2000, a $2.5 million loss was recorded resulting from our investment in iPhysicianNet.

Provision for income taxes. The income tax provision for the year ended December 31, 2001 was $8.6 million compared to a $18.7 million tax provision for the year ended December 31, 2000, which consisted of Federal and state corporate income taxes. The effective tax rate for the year ended December 31, 2001 was 57.6%, compared to an effective tax rate of 40.9% for the prior year. During 2001, the increase in the effective tax rate was attributable to several specific transactions or situations that when applied to our lower than normal pretax earnings created a large deviation from our target effective tax rate of 41% to 42%. During 2001, we wrote off our investment in In2Focus in the amount of $1.9 million which will likely be treated as a capital loss for tax purposes, the benefit of which can only be realized via an offset against capital gains. Since we do not anticipate having offsetting capital gains, a valuation allowance was recorded. In addition, certain nondeductible expenses which are routinely incurred had a significantly higher impact on the effective tax rate in 2001, compared to prior years, due to the lower level of pretax profits.

Net income. Net income for 2001 was $6.4 million, 76.5% lower than net income of $27.0 million in 2000 due to the factors discussed previously.

Comparison of 2000 and 1999

Revenue, net. Net revenue for 2000 was $416.9 million, an increase of 138.3% over revenue of $174.9 million for 1999. Net revenue from the CSO and marketing services segments for the year ended December 31, 2000 was $315.9 million, an increase of $141.0 million, or 80.6%, over net revenue from those segments of $174.9 million for the prior year. This increase was generated primarily from the continued renewal and expansion of product detailing programs from existing clients and the expansion of our client base. Net product revenue for the year ended December 31, 2000 was $101.0 million, all of which was attributable to sales of Ceftin.

Cost of goods and services. Cost of goods and services for the year ended December 31, 2000 were $304.4 million, an increase of 133.9% over cost of goods and services of $130.1 million for the year ended December 31, 1999. As a percentage of total net revenue, cost of goods and services decreased to 73.0% in 2000 from 74.4% in 1999, which decrease was almost entirely attributable to the lower cost of goods sold from our product sales and distribution segment. Program expenses (i.e., cost of services) for 2000 were $235.4 million, an increase of 80.9% over program expenses of $130.1 million for 1999. As a percentage of net CSO and marketing services revenue, program expenses for 2000 and 1999 were 74.5% and 74.4%, respectively. Cost of goods sold was $69.0

million for the year ended December 31, 2000. As a percentage of net product revenue, cost of goods sold for 2000 was 68.3%. Cost of goods sold and gross margin on sales could fluctuate based on our quantity of product purchased, and our contractual unit costs including applicable discounts, as well as fluctuations in the selling price for our products including applicable discounts.

Compensation expense. Compensation expense for 2000 was $32.8 million compared to $19.6 million for 1999. As a percentage of total net revenue, compensation expense decreased to 7.9% for 2000 from 11.2% for 1999.

Compensation expense for the year ended December 31, 2000 attributable to the CSO and marketing services segments was $31.8 million compared to $19.6 million for the year ended December 31, 1999. As a percentage of net revenue from those segments, compensation expense decreased to 10.1% in 2000 from 11.2% in 1999, reflecting the continuing expense reduction leverage resulting from our continued rapid growth. Compensation expense for the year ended December 31, 2000 attributable to the product segment was $1.0 million, or 1.0% of product revenue. The low compensation expense for this segment contributed greatly to the overall reduction in compensation expense as a percentage of total net revenue.

Other selling, general and administrative expenses. Total other selling, general and administrative expenses were $38.8 million for the year ended December 31, 2000, an increase of 311.0% over other selling, general and administrative expenses of $9.4 million for 1999. As a percentage of total net revenue, total other selling, general and administrative expenses increased to 9.3% for 2000 from 5.4% for 1999. Other selling, general and administrative expenses attributable to CSO and marketing services for the year ended December 31, 2000 were $16.9 million, an increase of 79.8% over other selling, general and administrative expenses of $9.4 million attributable to those services for 1999. As a percentage of net revenue from CSO and marketing services, other selling, general and administrative expenses were 5.4% for both the years. Other selling, general and administrative expenses attributable to the product segment for 2000 were $21.9 million, or 21.7% of net product revenue, greatly increasing this category's impact on total other selling, general and administrative expenses as a percentage of total net revenue. Other selling, general and administrative expenses for net product revenue consists primarily of field selling costs and professional fees. Professional fee expenses were higher during 2000 than we anticipate they will be in future periods because of expenses incurred for the startup of LCV and the launch of the Ceftin distribution agreement.

Acquisition and related expenses. There were no acquisition and related expenses for the year ended December 31, 2000.

Operating income. Operating income for 2000 was $40.9 million, an increase of 182.4% over operating income of $14.5 million for 1999. As a percentage of total net revenue, operating income increased to 9.8% in 2000 from 8.3% in 1999. Operating income for 2000 for the CSO and marketing services segment was $31.8 million, an increase of 119.3% over the CSO and marketing services segments operating income in 1999 of $14.5 million. As a percentage of net revenue from the CSO and marketing services segments, operating income for the those segments increased to 10.1% from 8.3% in 1999. The increase was due primarily to the reduction of the compensation expense attributable to those segments for the year ended December 31, 2000 compared to the year ended December 31, 1999 and the absence of acquisition and related expense in 2000. Operating income for the product segment for 2000 was $9.1 million, or 9.0% of net product revenue.

Other income, net. Other income, net, for 2000 was $4.9 million, compared to other income, net of $3.5 million for 1999. Interest income of $7.4 million was the primary component of other income, net in 2000, compared to $3.6 million in 1999. The $3.8 million increase in interest income in 2000 over 1999 was partially offset by the $2.5 million loss recorded during the year resulting from our investment in iPhysicianNet.

Net income. Net income for 2000 was $27.0 million, an increase of 159.7% from net income of $10.4 million in 1999. The effective tax rate for 2000 was 40.9%, compared to an effective tax rate of 42.0% for 1999. The pro forma 1999 effective tax rate was lower as a result of $1.2 million of non-deductible acquisition and related expenses.

Liquidity and capital resources

As of December 31, 2001 we had cash and cash equivalents and short-term investments of approximately $167.4 million and working capital of $113.7 million compared to cash and cash equivalents and short-term investments of approximately $113.9 million and working capital of $120.7 million at December 31, 2000.

For the year ended December 31, 2001, net cash provided by operating activities was $80.1 million, compared to $19.1 million cash provided by operating activities for the same period in 2000. The main components of cash provided by operating activities were net income from operations of $6.4 million, along with non-cash adjustments

for depreciation, amortization, reserves and the write-off of assets and investments of $10.6 million and a positive cash impact of $82.5 million from changes in "Other changes in assets and liabilities." During the fourth quarter of 2001 we agreed with GSK to terminate the Ceftin marketing and distribution agreement as of February 28, 2002, thus the decline in inventory and the reduction in accounts receivable were associated with the winding down of Ceftin activities. This was partially offset by a non-cash adjustment for deferred income taxes of $19.4 million. The balances in "Other changes in assets and liabilities" may fluctuate depending on a number of factors, including seasonality of product sales, the number and size of programs, contract terms and other timing issues; these fluctuations may vary in size and direction each reporting period.

Inventory decreased by $35.9 million in 2001. All inventory is associated with our Ceftin distribution agreement with GSK. Accrued rebates and discounts increased by $44.0 million in 2001. This entire amount is associated with the chargebacks, rebates and discounts owed to wholesalers, managed care organizations and state medicaid organizations in connection with sales of Ceftin.

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. When services are performed in advance of billing, the value of such services is recorded as unbilled costs and accrued profits. As of December 31, 2001, we had $10.9 million of unearned contract revenue and $6.9 million of unbilled costs and accrued profits. Substantially all deferred and unbilled costs and accrued profits are earned or billed, as the case may be, within 12 months of the end of the respective period.

For the year ended December 31, 2001, net cash used in investing activities was $31.1 million including $15.6 million for purchases of property and equipment, $1.1 million invested in In2Focus, $11.9 million paid for the acquisition of InServe and $2.5 million of short-term investments. Capital expenditures were funded out of cash generated from operations.

For the year ended December 31, 2001, net cash provided by financing activities was $2.0 million. This increase in cash is due to the net proceeds received from the employee stock purchase plan implemented in June 2001 of $1.4 million, $709,000 in proceeds received from the exercise of common stock options by employees, partially offset by net cash paid for treasury stock of $110,000.

Capital expenditures during the periods ended December 31, 2001, 2000, and 1999, were $15.6 million, $7.9 million and $1.4 million, respectively, and were funded out of cash generated from operations.

We have a credit agreement dated as of March 30, 2001 with a syndicate of banks, for which PNC Bank, National Association is acting as Administrative and Syndication Agent, that provides for both a three-year, $30 million unsecured revolving credit facility and a one-year, renewable, $30 million unsecured revolving credit facility. Borrowings under the agreement bear interest equal to either an average London interbank offered rate (LIBOR) plus a margin ranging from 1.5% to 2.25%, depending on our ratio of funded debt to earnings before interest, taxes depreciation and amortization (EBITDA); or the greater of prime or the federal funds rate plus a margin ranging from zero to 0.25%, depending on our ratio of funded debt to EBITDA. We are required to pay a commitment fee quarterly in arrears for each of the long-term and short-term credit facilities. These fees range from 0.175% to 0.325% for the long-term credit facility and from 0.25% to 0.40% for the short-term credit facility, depending on our ratio of funded debt to EBITDA. The credit agreement contains customary affirmative and negative covenants including financial covenants requiring the maintenance

of a specified consolidated minimum fixed charge coverage ratio, a maximum leverage ratio, a minimum consolidated net worth and a capital expenditure limitation (as defined in the agreement). At December 31, 2001 we were in compliance with these covenants, except for the minimum fixed charge coverage ratio. Since the inception of these credit facilities there have been no draw downs and there was no outstanding balance as of December 31, 2001. The credit facilities were structured to accommodate our needs to fulfill the Ceftin agreement. In light of the Ceftin agreement termination, we anticipate that these credit facilities will be restructured to align better with our emerging business needs. Until the restructuring of the credit facility is completed we will not have access to funds under these credit facilities.

We believe that our cash and cash equivalents and future cash flows generated from operations will be sufficient to meet our foreseeable operating and capital requirements for the next twelve months. We continue to evaluate and review acquisition candidates in the ordinary course of business.

Quarterly operating results

Our results of operations have varied, and are expected to continue to vary, from quarter-to-quarter. These fluctuations result from a number of factors including, among other things, the timing of commencement, completion or cancellation of major programs. In the future, our revenue may also fluctuate as a result of a number of additional factors, including the types of products we market and sell, delays or costs associated with acquisitions, government regulatory initiatives and conditions in the healthcare industry generally. Revenue, generally, is recognized as services are performed and products are shipped. Program costs, other than training costs, are expensed as incurred. As a result, we may incur substantial expenses associated with staffing a new detailing program during the first two to three months of a contract without recognizing any revenue under that contract. This could have an adverse impact on our operating results for the quarters in which those expenses are incurred. Costs of goods sold are expensed when products are shipped. We believe that because of these fluctuations, quarterly comparisons of our financial results cannot be relied upon as an indication of future performance.

The following table sets forth quarterly operating results for the eight quarters ended December 31, 2001:

<TABLE>
<CAPTION>

	Quarter Ended							
	Mar 31, 2001	Jun 30, 2001	Sep 30, 2001	Dec 31, 2001	Mar 31, 2000	Jun 30, 2000	Sep 30, 2000	Dec 31, 2000
	(in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenue								
Service, net	$ 78,087	$ 64,789	$ 71,129	$ 67,264	$ 71,289	$ 75,789	$ 84,367	$ 84,422
Product, net	94,978	79,155	44,544	196,637	--	--	--	101,008
Total revenue, net	173,065	143,944	115,673	263,901	71,289	75,789	84,367	185,430
Cost of goods and services								
Program expenses	55,395	53,321	59,529	63,926	50,120	58,108	63,233	63,894
Cost of goods sold	64,215	51,523	51,823	161,068	--	--	--	68,997
Total cost of goods and services	119,610	104,844	111,352	224,994	50,120	58,108	63,233	132,891
Gross profit	53,455	39,100	4,321	38,907	21,169	17,681	21,134	52,539
Compensation expense	11,015	9,162	9,282	9,804	8,394	6,793	7,846	9,787
Other selling, general and administrative expenses	25,728	23,546	24,560	9,981	4,006	2,973	5,863	25,985
Total selling, general and administrative expenses	36,743	32,708	33,842	19,785	12,400	9,766	13,709	35,772
Operating income (loss)	16,712	6,392	(29,521)	19,122	8,769	7,915	7,425	16,767
Other income (expense), net	1,870	1,537	999	(2,132)	684	255	1,984	1,941
Income (loss) before provision for taxes	18,582	7,929	(28,522)	16,990	9,453	8,170	9,409	18,708

Provision (benefit) for income taxes	7,653	3,527	(11,266)	8,711	3,839	3,332	3,701	7,840
Net income (loss)	$ 10,929	$ 4,402	$ (17,256)	$ 8,279	$ 5,614	$ 4,838	$ 5,708	$ 10,868
Basic net income (loss) per share	$ 0.79	$ 0.32	$ (1.24)	$ 0.59	$ 0.43	$ 0.36	$ 0.42	$ 0.79
Diluted net income (loss) per share	$ 0.77	$ 0.31	$ (1.24)	$ 0.59	$ 0.43	$ 0.35	$ 0.41	$ 0.77
Weighted average number of shares:								
Basic	13,843	13,856	13,876	13,968	13,005	13,592	13,647	13,768
Diluted	14,133	14,246	13,876	14,010	13,183	13,744	13,961	14,174

</TABLE>

Critical accounting policies

Our consolidated financial statements are presented on the basis of accounting principles that are generally accepted in the U.S. All professional accounting standards that were effective as of December 31, 2001 have been taken into consideration in preparing our consolidated financial statements. We have chosen to highlight certain policies that we consider critical to the operation of our business and an understanding of our consolidated financial statements.

Contract sales and marketing services revenue is earned primarily by performing product detailing programs and other marketing and promotional services under contracts. Revenue is recognized as the services are performed and the right to receive payment for the services is assured. Revenue is recognized net of any potential penalties until the performance criteria eliminating the penalties have been achieved. Bonus and other performance incentives as well as termination payments are recognized as revenue in the period earned and when payment of the bonus,

incentive or other payment is assured. Under performance based contracts, revenue is recognized when the performance based parameters are attained. All personnel costs and initial direct program costs, other than training costs, are expensed as incurred for service offerings. 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. Training costs are deferred and amortized on a straight-line basis over the shorter of the life of the contract to which they relate or 12 months. Product revenue is recognized when products are shipped and title to products is transferred to the customer. Provision is made at the time of sale for all discounts and estimated sales allowances. We prepare our estimates for sales returns and allowances, discounts and rebates based primarily on historical experience updated for changes in facts and circumstances, as appropriate.

We have certain non cancelable contractual obligations accounted for as operating leases. We lease facilities, automobiles and certain equipment under agreements classified as operating leases which expire at various dates through 2006.

As of December 31, 2001, the aggregate minimum future rental payments required by non-cancelable operating leases with initial or remaining lease terms exceeding one year are as follows:

	(in thousands)
2002	$ 3,281
2003	3,296
2004	2,746
2005	1,120
2006	126
Total	$11,161

Furthermore, we have an agreement with Eli Lilly to copromote Evista in the U.S. through December 2003. Under the terms of the agreement, we provide a

significant number of sales representatives to co-promote Evista to U.S. physicians and only record revenue to the extent we exceed certain contractual baselines.

Provisions for losses to be incurred on contracts are recognized in full in the period in which it is determined that a loss will result from a performance of the contractual arrangement.

Our consolidated balance sheets reflect various financial instruments including cash and cash equivalents and investments. We do not engage in trading activities or off-balance sheet financial instruments. As a matter of policy, excess cash and deposits are held by major banks or in high quality short-term liquid instruments. We have investments, mainly in equity instruments, that are carried at fair market value. We do not use derivative instruments such as swaps or forward contracts.

We apply an asset and liability approach to accounting for income taxes. Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is recorded if it is more likely than not that a deferred tax asset will not be realized.

Effect of new accounting pronouncements

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." Under these new standards, all acquisitions subsequent to June 30, 2001 must be accounted for under the purchase method of accounting, and purchased goodwill is no longer amortized over its useful life. Rather, goodwill will be subject to a periodic impairment test based upon its fair value. We applied the provisions of SFAS 141 to our acquisition of InServe which occurred in September 2001.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 establishes accounting standards for recognition and measurement of a liability for the costs of

asset retirement obligations. Under SFAS 143, the costs of retiring an asset will be recorded as a liability when the retirement obligation arises, and will be amortized to expense over the life of the asset.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and discontinued operations.

We are currently evaluating the impact of these pronouncements to determine the effect, if any, they may have on the consolidated financial position and results of operations. We are required to adopt these statements effective January 1, 2002.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our financial statements and required financial statement schedules are included herein beginning on page F-1.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS

Directors and executive officers

The following table sets forth the names, ages and positions of our directors, executive officers and key employees:

<TABLE>
<CAPTION>

Name	Age	Position
<S>	<C>	<C>
John P. Dugan	66	Chairman of the board of directors and director of strategic planning
Charles T. Saldarini	38	Chief executive officer and vice chairman of the board of directors
Steven K. Budd	45	President and chief operating officer
Bernard C. Boyle	57	Chief financial officer, executive vice president, secretary and treasurer
Stephen Cotugno	42	Executive vice president--corporate development and investor relations
Robert R. Higgins	59	Executive vice president--contract sales and medical education solutions
Christopher Tama	43	Executive vice president--copromotion and lifecycle extension solutions
Len Mormando	62	Executive vice president--corporate operations and support
John M. Pietruski (1)(2)	68	Director
Jan Martens Vecsi (2)	58	Director
Gerald J. Mossinghoff (1)	66	Director
John C. Federspiel (1)(2)	48	Director

</TABLE>

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(1) Member of audit committee.
(2) Member of compensation committee.

John P. Dugan is our founder, chairman of the board of directors and director of strategic planning. He served as our president from inception until January 1995 and as our chief executive officer from inception until November 1997. In 1972, Mr. Dugan founded Dugan Communications, a medical advertising agency that later became known as Dugan Farley Communications Associates Inc. and served as its president until 1990. We were a wholly-owned subsidiary of Dugan Farley in 1990 when Mr. Dugan became our sole stockholder. Mr. Dugan was a founder and served as the president of the Medical Advertising Agency Association from 1983 to 1984. Mr. Dugan also served on the board of directors of the Pharmaceutical Advertising Council (now known as the Healthcare Marketing Communications Council, Inc.) and was its president from 1985 to 1986. Mr. Dugan received an M.B.A. from Boston University in 1964.

Charles T. Saldarini is our vice chairman and chief executive officer. Joining PDI in 1987, Mr. Saldarini has held positions of ever-increasing responsibility, becoming president of PDI in January 1995 and chief executive officer in November 1997, leading to his present role in June 2000. In his 14 years at PDI, his contributions have spanned the full range of our development. He is responsible for making PDI the largest contract sales organization in the U.S. Mr. Saldarini is a frequent speaker on industry topics and an author, with numerous industry publications to his credit. Prior to working at PDI, Mr. Saldarini worked at Merrill Dow Pharmaceuticals. He received a B.A. in political science from Syracuse University in 1985.

Steven K. Budd has served as our president and chief operating officer since June 2000. Mr. Budd oversees the management of PDI's operating units and key internal support functions. He also contributes to the development of PDI's strategic plans and serves on our executive leadership team. Mr. Budd joined us in April 1996 as vice president, account group sales. He became executive vice president in July 1997, chief operating officer in January 1998, and our president in June 2000. From January 1994 through April 1995, Mr. Budd was employed by Innovex, Inc., as director of new business development. From 1989 through December 1993, he was employed by Professional Detailing Network (now known as Nelson Professional Sales, a division of Nelson Communications, Inc.), as vice president with responsibility for building sales teams and developing marketing strategies. Mr. Budd received a B.A. in history and education from Susquehanna University in 1978.

Bernard C. Boyle has served as our chief financial officer and executive vice president since March 1997. In 1990, Mr. Boyle founded BCB Awareness, Inc., a firm that provided management advisory services, and served as its president until March 1997. During that period he was also a partner in Boyle & Palazzolo, Partners, an accounting firm. From 1982 through 1990 he served as controller and then chief financial officer and treasurer of

William Douglas McAdams, Inc., an advertising agency. From 1966 through 1971, Mr. Boyle was employed by the national accounting firm then known as Coopers & Lybrand L.L.P. as supervisor/senior audit staff. Mr. Boyle received a B.B.A. in accounting from Manhattan College in 1965 and an M.B.A. in corporate finance from New York University in 1972.

Stephen P. Cotugno became our executive vice president-corporate development and investor relations in January 2000. He joined us as a consultant in 1997 and in January 1998 he was hired full time as vice president-corporate development. Prior to joining us, Mr. Cotugno was an independent financial consultant. He received a B.A. in finance and economics from Fordham University in 1981.

Robert R. Higgins became our executive vice president-contract sales and medical education solutions in January 2002. Prior to that, Mr. Higgins served as executive vice president-client programs. He joined us in a field management capacity in August 1996 and became vice president in 1997. Mr. Higgins has over 30 years experience in the pharmaceutical industry. From 1965 to 1995, Mr. Higgins was employed by Burroughs Wellcome Co., where he was responsible for building and managing sales teams and developing and implementing marketing strategies. After he left Burroughs Wellcome and before he joined us, Mr. Higgins was self-employed. Mr. Higgins received a B.S. in biology from Kansas State University in 1964, and an M.B.A. from North Texas State University in 1971.

Leonard Mormando became our executive vice president-corporate operations and support for PDI in September 2000. Mr. Mormando joined us in 1997 as the executive director of training and development. In 1998, he was promoted to vice president training and development & recruiting and hiring. Prior to joining PDI, Mr. Mormando spent 32 years at Ciba Geigy Pharmaceuticals, including ten years as director of U.S. training where he was responsible for training over 5,000 sales representatives. Mr. Mormando is a member of the National Society of Professional Sales Trainers since 1982.

Christopher Tama joined us as executive vice president-copromotion and lifecycle extension solutions in January 2000. Mr. Tama has responsibility for PDI's at risk programs involving integrated sales and marketing solutions. Prior to joining us, Mr. Tama spent 19 years with Pharmacia & Upjohn, Searle and Novartis where he held various marketing and sales positions. Before joining us, Mr. Tama was with Pharmacia & Upjohn for 13 years. Most recently he was vice president-marketing for Novartis' central nervous system therapeutic area. His marketing and sales experience range many different therapeutic areas, both in primary care and specialty markets. He received a B.A. in economics from Villanova University in 1981.

Gerald J. Mossinghoff became a director in May 1998. Mr. Mossinghoff is a former Assistant Secretary of Commerce and Commissioner of Patents and Trademarks of the Department of Commerce (1981 to 1985) and served as President of Pharmaceutical Research and Manufacturers of America from 1985 to 1996. Since 1997 he has been senior counsel to the law firm of Oblon, Spivak, McClelland, Maier and Newstadt of Arlington, Virginia. Mr. Mossinghoff has been a visiting professor of Intellectual Property Law at the George Washington University Law School since 1997 and Adjunct Professor of Law at George Mason University School of Law since 1997. Mr. Mossinghoff served as U.S. Ambassador to the Diplomatic Conference on the Revision of the Paris Convention from 1982 to 1985 and as Chairman of the General Assembly of the United Nations World Intellectual Property Organization from 1983 to 1985. He is also a former Deputy General Counsel of the National Aeronautics and Space Administration (1976 to 1981). Mr. Mossinghoff received an electrical engineering degree from St. Louis University in 1957 and a juris doctor degree with honors from the George Washington University Law School in 1961. He is a member of the Order of the Coif and is a Fellow in the National Academy of Public Administration. He is the recipient of many honors, including NASA's Distinguished Service Medal and the Secretary of Commerce Award for Distinguished Public Service.

John M. Pietruski became a director in May 1998. Since 1990 Mr. Pietruski has been the chairman of the board of Texas Biotechnology Corp., a pharmaceutical research and development company. He is a retired chairman of the board and chief executive officer of Sterling Drug Inc. where he was employed from 1977 until his retirement in 1988. Mr. Pietruski is a member of the boards of directors of Hershey Foods Corporation, GPU, Inc., and Lincoln National Corporation. Mr. Pietruski graduated Phi Beta Kappa with a B.S. in business administration with honors from Rutgers University in 1954 and currently serves as a regent of Concordia College.

Jan Martens Vecsi became a director in May 1998. Ms. Vecsi is the sister-in-law of John P. Dugan, our chairman. Ms. Vecsi was employed by Citibank, N.A. from 1967 through 1996 when she retired. Starting in 1984 she served as the senior human resources officer and vice president of the Citibank Private Bank. Ms. Vecsi received a B.A. in psychology and elementary education from Immaculata College in 1965.

John C. Federspiel became a director in October 2001. Mr. Federspiel is president of Hudson Valley Hospital Center, a 120-bed, short-term, acute care, not-for-profit hospital in Westchester County, New York. Prior to joining Hudson Valley Hospital in 1987, Mr. Federspiel spent an additional 10 years in health administration, during which he held a variety of executive leadership positions. Mr. Federspiel is an appointed Member of the State Hospital Review and Planning Council, and has served as chairman of the Northern Metropolitan Hospital Association, as well as other affiliations. Mr. Federspiel received a B.S. degree from Ohio State University in 1975 and a M.B.A. from Temple University in 1977.

Our board of directors is divided into three classes. Each year the stockholders elect the members of one of the three classes to a three-year term of office. Messrs. Dugan and Mossinghoff serve in the class whose term expires in 2001; Ms. Vecsi and Mr. Federspiel serve in the class whose term expires in 2002, and Messrs. Saldarini and Pietruski serve in the class whose term expires in 2003.

Our board of directors has an audit committee and a compensation committee. The audit committee reviews the scope and results of the audit and other services provided by our independent accountants and our internal controls. The compensation committee is responsible for the approval of compensation arrangements for our officers and the review of our compensation plans and policies.

Section 16(a) of the Securities Exchange Act of 1934 requires our officers and directors, and persons who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC). Officers, directors and greater than ten-percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on review of the copies of such forms furnished to us, or written representations that no Forms 5 were required, we believe that all Section 16(a) filing requirements applicable to our officers and directors were complied with.

ITEM 11. EXECUTIVE COMPENSATION

Summary compensation. The following table sets forth certain information concerning compensation paid for services in all capacities awarded to, earned by or paid to our chief executive officer and the other four most highly compensated executive officers during 2001, 2000 and 1999 whose aggregate compensation exceeded $100,000.

<TABLE>
<CAPTION>

	Annual compensation			Long-term compensation		
Name and Principal Position	Salary	Bonus	Other annual compensation	Restricted stock awards(1)	Shares of common stock underlying options	All other compensation
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Charles T. Saldarini Vice chairman and chief executive officer						
2001.....	$ 336,864	$ 179,212	$ 6,264	$ --	34,066	$ 5,250
2000.....	294,594	506,731	8,713	--	--	6,203
1999.....	283,254	450,000	5,657	--	--	2,145
Steven K. Budd						

President and chief operating officer						
2001.....	262,500	103,819	2,537	44,494	23,338	4,200
2000.....	225,000	243,003	2,891	104,144	--	4,744
1999.....	182,053	216,409	2,229	83,591	25,000	3,524
Bernard C. Boyle Chief financial officer, executive vice president, secretary and treasurer						
2001.....	232,292	93,863	4,455	40,227	19,900	4,646
2000.....	187,500	207,211	4,706	88,805	--	4,010
1999.....	167,975	180,180	3,350	77,220	20,000	3,256
Robert R. Higgins Executive vice president						
2001.....	172,917	68,873	3,435	29,517	10,952	3,458
2000.....	141,667	114,042	3,456	48,875	--	3,000
1999.....	125,567	73,238	1,977	31,387	15,000	2,396
Christopher Tama(2) Executive vice president						
2001.....	189,583	75,561	2,649	32,383	20,168	2,917
2000.....	167,708	210,000	1,828	90,000	5,000	--
1999.....	--	--	--	--	--	--

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(1) For the years ended December 31, 2001, 2000 and 1999, a portion of the named executive officers' annual bonus was paid in restricted stock. The number of shares were calculated by dividing the portion of bonus expense attributable to restricted stock by a trailing 20-day average stock price on December 31, 2001, 2000 and 1999, which was $20.47, $99.42 and $27.25, respectively. The fair market value of the shares owned by the named executive officers on December 31, 2001, based upon the closing price of our common stock of $22.32 on that date, was as follows: Mr. Budd -- $140,348 (6,288 shares); Mr. Boyle -- $127,023 (5,691 shares); Mr. Higgins -- $68,835 (3,084 shares); and Mr. Tama -- $55,510 (2,487 shares).

(2) Mr. Tama joined us as executive vice president in January 2000.

Option grants. The following table sets forth certain information regarding options granted by us in 2001 to each of the executives named in the Summary Compensation Table.

Option Grants in Last Fiscal Year

Name	Individual Grants: Number of Shares Underlying Options Granted	Individual Grants: Percent of Total Options Granted to Employees in Fiscal Year	Individual Grants: Exercise Price ($/share)	Individual Grants: Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1): 5%	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (1): 10%
Charles T. Saldarini.....	34,066	6.2%	$59.50	2/14/11	$1,274,724	$3,230,400
Steven K. Budd.....	23,338	4.3%	59.50	2/14/11	873,290	2,213,088
Bernard C. Boyle.....	19,900	3.6%	59.50	2/14/11	744,643	1,887,071
Robert R. Higgins.....	10,952	2.0%	59.50	2/14/11	409,815	1,038,553
Christopher Tama.....	20,168	3.7%	59.50	2/14/11	754,671	1,912,485

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(1) Potential realizable values are net of exercise price but before taxes, and are based on the assumption that our common stock appreciates at the annual rate shown (compounded annually) from the date of grant until the expiration date of the options. These numbers are calculated based on Securities and Exchange Commission requirements and do not reflect our projection or estimate of future stock price growth. Actual gains, if any, on stock option exercises are dependent on our future financial performance, overall market conditions and the option holder's continued

employment through the vesting period. This table does not take into account any appreciation in the price of the common stock from the date of grant to the date of this Form 10-K.

Option exercises and year-end option values. The following table provides information with respect to options exercised by the Named Executive Officers during 2001 and the number and value of unexercised options held by the Named Executive Officers as of December 31, 2001.

Aggregated Option Exercise in Last Fiscal Year and Year-End Option Values

<TABLE>
<CAPTION>

			Number of Shares Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options At Fiscal Year-End (2)	
Name	Shares Acquired on Exercise (#)	Value Realized (1)	Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Charles T. Saldarini	--	--	--	34,066	--	--
Steven K. Budd	--	--	16,667	31,671	--	--
Bernard C. Boyle	--	--	13,333	26,567	--	--
Robert R. Higgins	--	--	7,500	15,952	$15,800	--
Christopher Tama	--	--	1,667	23,501	--	--

</TABLE>

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(1) For the purposes of this calculation, value is based upon the difference between the exercise price of the options and the stock price at date of exercise.

(2) For the purposes of this calculation, value is based upon the difference between the exercise price of the exercisable and unexercisable options and the stock price at December 31, 2001 of $22.32 per share.

Employment contracts

In January 1998, we entered into an agreement with John P. Dugan providing for his appointment as chairman of the board and director of strategic planning. The agreement provides for an annual salary of $125,000.

In November 2001, we entered into an employment agreement with Charles T. Saldarini providing for his employment as our chief executive officer and vice chairman of the board for a term expiring on October 31, 2005 subject to automatic one-year renewals unless either party gives written notice one-year prior to the end of the then current term of the agreement. The agreement provides for an annual base salary of $350,000 and for participation in all executive benefit plans. The agreement also provides that Mr. Saldarini will be entitled to bonus and incentive compensation awards as determined by the compensation committee. Further, the agreement provides, among other things, that, if Mr. Saldarini's employment is terminated without cause (as defined) or if he terminates his employment for good reason (as defined), we will pay him an amount equal to three times the sum of his then current base salary plus the average incentive compensation paid to him during the three years immediately preceding the termination date.

In November 2001, we entered into an amended and restated employment agreement with Steven K. Budd providing for his employment as our president and chief operating officer for a term expiring on April 30, 2005

subject to automatic one-year renewals unless either party gives written notice one-year prior to the end of the then current term of the agreement. The agreement provides for an annual base salary of $275,000 and for participation in all executive benefit plans. The agreement also provides that Mr. Budd will be entitled to bonus and incentive compensation awards as determined by the compensation committee. Further, the agreement provides, among other things, that, if Mr. Budd's employment is terminated without cause (as defined) or if he terminates his employment for good reason (as defined), we will pay him an amount equal to three times the sum of his then current base salary plus the average incentive compensation paid to him during the three years immediately preceding the termination date.

In November 2001, we entered into an amended and restated employment agreement with Bernard C. Boyle providing for his employment as our executive vice president and chief financial officer for a term expiring on April 30, 2004 subject to automatic one-year renewals unless either party gives written notice one-year prior to the end of the then current term of the agreement. The agreement provides for an annual base salary of $250,000 and for participation in all executive benefit plans. The agreement also provides that Mr. Boyle will be entitled to bonus and incentive compensation awards as determined by the compensation committee. Further, the agreement provides, among other things, that, if Mr. Boyle's employment is terminated without cause (as defined) or if he terminates his employment for good reason (as defined), we will pay him an amount equal to three times the sum of his then current base salary plus the average incentive compensation paid to him during the three years immediately preceding the termination date.

In November 2001, we entered into an amended and restated employment agreement with Stephen Cotugno providing for his employment as our executive vice president - corporate development and investor relations for a term expiring on November 30, 2004 subject to automatic one-year renewals unless either party gives written notice one-year prior to the end of the then current term of the agreement. The agreement provides for an annual base salary of $175,000 and for participation in all executive benefit plans. The agreement also provides that Mr. Cotugno will be entitled to bonus and incentive compensation awards as determined by the compensation committee. Further, the agreement provides, among other things, that, if Mr. Cotugno's employment is terminated without cause (as defined) or if he terminates his employment for good reason (as defined), we will pay him an amount equal to three times the sum of his then current base salary plus the average incentive compensation paid to him during the three years immediately preceding the termination date.

In January 2000, we entered into an employment agreement with Mr. Tama providing for his employment as executive vice president - copromotion and lifecycle extension solutions. Mr. Tama's agreement terminates on December 31, 2002. The agreement is subject to automatic one-year renewals unless either party gives written notice 180 days prior to the end of the then current term of the agreement. The agreement provides for an annual base salary of $175,000 and for Mr. Tama's participation in all executive benefit plans. The agreement also provides that Mr. Tama is entitled to bonus and incentive compensation awards as determined by the compensation committee. The agreement also provides, among other things, that, if we terminate the employee's employment without cause (as defined) or the employee terminates his employment for good reason (as defined), we will pay the employee an amount equal to the salary which would have been payable over the unexpired term of the employment agreement.

Compensation committee interlocks and insider participation in compensation decisions

None of the directors serving on the compensation committee of the board of directors is employed by us. In addition, none of our directors or executive officers is a director or executive officer of any other corporation that has a director or executive officer who is also a member of our board of directors.

Stock compensation plans

2000 Omnibus Incentive Compensation Plan

On May 5, 2000 our board of directors approved our 2000 Omnibus Incentive Compensation Plan. The purpose of the Omnibus Plan is to provide a flexible framework that will permit the board to develop and implement a variety of stock-based incentive compensation programs based on our changing needs, our competitive market and

the regulatory climate. The maximum number of shares as to which awards or options may at any time be granted under the Omnibus Plan is 1.5 million shares of our common stock. The Omnibus Plan is administered by the compensation committee of the board, which is responsible for developing and implementing specific stock-based plans that are consistent with the intent and specific terms of the framework created by the Omnibus Plan. Eligible participants under the Omnibus Plan include our officers and other employees, members of our board, and outside consultants. The right to grant awards under the Omnibus Plan will terminate upon the expiration of 10 years after the date the Omnibus Plan was adopted. No participant may be granted more than 100,000 shares of company stock

from all awards under the Omnibus Plan.

1998 Stock Option Plan

In order to attract and retain persons necessary for our success, in March 1998, our board of directors adopted our 1998 stock option plan reserving for issuance up to 750,000 shares. Officers, directors, key employees and consultants are eligible to receive incentive and/or non-qualified stock options under this plan. The plan, which has a term of ten years from the date of its adoption, is administered by the compensation committee. The selection of participants, allotment of shares, determination of price and other conditions relating to the purchase of options is determined by the compensation committee in its sole discretion. Incentive stock options granted under the plan are exercisable for a period of up to 10 years from the date of grant at an exercise price which is not less than the fair market value of the common stock on the date of the grant, except that the term of an incentive stock option granted under the plan to a stockholder owning more than 10% of the outstanding common stock may not exceed five years and its exercise price may not be less than 110% of the fair market value of the common stock on the date of the grant.

At December 31, 2001, options for an aggregate of 1,125,313 shares were outstanding under our stock option plans, including 34,066 granted to Charles T. Saldarini, our chief executive officer and vice chairman, 48,338 granted to Steven K. Budd, our president and chief operating officer, 39,900 granted to Bernard C. Boyle, our chief financial officer, 23,452 granted to Robert R. Higgins, our executive vice president of client programs, 25,168 granted to Christopher Tama, our executive vice president LifeCycle Ventures. The outstanding options also include 26,250 granted to each of Gerald J. Mossinghoff, John M. Pietruski and Jan Martens Vecsi, and 10,000 to John C. Federspiel, our outside directors. In addition, as of December 31, 2001, options to purchase 327,367 shares of common stock had been exercised.

Compensation of directors

Each non-employee director receives an annual director's fee of $20,000, payable quarterly in arrears, plus $1,000 for each meeting attended in person and $500 for each meeting attended telephonically and reimbursement for travel costs and other out-of-pocket expenses incurred in attending each directors' meeting. In addition, committee members receive $500 for each committee meeting attended in person and $200 for each committee meeting attended telephonically. Under our stock option plans, each non-employee director is granted options to purchase 10,000 shares upon first being elected to our board of directors. In addition, each non-employee director will receive options to purchase an additional 7,500 shares of common stock on the date of our annual stockholders' meeting. All options have an exercise price equal to the fair market value of the common stock on the date of grant and vest one-third on the date of grant and one-third at the end of each subsequent year of service on the board.

401(k) plan

We maintain one 401(k) retirement plan (the "PDI plan") intended to qualify under sections 401(a) and 401(k) of the Internal Revenue Code. These 401(k) plan is a defined contribution plan. Under this plan, we committed to make mandatory cash contributions to the 401(k) plan to match employee contributions up to a maximum of 2% of each participating employee's annual base wages. In addition we can make discretionary contributions to this plan. There is no option for employees to invest any of their 401k funds in our Common Stock. Our contribution to the 401(k) plan for 2001 was approximately $1.6 million. In our other 401(k) plan, we committed to match 100% of the first $1,250 contributed by each employee, 75% of the next $1,250, 50% of the next $1,250 and 25% of the next $1,250 contributed. On January 1, 2001, this plan was merged into the PDI plan.

Limitation of directors' liability and indemnification

The Delaware General Corporation Law authorizes corporations to limit or eliminate the personal liability of directors of corporations and their stockholders for monetary damages for breach of directors' fiduciary duty of care. Our certificate of incorporation limits the liability of our directors to the fullest extent permitted by Delaware law.

Our certificate of incorporation provides mandatory indemnification rights to any officer or director who, by reason of the fact that he or she is an

officer or director, is involved in a legal proceeding of any nature. These indemnification rights include reimbursement for expenses incurred by an officer or director in advance of the final disposition of a legal proceeding in accordance with the applicable provisions of the DGCL. We have been informed that, in the opinion of the Securities and Exchange Commission, indemnification for liabilities under the Securities Act is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our common stock as of March 1, 2002 by:

- each person known to us to be the beneficial owner of more than 5% of our outstanding shares;
- each of our directors;
- each executive officer named in the Summary Compensation Table above;
- all of our directors and executive officers as a group.

Except as otherwise indicated, the persons listed below have sole voting and investment power with respect to all shares of common stock owned by them. All information with respect to beneficial ownership has been furnished to us by the respective stockholder. The address for each of Messrs. Dugan and Saldarini is c/o PDI, Inc., 10 Mountainview Road, Upper Saddle River, New Jersey 07458.

<TABLE>
<CAPTION>

Name of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percentage of Shares Beneficially Owned
<S>	<C>	<C>
Executive officers and directors:		
John P. Dugan	4,909,878	35.0%
Charles T. Saldarini	811,355 (2)	5.8%
Steven K. Budd	31,736 (3)	*
Bernard C. Boyle	25,659 (4)	*
Robert R. Higgins	14,237 (5)	*
Christopher Tama	12,543 (6)	*
John M. Pietruski	20,750 (7)	*
Jan Martens Vecsi	18,750 (8)	*
Gerald J. Mossinghoff	18,750 (8)	*
John C. Federspiel	3,333 (8)	*
All executive officers and directors as a group (12 persons)	5,894,729 (9)	42.0%
5% stockholders:		
Mellon Financial Corporation(10) One Mellon Center Pittsburgh, PA 15258	1,714,932	12.2%
Brown Capital Management, Inc.(10) 1201 N. Calvert Street Baltimore, MD 21202	1,237,675	8.8%
Franklin Resources, Inc.(10) One Franklin Parkway San Mateo, CA 94403-1906	893,975	6.4%
Pilgrim Baxter & Associates(10) 1400 Liberty Ridge Drive Wayne, PA 19087-5593	884,900	6.3%

</TABLE>

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* Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options and warrants held by that person that are currently exercisable or exercisable within 60 days of March 1, 2002 are deemed outstanding. Such shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

(2) Includes 11,355 shares issuable pursuant to options exercisable within 60

days of the date of this report.
(3) Includes 24,446 shares issuable pursuant to options exercisable within 60 days of the date of this report.
(4) Includes 19,967 shares issuable pursuant to options exercisable within 60 days of the date of this report.
(5) Includes 11,151 shares issuable pursuant to options exercisable within 60 days of the date of this report.
(6) Includes 10,056 shares issuable pursuant to options exercisable within 60 days of the date of this report.
(7) Includes 18,750 shares issuable pursuant to options exercisable within 60 days of the date of this report.
(8) Represents shares issuable pursuant to options exercisable within 60 days of the date of this report.
(9) Includes 157,589 shares issuable pursuant to options exercisable within 60 days of the date of this report.
(10) This information was derived from the Schedule 13g filed by the reporting person.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In connection with our efforts to recruit sales representatives, we place advertisements in various print publications. These ads are placed on our behalf through Boomer & Son, Inc., which receives commissions from the publications. Prior to 1998, B&S was wholly-owned by John P. Dugan, our chairman of the board. At the end of 1997 Mr. Dugan transferred his interest in B&S to his son, Thomas Dugan, and daughter-in-law, Kathleen Dugan. John P. Dugan is not actively involved in B&S; however, his son, Thomas Dugan, is active in B&S. For the year ended December 31, 2001 we purchased approximately $1.1 million of advertising through B&S and B&S received commissions of approximately $126,000. All ads were placed at the stated rates set by the publications in which they appeared. In addition, we believe that the amounts paid to B&S were no less favorable than would be available in an arms-length negotiated transaction with an unaffiliated entity.

Peter Dugan, the son of John P. Dugan, our chairman of the board, is employed by us as vice president - corporate marketing/communications. In 2001, compensation paid or accrued to Peter Dugan was $155,028.

PART IV

ITEM 14. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

(a) (1) Financial Statements - See Index to Financial Statements on page F-1 of this report.

(a) (2) Financial Statement Schedules

Schedule II: Valuation and Qualifying Accounts

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is included elsewhere in the financial statements or notes thereto.

(a) (3) Exhibits

Exhibit No.	Description
3.1.	Certificate of Incorporation of PDI, Inc.(1)
3.2.	By-Laws of PDI, Inc.(1)
3.3.	Certificate of Amendment of Certificate of Incorporation of PDI, Inc.*
4.1.	Specimen Certificate Representing the Common Stock(1)
10.1.	Form of 1998 Stock Option Plan(1)
10.2	Form of 2000 Omnibus Incentive Compensation Plan(2)

10.3. Office Lease for Upper Saddle River, NJ corporate headquarters(1)

10.4. Form of Employment Agreement between the Company and Charles T. Saldarini*

10.5. Agreement between the Company and John P. Dugan(1)

10.6. Form of Amended and Restated Employment Agreement between the Company and Steven K. Budd*

10.7. Form of Amended and Restated Employment Agreement between the Company and Bernard C. Boyle*

10.8. Form of Employment Agreement between the Company and Christopher Tama(4)

10.9. Form of Amended and Restated Employment Agreement between the Company and Stephen Cotugno*

10.10 Form of Loan Agreements between the Company and Steven Budd (3)

10.11 Form of Revolving Credit Facility between PDI, Inc. and PNC Bank, National Association, as Administrative and Syndication Agent and The Bank of New York, as Documentation Agent*

21.1. Subsidiaries of the Registrant*

23.1. Consent of PricewaterhouseCoopers LLP*

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* Filed herewith

(1) Filed as an exhibit to our Registration Statement on Form S-1 (File No 333-46321), and incorporated herein by reference.

(2) Filed as an Exhibit to our definitive proxy statement dated May 10 2000, and incorporated herein by reference.

(3) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 1999, and incorporated herein by reference.

(4) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2000, and incorporated herein by reference.

(b) Reports on Form 8-K

During the three months ended December 31, 2001, the Company filed the following reports on Form 8-K:

<TABLE>
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Date	Item	Description
<S>	<C>	<C>
October 2, 2001	5	Press Release: PDI Partners with Eli Lilly to Copromote Evista(R)
November 12, 2001	5	Press Release: PDI Reports 3rd Quarter Financial Results
December 6, 2001	5	Press Release: PDI and GSK agree to mutual termination of Ceftin(R) agreement - effective February 28, 2002

</TABLE>

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, as amended, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 12th day of March, 2002.

PDI, INC.

/s/ Charles T. Saldarini

Charles T. Saldarini,
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1934, as amended, this Form 10-K has been signed by the following persons in the capacities indicated and on the 12th day of March, 2002.

Signature	Title
/s/ John P. Dugan - --- John P. Dugan	Chairman of the Board of Directors
/s/ Charles T. Saldarini - --- Charles T. Saldarini	Vice Chairman of the Board of Directors and Chief Executive Officer
/s/ Steven K. Budd - --- Steven K. Budd	President and Chief Operating Officer
/s/ Bernard C. Boyle - --- Bernard C. Boyle	Chief Financial Officer (principal accounting and financial officer)
/s/ Gerald J. Mossinghoff - --- Gerald J. Mossinghoff	Director
/s/ John M. Pietruski - --- John M. Pietruski	Director
/s/ Jan Martens Vecsi - --- Jan Martens Vecsi	Director
/s/ John C. Federspiel - --- John C. Federspiel	Director

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Report of Independent Accountants

To the Board of Directors and

Stockholders of PDI, Inc.

In our opinion, based upon our audits, the accompanying consolidated financial statements listed in the index appearing under Item 14(a)(1) and 14(a)(2) on page 44, present fairly, in all material respects, the financial position of PDI, Inc. and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(1) and 14(a)(2) on page 44, present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

February 15, 2002

PDI, INC.
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	December 31,	
	2001	2000
ASSETS	(in thousands)	
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 160,043	$ 109,000
Short-term investments	7,387	4,907
Inventory, net	442	36,385
Accounts receivable, net of allowance for doubtful accounts of $3,692 and $250 as of December 31, 2001 and 2000, respectively	52,640	84,529
Unbilled costs and accrued profits on contracts in progress	6,898	2,953
Deferred training	5,569	4,930
Other current assets	8,101	4,541
Deferred tax asset	24,041	4,758
Total current assets	265,121	252,003
Net property, plant & equipment	21,044	9,965
Other long-term assets	16,506	8,257
Total assets	$ 302,671	$ 270,225
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 9,493	$ 31,328
Accrued rebates, sales discounts and returns	68,403	24,368
Accrued contract losses	12,256	--
Accrued incentives	22,213	19,824
Accrued salaries and wages	7,167	6,568
Unearned contract revenue	10,878	23,813
Other accrued expenses	21,026	25,382
Total current liabilities	151,436	131,283
Long-term liabilities:		
Deferred compensation	--	169
Deferred tax liability	300	663

Total long-term liabilities	300	832
Total liabilities	$ 151,736	$ 132,115
Commitments and contingencies (note 19)		
Stockholders' equity:		
Common stock, $.01 par value; 100,000,000 shares authorized; shares issued and outstanding, 2001 - 13,968,097; 2000 - 13,837,390; restricted $.01 par value; shares issued and outstanding, 2001,-15,388; 2000 - 7,972	$ 140	$ 138
Preferred stock, $.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	--	--
Additional paid-in capital	102,757	96,945
Additional paid-in capital, restricted	954	217
Retained earnings	48,008	41,654
Accumulated other comprehensive loss	(79)	(34)
Unamortized compensation costs	(735)	(810)
Treasury stock, at cost: 2001 - 5,000 shares; 2000 - 0 shares	(110)	--
Total stockholders' equity	$ 150,935	$ 138,110
Total liabilities & stockholders' equity	$ 302,671	$ 270,225

</TABLE>

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

PDI, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	For The Years Ended December 31,		
	2001	2000	1999
	(in thousands, except for per share and statistical data)		
<S>	<C>	<C>	<C>
Revenue			
Service, net	$281,269	$315,867	$174,902
Product, net	415,314	101,008	--
Total revenue, net	696,583	416,875	174,902
Cost of goods and services			
Program expenses (including related party amounts of $1,057, $3,781 and $3,064 for the periods ended December 31, 2001, 2000 and 1999, respectively)	232,171	235,355	130,121
Cost of goods sold	328,629	68,997	--
Total cost of goods and services	560,800	304,352	130,121
Gross profit	135,783	112,523	44,781
Compensation expense	39,263	32,820	19,611
Other general, selling & administrative expenses	83,815	38,827	9,448
Acquisition and related expenses	--	--	1,246
Total general, selling & administrative expenses	123,078	71,647	30,305
Operating income	12,705	40,876	14,476
Other income, net	2,275	4,864	3,471
Income before provision for taxes	14,980	45,740	17,947
Provision for income taxes	8,626	18,712	7,539
Net income	$ 6,354	$ 27,028	$ 10,408

Basic net income per share	$ 0.46	$ 2.00	$ 0.87
Diluted net income per share	$ 0.45	$ 1.96	$ 0.86
Basic weighted average number of shares outstanding	13,886	13,503	11,958
Diluted weighted average number of shares outstanding	14,113	13,773	12,167

Pro forma data (unaudited) (note 22):	
Income before provision for taxes, as reported	$ 17,947
Pro forma provision for income tax	7,677
Pro forma net income	$ 10,270
Pro forma basic net income per share	$ 0.86
Pro forma diluted net income per share	$ 0.84
Pro forma basic weighted average number of shares outstanding	11,958
Pro forma diluted weighted average number of shares outstanding	12,167

</TABLE>

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

PDI, INC.
STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	For The Years Ended December 31,		
	2001	2000	1999
	(in thousands)		
<S>	<C>	<C>	<C>
Cash Flows From Operating Activities			
Net income from operations	$ 6,354	$ 27,028	$ 10,408
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,676	2,077	1,155
Deferred rent and compensation	--	11	38
Loss on disposal of asset	858	--	--
Amortized compensation costs	318	--	--
Deferred taxes, net	(19,411)	(4,514)	642
Reserve for inventory obsolescence and bad debt	2,995	353	--
Loss on other investments	1,863	2,500	--
Other changes in assets and liabilities, net of acquisitions:			
Decrease (increase) in accounts receivable	31,304	(55,838)	(19,071)
Decrease (increase) in inventory	35,066	(36,488)	--
(Increase) decrease in unbilled costs	(3,703)	(695)	1,321
(Increase) decrease in deferred training	(639)	(3,931)	223
(Increase) in other current assets	(477)	(2,141)	(1,658)
(Increase) in other long-term assets	(2,071)	(2,931)	(469)
(Decrease) increase in accounts payable	(21,969)	25,294	3,978
Increase in accrued rebates and sales discounts	44,026	24,368	--
Increase in accrued contract losses	12,256	--	--
Increase in accrued liabilities	6,411	11,567	3,960
(Decrease) increase in unearned contract revenue	(12,939)	6,140	7,402
(Decrease) in payable to affiliate	--	--	(56)
(Decrease) increase in other current liabilities	(4,623)	26,394	(2,279)
(Decrease) increase in other deferred compensation	(169)	169	--
(Decrease) in other long-term liabilities	--	(256)	--
Net cash provided by operating activities	80,126	19,107	5,594

Cash Flows From Investing Activities

Sale of short-term investments	6,225	1,551	832
Purchase of short-term investments	(8,750)	(4,907)	--
Investments in In2Focus and iPhysicianNet	(1,103)	(3,260)	--
Purchase of property and equipment	(15,560)	(7,865)	(1,442)
Cash paid for acquisition, net of cash acquired	(11,902)	--	(4,100)
Net cash used in investing activities	(31,090)	(14,481)	(4,710)
Cash Flows From Financing Activities			
Net proceeds from employee stock purchase plan and the exercise of stock options	2,117	3,583	--
Purchase of treasury stock	(110)	--	--
Net proceeds from issuance of common stock	--	41,584	458
Distributions to S corporation stockholders	--	(8)	(670)
Repayment of loan to stockholder	--	1,428	--
Tax benefit relating to employee compensation programs	--	--	126
Net cash provided by (used in) financing activities	2,007	46,587	(86)
Net increase in cash and cash equivalents	51,043	51,213	798
Cash and cash equivalents - beginning	109,000	57,787	56,989
Cash and cash equivalents - ending	$ 160,043	$ 109,000	$ 57,787
Cash paid for interest	$ 59	$ 19	$ 4
Cash paid for taxes	$ 18,023	$ 18,552	$ 7,864

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

PDI, INC.
STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Stock		Treasury Stock		Paid in	Earnings
	Shares	Amount	Shares	Amount	Capital	(Deficit)
Balance - December 31, 1998	12,335	$ 123	389	$ (812)	$ 47,638	$ 4,896
Net income for the year ended December 31, 1999						10,408
Unrealized investment holding gains, net						
Comprehensive income						
Exercise of common stock options	29				458	
Retirement of TVG treasury shares	(389)	(3)	(389)	812	(809)	
Amortization of deferred compensation expense						
Stockholders' distribution					(670)	
Tax benefit relating to employee compensation programs					126	
Balance - December 31, 1999	11,975	120	--	--	47,413	14,634
Net income for the year ended December 31, 2000						27,028
Unrealized investment holding losses, net of tax						
Comprehensive income						
Issuance of common stock	1,609	16			41,568	
Issuance of officers' restricted common stock	8				217	
Exercise of common stock options	253	2			3,581	
Tax benefit of nonqualified option exercise					4,383	
Amortization of deferred compensation expense						
Stockholders' distribution					(8)	
Realized gain on sale of investment holdings						
Deferred compensation costs						

Repayment of loan by officer						
Balance - December 31, 2000	13,845	138	--	--	97,162	41,654
Net income for the year ended December 31, 2001						6,354
Unrealized investment holding losses, net of tax						
Comprehensive income						
Issuance of common stock	90	1			1,408	
Issuance of officers' restricted common stock	7				737	
Purchase of treasury stock			5	(110)		
Exercise of common stock options	41	1			709	
Tax benefit of nonqualified option exercise					3,695	
Realized loss on sale of investment holdings						
Amortization of deferred compensation costs						
Deferred compensation costs						
Balance - December 31, 2001	13,983	$ 140	5	$ (110)	$ 103,711	$ 48,008

<CAPTION>

	Accummulated Other Comprehensive Income (Loss)	Deferred Compensation	Unamortized Loan to Officer	Compensation Costs	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance - December 31, 1998	$ 5	$ (57)	$ (1,428)	$ --	$ 50,365
Net income for the year ended December 31, 1999					10,408
Unrealized investment holding gains, net	87				87
Comprehensive income					10,495
Exercise of common stock options					458
Retirement of TVG treasury shares					--
Amortization of deferred compensation expense			46		46
Stockholders' distribution					(670)
Tax benefit relating to employee compensation programs					126
Balance - December 31, 1999	92	(11)	(1,428)	--	60,820
Net income for the year ended December 31, 2000					27,028
Unrealized investment holding losses, net of tax	(34)				(34)
Comprehensive income					26,994
Issuance of common stock					41,584
Issuance of officers' restricted common stock					217
Exercise of common stock options					3,583
Tax benefit of nonqualified option exercise					4,383
Amortization of deferred compensation expense			11		11
Stockholders' distribution					(8)
Realized gain on sale of investment holdings	(92)				(92)
Deferred compensation costs				(810)	(810)
Repayment of loan by officer			1,428		1,428
Balance - December 31, 2000	(34)	--	--	(810)	138,110
Net income for the year ended December 31, 2001					6,354
Unrealized investment holding losses, net of tax	(56)				(56)
Comprehensive income					6,298
Issuance of common stock					1,409
Issuance of officers' restricted common stock					737
Purchase of treasury stock					(110)
Exercise of common stock options					710
Tax benefit of nonqualified option exercise					3,695
Realized loss on sale of investment holdings	11				11
Amortization of deferred compensation costs				318	318
Deferred compensation costs				(243)	(243)
Balance - December 31, 2001	$ (79)	$ --	$ --	$ (735)	$ 150,935

</TABLE>

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

1. Nature of Business and Significant Accounting Policies

Nature of Business

PDI, Inc. ("PDI" and, together with its wholly owned subsidiaries, the "Company") is a leading provider of comprehensive sales and marketing services on an outsourced basis to the U.S. pharmaceutical and medical devices and diagnostics (MD&D) industries. See note 4 for a description of new business activity and note 24 for segment information.

Principles of Consolidation

The consolidated financial statements include accounts of PDI and its wholly owned subsidiaries LifeCycle Ventures, Inc. ("LCV"), TVG, Inc. ("TVG"), ProtoCall, Inc. ("ProtoCall"), InServe Support Solutions, Inc. ("InServe") and PDI Investment Company, Inc. ("PDII"). All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from those estimates. Significant estimates include accrued contract losses, accrued incentives payable to employees, deferred taxes, allowances for doubtful accounts and inventory obsolescence, sales returns and other sales rebates and discounts.

Revenue Recognition

Service Revenue

The Company uses a variety of contract structures with its clients. Product detailing contracts generally are for a term of one to three years. Generally, contracts provide for a fee to be paid to the Company based on its ability to deliver a specified package of services. In the case of product detailing programs, the Company may also be entitled to additional fees based upon the success of the program and/or subject to penalties for failing to meet stated performance benchmarks. Performance benchmarks usually are a minimum number of sales representatives or minimum number of calls. The Company's contracts also usually provide that it is entitled to a fee for each sales representative hired by the client during or at the conclusion of a program. Under performance based contracts, revenue is recognized when the performance based parameters are attained. Provisions for losses to be incurred on contracts are recognized in full in the period in which it is determined that a loss will result from a performance of the contractual arrangement. Except for the contractual loss recorded related to the Ceftin agreement discussed in note 2, no other losses were deemed necessary based on current projections as of December 31, 2001.

Most contracts may be terminated by the client for any reason on 30 to 90 days notice. Many of the Company's contracts provide for the client to pay the Company a termination fee if a contract is terminated without cause. These penalties may not act as an adequate deterrent to the termination of any contract and may not offset the revenue which the Company could have earned under the contract had it not been terminated and it may not be sufficient to reimburse the Company for the costs which it may incur as a result of its termination. Contracts may also be terminated for cause if the Company fails to meet stated performance benchmarks. The loss or termination of a large contract or of multiple contracts could adversely affect the Company's future revenue and profitability. To date, no programs have been terminated for cause.

Revenue is earned primarily by performing services under contracts and is recognized as the services are performed and the right to receive payment for such services is assured. In the case of contracts relating to product detailing programs, revenue is recognized net of any potential penalties until the performance criteria eliminating the penalties have been achieved. Performance incentives as well as termination payments are recognized as revenue in the period earned and when payment of the incentive or other payment is assured.

Program expenses consist primarily of the costs associated with the execution of product detailing programs or other marketing and promotional

services identified in the contract. Program expenses include all personnel costs

and other costs, including facility rental fees, honoraria and travel expenses, associated with executing a product detailing of the products distributed by the Company, such as Ceftin or other marketing or promotional program, as well as the initial direct costs associated with staffing a product detailing program. Personnel costs, which constitute the largest portion of program expenses, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the sales representatives, managers and professional staff who are directly responsible for the rendering of services in connection with a particular program. Initial direct program costs are the costs associated with initiating a product detailing program, such as recruiting, hiring and training the sales representatives who staff a particular product detailing program. All personnel costs and initial direct program costs, other than training costs, are expensed as incurred. 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 render the services specified in the related contract. Training costs are deferred and amortized on a straight-line basis over the shorter of (i) the life of the contract to which they relate or (ii) 12 months. Expenses that are directly reimbursable are netted for income statement purposes. Expenses related to the detailing of the Company's own product are classified in the other selling general and administrative expenses in the consolidated statements of operations.

Product Revenue

The Company adopted Staff Accounting Bulletin (SAB) 101, "Revenue Recognition in Financial Statements," in 2000 the effects of which are immaterial for all periods presented. The Company recognizes revenue at the time its products are shipped to its customers as, at that time, the risk of loss or physical damage to the product passes to the customer, and the obligations of customers to pay for the products are not dependent on the resale of the product. Provision is made at the time of sale for all discounts and estimated sales allowances. As is common in the Company's industry, customers are permitted to return unused product, after approval from the Company, up to six months before and one year after the expiration date for the product. The products sold by the Company prior to the effective date of the Ceftin Agreement termination of February 28, 2002, have expiration dates up to December, 2004. Additionally, certain customers are eligible for price rebates or discounts, offered as an incentive to increase sales volume and achieve favorable formulary status, on the basis of volume of purchases or increases in the product's market share over a specified period, and certain customers are credited with chargebacks on the basis of their resales to end-use customers, such as HMO's, which have contracted with the Company for quantity discounts. Furthermore, the Company is also obligated to issue rebates under the federally administered Medicaid program. In each instance the Company has the historical data and access to other information, including the total demand for the drug the Company distributes, the Company's market share, the recent or pending introduction of new drugs or generic competition, the inventory practices of the Company's customers and the resales by its customers to end-users having contracts with the Company, necessary to reasonably estimate the amount of such returns or allowances, and records reserves for such returns or allowances at the time of sale as a reduction of revenue. The actual payment of these rebates varies depending on the program and can take several calendar quarters before final settlement. As the Company settles these liabilities in future periods all adjustments, positive or negative, will be recorded through revenue in that period. Further, after the termination of the Ceftin agreement, the Company will currently not have any product sales activity and therefore the adjustments could be the only activity in product revenue for a given period.

Fair Value of Financial Instruments

The book values of cash and cash equivalents, accounts receivable, accounts payable and other financial instruments approximate their fair values principally because of the short-term maturities of these instruments.

Unbilled Costs and Accrued Profits and Unearned Contract Revenue

In general, contractual provisions, including predetermined payment schedules or submission of appropriate billing detail, establish the prerequisites for billings. Unbilled costs and accrued profits arise when services have been rendered and payment is assured but clients have not been

billed. These amounts are classified as a current asset. Normally, in the case of detailing contracts, the clients agree to pay the Company a portion of the fee due under a contract in advance of performance of services because of large recruiting and employee development costs associated with the beginning of a contract. The excess of amounts billed over revenue recognized represents unearned contract revenue, which is classified as a current liability.

Cash and Cash Equivalents

Cash and cash equivalents consist of unrestricted cash accounts, highly liquid investment instruments and certificates of deposit with an original maturity of three months or less at the date of purchase.

Investments

The Company accounts for investments under Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Available-for-sale investments are valued at fair market value based on quoted market values, with the resulting adjustments, net of deferred taxes, reported as a separate component of stockholders' equity as accumulated other comprehensive income (loss). For the purposes of determining gross realized gains and losses, the cost of securities sold is based upon specific identification. The Company also has certain other investments, which are included in other long-term assets. See note 8.

Inventory

Inventory is valued at the lower of cost or fair value. Cost is determined using the first in, first out costing method. Inventory consists of only finished goods and is recorded net of a provision for obsolescence.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. The estimated useful lives of asset classifications are five to ten years for furniture and fixtures and three to seven years for office equipment and computer equipment. Depreciation is computed using the straight-line method. Leasehold improvements are amortized over the shorter of the estimated service lives or the terms of the related leases. Repairs and maintenance are charged to expense as incurred. Upon disposition, the asset and related accumulated depreciation are removed from the related accounts and any gains or losses are reflected in operations. Purchased computer software is capitalized and amortized over the software's useful life. Internally-developed software is also capitalized and amortized over its useful life in accordance with of the American Institute of Certified Public Accountants' (AICPA) Statement of Position (SOP) 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

Stock-Based Compensation

SFAS No. 123, "Accounting for Stock-Based Compensation" allows companies a choice of measuring employee stock-based compensation expense based on either the fair value method of accounting or the intrinsic value approach under the Accounting Pronouncement Board (APB) Opinion No. 25. The Company has elected to measure compensation expense based upon the intrinsic value approach under APB Opinion No. 25. See note 21.

Advertising

The Company recognizes advertising costs as incurred. The total amounts charged to advertising expense were approximately $547,000, $421,000 and $267,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Shipping and Handling Costs

In 2000 the Company adopted Emerging Issues Task Force ("EITF") 00-10 "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 requires costs billed to customer for shipping and handling to be included in net revenue. The Company records the related costs incurred for shipping and handling in cost of goods sold.

Income Taxes

The Company applies an asset and liability approach to accounting for

income taxes. Deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. A valuation allowance is recorded if it is more likely than not that a deferred tax asset will not be realized.

Reclassifications

Certain reclassifications have been made to conform prior periods' information to the current year presentation.

2. Ceftin Contract Reserve

In October 2000, the Company entered into an agreement with GlaxoSmithKline (GSK) for the exclusive U.S. marketing, sales and distribution rights for Ceftin(R) Tablets and Ceftin(R) for Oral Suspension, two dosage forms of a cephalosporin antibiotic, which agreement was terminated as of February 28, 2002, by mutual agreement of the parties. The agreement had a five-year term but was cancelable by either party without cause on 120 days notice. From October 2000 through February 2002, the Company marketed and sold Ceftin products, primarily to wholesale drug distributors, retail chains and managed care providers.

On August 21 2001, the U.S. Court of Appeals overturned a preliminary injunction granted by the New Jersey District Court which allowed for the entry of a generic competitor to Ceftin immediately upon approval by the FDA. The affected Ceftin patent had previously been scheduled to run through July 2003. As a result of this decision and its impact on future sales, in the third quarter of 2001, PDI recorded a charge to cost of goods sold and a related reserve of $24.0 million representing the anticipated future loss to be incurred by the Company under the Ceftin agreement as of September 30, 2001. The recorded loss was calculated as the excess of estimated costs that PDI was contractually obligated to incur to complete its obligations under the arrangement over the remaining estimated gross profits to be earned under the contract from selling the inventory. These costs primarily consisted of amounts paid to GSK to reduce the purchase commitments, estimated committed sales force, selling and marketing costs through the effective date of the termination, distribution costs, and fees to terminate existing arrangements. The Ceftin agreement was terminated by the Company and GSK under a mutual termination agreement entered into in December 2001. Under the termination agreement, the Company agreed to perform its marketing and distribution services through February 28, 2002. The Company also maintained responsibility for sales returns for product sold until the expiration date of the product sold, estimated to be December 31, 2004, and certain administrative functions regarding Medicaid rebates.

As of December 31, 2001 the Company has approximately $12.3 million remaining of the Ceftin contract loss reserve which consists primarily of the remaining estimated costs related to the Company's contracted obligation to provide detailing services through the termination period. While the Company has certain performance requirements as discussed above, it had no remaining Ceftin inventory purchase commitments as of December 31, 2001.

3. Charter Amendment

On October 1, 2001 the Company effected an amendment to its Certificate of Incorporation (a) changing the Company's name from Professional Detailing, Inc. to PDI, Inc., and (b) increasing the Company's authorized common stock from 30 million shares to 100 million shares. These changes were approved by the Company's stockholders at the Company's 2001 annual meeting of stockholders.

4. New Business

LifeCycle Ventures, Inc., (LCV) was incorporated in June 2000 as a wholly-owned subsidiary of PDI. The LCV service offering provides pharmaceutical manufacturers with a new approach toward managing the resource constraints inherent in a large product portfolio. The mounting pressure to launch new drugs and quickly maximize sales of products in the growth phase of their lifecycles often leaves other products that could benefit from intensified sales and marketing efforts. LCV helps to maximize the sales and profit potential of these products by fully or partially funding and managing the marketing, sales and distribution efforts for the products in return for performance based compensation. LCV was merged into PDI, Inc. effective December 31, 2001.

In May 2001 the Company entered an agreement with Novartis Pharmaceuticals Corporation (Novartis) for the U.S. sales, marketing and promotion rights for Lotensin(R) and Lotensin HCT(R), which agreement runs through December 31, 2003. Pursuant to this agreement, the Company provides promotional, selling and marketing for Lotensin, an ACE inhibitor, as well as brand management. In exchange, the Company is entitled to receive a split of incremental net sales above specified baselines. Also pursuant to this agreement the Company copromotes Lotrel(R) in the U.S. for which it is entitled to be compensated on a fee for service basis with potential incentive payments based upon achieving certain net sales objectives. Lotrel is a combination of the ACE inhibitor benazepril and the calcium channel blocker amlodipine. Novartis has retained certain regulatory responsibilities for Lotensin and Lotrel and ownership of all intellectual property. Additionally, Novartis will continue to manufacture and distribute the products. In the event the Company's estimates of the demand for Lotensin are not accurate or more sales and

marketing resources than anticipated are required, the Novartis transaction could have a material adverse impact on the Company's results of operations, cash flows and liquidity. During 2001 the Company's efforts on this contract did result in an operating loss because the sales of Lotensin did not exceed the specified baselines by an amount great enough to cover its operating costs. The Company currently estimates that future revenue will exceed costs associated with the arrangement and therefore no provision for loss is needed.

In October 2001, the Company signed an agreement with Eli Lilly and Company (Eli Lilly) to copromote Evista in the U.S. Evista is approved in the U.S. for the prevention and treatment of osteoporosis in postmenopausal women. Under the terms of the agreement, the Company provides a significant number of sales representatives to copromote Evista to U.S. physicians. These sales representatives augment the Eli Lilly sales force promoting Evista. Under this agreement, the Company is entitled to be compensated based on net sales achieved above a predetermined level. The Eli Lilly arrangement is a performance based contract which extends through December 31, 2003, subject to earlier termination upon the occurrence of specific events. PDI's compensation is earned as a percentage of net factory sales above contractual baselines. To the extent that such baselines are not exceeded, which was the case in 2001, the Company receives no revenue. The Company currently estimates that future revenue will exceed costs associated with the arrangement and therefore no provision for loss is needed. Further, the Company is required to commit a certain level of spending for promotional and selling activities including but not limited to sales force representatives. Such costs could range from $9.0 million to $12.0 million per quarter. This sales force assigned to Evista may be used to promote other products, including products covered in other PDI copromotion arrangements which may allow the Company to generate additional revenue to cover the costs of this sales force.

5. Public Offerings of Common Stock

On January 26, 2000, the Company completed a public offering of 2,800,000 shares of common stock at a public offering price per share of $28.00, yielding net proceeds per share after deducting underwriting discounts of $26.35 (before deducting expenses of the offering). Of the shares offered, 1,399,312 shares were sold by the Company and 1,400,688 shares were sold by certain selling shareholders. In addition, in connection with the exercise of the underwriters' over-allotment option, an additional 420,000 shares were sold to the underwriters on February 1, 2000 on the same terms and conditions (210,000 shares were sold by the Company and 210,000 shares were sold by a selling shareholder). Net proceeds to the Company after expenses of the offering were approximately $41.6 million.

6. Acquisitions

On May 12, 1999, PDI and TVG signed a definitive agreement pursuant to which PDI acquired 100% of the capital stock of TVG in a merger transaction. In connection with the transaction, PDI issued 1,256,882 shares of common stock in exchange for the outstanding shares of TVG. The acquisition has been accounted for as a pooling of interests and, accordingly, all periods presented in the accompanying consolidated financial statements prior to 2000 have been restated to include the accounts and operations of TVG.

The results of operations previously reported by separate enterprises and the combined amounts presented in the accompanying consolidated financial

statements are summarized below.

	Three Months Ended March 31, 1999
	(in thousands)
Revenue:	
PDI	$ 34,581
TVG	5,731
Combined	$ 40,312
Net income (loss):	
PDI	$ 2,696
TVG	626
Combined	$ 3,322

In August 1999, the Company, through its wholly-owned subsidiary, ProtoCall, Inc. ("ProtoCall"), acquired substantially all of the operating assets of ProtoCall, LLC, a leading provider of syndicated contract sales services to the U.S. pharmaceutical industry. The purchase price was $4.5 million plus up to an additional $3.0 million in contingent payments payable if ProtoCall achieves defined performance benchmarks. The Company made the final contingent payment of approximately $147,000 in the first quarter of 2001. This acquisition was accounted for as a purchase. In connection with this transaction, the Company recorded $4.3 million in goodwill (included in other long-term assets) which was being amortized using the straight-line method over a period of 10 years through December 31, 2001. Beginning in 2002 purchased goodwill is no longer amortized over its useful life. Rather, goodwill will be subject to a periodic impairment test based upon its fair value. See note 23.

On September 10, 2001, the Company acquired 100% of the capital stock of InServe Support Solutions ("InServe") in a transaction treated as an asset acquisition for tax purposes. InServe is a nationwide supplier of supplemental field-staffing programs for the medical device and diagnostics industries (MD&D). The acquisition has been accounted for as a purchase, subject to the provisions of SFAS 141 and SFAS 142. The net assets of InServe on the date of acquisition were approximately $1.3 million. We made payments to the Seller at closing of $8.5 million, net of cash acquired. Additionally, we put $3.0 million in escrow related to contingent payments payable during 2002 if certain defined benchmarks are achieved. The Company expects all benchmark performance criteria, except those related to certain financial measures in the amount of $265,265, will be achieved in 2002. In connection with this transaction, we recorded $7.9 million in goodwill, which is included in other long-term assets, and the remaining purchase price was allocated to identifiable assets and liabilities acquired.

The following unaudited pro forma results of operations for the years ended December 31, 2001, 2000 and 1999 assume that the Company and InServe had been combined as of the beginning of the periods presented. The pro forma results include estimates and assumptions which management believes are reasonable. However, pro forma results are not necessarily indicative of the results which would have occurred if the acquisition had been consummated as of the dates indicated, nor are they necessarily indicative of future operating results.

<TABLE>
<CAPTION>

	Year ended December 31,		
	2001	2000	1999
	(in thousands, except for per share data)		
	(unaudited)		
<S>	<C>	<C>	<C>
Net sales - pro forma	$ 702,958	$ 425,516	$ 182,360
Net income - pro forma	$ 6,440	$ 27,556	$ 10,855

Pro forma diluted earnings per share	$ 0.46	$ 2.00	$ 0.89

</TABLE>

7. Short-Term Investments

At December 31, 2001, short-term investments were $7.4 million, including approximately $928,000 of investments classified as available for sale securities. At December 31, 2000, short-term investments were $4.9 million, including approximately $231,000 of investments classified as available for sale securities. The unrealized after-tax gain/(loss) on the available for sale securities is included as a separate component of stockholders' equity as accumulated other comprehensive income. All other short-term investments are stated at cost, which approximates fair value.

8. Other Investments

In February 2000, the Company signed a three-year agreement with iPhysicianNet Inc. ("IPNI"). In connection with this agreement, the Company made an investment of $2.5 million in preferred stock of IPNI. Under the agreement, the Company was appointed as the exclusive contract sales organization in the U.S. to be affiliated with the IPNI network, prospectively allowing the Company to offer e-detailing capabilities to its existing and potential clients. In December 2001, IPNI had an additional offering of preferred stock to its investors and the Company made an additional investment of approximately $189,000 in preferred stock to maintain its percentage of ownership. This additional investment was then immediately expensed as the Company's cumulative share of IPNI's losses would still require the investment to be recorded at zero. For the year ended December 31, 2000, the Company recorded net losses of $2.5 million under the equity method related to this investment, which represented its share of IPNI's losses until the investment was reduced to zero. Such losses were included in other income, net, in the consolidated statement of operations. The Company has no further commitments under this agreement.

In the fourth quarter of 2000, the Company made an investment of approximately $760,000 in convertible preferred stock of In2Focus, Inc., a United Kingdom contract sales company. In 2001, the Company made further investments in this stock of approximately $1.1 million raising its ownership to approximately 12%. The Company recorded its investment under the cost method. In light of the negative operating cash flows to date and the uncertainty of achieving positive future results, the Company concluded as of December 31, 2001, that its investment related to in2Focus was other than temporarily impaired and was written down to zero, its current estimated net realizable value. As a result the Company recorded a net loss in the fourth quarter of 2001 of $1.9 million which is included in other income, net, in the consolidated statement of operations.

9. Historical and Pro Forma Basic and Diluted Net Income/Loss Per Share

Historical and pro forma basic and diluted net income/loss per share is calculated based on the requirements of SFAS No. 128, "Earnings Per Share."

A reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the years ended December 31, 2001, 2000 and 1999 is as follows:

<TABLE>
<CAPTION>

	Years Ended December 31,		
	2001	2000	1999
	(in thousands)		
<S>	<C>	<C>	<C>
Basic weighted average number of common shares outstanding	13,886	13,503	11,958
Dilutive effect of stock options	227	270	209
Diluted weighted average number of common shares outstanding	14,113	13,773	12,167

</TABLE>

Outstanding options at December 31, 2001 to purchase 1,003,162 shares of common stock with exercise prices of $27.00 to $98.70 per share were not included in the 2001 computation of historical and pro forma diluted net income per share because to do so would have been antidilutive. There were no antidilutive options at December 31, 2000. Outstanding options at December 31, 1999 to purchase 34,562 shares of common stock with an exercise price of $29.88 per share were not included in the 1999 computation of historical and pro forma diluted net income per share because to do so would have been antidilutive.

10. Property, Plant and Equipment

Property, plant and equipment consists of the following as of December 31, 2001 and 2000:

<TABLE>
<CAPTION>

	December 31,	
	2001	2000
	(in thousands)	
<S>	<C>	<C>
Furniture and fixtures	$ 3,667	$ 2,574
Office equipment	3,001	2,357
Computer equipment	10,273	10,044
Computer software	12,348	-
Leasehold improvements	1,737	953
Total property, plant and equipment	31,026	15,928
Less accumulated depreciation and amortization	(9,982)	(5,963)
Property, plant and equipment, net	$ 21,044	$ 9,965

</TABLE>

11. Operating Leases

The Company leases facilities, automobiles and certain equipment under agreements classified as operating leases which expire at various dates through 2006. Lease expense under these agreements for the years ended

December 31, 2001, 2000 and 1999 was approximately $28.4 million, $16.1 million and $6.5 million, respectively, of which $24.8 million in 2001, $14.0 million in 2000 and $5.1 million in 1999 related to automobiles leased for employees for a term of one-year from the date of delivery.

The Company entered into a new facilities lease in May 1998 for a term that expires in the fourth quarter of 2004, with an option to extend for an additional five years, for the premises which house its corporate headquarters. TVG extended their office lease for an additional five years in September 2000. ProtoCall's office lease is for five years and commenced in April 2000. LCV's office lease commenced in October 2000 which expires July 2003. In July 2000, the Company signed a lease for additional office space for PDI in Mahwah, New Jersey, commencing in September 2000 and expiring in March 2003. In December 2000 and October 2001, the Company signed three-year leases for two operating offices in High Point, North Carolina. Each lease is for approximately 1,200 square feet of office space. As a result of the Company's acquisition of InServe, it assumed the obligations under their lease. This lease is for approximately 9,100 square feet of space and expires in the second quarter of 2005. The Company also signed a lease for approximately 7,300 square feet of office space in Bridgewater, New Jersey that became effective July 1, 2001. The lease is for a five year term and expires on June 30, 2006. The Company records lease expense on a straight line basis over the lease term.

As of December 31, 2001, the aggregate minimum future rental payments required by non-cancelable operating leases with initial or remaining lease terms exceeding one year are as follows:

(in thousands)

2002	$ 3,281
2003	3,296
2004	2,746
2005	1,120
2006	126
Total	$ 11,161

12. Significant Customers

Service and other

During 2001, 2000 and 1999 the Company had several significant customers for which it provided services under specific contractual arrangements. The following sets forth the service and other revenue generated by customers who accounted for more than 10% of the Company's service and other revenue during each of the periods presented.

	Years Ended December 31,		
Customers	2001	2000	1999
	(in thousands)		
A	$89,522	$90,976	$52,359
B	60,120	--	--
C	--	67,071	33,781
D	--	37,038	38,101

At December 31, 2001 and 2000, these customers represented 41.3% and 61.7%, respectively, of the aggregate of outstanding service accounts receivable and unbilled services. The loss of any one of the foregoing customers could have a material adverse effect on the Company's financial position, results of operations, and cash flows.

Product

During 2001, the Company had several significant customers for which it provided products related to its distribution arrangement with GSK. The following sets forth the product revenue generated by customers who accounted for more than 10% of the Company's product revenue during the years ended December 31, 2001 and 2000.

	Years Ended December 31,	
Customers	2001	2000
	(in thousands)	
A	$157,541	$30,825
B	122,063	31,733
C	53,392	--

At December 31, 2001 and 2000 these customers represented 91.1% and 48.4%, respectively, of aggregated outstanding net product accounts receivable.

13. Related Party Transactions

The Company purchases certain print advertising for initial recruitment of representatives through a company that is wholly-owned by family members of the Company's largest stockholder. The amounts charged to the Company for these purchases totaled approximately $1.1 million, $3.8 million and $3.1 million for the years ended December 31, 2001, 2000 and 1999.

14. Income Taxes

TVG was treated as an S corporation through the time of merger with PDI in May 1999. Consequently, during the periods in which TVG was treated as an S corporation, it was not subject to Federal income taxes and they were not subject to state income tax at the regular corporate rates. See note 22.

The provisions for income taxes for the years ended December 31, 2001, 2000 and 1999 are summarized as follows:

<TABLE>
<CAPTION>

	2001	2000	1999
	(in thousands)		
<S>	<C>	<C>	<C>
Current:			
Federal	$ 23,346	$18,993	$ 6,027
State	4,691	4,233	870
Total current	28,037	23,226	6,897
Deferred	(19,411)	(4,514)	642
Provision for income taxes	$ 8,626	$18,712	$ 7,539

</TABLE>

A reconciliation of the difference between the Federal statutory tax rates and the Company's effective tax rate is as follows:

<TABLE>
<CAPTION>

	2001	2000	1999
<S>	<C>	<C>	<C>
Federal statutory rate	35.0%	35.0%	35.0%
State income tax rate, net of Federal benefit	9.8	5.3	4.1
Effect of S corporation status	--	--	(1.6)
Non-deductible acquisition expenses	--	(0.4)	2.4
Meals and entertainment	6.7	0.7	0.9
Valuation allowance	4.8	1.9	--
Other	1.3	(1.6)	1.2
Effective tax rate	57.6%	40.9%	42.0%

</TABLE>

The tax effects of significant items comprising the Company's deferred tax assets and (liabilities) as of December 31, 2001 and 2000 are as follows:

	2001	2000
Deferred tax assets (liabilities) -- current		
Allowances and reserves	$ 23,641	$ 3,251
Inventory	0	1,059
Compensation	400	169
Other	0	280
	$ 24,041	$ 4,759
Deferred tax assets (liabilities) -- non current		
Property, plant and equipment	$ (580)	$ (664)
State taxes	93	93
Intangible assets	217	142
Equity investment	1,808	989
Other	(30)	--
Valuation allowance on deferred tax assets	(1,808)	(989)
	$ (300)	$ (429)
Net deferred tax asset	$ 23,741	$ 4,330

For the years ended December 31, 2001 and 2000, the Company has recorded a valuation allowance of $1,808,046 and $989,000 against the deferred tax asset related to the Company's equity investments since management does not consider it more likely than not that such deferred tax asset will be realized. No

valuation allowance was recorded for the year ended December 31, 1999.

15. Preferred Stock

The Company's board of directors is authorized to issue, from time to time, up to 5,000,000 shares of preferred stock in one or more series. The board is authorized to fix the rights and designation of each series, including dividend rights and rates, conversion rights, voting rights, redemption terms and prices, liquidation preferences and the number of shares of each series. As of December 31, 2001 and 2000, there were no issued and outstanding shares of preferred stock.

16. Loans to Stockholders/Officers

The Company loaned $1.4 million to its President and Chief Executive Officer, Charles T. Saldarini in April 1998. The proceeds of this loan were used by Mr. Saldarini to pay income taxes relating to his receipt of shares of common stock. Such loan was for a term of three years, bore interest at a rate equal to 5.4% per annum payable quarterly in arrears and was secured by a pledge of the shares of common stock held by Mr. Saldarini. This loan was repaid by Mr. Saldarini in February 2000.

In November 1998, the Company agreed to lend $250,000 to an executive officer of which $100,000 was funded in November 1998, and the remaining $150,000 was funded in February 1999. This amount was recorded in other long-term assets. Such loan is payable on December 31, 2008 and bears interest at a rate of 5.5% per annum, payable quarterly in arrears.

17. Retirement Plans

During 2001, 2000 and 1999, the Company provided its employees with two qualified profit sharing plans with 401(k) features. Under one plan (the "PDI plan"), the Company expensed contributions of approximately $1.6 million, $975,000 and $533,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Under this plan, the Company is required to make mandatory cash contributions each year equal to 100% of the amount contributed by each employee up to 2% of the employee's wages. There is no option for employees to invest any of their 401k funds in the Company's Common Stock. Any additional contribution to this plan is at the discretion of the Company.

Under the other 401(k) plan, the Company expensed contributions of approximately $195,000 and $346,000 for the years ended December 31, 2000 and 1999, respectively. Under this plan the Company matched 100% of the first $1,250 contributed by each employee, 75% of the next $1,250, 50% of the next $1,250 and 25% of the next $1,250 contributed. The Company could also make discretionary contributions. Effective January 1, 2001, this plan was merged into the PDI plan as amended.

18. Deferred Compensation Arrangements

Beginning in 2000, the Company established a deferred compensation arrangement whereby a portion of certain employees salaries are withheld and placed in a Rabbi Trust. The plan permits the employees to diversify these assets through a variety of investment options. The Company adopted the provisions of Emerging Issues Task Force ("EITF") 97-14 "Accounting for Deferred Compensation Arrangement Where Amounts are Earned and Held in a Rabbi Trust and Invested" which requires the Company to consolidate into its financial statements the net assets of the trust. The deferred compensation obligation has been classified as a long term liability and is adjusted, with the corresponding charge or credit to compensation expense, to reflect changes in fair value of the amounts owed to the employee. The assets in the trust are classified as available for sale. The credit to compensation expense due to a decrease of the market value of the investments was approximately $30,000 and $59,000 during 2001 and 2000, respectively. The total value of the Rabbi Trust at December 31, 2001 and 2000 was approximately $928,000 and $231,000, respectively.

In 2000 the Company established a Long-Term Incentive Compensation Plan whereby certain employees are required to take a portion of their bonus compensation in the form of restricted common stock. The restricted shares vest on the third anniversary of the grant date and are subject to accelerated vesting and forfeiture under certain circumstances. The Company recorded deferred compensation costs of approximately $316,000 and $810,000 during 2001 and 2000, respectively, which will be amortized over the three-year vesting

period. The unamortized compensation costs have been classified as a separate component of stockholders' equity.

19. Commitments and Contingencies

The Company is engaged in the business of detailing pharmaceutical products, and, through LCV was also in the business of distributing product under the Ceftin agreement. Such activities could expose the Company to risk of liability for personal injury or death to persons using such products. While the Company has not been subject to any claims or incurred any liabilities due to such claims, there can be no assurance that substantial claims or liabilities will not arise in the future. The Company seeks to reduce its potential liability under its service agreements through measures such as contractual indemnification provisions with clients (the scope of which may vary from client to client, and the performances of which are 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 the indemnification agreements; 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.

In January and February 2002, the Company, its chief executive officer and its chief financial officer were served with three complaints that were filed in the U.S. District Court for the District of New Jersey alleging violations of the Securities Act of 1934 (the "1934 Act"). These complaints were brought as purported shareholder class actions under Sections 10(b) and 20(a) of the 1934 Act and Rule 10b-5 promulgated thereunder. Each of the complaints alleges a purported class period which runs from May 22, 2001 through November 12, 2001; seeks to represent a class of stockholders who purchased shares of the Company's common stock during that period; and seeks money damages in unspecified amounts and litigation expenses including attorneys' and experts' fees.

Each of these three complaints contain substantially similar allegations, the essence of which is that the defendants intentionally or recklessly made false or misleading public statements and omissions concerning the Company's financial condition and prospects with respect to its marketing of Ceftin in connection with the October 2000 distribution agreement with GlaxoSmithKline, as well as its marketing of Lotensin and Lotrel in connection with the May 2001 distribution agreement with Novartis Pharmaceuticals Corporation.

The Company believes that each of these three complaints will ultimately be consolidated into one action. As of this filing, it has not yet answered any of the complaints, and discovery has not yet commenced. The Company believe that the allegations in these complaints are without merit and it intends to defend these actions vigorously.

The Company has been named as a defendant in several lawsuits, including a class action matter, alleging claims arising from the use of the prescription compound Baycol that was manufactured by Bayer Pharmaceuticals and marketed by the Company on Bayer's behalf. In August 2001, Bayer announced that it was voluntarily withdrawing Baycol from the U.S. market. The Company intends to defend these actions vigorously and has asserted a contractual right of indemnification against Bayer for all costs and expenses it incurs related to these proceedings.

Other than the foregoing, the Company is not currently a party to any material pending litigation and it is not aware of any material threatened litigation.

20. Repurchase Program

On September 21, 2001, the Company announced that its Board of Directors had unanimously authorized management to repurchase up to $7.5 million of its Common Stock. Subject to availability, the transactions may be made from time to time in the open market or directly from stockholders at prevailing market prices that the Company deems appropriate. The repurchase program was implemented to ensure stability of the trading in PDI's common shares in light of the September 11, 2001 terrorist activity. In October 2001, 5,000 shares were repurchased in open market transaction for a total of $110,000.

21. Stock Option Plans

In May 2000 the Board of Directors (the "Board") approved the Professional Detailing, Inc. 2000 Omnibus Incentive Compensation Plan (the "2000 Plan"). The purpose of the 2000 Plan is to provide a flexible framework that will permit the Board to develop and implement a variety of stock-based incentive compensation programs based on the changing needs of the Company, its competitive market, and the regulatory climate. The maximum number of shares as to which awards or options may at any time be granted under the 2000 Plan is 1.5 million shares. Eligible participants under the 2000 Plan shall include officers and other employees of the Company, members of the Board, and outside consultants, as specified under the 2000 Plan and designated by the Compensation Committee of the Board. The right to grant Awards under the 2000 Plan will terminate 10 years after the date the 2000 Plan was adopted. No Participant may be granted more than 100,000 options of Company Stock from all Awards under the 2000 Plan.

In March 1998, the Board approved the 1998 Stock Option Plan (the "1998 Plan") which reserves for issuance up to 750,000 shares of its common stock, pursuant to which officers, directors and key employees of the Company and consultants to the Company are eligible to receive incentive and/or non-qualified stock options. The 1998 Plan, which has a term of ten years from the date of its adoption, is administered by a committee designated by the Board. The selection of participants, allotment of shares, determination of price and other conditions relating to the purchase of options is determined by the committee, in its sole discretion. Incentive stock options granted under the 1998 Plan are exercisable for a period of up to 10 years from the date of grant at an exercise price which is not less than the fair market value of the common stock on the date of the grant, except that the term of an incentive stock option granted under the 1998 Plan to a shareholder owning more than 10% of the outstanding common stock may not exceed five years and its exercise price may not be less than 110% of the fair market value of the common stock on the date of the grant. Options are exercisable either at the date of grant or in ratable installments over a period from one to three years.

At December 31, 2001, options for an aggregate of 1,125,313 shares were outstanding under the Company's stock option plans and options to purchase 327,367 shares of common stock had been exercised since its inception.

The activity for the 2000 and 1998 Plans during the years ended December 31, 1999, 2000 and 2001 is set forth in the table below:

<TABLE>
<CAPTION>

	Number of shares	Exercise price per share	Weighted average exercise price
<S>	<C>	<C>	<C>
Options outstanding at December 31, 1998	423,518	$ 1.61 - 16.00	$ 13.89
Granted	252,712	27.00 - 29.88	27.58
Exercised	(28,653)	16.00	16.00
Terminated	(14,743)	16.00 - 29.88	18.64
Options outstanding at December 31, 1999	632,834	1.61 - 29.88	19.15
Granted	301,560	27.19 - 80.00	78.57
Exercised	(252,981)	1.61 - 29.88	14.16
Terminated	(27,492)	16.00 - 29.88	22.36
Options outstanding at December 31, 2000	653,921	16.00 - 80.00	46.60
Granted	548,848	18.26 - 98.70	71.17
Exercised	(40,733)	16.00 - 27.19	17.41
Terminated	(36,723)	16.00 - 80.00	63.06
Options outstanding at December 31, 2001	1,125,313	$ 16.00 - 98.70	$ 53.60

</TABLE>

The following table summarizes information about stock options outstanding at December 31, 2001:

<TABLE>
<CAPTION>

Options Outstanding			Options Exercisable	

Exercise price per share	Number of options outstanding	Remaining contractual life (years)	Number of options exercisable	Exercise price
<S>	<C>	<C>	<C>	<C>
$ 16.00	118,324	6.4	118,324	$ 16.00
18.26	3,000	9.9	--	18.26
18.38	3,000	9.9	--	18.38
21.69	10,000	10.0	3,333	21.69
23.73	2,500	9.8	--	23.73
27.00	11,250	7.4	11,250	27.00
27.19	157,961	7.8	88,069	27.19
27.50	3,000	9.9	--	27.50
27.84	22,500	8.4	15,000	27.84
29.53	5,000	8.1	1,667	29.53
29.88	22,238	7.6	12,584	29.88
38.20	2,500	8.6	833	38.20
59.50	471,406	9.1	--	59.50
80.00	253,134	8.8	72,477	80.00
83.69	22,500	9.5	7,500	83.69
93.75	6,000	9.1	--	93.75
96.19	2,500	9.4	--	96.19
98.70	8,500	9.1	--	98.70
$16.00 - 98.70	1,125,313	8.5	331,307	$ 36.14

</TABLE>

Had compensation cost for the Company's stock option grants been determined for awards consistent with the fair value approach of SFAS No. 123, "Accounting for Stock Based Compensation," which requires recognition of compensation cost ratably over the vesting period of the underlying instruments, the Company's pro forma net income and pro forma basic and diluted net income per share would have been adjusted to the amounts indicated below:

<TABLE>
<CAPTION>

	As of December 31,		
	2001	2000	1999*
	(in thousands, except per share data)		
<S>	<C>	<C>	<C>
Net income - as reported	$ 6,354	$27,028	$ 10,270
Net income - as adjusted	$ 585	$25,131	$ 9,623
Basic income per share - as reported	$ 0.46	$ 2.00	$ 0.86
Basic net income per share - as adjusted	$ 0.04	$ 1.86	$ 0.80
Diluted net income per share - as reported	$ 0.45	$ 1.96	$ 0.84
Diluted net income per share - as adjusted	$ 0.04	$ 1.82	$ 0.79

</TABLE>

- ----------
* 1999 data represents pro forma results

Compensation cost for the determination of Pro forma net income - as adjusted and related per share amounts were estimated using the Black Scholes option pricing model, with the following assumptions: (i) risk free interest rate of 5.01%, 5.74% and 6.21% at December 31, 2001, 2000 and 1999, respectively; (ii) expected life of 5 years for 2001, 2000 and 1999; (iii) expected dividends - $0 for 2001, 2000 and 1999; and (iv) volatility of 90% for 2001, 80% for 2000 and 60% for 1999. The weighted average fair value of options granted during 2001, 2000 and 1999 was $43.56, $51.48 and $15.78, respectively.

22. Pro Forma Information (unaudited)

Prior to its acquisition in May 1999, TVG was an S corporation and not subject to Federal income tax. During such periods the net income of TVG had been reported by and taxed directly to the pre-acquisition shareholders rather than TVG. Accordingly, for informational purposes, the accompanying statement of operations for the year ended December 31, 1999 includes a pro forma adjustment for the income taxes which would have been recorded had TVG been a C corporation for the period presented based on the tax laws in effect during that period. The

pro forma adjustment for income taxes is based upon the statutory rate in effect for C corporations during the year ended December 31, 1999, and also reflects the non-deductibility of certain acquisition related costs.

23. New Accounting Pronouncements

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." Under these new standards, all acquisitions subsequent to June 30, 2001 must be accounted for under the purchase method of accounting, and purchased goodwill is no longer amortized over its useful life. Rather, goodwill will be subject to a periodic impairment test based upon its fair value. Under these pronouncements, the Company's goodwill of approximately $11.0 million will no longer be amortized; but will be subject to an annual impairment test.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 establishes accounting standards for recognition and measurement of a liability for the costs of asset retirement obligations. Under SFAS 143, the costs of retiring an asset will be recorded as a liability when the retirement obligation arises, and will be amortized to expense over the life of the asset.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and discontinued operations.

The Company does not expect the adoption of these accounting pronouncements to have a material effect, if any, on the consolidated financial position and results of operations. PDI is required to adopt these statements effective January 1, 2002.

24. Segment Information

The Company operates under two reporting segments: contract sales and marketing services, and product sales and distribution, which has been changed since the December 31, 2000 financial presentation. This change is in recognition of the evolution of the Company's business from one in which the service segment was dominated by one service offering, its CSO segment, to a company that now has a much broader service offering encompassing the group of services listed in the Overview section of the Management's Discussion and Analysis of Financial Condition and Results on Operations beginning on page 22. The segment information from prior periods has been restated to conform to the current year's presentation. The product sales and distribution category has not changed from prior

reporting periods. The contract sales and marketing services category includes the Company's CSO business units; the Company's marketing services business unit, which includes marketing research and medical education and communication services; the Company's medical device and diagnostics business unit and the Company's LifeCycle X-Tension services, Product Commercialization Services and copromotion services. This combines and replaces the "contract sales" and "marketing services" reporting segments included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 and is consistent with the reporting in the Form 10-Q for the quarters ended June 30, 2001 and September 30, 2001.

The accounting policies of the segments are described in note 1. Segment data includes a charge allocating all corporate headquarters costs to each of the operating segments on the basis of revenue.

<TABLE>
<CAPTION>

	For the Year Ended December 31,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Revenue			
Contract sales and marketing services	$ 385,845	$ 334,937	$174,974
Product sales and distribution	415,314	101,008	--

Total	$ 801,159	$ 435,945	$174,974
Revenue, intersegment			
Contract sales and marketing services	$ 104,576	$ 19,070	$ 72
Product sales and distribution	--	--	--
Total	$ 104,576	$ 19,070	$ 72
Revenue, less intersegment			
Contract sales and marketing services	$ 281,269	$ 315,867	$174,902
Product sales and distribution	415,314	101,008	--
Total	$ 696,583	$ 416,875	$174,902
EBIT (Earnings Before Interest and Taxes)			
Contract sales and marketing services	$ 8,346	$ 41,693	$ 15,722
Product sales and distribution	15,228	6,108	--
Corporate charges	(10,869)	(6,925)	--
Total	$ 12,705	$ 40,876	$ 15,722
EBIT, intersegment			
Contract sales and marketing services	$ 10,736	$ 4,660	$ --
Product sales and distribution	(10,736)	(4,660)	--
Corporate charges	--	--	--
Total	$ --	$ --	$ --
EBIT, less intersegment, before corporate allocations			
Contract sales and marketing services	$ (2,390)	$ 37,033	$ 15,722
Product sales and distribution	25,964	10,768	--
Corporate charges	(10,869)	(6,925)	--
Total	$ 12,705	$ 40,876	$ 15,722
Corporate allocations			
Contract sales and marketing services	$ (4,389)	$ (5,247)	$ --
Product sales and distribution	(6,480)	(1,678)	--
Corporate charges	10,869	6,925	--
Total	$ --	$ --	$ --
EBIT, less corporate allocations			
Contract sales and marketing services	$ (6,779)	$ 31,786	$ 15,722
Product sales and distribution	19,484	9,090	--
Corporate charges	--	--	--
Total	$ 12,705	$ 40,876	$ 15,722

</TABLE>

<TABLE>
<CAPTION>
(continued)

	For the Year Ended December 31,		
	2001	2000	1999
<S>	<C>	<C>	<C>
Reconciliation of EBIT to income before provision for income taxes			
Total EBIT for operating groups	$ 12,705	$ 40,876	$ 15,722
Acquisition costs	--	--	(1,246)
Other income, net	2,275	4,864	3,471
Income before provision for income taxes	$ 14,980	$ 45,740	$ 17,947

Capital expenditures			
Contract sales and marketing services	$ 14,387	$ 7,836	$ 1,442
Product sales and distribution	1,173	29	--
Total	$ 15,560	$ 7,865	$ 1,442
Total Assets			
Contract sales and marketing services	$240,782	$174,697	$ 102,960
Product sales and distribution	65,945	95,528	--
Total	$306,727	$270,225	$ 102,960
Depreciation expense			
Contract sales and marketing services	$ 3,868	$ 1,608	$ 1,012
Product sales and distribution	120	--	--
Total	$ 3,988	$ 1,608	$ 1,012

</TABLE>

Schedule II

PROFESSIONAL DETAILING, INC.

VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 30, 1999, 2000 AND 2001

<TABLE>
<CAPTION>

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO OPERATIONS	(1)(2) DEDUCTIONS OTHER	BALANCE AT END OF PERIOD
<S>	<C>	<C>	<C>	
Against trade receivables--				
Year ended December 30, 1999				
Allowance for doubtful accounts.....	--	--	--	--
Year ended December 30, 2000				
Allowance for doubtful accounts.....	--	250,000	--	250,000
Year ended December 30, 2001				
Allowance for doubtful accounts.....	250,000	8,590,676	(5,148,629)	3,692,047
Against taxes--				
Year ended December 30, 1999				
Tax valuation allowance.....	--	--	--	--
Year ended December 30, 2000				
Tax valuation allowance.....	--	989,000	--	989,000
Year ended December 30, 2001				
Tax valuation allowance.....	989,000	819,046	--	1,808,046

</TABLE>

- ----------
(1) Accounts written-off.
(2) Reserves reversed.

EXHIBIT 3.3

CERTIFICATE OF AMENDMENT
OF CERTIFICATE OF INCORPORATION

OF

PROFESSIONAL DETAILING, INC.
(Pursuant to Section 242 of
the Delaware General Corporation Law)

Professional Detailing, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the Delaware General Corporation Law (the "DGCL") does hereby certifies that:

1. The name of the corporation is Professional Detailing, Inc.

2. The Board of Directors of the Corporation duly adopted resolutions setting forth two (2) proposed amendments (the "Amendments") to the Certificate of Incorporation of the Corporation (the "Certificate of Incorporation"), declaring the Amendments' advisability to its stockholders, and directing that the Amendments be considered at the year 2001 annual meeting of the stockholders of the Corporation. At the year 2001 annual meeting of stockholders of the Corporation, a majority of the stockholders approved the Amendments. The Amendments provide as follows:

(i) That Article First of the Certificate of Incorporation shall be amended to read in its entirety as follows:

"FIRST: The name of the corporation is PDI, Inc. (hereinafter called the "corporation")";

and

(ii) That the first paragraph of Article Fourth of the Certificate of Incorporation shall be amended to read in its entirety as follows:

"FOURTH: The total number of shares of all classes of stock which this corporation shall have authority to issue is 105,000,000, consisting of (i) 100,000,000 shares of common stock, $.01 par value per share ("Common Stock") and (ii) 5,000,000 shares of preferred stock, $.01 par value per share (the "Preferred Stock")."

3. The Amendments herein certified have been duly adopted in accordance with the provisions of Section 242 of the DGCL by the Board of Directors.

4. This Certificate of Amendment shall become effective as of 8:00 a.m., Eastern Standard Time, on October 1, 2001.

Executed on this 28th day of September, 2001.

Professional Detailing, Inc.

By: /s/ Bernard C. Boyle

Bernard C. Boyle
Executive Vice President and Chief Financial Officer

Exhibit 10.4

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of the 1st day of November, 2001, by and among PDI, INC., a Delaware corporation (the "Company"), having its principal place of business at 10 Mountainview Road, Upper Saddle River, New Jersey 07458, on the one hand, and CHARLES T. SALDARINI, residing at 6 Mohawk Trail, Mahwah, New Jersey 07430 (the "Executive"), on the other.

W I T N E S S E T H

WHEREAS, the Executive is currently employed by the Company and serves as the Company's Vice Chairman and Chief Executive Officer; and

WHEREAS, the Company, recognizing the unique skills and abilities of the Executive, wishes to insure that the Executive will continue to be employed by the Company; and

WHEREAS, the Executive desires to continue in the employment of the Company as Vice Chairman and Chief Executive Officer; and

WHEREAS, the parties desire by this Agreement to set forth the terms and conditions of the employment relationship between the Company and the Executive.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants in this Agreement, the Company and the Executive agree as follows:

1. Employment and Duties. The Company hereby employs the Executive as Vice Chairman and Chief Executive Officer on the terms and conditions provided in this Agreement and Executive agrees to accept such employment subject to the terms and conditions of this Agreement. The Executive shall be responsible for the overall management and operations of the Company, shall perform the duties and responsibilities as are customary for the officer of a corporation in such positions, and shall perform such other duties and responsibilities as are reasonably determined from time to time by the Company's Board of Directors (the "Board"). The Executive shall report to and be supervised by the Board. The Executive shall be based at the Company's offices in Upper Saddle River, New Jersey or such other place which shall be within a twenty mile radius thereof that shall constitute the Company's headquarters and, except for business travel incident to his employment under this Agreement, the Company agrees the Executive shall not be required to relocate. The Executive agrees to devote substantially all his attention and time during normal business hours to

the business and affairs of the Company and to use his reasonable best efforts to perform faithfully and efficiently the duties and responsibilities of his positions and to accomplish the goals and objectives of the Company as may be established by the Board. Notwithstanding the foregoing, the Executive may engage in the following activities (and shall be entitled to retain all economic benefits thereof including fees paid in connection therewith) as long as they do not interfere in any material respect with the performance of the Executive's duties and responsibilities hereunder and, with respect to subsections (i) and (ii) below, that such activity is pre-approved by the Company's Chairman of the Board: (i) serve on corporate, civic, religious, educational and/or charitable boards or committees, provided that the Executive shall not serve on any board or committee of any corporation or other business which competes with the Business (as defined in Section 10(a) below); (ii) deliver lectures, fulfill speaking engagements or teach on a part-time basis at educational institutions; and (iii) make investments in businesses or enterprises and manage his personal investments; provided that with respect to such activities Executive shall comply with any business conduct and ethics policy applicable to employees of the Company.

2. Term. The term of this Agreement shall commence on November 1, 2001 (the "Commencement Date"), and shall terminate on October 31, 2005, unless extended or earlier terminated in accordance with the terms of this Agreement (the "Termination Date"). Such term of employment is herein sometimes referred to as the "Employment Term". The Employment Term shall be extended for successive one year periods unless either party notifies the other in writing at least 365 days before the Termination Date, or any anniversary of the Termination Date, as the case may be, that he or it chooses not to extend the Employment Term.

3. Compensation. As compensation for performing the services required by this Agreement, and during the term of this Agreement, the Executive shall be compensated as follows:

(a) Base Compensation. The Company shall pay to the Executive an annual salary ("Base Compensation") of $350,000, payable in equal installments pursuant to the Company's customary payroll procedures in effect for its executive personnel at the time of payment, but in no event less frequently than monthly, subject to withholding for applicable federal, state, and local income and employment related taxes. The Executive may be entitled to such increases in Base Compensation with respect to each calendar year during the term of this Agreement, as shall be

determined by the Company's Compensation Committee (the "Committee"), in its sole and absolute discretion, based on an annual review of the Executive's performance .

(b) Incentive Compensation. In addition to Base Compensation, the Executive may be entitled to receive additional compensation ("Incentive Compensation") in the discretion of the Committee. The Incentive Compensation shall be pursuant to short-term and/or long-term incentive compensation programs which currently exist or may be established by the Company. For purposes of this Agreement, the Executive's "Pro Rata Share" of Incentive Compensation for any calendar of the Company shall be a fraction whose numerator shall be equal to the number of months (or parts of months) during which the Executive was actually employed by the Company during any such calendar year and whose denominator shall be the total number of months in such calendar year.

4. Employee Benefits. During the Employment Term and subject to the limitations set forth in this Section 4, the Executive and his eligible dependents shall have the right to participate in any retirement plans (qualified and non-qualified), pension, insurance, health, disability or other benefit plan or program that has been or is hereafter adopted by the Company (or in which the Company participates), according to the terms of such plan or program, on terms no less favorable than the most favorable terms granted to senior executives of the Company.

5. Vacation and Leaves of Absence. The Executive shall be entitled to the normal and customary amount of paid vacation provided to senior executive officers of the Company, but in no event less than 20 days during each 12 month period, beginning on the Commencement Date of this Agreement. Any vacation days that are not taken in a given 12 month period shall not accrue or carry-over from year to year. Upon any termination of this Agreement for any reason whatsoever, accrued and unused vacation for the year in which this Agreement terminates will be paid to the Executive within 10 days of such termination based on his annual rate of Base Compensation in effect on the date of such termination. In addition, the Executive may be granted leaves of absence with or without pay for such valid and legitimate reasons as the Company in its sole and absolute discretion may determine, and the Executive shall be entitled to the same sick leave and holidays provided to other senior executives of the Company.

6. Expenses.

(a) Business Expenses. The Executive shall be promptly reimbursed against presentation of vouchers or receipts for all reasonable and necessary expenses incurred by him in connection with the performance of his duties hereunder.

(b) Automobile Expense. During the Employment Term, in order to facilitate the performance of the Executive's duties hereunder, and otherwise for the convenience of the Company, the Company shall provide the Executive with an automobile, or shall reimburse the Executive for the cost of leasing an automobile (provided that the lease payments with respect to such automobile shall not exceed $1,000 per month) and shall pay or reimburse Executive (upon presentation of vouchers or receipts) for the reasonable cost of all maintenance, insurance, repairs, and other reasonable expenses related to such

automobile.

7. Indemnification.

(a) General. The Company agrees that if the Executive is made a party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director or officer of the Company, is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including, without limitation, service with respect to employee benefit plans, whether or not the basis of such Proceeding is alleged action in an official capacity as a director, officer, member, employee or agent while serving as a director, officer, member, employee or agent, the Executive shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law (in accordance with the certificate of incorporation and/or bylaws of the Company), as the same exists or may hereafter be amended, against all Expenses (as defined below) incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if the Executive has ceased to be an officer, director or agent, or is no longer employed by the Company and shall inure to the benefit of his heirs, executors and administrators.

(b) Expenses. As used in this Agreement, the term "Expenses" shall include, without limitation, damages, losses, judgments, liabilities, fines, penalties, excise taxes, settlements and costs, attorneys' fees, accountants' fees, and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under this

Agreement.

(c) Enforcement. If a claim or request under this Agreement is not paid by the Company, or on their behalf, within fifteen days after a written claim or request has been received by the Company, the Executive may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim or request and if successful in whole or in part, the Executive shall be entitled to be paid also the expenses of prosecuting such suit. The burden of proving that the Executive is not entitled to indemnification for any reason shall be upon the Company.

(d) Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Executive.

(e) Partial Indemnification. If the Executive is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify the Executive for the portion of such Expenses to which the Executive is entitled.

(f) Advances of Expenses. Expenses incurred by the Executive in connection with any Proceeding shall be paid by the Company in advance upon request of the Executive that the Company pay such Expenses.

(g) Notice of Claim. The Executive shall give to the Company notice of any claim made against his for which indemnity will or could be sought under this Agreement. In addition, the Executive shall give the Company such information and cooperation as it may reasonably require and as shall be within the Executive's power and at such times and places as are convenient for the Executive.

(h) Defense of Claim. With respect to any Proceeding as to which the Executive notifies the Company of the commencement thereof: (i) the Company will be entitled to participate therein at its own expense; and (ii) except as otherwise provided below, to the extent that it may wish, the Company jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof, with counsel reasonably satisfactory to the Executive. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which the Executive

shall have reasonably concluded that there may be a conflict of interest between the Company and the Executive in the conduct of the defense of such action.

The Company shall not be liable to indemnify the Executive under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall not settle any action or claim in any manner which would impose any penalty or limitation on the Executive without Executive's written consent. Neither the Company nor the Executive shall unreasonably withhold or delay their consent to any proposed settlement.

(i) Non-exclusivity. The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Section 7 shall not be exclusive of any other right which the Executive may have or hereafter may acquire under any statute, provision of the certificate of incorporation or by-laws of the Company, agreement, vote of stockholders or disinterested directors or otherwise.

(j) Directors and Officers Liability Policy. The Company agrees to use reasonable efforts to maintain directors and officers liability insurance covering the Executive in a reasonable and adequate amount determined by the Company.

8. Termination and Termination Benefits.

(a) Termination by the Company.

(i) For Cause. Notwithstanding any provision contained herein, the Company may terminate this Agreement at any time during the Employment Term for "Cause". For purposes of this subsection 8(a)(i), "Cause" shall mean (1) the continuing willful failure by the Executive to substantially perform his duties hereunder for any reason other than total or partial incapacity due to physical or mental illness, or (2) gross negligence or gross malfeasance on the part of the Executive in the performance of his duties hereunder that causes material harm to the Company. Termination pursuant to this subsection 8(a)(i) shall be effective immediately upon giving the Executive written notice thereof stating the reason or reasons therefor with respect to clauses (2) and (3) above, and 15 days after written notice thereof from the Company to the Executive specifying the acts or omissions constituting the failure and requesting that they be remedied with respect to clause (1) above, but only if the Executive has not cured such failure within such 15 day period. In the event of a termination pursuant to this subsection 8(a)(i), the Executive shall be entitled to payment of his Base Compensation and the benefits pursuant to Section 4 hereof up to the effective date of such termination and it is also the intention and agreement of the Company that Executive shall not be deprived by reason of termination for Cause of any payments, options or

benefits which have been vested or have been earned or to which Executive is entitled as of the effective date of such termination.

(ii) Disability. If due to illness, physical or mental disability, or other incapacity, the Executive shall fail, for a total of any six consecutive months ("Disability"), to substantially perform the principal duties required by this Agreement, the Company may terminate this Agreement upon 30 days' written notice to the Executive. In such event, the Executive shall be (1) paid his Base Compensation until the Termination Date and his Pro Rata Share of any Incentive Compensation to which he would have been entitled for the year in which such termination occurs, and (2) provided with employee benefits pursuant to Section 4, to the extent available, for the remainder of the Employment Term; provided, however, that any compensation to be paid to the Executive pursuant to this subsection 8(a)(ii) shall be offset against any payments received by the Executive pursuant to any policy of disability insurance the premiums of which are paid for by the Company.

(b) Termination Without Cause or Termination For Good Reason. The Company may terminate the Executive's employment hereunder without Cause and the Executive may terminate his employment hereunder for "Good Reason" (as defined

below). If the Company terminates the Executive's employment hereunder without Cause, other than due to death or Disability, or if the Executive terminates his employment for Good Reason, the Executive shall be paid: (i) his Base Compensation at the rate in effect at the time of termination through the Termination Date; (ii) his Pro Rata Share of any Incentive Compensation to which he would have been entitled for the year in which such termination occurs; (iii) a lump sum payment equal to the product of thirty-six (36) times the "Monthly Salary Amount"; (iv) any deferred compensation (including, without limitation, interest or other credits on the deferred amounts) and any accrued vacation pay; (v) continuation until the expiration of the Employment Term and for twelve months thereafter, of the health and welfare benefits of the Executive and any long-term disability insurance generally provided to senior executives of the Company (as provided for by Section 4 of this Agreement) (or the Company shall provide the economic equivalent thereof); provided, however, if the Executive obtains new employment and such employment makes the Executive eligible for health and welfare or long-term disability benefits which are equal to or greater in scope then the benefits then being offered by the Company, then the Company shall no longer be required to

provide such benefits to the Executive; and (vi) any other compensation and benefits as may be provided in accordance with the terms and provisions of any applicable plans or programs of the Company.

As used herein, "Monthly Salary Amount" shall mean an amount equal to one-twelfth of the sum of (y) the Executive's then current annual Base Salary plus (z) the average cash incentive compensation paid to the Executive during the three years immediately preceding the termination date.

As used herein, "Good Reason" means and shall be deemed to exist if, without the prior express written consent of the Executive, (a) the Company breaches this Agreement in any material respect; (b) the Company fails to obtain the full assumption of this Agreement by a successor; (c) the Company fails to use its reasonable best efforts to maintain, or cause to be maintained directors and officers liability insurance coverage for the Executive; (d) the Company purports to terminate the Executive's employment for Cause and such purported termination of employment is not effected in accordance with the requirements of this Agreement, or (e) a Change in Control shall have occurred; provided, however, that with respect to items (a) through (d) above, within 30 days of written notice of termination by the Executive, the Company has not cured, or commenced to cure, such failure or breach, and with respect to item (e) above, the Executive shall have provided the Company with 180 days written notice of such termination.

For purposes of this Agreement, a "Change of Control" shall mean (1) any merger by the Company into another corporation or corporations which results in the stockholders of the Company immediately prior to such transaction owning less than 55% of the surviving Corporation; (2) any acquisition (by purchase, lease or otherwise) of all or substantially all of the assets of the Company by any person, corporation or other entity or group thereof acting jointly; (3) the acquisition of beneficial ownership, directly or indirectly, of voting securities of the Company (defined as Common Stock of the Company or any securities having voting rights that the Company may issue in the future) and rights to acquire voting securities of the Company (defined as including, without limitation, securities that are convertible into voting securities of the Company (as defined above) and rights, options warrants and other agreements or arrangements to acquire such voting securities) by any person, corporation or other entity or group thereof acting jointly, in such amount or amounts as would permit such person, corporation or other entity or group thereof acting jointly to

elect a majority of the members of the Board of the Company, as then constituted; or (4) the acquisition of beneficial ownership, directly or indirectly, of voting securities and rights to acquire voting securities having voting power equal to 25% or more of the combined voting power of the Company's then outstanding voting securities by any person, corporation or other entity or group thereof acting jointly unless such acquisition as is described in this part (4) is expressly approved by resolution of the Board of the Company passed

upon affirmative vote of not less than a majority of the Board and adopted at a meeting of the Board held not later than the date of the next regularly scheduled or special meeting held following the date the Company obtains actual knowledge of such acquisition (which approval may be limited in purpose and effect solely to affecting the rights of Employee under this Agreement). Notwithstanding the preceding sentence, (i) any transaction that involves a mere change in identity form or place of organization within the meaning of Section 368(a)(1)(F) of the Internal Revenue Code of 1986, as amended, or a transaction of similar effect, shall not constitute a Change in Control.

(c) Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided or maintained by the Company and for which the Executive may qualify, nor shall anything herein limit or otherwise prejudice such rights as the Executive may have under any other existing or future agreements with the Company. Except as otherwise expressly provided for in this Agreement, amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plans or programs of the Company at or subsequent to the date of termination shall be payable in accordance with such plans or programs.

(d) Vesting of Stock Grants and Stock Options. In the event of any termination of this Agreement, Executive's rights with regard to any stock grants, loan agreements or stock options shall be as set forth in the respective agreement containing the terms and conditions pertaining thereto. Notwithstanding the foregoing, in the event that the Executive is terminated for reasons other than for "Cause" or in the event the Executive terminates this Agreement for "Good Reason", any stock options then held by the Executive shall immediately vest in the Executive and shall remain exercisable for the period specified in the grant agreement notwithstanding any provision therein to the contrary.

(e) Certain Additional Payments by the Company. Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (an "Excise Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Excise Gross-Up Payment and any ordinary income tax on the Excise Gross-Up Payment in order to put the Executive in the same net after-tax position as if the payment were not subject to any Excise Tax. Subject to the provisions of this Section 8(e), all determinations required to be made hereunder, including whether an Excise Gross-Up Payment is required and the amount of such Excise Gross-Up Payment, shall be made by PricewaterhouseCoopers LLP or such other accounting firm which at the time audits the financial statements of the Company (the "Accounting Firm") at the sole expense of the Company, which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the date of termination of the Executive's employment under this Agreement, if applicable, or such earlier time as is requested by the Company.

(f) Death Benefit. Notwithstanding any other provision of this Agreement, this Agreement shall terminate on the date of the Executive's death. In such event the Company shall continue to pay Executive's Base Compensation to his wife, if she survives him, or, if she does not survive him, to his estate, through the end of the twelfth month following the month in which such death occurs. In addition, the Company shall pay to Executive's wife, if she survives him, or, if she does not survive him, to his estate, the Pro Rata Share of any Incentive Compensation to which Executive would have been entitled for the year in which such death occurs.

If the Accounting Firm determines that no Excise Tax is payable by the Executive, the Company shall use its reasonable best efforts to cause the Accounting Firm to furnish the Executive with an opinion that he has substantial

authority not to report any Excise Tax on his federal income tax return. Any determination by the Accounting Firm shall be binding upon the Company and the

Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Excise Gross-Up Payments, which will not have been made by the Company, should have been made (an "Underpayment") consistent with the calculations required to be made hereunder. If the Company exhausts its remedies pursuant hereto and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Excise Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive knows of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall: (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including (without limitation) accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (iii) cooperate with the Company in good faith to contest effectively such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions hereof the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the

tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine, provided that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance, and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which an Excise Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Executive of an amount advanced by the Company pursuant hereto, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant hereto, a determination is made that the

Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Excise Gross-Up Payment required to be paid.

(g) Termination Payment. In the event Company does not elect to extend the Employment Term as provided for in Section 2 hereof, in consideration for the post-employment covenant against competition set forth in Section 10 hereof, the Executive shall be entitled to a lump-sum payment equal to the product of twenty-four times the Monthly Salary Amount.

(h) Payment. Except as otherwise provided in this Agreement, any payments to which the Executive shall be entitled under this Section 8, including, without limitation, any

economic equivalent of any benefit, shall be made as promptly as possible following the date of termination. If the amount of any payment due to the Executive cannot be finally determined within 90 days after the Date of Termination, such amount shall be estimated on a good faith basis by the Company and the estimated amount shall be paid no later than 90 days after such Date of Termination. As soon as practicable hereafter, the final determination of the amount due shall be made and any adjustment requiring a payment to or from the Executive shall be made as promptly as practicable.

(i) No Mitigation. The Executive shall not be required to mitigate the amount of any payments provided for by this Agreement by seeking employment or otherwise, nor shall the amount of any payment or benefit provided in this Agreement be reduced by any compensation or benefit earned by the Executive after termination of his employment.

9. Company Property. All advertising, promotional, sales, suppliers, manufacturers and other materials or articles or information, including without limitation data processing reports, customer lists, customer sales analyses, invoices, product lists, price lists or information, samples, or any other materials or data of any kind furnished to the Executive by the Company or developed by the Executive on behalf of the Company or at the Company's direction or for the Company's use or otherwise in connection with the Executive's employment hereunder, are and shall remain the sole and confidential property of the Company; if the Company requests the return of such materials at any time during or at or after the termination of the Executive's employment, the Executive shall immediately deliver the same to the Company.

10. Covenant Not To Compete.

(a) Covenants Against Competition. The Executive acknowledges that as of the execution of this Employment Agreement (i) the Company is engaged in the business of providing sales and marketing and marketing research services to the pharmaceutical and biotechnology industries (the "Business"); (ii) the Company's Business is conducted currently throughout the United States and may be expanded to other locations; (iii) his employment with the Company will have given him access to confidential information concerning the Company; and (iv) the agreements and covenants contained in this Agreement are essential to protect the business and goodwill of the Company. Accordingly, the Executive covenants and agrees as follows:

(i) Non-Compete. Without the prior written consent of the Board of the Company, the Executive shall not during the Restricted Period (as defined below) within the Restricted Area (as defined below) (except in the Executive's capacity as an officer of the Company or any of its affiliates), (a) engage or participate in the Business; (b) enter the employ of, or render any services (whether or not for a fee or other compensation) to, any person engaged in the Business; or (c) acquire an equity interest in any such person; provided, that the foregoing restrictions shall not apply at any time if the Executive's employment is terminated during the Term by the Executive for Good Reason (as defined in Section 8(b) below) or by the Company other than for "Cause";

provided, further, that during the Restricted Period the Executive may own, directly or indirectly, solely as a passive investment, securities of any company traded on any national securities exchange or on the National Association of Securities Dealers Automated Quotation System.

As used herein, "Restricted Period" shall mean the period commencing on the Effective Date and ending on the second anniversary of the Executive's termination of employment.

"Restricted Area" shall mean any place within the United States and any other country in which the Company is then actively considering conducting Business.

(b) Confidential Information; Personal Relationships. The Executive acknowledges that the Company has a legitimate and continuing proprietary interest in the protection of its confidential information and has invested substantial sums and will continue to invest substantial sums to develop, maintain and protect confidential information. The Executive agrees that, during and after the Restricted Period, without the prior written consent of the Board, the Executive shall keep secret and retain in strictest confidence, and shall not knowingly use for the benefit of himself or others all confidential matters relating to the Company's Business including, without limitation, operational methods, marketing or development plans or strategies, business acquisition plans, joint venture proposals or plans, and new personnel acquisition plans, learned by the Executive heretofore or hereafter (such information shall be referred to herein collectively as "Confidential Information"); provided, that nothing in this Agreement shall prohibit the Executive from disclosing or using any Confidential Information (A) in the performance of his duties hereunder, (B) as required by applicable law, (C) in connection with the enforcement of his rights under this Agreement or any other agreement with the Company, or (D) in connection with the defense or settlement of any claim, suit or action brought or threatened against the Executive by or in

the right of the Company. Notwithstanding any provision contained herein to the contrary, the term Confidential Information shall not be deemed to include any general knowledge, skills or experience acquired by the Executive or any knowledge or information known or available to the public in general. Moreover, the Executive shall be permitted to retain copies of, or have access to, all such Confidential Information relating to any disagreement, dispute or litigation (pending or threatened) involving the Executive.

(c) Employees of the Company and its Affiliates. During the Restricted Period, without the prior written consent of the Board of the Company, the Executive shall not, directly or indirectly, hire or solicit, or cause others to hire or solicit, for employment by any person other than the Company or any affiliate or successor thereof, any employee of, or person employed within the two years preceding the Executive's hiring or solicitation of such person by, the Company and its affiliates or successors or encourage any such employee to leave his employment. For this purpose, any person whose employment has been terminated involuntarily by the Company shall be excluded from those persons protected by this Section for the benefit of the Company.

(d) Business Relationships. During the Restricted Period, the Executive shall not, directly or indirectly, request or advise a person that has a business relationship with the Company to curtail or cancel such person's business relationship with the Company.

(e) Rights and Remedies Upon Breach. If the Executive breaches, threatens to commit a breach of, any of the provisions contained in Section 10 of this Agreement (the "Restrictive Covenants"), the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

(i) Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company.

(ii) Accounting. The right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other

benefits derived or received by the Executive as the result of any action constituting a breach of Restrictive Covenants.

(f) Severability of Covenants. The Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in duration and geographical scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect without regard to the invalid portions. The provisions set forth in Section 10 above shall be in addition to any other provisions of the business conduct and ethics policy applicable to employees of the Company and its subsidiaries during the term of Executive's employment.

(g) Saving Clause. If the period of time or the area specified in subsection (a) above should be adjudged unreasonable in any proceeding, then the period of time shall be reduced by such number of months or the area shall be reduced by the elimination of such portion thereof or both so that such restrictions may be enforced in such area and for such time as is adjudged to be reasonable. If the Executive violates any of the restrictions contained in the foregoing subsection (a), the restrictive period shall not run in favor of the Executive from the time of the commencement of any such violation until such time as such violation shall be cured by the Executive to the satisfaction of Company.

11. Executive's Representation and Warranties. Executive represents and warrants that he has the full right and authority to enter into this Agreement and fully perform his obligations hereunder, that he is not subject to any non-competition agreement other than with the Company, and that his past, present and anticipated future activities have not and will not infringe on the proprietary rights of others. Executive further represents and warrants that he is not obligated under any contract (including, but not limited to, licenses, covenants or commitments of any nature) or other agreement or subject to any judgment, decree or order of any court or administrative agency which would conflict with his obligation to use his best efforts to perform his duties hereunder or which would conflict with the Company's business and operations as presently conducted or proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business as officer and employee by Executive will conflict with or result in a breach of

the terms, conditions or provisions of or constitute a default under any contract, covenant or instrument to which Executive is currently a party.

12. Miscellaneous.

(a) Integration; Amendment. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters set forth herein and supersedes and renders of no force and effect all prior understandings and agreements between the parties with respect to the matters set forth herein, including, but not limited to, the Employment Agreement between the Executive and the Company, dated as of January 1, 1997. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties.

(b) Severability. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable law or regulations, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited, or invalid, but the remainder of this Agreement shall not be invalid and shall be given full force and effect so far as possible.

(c) Waivers. The failure or delay of any party at any time to require performance by the other party of any provision of this Agreement, even if known, shall not affect the right of such party to require performance of

that provision or to exercise any right, power, or remedy hereunder, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power, or remedy under this Agreement. No notice to or demand on any party in any case shall, of itself, entitle such party to other or further notice or demand in similar or other circumstances.

(d) Power and Authority. The Company represents and warrants to the Executive that it has the requisite corporate power to enter into this Agreement and perform the terms hereof; that the execution, delivery and performance of this Agreement by it has been duly authorized by all appropriate corporate action; and that this Agreement represents the valid and legally binding obligation of the Company and is enforceable against it in accordance with its terms.

(e) Burden and Benefit; Survival. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, personal and legal representatives, successors and assigns. In addition to, and not in limitation of, anything contained in

this Agreement, it is expressly understood and agreed that the Company's obligation to pay Termination Compensation as set forth herein shall survive any termination of this Agreement.

(f) Governing Law; Headings. This Agreement and its construction, performance, and enforceability shall be governed by, and construed in accordance with, the laws of the State of New Jersey. Headings and titles herein are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

(g) Arbitration; Remedies. Any dispute or controversy arising under this Agreement or as a result of or in connection with Executive's employment (other than disputes arising under Section 10) shall be arbitrated and settled pursuant to the National Rules for the Resolution of Employment Disputes of the American Arbitration Association which are then in effect in a proceeding held in Bergen County, New Jersey. This provision shall also apply to any and all claims that may be brought under any federal or state anti-discrimination or employment statute, rule or regulation, including, but not limited to, claims under: 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; the Immigration Reform and Control Act; the Americans With Disabilities Act; the Age Discrimination in Employment Act; the Fair Labor Standards Act; the Occupational Safety and Health Act; the Family and Medical Leave Act; and the Equal Pay Act. The decision of the arbitrator and award, if any, is final and binding on the parties and the judgment may be entered in any court having jurisdiction thereof. The parties will agree upon an arbitrator from the list of labor arbitrators supplied by the American Arbitration Association. The parties understand and agree, however, that disputes arising under Section 10 of this Agreement may be brought in a court of law or equity without submission to arbitration.

(h) Jurisdiction. Except as otherwise provided for herein, each of the parties (a) submits to the exclusive jurisdiction of any state court sitting in Bergen County, New Jersey or federal court sitting in New Jersey in any action or proceeding arising out of or relating to this Agreement, (b) agrees that all claims in respect of the action or proceeding may be heard and determined in any such court, (c) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court and (d) waives any right such party may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or proceeding

so brought and waives any bond, surety or other security that might be required of any other party with respect thereto. Any party may make service on another party by sending or delivering a copy of the process to the party to be served

at the address and in the manner provided for giving of notices in Section 12(i). Nothing in this Section, however, shall affect the right of any party to serve legal process in any other manner permitted by law.

(i) Notices. All notices called for under this Agreement shall be in writing and shall be deemed given upon receipt if delivered personally or by confirmed facsimile transmission and followed promptly by mail, or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at their respective addresses (or at such other address for a party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof) as set forth in the preamble to this Agreement or to any other address or addressee as any party entitled to receive notice under this Agreement shall designate, from time to time, to others in the manner provided in this subsection 12(i) for the service of notices.

Any notice delivered to the party hereto to whom it is addressed shall be deemed to have been given and received on the day it was received; provided, however, that if such day is not a business day then the notice shall be deemed to have been given and received on the business day next following such day. Any notice sent by facsimile transmission shall be deemed to have been given and received on the business day next following the day of transmission.

(j) Number of Days. In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays and holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday or holiday on which federal banks are or may elect to be closed, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or such holiday.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

CHARLES T. SALDARINI

PDI, INC.

By:

Bernard C. Boyle
Chief Financial Officer

Exhibit 10.6

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of the 1st day of May, 2001, by and among PDI, INC., a Delaware corporation (the "Company"), having its principal place of business at 10 Mountainview Road, Upper Saddle River, New Jersey 07458, on the one hand, and STEVEN K. BUDD, residing at 3 Moonshadow Court, Kinnelon, New Jersey 07405 (the "Executive"), on the other.

W I T N E S S E T H

WHEREAS, the Executive is currently employed by the Company and serves as the Company's President and Chief Operating Officer; and

WHEREAS, the Company, recognizing the unique skills and abilities of the Executive, wishes to insure that the Executive will continue to be employed by the Company; and

WHEREAS, the Executive desires to continue in the employment of the Company as President and Chief Operating Officer; and

WHEREAS, the parties desire by this Amended and Restated Agreement to set forth the terms and conditions of the employment relationship between the Company and the Executive.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants in this Agreement, the Company and the Executive agree as follows:

1. Employment and Duties. The Company hereby employs the Executive as President and Chief Operating Officer on the terms and conditions provided in this Agreement and Executive agrees to accept such employment subject to the terms and conditions of this Agreement. The Executive shall be responsible for management of the day-to-day operations of the Company, shall perform the duties and responsibilities as are customary for the officer of a corporation in such positions, and shall perform such other duties and responsibilities as are reasonably determined from time to time by the Chief Executive Officer of the Company. The Executive shall report to and be supervised by the Company's Chief Executive Officer. The Executive shall be based at the Company's offices in Upper Saddle River, New Jersey or such other place that shall constitute the Company's headquarters and, except for business travel incident to his employment under this Agreement, the Company agrees the Executive shall not be required to relocate. The Executive

agrees to devote substantially all his attention and time during normal business hours to the business and affairs of the Company and to use his reasonable best efforts to perform faithfully and efficiently the duties and responsibilities of his positions and to accomplish the goals and objectives of the Company as may be established from time to time by the Company's Board of Directors (the "Board"). Notwithstanding the foregoing, the Executive may engage in the following activities (and shall be entitled to retain all economic benefits thereof including fees paid in connection therewith) as long as they do not interfere in any material respect with the performance of the Executive's duties and responsibilities hereunder and, with respect to subsections (i) and (ii) below, that such activity is pre-approved by the Company's Chief Executive Officer: (i) serve on corporate, civic, religious, educational and/or charitable boards or committees, provided that the Executive shall not serve on any board or committee of any corporation or other business which competes with the Business (as defined in Section 10(a) below); (ii) deliver lectures, fulfill speaking engagements or teach on a part-time basis at educational institutions; and (iii) make investments in businesses or enterprises and manage his personal investments; provided that with respect to such activities Executive shall comply with any business conduct and ethics policy applicable to employees of the Company.

2. Term. The term of this Agreement shall commence on May 1, 2001 (the "Commencement Date"), and shall terminate on April 30, 2005, unless extended or earlier terminated in accordance with the terms of this Agreement (the "Termination Date"). Such term of employment is herein sometimes referred to as the "Employment Term". The Employment Term shall be extended for successive one

year periods unless either party notifies the other in writing at least 365 days before the Termination Date, or any anniversary of the Termination Date, as the case may be, that he or it chooses not to extend the Employment Term.

3. Compensation. As compensation for performing the services required by this Agreement, and during the term of this Agreement, the Executive shall be compensated as follows:

(a) Base Compensation. The Company shall pay to the Executive an annual salary ("Base Compensation") of $275,000, payable in equal installments pursuant to the Company's customary payroll procedures in effect for its executive personnel at the time of payment, but in no event less frequently than monthly, subject to withholding for applicable federal, state, and local income and employment related taxes. The Executive may be entitled to such increases in Base Compensation with respect to each calendar year during the term of this Agreement, as shall be

determined by the Company's Compensation Committee (the "Committee"), in its sole and absolute discretion, based on an annual review of the Executive's performance.

(b) Incentive Compensation. In addition to Base Compensation, the Executive may be entitled to receive additional compensation ("Incentive Compensation") in the discretion of the Committee. The Incentive Compensation shall be pursuant to short-term and/or long-term incentive compensation programs which currently exist or may be established by the Company. For purposes of this Agreement, the Executive's "Pro Rata Share" of Incentive Compensation for any calendar of the Company shall be a fraction whose numerator shall be equal to the number of months (or parts of months) during which the Executive was actually employed by the Company during any such calendar year and whose denominator shall be the total number of months in such calendar year.

4. Employee Benefits. During the Employment Term and subject to the limitations set forth in this Section 4, the Executive and his eligible dependents shall have the right to participate in any retirement plans (qualified and non-qualified), pension, insurance, health, disability or other benefit plan or program that has been or is hereafter adopted by the Company (or in which the Company participates), according to the terms of such plan or program, on terms no less favorable than the most favorable terms granted to senior executives of the Company.

5. Vacation and Leaves of Absence. The Executive shall be entitled to the normal and customary amount of paid vacation provided to senior executive officers of the Company, but in no event less than 20 days during each 12 month period, beginning on the Commencement Date of this Agreement. Any vacation days that are not taken in a given 12 month period shall not accrue or carry-over from year to year. Upon any termination of this Agreement for any reason whatsoever, accrued and unused vacation for the year in which this Agreement terminates will be paid to the Executive within 10 days of such termination based on his annual rate of Base Compensation in effect on the date of such termination. In addition, the Executive may be granted leaves of absence with or without pay for such valid and legitimate reasons as the Company in its sole and absolute discretion may determine, and the Executive shall be entitled to the same sick leave and holidays provided to other senior executives of the Company.

6. Expenses.

(a) Business Expenses. The Executive shall be promptly reimbursed against presentation of vouchers or receipts for all reasonable and necessary expenses incurred by him in connection with the performance of his duties hereunder.

(b) Automobile Expense. During the Employment Term, in order to facilitate the performance of the Executive's duties hereunder, and otherwise for the convenience of the Company, the Company shall provide the Executive with an automobile, or shall reimburse the Executive for the cost of leasing an automobile (provided that the lease payments with respect to such automobile

shall not exceed $1,000 per month) and shall pay or reimburse Executive (upon presentation of vouchers or receipts) for the reasonable cost of all maintenance, insurance, repairs, and other reasonable expenses related to such automobile.

7. Indemnification.

(a) General. The Company agrees that if the Executive is made a party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director or officer of the Company, is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including, without limitation, service with respect to employee benefit plans, whether or not the basis of such Proceeding is alleged action in an official capacity as a director, officer, member, employee or agent while serving as a director, officer, member, employee or agent, the Executive shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law (in accordance with the certificate of incorporation and/or bylaws of the Company), as the same exists or may hereafter be amended, against all Expenses (as defined below) incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if the Executive has ceased to be an officer, director or agent, or is no longer employed by the Company and shall inure to the benefit of his heirs, executors and administrators.

(b) Expenses. As used in this Agreement, the term "Expenses" shall include, without limitation, damages, losses, judgments, liabilities, fines, penalties, excise taxes, settlements and costs, attorneys' fees, accountants' fees, and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under this

Agreement.

(c) Enforcement. If a claim or request under this Agreement is not paid by the Company, or on their behalf, within fifteen days after a written claim or request has been received by the Company, the Executive may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim or request and if successful in whole or in part, the Executive shall be entitled to be paid also the expenses of prosecuting such suit. The burden of proving that the Executive is not entitled to indemnification for any reason shall be upon the Company.

(d) Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Executive.

(e) Partial Indemnification. If the Executive is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify the Executive for the portion of such Expenses to which the Executive is entitled.

(f) Advances of Expenses. Expenses incurred by the Executive in connection with any Proceeding shall be paid by the Company in advance upon request of the Executive that the Company pay such Expenses.

(g) Notice of Claim. The Executive shall give to the Company notice of any claim made against his for which indemnity will or could be sought under this Agreement. In addition, the Executive shall give the Company such information and cooperation as it may reasonably require and as shall be within the Executive's power and at such times and places as are convenient for the Executive.

(h) Defense of Claim. With respect to any Proceeding as to which the Executive notifies the Company of the commencement thereof: (i) the Company will be entitled to participate therein at its own expense; and (ii) except as otherwise provided below, to the extent that it may wish, the Company jointly with any other indemnifying party similarly notified will be entitled to assume

the defense thereof, with counsel reasonably satisfactory to the Executive. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which the Executive shall have reasonably concluded that there may be a conflict of interest between the Company and the Executive in the conduct of the defense of such action.

The Company shall not be liable to indemnify the Executive under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall not settle any action or claim in any manner which would impose any penalty or limitation on the Executive without Executive's written consent. Neither the Company nor the Executive shall unreasonably withhold or delay their consent to any proposed settlement.

(i) Non-exclusivity. The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Section 7 shall not be exclusive of any other right which the Executive may have or hereafter may acquire under any statute, provision of the certificate of incorporation or by-laws of the Company, agreement, vote of stockholders or disinterested directors or otherwise.

(j) Directors and Officers Liability Policy. The Company agrees to use reasonable efforts to maintain directors and officers liability insurance covering the Executive in a reasonable and adequate amount determined by the Company.

8. Termination and Termination Benefits. (

(a) Termination by the Company.

(i) For Cause. Notwithstanding any provision contained herein, the Company may terminate this Agreement at any time during the Employment Term for "Cause". For purposes of this subsection 8(a)(i), "Cause" shall mean (1) the continuing willful failure by the Executive to substantially perform his duties hereunder for any reason other than total or partial incapacity due to physical or mental illness, or (2) gross negligence or gross malfeasance on the part of the Executive in the performance of his duties hereunder that causes material harm to the Company. Termination pursuant to this subsection 8(a)(i) shall be effective immediately upon giving the Executive written notice thereof stating the reason or reasons therefor with respect to clause (2) above, and 15 days after written notice thereof from the Company to the Executive specifying the acts or omissions constituting the failure and requesting that they be remedied with respect to clause (1) above, but only if the Executive has not cured such failure within such 15 day period. In the event of a termination pursuant to this subsection 8(a)(i), the Executive shall be entitled to payment of his Base Compensation and the benefits pursuant to Section 4 hereof up to the effective date of such termination and it is also the intention and agreement of the Company that Executive shall not be deprived by reason of termination for Cause of any payments, options or

benefits which have been vested or have been earned or to which Executive is entitled as of the effective date of such termination.

(ii) Disability. If due to illness, physical or mental disability, or other incapacity, the Executive shall fail, for a total of any six consecutive months ("Disability"), to substantially perform the principal duties required by this Agreement, the Company may terminate this Agreement upon 30 days' written notice to the Executive. In such event, the Executive shall be (1) paid his Base Compensation until the Termination Date and his Pro Rata Share of any Incentive Compensation to which he would have been entitled for the year in which such termination occurs, and (2) provided with employee benefits pursuant to Section 4, to the extent available, for the remainder of the Employment Term; provided, however, that any compensation to be paid to the Executive pursuant to this subsection 8(a)(ii) shall be offset against any payments received by the Executive pursuant to any policy of disability insurance the premiums of which are paid for by the Company.

(b) Termination Without Cause or Termination For Good Reason. The Company may terminate the Executive's employment hereunder without Cause and the Executive may terminate his employment hereunder for "Good Reason" (as defined below). If the Company terminates the Executive's employment hereunder without Cause, other than due to death or Disability, or if the Executive terminates his employment for Good Reason, the Executive shall be paid: (i) his Base Compensation at the rate in effect at the time of termination through the Termination Date; (ii) his Pro Rata Share of any Incentive Compensation to which he would have been entitled for the year in which such termination occurs; (iii) a lump sum payment equal to the product of thirty-six (36) times the "Monthly Salary Amount"; (iv) any vested deferred compensation (including, without limitation, interest or other credits on the deferred amounts) and any accrued vacation pay; (v) continuation, until the expiration of the Employment Term and for twelve months thereafter, of the health and welfare benefits of the Executive and any long-term disability insurance generally provided to senior executives of the Company (as provided for by Section 4 of this Agreement) (or the Company shall provide the economic equivalent thereof); provided, however, if the Executive obtains new employment and such employment makes the Executive eligible for health and welfare or long-term disability benefits which are equal to or greater in scope then the benefits then being offered by the Company, then the Company shall no longer be required to

provide such benefits to the Executive; and (vi) any other compensation and benefits as may be provided in accordance with the terms and provisions of any applicable plans or programs of the Company.

As used herein, "Monthly Salary Amount" shall mean an amount equal to one-twelfth of the sum of (y) the Executive's then current annual Base Salary plus (z) the average cash incentive compensation paid to the Executive during the three years immediately preceding the termination date.

As used herein, "Good Reason" means and shall be deemed to exist if, without the prior express written consent of the Executive, (a) the Company breaches this Agreement in any material respect; (b) the Company fails to obtain the full assumption of this Agreement by a successor; (c) the Company fails to use its reasonable best efforts to maintain, or cause to be maintained directors and officers liability insurance coverage for the Executive; (d) the Company purports to terminate the Executive's employment for Cause and such purported termination of employment is not effected in accordance with the requirements of this Agreement, or (e) if within two years following the occurrence of a Change in Control (i) the Executive suffers an adverse change in his status, title, position or responsibilities, (ii) the Executive suffers a reduction in his base salary, (iii) the Executive suffers an adverse change in his working conditions, or (iv) the Company breaches any material provision of this Agreement; provided, however, that with respect to items (a) through (d) above, within 30 days of written notice of termination by the Executive, the Company has not cured, or commenced to cure, such failure or breach.

For purposes of this Agreement, a "Change of Control" shall mean (1) any merger by the Company into another corporation or corporations which results in the stockholders of the Company immediately prior to such transaction owning less than 55% of the surviving Corporation; (2) any acquisition (by purchase, lease or otherwise) of all or substantially all of the assets of the Company by any person, corporation or other entity or group thereof acting jointly; (3) the acquisition of beneficial ownership, directly or indirectly, of voting securities of the Company (defined as Common Stock of the Company or any securities having voting rights that the Company may issue in the future) and rights to acquire voting securities of the Company (defined as including, without limitation, securities that are convertible into voting securities of the Company (as defined above) and rights, options warrants and other agreements or arrangements to acquire such voting

securities) by any person, corporation or other entity or group thereof acting jointly, in such amount or amounts as would permit such person, corporation or other entity or group thereof acting jointly to elect a majority of the members of the Board of the Company, as then constituted; or (4) the acquisition of beneficial ownership, directly or indirectly, of voting securities and rights to acquire voting securities having voting power equal to 25% or more of the

combined voting power of the Company's then outstanding voting securities by any person, corporation or other entity or group thereof acting jointly unless such acquisition as is described in this part (4) is expressly approved by resolution of the Board of the Company passed upon affirmative vote of not less than a majority of the Board and adopted at a meeting of the Board held not later than the date of the next regularly scheduled or special meeting held following the date the Company obtains actual knowledge of such acquisition (which approval may be limited in purpose and effect solely to affecting the rights of Employee under this Agreement). Notwithstanding the preceding sentence, (i) any transaction that involves a mere change in identity form or place of organization within the meaning of Section 368(a)(1)(F) of the Internal Revenue Code of 1986, as amended, or a transaction of similar effect, shall not constitute a Change in Control.

(c) Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided or maintained by the Company and for which the Executive may qualify, nor shall anything herein limit or otherwise prejudice such rights as the Executive may have under any other existing or future agreements with the Company. Except as otherwise expressly provided for in this Agreement, amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plans or programs of the Company at or subsequent to the date of termination shall be payable in accordance with such plans or programs.

(d) Vesting of Stock Grants and Stock Options. In the event of any termination of this Agreement, Executive's rights with regard to any stock grants, loan agreements or stock options shall be as set forth in the respective agreement containing the terms and conditions pertaining thereto. Notwithstanding the foregoing, in the event that the Executive is terminated for reasons other than for "Cause" or in the event the Executive terminates this Agreement for "Good Reason", any stock options then held by the Executive shall immediately vest in the Executive;

provided, however, all stock options then held by the Executive shall expire and/or terminate 90 days after the date this Agreement is terminated.

(e) Certain Additional Payments by the Company. Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (an "Excise Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Excise Gross-Up Payment and any ordinary income tax on the Excise Gross-Up Payment, in order to put the Executive in the same net after-tax position as if the payment were not subject to any Excise Tax. Subject to the provisions of this Section 8(e), all determinations required to be made hereunder, including whether an Excise Gross-Up Payment is required and the amount of such Excise Gross-Up Payment, shall be made by PricewaterhouseCoopers LLP or such other accounting firm which at the time audits the financial statements of the Company (the "Accounting Firm") at the sole expense of the Company, which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the date of termination of the Executive's employment under this Agreement, if applicable, or such earlier time as is requested by the Company.

(f) Death Benefit. Notwithstanding any other provision of this Agreement, this Agreement shall terminate on the date of the Executive's death. In such event the Company shall continue to pay Executive's Base Compensation to his wife, if she survives him, or, if she does not survive him, to his estate, through the end of the twelfth month following the month in which such death occurs. In addition, the Company shall pay to Executive's wife, if she survives him, or, if she does not survive him, to his estate, the Pro Rata Share of any Incentive Compensation to which Executive would have been entitled for the year

in which such death occurs.

If the Accounting Firm determines that no Excise Tax is payable by the Executive, the Company shall use its reasonable best efforts to cause the Accounting Firm to furnish the Executive

with an opinion that he has substantial authority not to report any Excise Tax on his federal income tax return. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Excise Gross-Up Payments, which will not have been made by the Company, should have been made (an "Underpayment") consistent with the calculations required to be made hereunder. If the Company exhausts its remedies pursuant hereto and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Excise Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive knows of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall: (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including (without limitation) accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (iii) cooperate with the Company in good faith to contest effectively such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions hereof the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue

or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine, provided that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance, and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which an Excise Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Executive of an amount advanced by the Company pursuant hereto, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant hereto, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Excise Gross-Up Payment required to be paid.

(g) Termination Payment. In the event Company does not elect to extend the Employment Term as provided for in Section 2 hereof, in consideration for the post-employment covenant against competition set forth in Section 10 hereof, the Executive shall be entitled to a lump-sum payment equal to the product of twelve times the Monthly Salary Amount.

(h) Payment. Except as otherwise provided in this Agreement, any payments to which the Executive shall be entitled under this Section 8, including, without limitation, any economic equivalent of any benefit, shall be made as promptly as possible following the date of termination. If the amount of any payment due to the Executive cannot be finally determined within 90 days after the Date of Termination, such amount shall be estimated on a good faith basis by the Company and the estimated amount shall be paid no later than 90 days after such Date of Termination. As soon as practicable hereafter, the final determination of the amount due shall be made and any adjustment requiring a payment to or from the Executive shall be made as promptly as practicable.

(i) No Mitigation. The Executive shall not be required to mitigate the amount of any payments provided for by this Agreement by seeking employment or otherwise, nor shall the amount of any payment or benefit provided in this Agreement be reduced by any compensation or benefit earned by the Executive after termination of his employment.

9. Company Property. All advertising, promotional, sales, suppliers, manufacturers and other materials or articles or information, including without limitation data processing reports, customer lists, customer sales analyses, invoices, product lists, price lists or information, samples, or any other materials or data of any kind furnished to the Executive by the Company or developed by the Executive on behalf of the Company or at the Company's direction or for the Company's use or otherwise in connection with the Executive's employment hereunder, are and shall remain the sole and confidential property of the Company; if the Company requests the return of such materials at any time during or at or after the termination of the Executive's employment, the Executive shall immediately deliver the same to the Company.

10. Covenant Not To Compete.

(a) Covenants Against Competition. The Executive acknowledges that as of the execution of this Employment Agreement (i) the Company is engaged in the business of providing sales and marketing and marketing research services to the pharmaceutical and biotechnology industries (the "Business"); (ii) the Company's Business is conducted currently throughout the United States and may be expanded to other locations; (iii) his employment with the Company will have given him access to confidential information concerning the Company; and (iv) the agreements

and covenants contained in this Agreement are essential to protect the business and goodwill of the Company. Accordingly, the Executive covenants and agrees as follows:

(i) Non-Compete. Without the prior written consent of the Board of the Company, the Executive shall not during the Restricted Period (as defined below) within the Restricted Area (as defined below) (except in the

Executive's capacity as an officer of the Company or any of its affiliates), (a) engage or participate in the Business; (b) enter the employ of, or render any services (whether or not for a fee or other compensation) to, any person engaged in the Business; or (c) acquire an equity interest in any such person; provided, that the foregoing restrictions shall not apply at any time if the Executive's employment is terminated during the Term by the Executive for Good Reason (as defined in Section 8(b) below) or by the Company other than for "Cause"; provided, further, that during the Restricted Period the Executive may own, directly or indirectly, solely as a passive investment, securities of any company traded on any national securities exchange or on the National Association of Securities Dealers Automated Quotation System.

As used herein, "Restricted Period" shall mean the period commencing on the Commencement Date and ending on the second anniversary of the Executive's termination of employment.

"Restricted Area" shall mean any place within the United States and any other country in which the Company is then actively considering conducting Business.

(b) Confidential Information; Personal Relationships. The Executive acknowledges that the Company has a legitimate and continuing proprietary interest in the protection of its confidential information and has invested substantial sums and will continue to invest substantial sums to develop, maintain and protect confidential information. The Executive agrees that, during and after the Restricted Period, without the prior written consent of the Board, the Executive shall keep secret and retain in strictest confidence, and shall not knowingly use for the benefit of himself or others all confidential matters relating to the Company's Business including, without limitation, operational methods, marketing or development plans or strategies, business acquisition plans, joint venture proposals or plans, and new personnel acquisition plans, learned by the Executive heretofore or hereafter (such information shall be referred to herein collectively as "Confidential Information"); provided, that nothing in this Agreement shall prohibit the Executive from disclosing or using any Confidential Information (A) in the performance of his duties

hereunder, (B) as required by applicable law, (C) in connection with the enforcement of his rights under this Agreement or any other agreement with the Company, or (D) in connection with the defense or settlement of any claim, suit or action brought or threatened against the Executive by or in the right of the Company. Notwithstanding any provision contained herein to the contrary, the term Confidential Information shall not be deemed to include any general knowledge, skills or experience acquired by the Executive or any knowledge or information known or available to the public in general. Moreover, the Executive shall be permitted to retain copies of, or have access to, all such Confidential Information relating to any disagreement, dispute or litigation (pending or threatened) involving the Executive.

(c) Employees of the Company and its Affiliates. During the Restricted Period, without the prior written consent of the Board of the Company, the Executive shall not, directly or indirectly, hire or solicit, or cause others to hire or solicit, for employment by any person other than the Company or any affiliate or successor thereof, any employee of, or person employed within the two years preceding the Executive's hiring or solicitation of such person by, the Company and its affiliates or successors or encourage any such employee to leave his employment. For this purpose, any person whose employment has been terminated involuntarily by the Company shall be excluded from those persons protected by this Section for the benefit of the Company.

(d) Business Relationships. During the Restricted Period, the Executive shall not, directly or indirectly, request or advise a person that has a business relationship with the Company to curtail or cancel such person's business relationship with the Company.

(e) Rights and Remedies Upon Breach. If the Executive breaches, threatens to commit a breach of, any of the provisions contained in Section 10 of this Agreement (the "Restrictive Covenants"), the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the

Company under law or in equity.

(i) Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company.

(ii) Accounting. The right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits derived or received by the Executive as the result of any action constituting a breach of Restrictive Covenants.

(f) Severability of Covenants. The Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in duration and geographical scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect without regard to the invalid portions. The provisions set forth in Section 10 above shall be in addition to any other provisions of the business conduct and ethics policy applicable to employees of the Company and its subsidiaries during the term of Executive's employment.

(g) Saving Clause. If the period of time or the area specified in subsection (a) above should be adjudged unreasonable in any proceeding, then the period of time shall be reduced by such number of months or the area shall be reduced by the elimination of such portion thereof or both so that such restrictions may be enforced in such area and for such time as is adjudged to be reasonable. If the Executive violates any of the restrictions contained in the foregoing subsection (a), the restrictive period shall not run in favor of the Executive from the time of the commencement of any such violation until such time as such violation shall be cured by the Executive to the satisfaction of Company.

11. Executive's Representation and Warranties. Executive represents and warrants that he has the full right and authority to enter into this Agreement and fully perform his obligations hereunder, that he is not subject to any non-competition agreement other than with the Company, and that his past, present and anticipated future activities have not and will not infringe on the proprietary rights of others. Executive further represents and warrants that he is not obligated under any contract (including, but not limited to, licenses, covenants or commitments of any nature) or other agreement or subject to any judgment, decree or order of any court or administrative agency which would conflict with his obligation to use his best efforts to perform his duties hereunder or which would conflict with the Company's business and operations as presently conducted or proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the

Company's business as officer and employee by Executive will conflict with or result in a breach of the terms, conditions or provisions of or constitute a default under any contract, covenant or instrument to which Executive is currently a party.

12. Miscellaneous.

(a) Integration; Amendment. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters set forth herein and supersedes and renders of no force and effect all prior understandings and agreements between the parties with respect to the matters set forth herein, including, but not limited to, the Employment Agreement between the Executive and the Company dated as of March 1,1998. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties.

(b) Severability. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable law or regulations, such provision shall be inapplicable and deemed omitted to the extent so contrary,

prohibited, or invalid, but the remainder of this Agreement shall not be invalid and shall be given full force and effect so far as possible.

(c) Waivers. The failure or delay of any party at any time to require performance by the other party of any provision of this Agreement, even if known, shall not affect the right of such party to require performance of that provision or to exercise any right, power, or remedy hereunder, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power, or remedy under this Agreement. No notice to or demand on any party in any case shall, of itself, entitle such party to other or further notice or demand in similar or other circumstances.

(d) Power and Authority. The Company represents and warrants to the Executive that it has the requisite corporate power to enter into this Agreement and perform the terms hereof; that the execution, delivery and performance of this Agreement by it has been duly authorized by all appropriate corporate action; and that this Agreement represents the valid and legally binding obligation of the Company and is enforceable against it in accordance with its terms.

(e) Burden and Benefit; Survival. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, personal and legal representatives, successors and assigns. In addition to, and not in limitation of, anything contained in

this Agreement, it is expressly understood and agreed that the Company's obligation to pay Termination Compensation as set forth herein shall survive any termination of this Agreement.

(f) Governing Law; Headings. This Agreement and its construction, performance, and enforceability shall be governed by, and construed in accordance with, the laws of the State of New Jersey. Headings and titles herein are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

(g) Arbitration; Remedies. Any dispute or controversy arising under this Agreement or as a result of or in connection with Executive's employment (other than disputes arising under Section 10) shall be arbitrated and settled pursuant to the National Rules for the Resolution of Employment Disputes of the American Arbitration Association which are then in effect in a proceeding held in Bergen County, New Jersey. This provision shall also apply to any and all claims that may be brought under any federal or state anti-discrimination or employment statute, rule or regulation, including, but not limited to, claims under: 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; the Immigration Reform and Control Act; the Americans With Disabilities Act; the Age Discrimination in Employment Act; the Fair Labor Standards Act; the Occupational Safety and Health Act; the Family and Medical Leave Act; and the Equal Pay Act. The decision of the arbitrator and award, if any, is final and binding on the parties and the judgment may be entered in any court having jurisdiction thereof. The parties will agree upon an arbitrator from the list of labor arbitrators supplied by the American Arbitration Association. The parties understand and agree, however, that disputes arising under Section 10 of this Agreement may be brought in a court of law or equity without submission to arbitration.

(h) Jurisdiction. Except as otherwise provided for herein, each of the parties (a) submits to the exclusive jurisdiction of any state court sitting in Bergen County, New Jersey or federal court sitting in New Jersey in any action or proceeding arising out of or relating to this Agreement, (b) agrees that all claims in respect of the action or proceeding may be heard and determined in any such court, (c) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court and (d) waives any right such party may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or proceeding

so brought and waives any bond, surety or other security that might be required of any other party with respect thereto. Any party may make service on another party by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for giving of notices in Section 12(i). Nothing in this Section, however, shall affect the right of any party to serve legal process in any other manner permitted by law.

(i) Notices. All notices called for under this Agreement shall be in writing and shall be deemed given upon receipt if delivered personally or by confirmed facsimile transmission and followed promptly by mail, or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at their respective addresses (or at such other address for a party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof) as set forth in the preamble to this Agreement or to any other address or addressee as any party entitled to receive notice under this Agreement shall designate, from time to time, to others in the manner provided in this subsection 12(i) for the service of notices.

Any notice delivered to the party hereto to whom it is addressed shall be deemed to have been given and received on the day it was received; provided, however, that if such day is not a business day then the notice shall be deemed to have been given and received on the business day next following such day. Any notice sent by facsimile transmission shall be deemed to have been given and received on the business day next following the day of transmission.

(j) Number of Days. In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays and holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday or holiday on which federal banks are or may elect to be closed, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or such holiday.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

STEVEN K. BUDD

PDI, INC.

By:

Charles T. Saldarini
Chief Executive Officer

Exhibit 10.7

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of the 1st day of May, 2001, by and among PDI, INC., a Delaware corporation (the "Company"), having its principal place of business at 10 Mountainview Road, Upper Saddle River, New Jersey 07458, on the one hand, and BERNARD C. BOYLE, residing at 60 Oak Road, Briarcliff Manor, New York 10510 (the "Executive"), on the other.

W I T N E S S E T H

WHEREAS, the Executive is currently employed by the Company and serves as the Company's Executive Vice President and Chief Financial Officer; and

WHEREAS, the Company, recognizing the unique skills and abilities of the Executive, wishes to insure that the Executive will continue to be employed by the Company; and

WHEREAS, the Executive desires to continue in the employment of the Company as Executive Vice President and Chief Financial Officer; and

WHEREAS, the parties desire by this Agreement to set forth the terms and conditions of the employment relationship between the Company and the Executive.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants in this Agreement, the Company and the Executive agree as follows:

1. Employment and Duties. The Company hereby employs the Executive as Executive Vice President and Chief Financial Officer on the terms and conditions provided in this Agreement and Executive agrees to accept such employment subject to the terms and conditions of this Agreement. The Executive shall be responsible for management of the day-to-day financial operations of the Company, shall perform the duties and responsibilities as are customary for the officer of a corporation in such positions, and shall perform such other duties and responsibilities as are reasonably determined from time to time by the Chief Executive Officer of the Company. The Executive shall report to and be supervised by the Company's Chief Executive Officer. The Executive shall be based at the Company's offices in Upper Saddle River, New Jersey or such other place that shall constitute the Company's headquarters and, except for business travel incident to his employment under this Agreement, the Company agrees the Executive shall not be required to

relocate. The Executive agrees to devote substantially all his attention and time during normal business hours to the business and affairs of the Company and to use his reasonable best efforts to perform faithfully and efficiently the duties and responsibilities of his positions and to accomplish the goals and objectives of the Company as may be established from time to time by the Company's Board of Directors (the "Board"). Notwithstanding the foregoing, the Executive may engage in the following activities (and shall be entitled to retain all economic benefits thereof including fees paid in connection therewith) as long as they do not interfere in any material respect with the performance of the Executive's duties and responsibilities hereunder and, with respect to subsections (i) and (ii) below, that such activity is pre-approved by the Company's Chief Executive Officer: (i) serve on corporate, civic, religious, educational and/or charitable boards or committees, provided that the Executive shall not serve on any board or committee of any corporation or other business which competes with the Business (as defined in Section 10(a) below); (ii) deliver lectures, fulfill speaking engagements or teach on a part-time basis at educational institutions; and (iii) make investments in businesses or enterprises and manage his personal investments; provided that with respect to such activities Executive shall comply with any business conduct and ethics policy applicable to employees of the Company.

2. Term. The term of this Agreement shall commence on May 1, 2001 (the "Commencement Date"), and shall terminate on April 30, 2004, unless extended or earlier terminated in accordance with the terms of this Agreement (the "Termination Date"). Such term of employment is herein sometimes referred to as the "Employment Term". The Employment Term shall be extended for successive one

year periods unless either party notifies the other in writing at least 365 days before the Termination Date, or any anniversary of the Termination Date, as the case may be, that he or it chooses not to extend the Employment Term.

3. Compensation. As compensation for performing the services required by this Agreement, and during the term of this Agreement, the Executive shall be compensated as follows:

(a) Base Compensation. The Company shall pay to the Executive an annual salary ("Base Compensation") of $250,000, payable in equal installments pursuant to the Company's customary payroll procedures in effect for its executive personnel at the time of payment, but in no event less frequently than monthly, subject to withholding for applicable federal, state, and local income and employment related taxes. The Executive may be entitled to such increases in Base

Compensation with respect to each calendar year during the term of this Agreement, as shall be determined by the Company's Compensation Committee (the "Committee"), in its sole and absolute discretion, based on an annual review of the Executive's performance .

(b) Incentive Compensation. In addition to Base Compensation, the Executive may be entitled to receive additional compensation ("Incentive Compensation") in the discretion of the Committee. The Incentive Compensation shall be pursuant to short-term and/or long-term incentive compensation programs which currently exist or may be established by the Company. For purposes of this Agreement, the Executive's "Pro Rata Share" of Incentive Compensation for any calendar of the Company shall be a fraction whose numerator shall be equal to the number of months (or parts of months) during which the Executive was actually employed by the Company during any such calendar year and whose denominator shall be the total number of months in such calendar year.

4. Employee Benefits. During the Employment Term and subject to the limitations set forth in this Section 4, the Executive and his eligible dependents shall have the right to participate in any retirement plans (qualified and non-qualified), pension, insurance, health, disability or other benefit plan or program that has been or is hereafter adopted by the Company (or in which the Company participates), according to the terms of such plan or program, on terms no less favorable than the most favorable terms granted to senior executives of the Company.

5. Vacation and Leaves of Absence. The Executive shall be entitled to the normal and customary amount of paid vacation provided to senior executive officers of the Company, but in no event less than 20 days during each 12 month period, beginning on the Commencement Date of this Agreement. Any vacation days that are not taken in a given 12 month period shall not accrue or carry-over from year to year. Upon any termination of this Agreement for any reason whatsoever, accrued and unused vacation for the year in which this Agreement terminates will be paid to the Executive within 10 days of such termination based on his annual rate of Base Compensation in effect on the date of such termination. In addition, the Executive may be granted leaves of absence with or without pay for such valid and legitimate reasons as the Company in its sole and absolute discretion may determine, and the Executive shall be entitled to the same sick leave and holidays provided to other senior executives of the Company.

6. Expenses.

(a) Business Expenses. The Executive shall be promptly reimbursed against presentation of vouchers or receipts for all reasonable and necessary expenses incurred by him in connection with the performance of his duties hereunder.

(b) Automobile Expense. During the Employment Term, in order to facilitate the performance of the Executive's duties hereunder, and otherwise for the convenience of the Company, the Company shall provide the Executive with an automobile, or shall reimburse the Executive for the cost of leasing an automobile (provided that the lease payments with respect to such automobile

shall not exceed $1,000 per month) and shall pay or reimburse Executive (upon presentation of vouchers or receipts) for the reasonable cost of all maintenance, insurance, repairs and other reasonable expenses related to such automobile.

7. Indemnification.

(a) General. The Company agrees that if the Executive is made a party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director or officer of the Company, is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including, without limitation, service with respect to employee benefit plans, whether or not the basis of such Proceeding is alleged action in an official capacity as a director, officer, member, employee or agent while serving as a director, officer, member, employee or agent, the Executive shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law (in accordance with the certificate of incorporation and/or bylaws of the Company), as the same exists or may hereafter be amended, against all Expenses (as defined below) incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if the Executive has ceased to be an officer, director or agent, or is no longer employed by the Company and shall inure to the benefit of his heirs, executors and administrators.

(b) Expenses. As used in this Agreement, the term "Expenses" shall include, without limitation, damages, losses, judgments, liabilities, fines, penalties, excise taxes, settlements and costs, attorneys' fees, accountants' fees, and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under this

Agreement.

(c) Enforcement. If a claim or request under this Agreement is not paid by the Company, or on their behalf, within fifteen days after a written claim or request has been received by the Company, the Executive may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim or request and if successful in whole or in part, the Executive shall be entitled to be paid also the expenses of prosecuting such suit. The burden of proving that the Executive is not entitled to indemnification for any reason shall be upon the Company.

(d) Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Executive.

(e) Partial Indemnification. If the Executive is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify the Executive for the portion of such Expenses to which the Executive is entitled.

(f) Advances of Expenses. Expenses incurred by the Executive in connection with any Proceeding shall be paid by the Company in advance upon request of the Executive that the Company pay such Expenses.

(g) Notice of Claim. The Executive shall give to the Company notice of any claim made against his for which indemnity will or could be sought under this Agreement. In addition, the Executive shall give the Company such information and cooperation as it may reasonably require and as shall be within the Executive's power and at such times and places as are convenient for the Executive.

(h) Defense of Claim. With respect to any Proceeding as to which the Executive notifies the Company of the commencement thereof: (i) the Company will be entitled to participate therein at its own expense; and (ii) except as otherwise provided below, to the extent that it may wish, the Company jointly with any other indemnifying party similarly notified will be entitled to assume

the defense thereof, with counsel reasonably satisfactory to the Executive. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which the Executive shall have reasonably concluded that there may be a conflict of interest between the Company and the Executive in the conduct of the defense of such action.

The Company shall not be liable to indemnify the Executive under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall not settle any action or claim in any manner which would impose any penalty or limitation on the Executive without Executive's written consent. Neither the Company nor the Executive shall unreasonably withhold or delay their consent to any proposed settlement.

(i) Non-exclusivity. The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Section 7 shall not be exclusive of any other right which the Executive may have or hereafter may acquire under any statute, provision of the certificate of incorporation or by-laws of the Company, agreement, vote of stockholders or disinterested directors or otherwise.

(j) Directors and Officers Liability Policy. The Company agrees to use reasonable efforts to maintain directors and officers liability insurance covering the Executive in a reasonable and adequate amount determined by the Company.

8. Termination and Termination Benefits.

(a) Termination by the Company.

(i) For Cause. Notwithstanding any provision contained herein, the Company may terminate this Agreement at any time during the Employment Term for "Cause". For purposes of this subsection 8(a)(i), "Cause" shall mean (1) the continuing willful failure by the Executive to substantially perform his duties hereunder for any reason other than total or partial incapacity due to physical or mental illness, or (2) gross negligence or gross malfeasance on the part of the Executive in the performance of his duties hereunder that causes material harm to the Company. Termination pursuant to this subsection 8(a)(i) shall be effective immediately upon giving the Executive written notice thereof stating the reason or reasons therefor with respect to clause (2) above, and 15 days after written notice thereof from the Company to the Executive specifying the acts or omissions constituting the failure and requesting that they be remedied with respect to clause (1) above, but only if the Executive has not cured such failure within such 15 day period. In the event of a termination pursuant to this subsection 8(a)(i), the Executive shall be entitled to payment of his Base Compensation and the benefits pursuant to Section 4 hereof up to the effective date of such termination and it is also the intention and agreement of the Company that Executive shall not be deprived by reason of termination for Cause of any payments, options or

benefits which have been vested or have been earned or to which Executive is entitled as of the effective date of such termination.

(ii) Disability. If due to illness, physical or mental disability, or other incapacity, the Executive shall fail, for a total of any six consecutive months ("Disability"), to substantially perform the principal duties required by this Agreement, the Company may terminate this Agreement upon 30 days' written notice to the Executive. In such event, the Executive shall be (1) paid his Base Compensation until the Termination Date and his Pro Rata Share of any Incentive Compensation to which he would have been entitled for the year in which such termination occurs, and (2) provided with employee benefits pursuant to Section 4, to the extent available, for the remainder of the Employment Term; provided, however, that any compensation to be paid to the Executive pursuant to this subsection 8(a)(ii) shall be offset against any payments received by the Executive pursuant to any policy of disability insurance the premiums of which are paid for by the Company.

(b) Termination Without Cause or Termination For Good Reason. The Company may terminate the Executive's employment hereunder without Cause and the Executive may terminate his employment hereunder for "Good Reason" (as defined below). If the Company terminates the Executive's employment hereunder without Cause, other than due to death or Disability, or if the Executive terminates his employment for Good Reason, the Executive shall be paid: (i) his Base Compensation at the rate in effect at the time of termination through the Termination Date; (ii) his Pro Rata Share of any Incentive Compensation to which he would have been entitled for the year in which such termination occurs; (iii) a lump sum payment equal to the product of thirty-six (36) times the "Monthly Salary Amount"; (iv) any vested deferred compensation (including, without limitation, interest or other credits on the deferred amounts) and any accrued vacation pay; (v) continuation, until the expiration of the Employment Term and for twelve months thereafter, of the health and welfare benefits of the Executive and any long-term disability insurance generally provided to senior executives of the Company (as provided for by Section 4 of this Agreement) (or the Company shall provide the economic equivalent thereof); provided, however, if the Executive obtains new employment and such employment makes the Executive eligible for health and welfare or long-term disability benefits which are equal to or greater in scope then the benefits then being offered by the Company, then the Company shall no longer be required to

provide such benefits to the Executive; and (vi) any other compensation and benefits as may be provided in accordance with the terms and provisions of any applicable plans or programs of the Company.

As used herein, "Monthly Salary Amount" shall mean an amount equal to one-twelfth of the sum of (y) the Executive's then current annual Base Salary plus (z) the average cash incentive compensation paid to the Executive during the three years immediately preceding the termination date.

As used herein, "Good Reason" means and shall be deemed to exist if, without the prior express written consent of the Executive, (a) the Company breaches this Agreement in any material respect; (b) the Company fails to obtain the full assumption of this Agreement by a successor; (c) the Company fails to use its reasonable best efforts to maintain, or cause to be maintained directors and officers liability insurance coverage for the Executive; (d) the Company purports to terminate the Executive's employment for Cause and such purported termination of employment is not effected in accordance with the requirements of this Agreement, or (e) if within two years following the occurrence of a Change in Control (i) the Executive suffers an adverse change in his status, title, position or responsibilities, (ii) the Executive suffers a reduction in his base salary, (iii) the Executive suffers an adverse change I his working conditions, or (iv) the Company breaches any material provision of this Agreement; provided, however, that with respect to items (a) through (d) above, within 30 days of written notice of termination by the Executive, the Company has not cured, or commenced to cure, such failure or breach.

For purposes of this Agreement, a "Change of Control" shall mean (1) any merger by the Company into another corporation or corporations which results in the stockholders of the Company immediately prior to such transaction owning less than 55% of the surviving Corporation; (2) any acquisition (by purchase, lease or otherwise) of all or substantially all of the assets of the Company by any person, corporation or other entity or group thereof acting jointly; (3) the acquisition of beneficial ownership, directly or indirectly, of voting securities of the Company (defined as Common Stock of the Company or any securities having voting rights that the Company may issue in the future) and rights to acquire voting securities of the Company (defined as including, without limitation, securities that are convertible into voting securities of the Company (as defined above) and rights, options warrants and other agreements or arrangements to acquire such voting

securities) by any person, corporation or other entity or group thereof acting jointly, in such amount or amounts as would permit such person, corporation or other entity or group thereof acting jointly to elect a majority of the members of the Board of the Company, as then constituted; or (4) the acquisition of beneficial ownership, directly or indirectly, of voting securities and rights to

acquire voting securities having voting power equal to 25% or more of the combined voting power of the Company's then outstanding voting securities by any person, corporation or other entity or group thereof acting jointly unless such acquisition as is described in this part (4) is expressly approved by resolution of the Board of the Company passed upon affirmative vote of not less than a majority of the Board and adopted at a meeting of the Board held not later than the date of the next regularly scheduled or special meeting held following the date the Company obtains actual knowledge of such acquisition (which approval may be limited in purpose and effect solely to affecting the rights of Employee under this Agreement). Notwithstanding the preceding sentence, (i) any transaction that involves a mere change in identity form or place of organization within the meaning of Section 368(a)(1)(F) of the Internal Revenue Code of 1986, as amended, or a transaction of similar effect, shall not constitute a Change in Control.

(c) Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided or maintained by the Company and for which the Executive may qualify, nor shall anything herein limit or otherwise prejudice such rights as the Executive may have under any other existing or future agreements with the Company. Except as otherwise expressly provided for in this Agreement, amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plans or programs of the Company at or subsequent to the date of termination shall be payable in accordance with such plans or programs.

(d) Vesting of Stock Grants and Stock Options. In the event of any termination of this Agreement, Executive's rights with regard to any stock grants, loan agreements or stock options shall be as set forth in the respective agreement containing the terms and conditions pertaining thereto. Notwithstanding the foregoing, in the event that the Executive is terminated for reasons other than for "Cause" or in the event the Executive terminates this Agreement for "Good Reason", any stock options then held by the Executive shall immediately vest in the Executive;

provided, however, all stock options then held by the Executive shall expire and/or terminate 90 days after the date this Agreement is terminated.

(e) Certain Additional Payments by the Company. Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (an "Excise Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Excise Gross-Up Payment and any ordinary income tax on the Excise Gross-Up Payment, in order to put the Executive in the same net after-tax position as if the payment were not subject to any Excise Tax. Subject to the provisions of this Section 8(e), all determinations required to be made hereunder, including whether an Excise Gross-Up Payment is required and the amount of such Excise Gross-Up Payment, shall be made by PricewaterhouseCoopers LLP or such other accounting firm which at the time audits the financial statements of the Company (the "Accounting Firm") at the sole expense of the Company, which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the date of termination of the Executive's employment under this Agreement, if applicable, or such earlier time as is requested by the Company.

(f) Death Benefit. Notwithstanding any other provision of this Agreement, this Agreement shall terminate on the date of the Executive's death. In such event the Company shall continue to pay Executive's Base Compensation to his wife, if she survives him, or, if she does not survive him, to his estate, through the end of the twelfth month following the month in which such death occurs. In addition, the Company shall pay to Executive's wife, if she survives him, or, if she does not survive him, to his estate, the Pro Rata Share of any

Incentive Compensation to which Executive would have been entitled for the year in which such death occurs.

If the Accounting Firm determines that no Excise Tax is payable by the Executive, the Company shall use its reasonable best efforts to cause the Accounting Firm to furnish the Executive

with an opinion that he has substantial authority not to report any Excise Tax on his federal income tax return. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Excise Gross-Up Payments, which will not have been made by the Company, should have been made (an "Underpayment") consistent with the calculations required to be made hereunder. If the Company exhausts its remedies pursuant hereto and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Excise Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive knows of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall: (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including (without limitation) accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (iii) cooperate with the Company in good faith to contest effectively such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions hereof the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue

or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine, provided that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance, and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which an Excise Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

If, after the receipt by the Executive of an amount advanced by the Company pursuant hereto, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant hereto, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Excise Gross-Up Payment required to be paid.

(g) Termination Payment. In the event Company does not elect to extend the Employment Term as provided for in Section 2 hereof, in consideration for the post-employment covenant against competition set forth in Section 10 hereof, the Executive shall be entitled to a lump-sum payment equal to the product of twelve times the Monthly Salary Amount.

(h) Payment. Except as otherwise provided in this Agreement, any payments to which the Executive shall be entitled under this Section 8, including, without limitation, any economic equivalent of any benefit, shall be made as promptly as possible following the date of termination. If the amount of any payment due to the Executive cannot be finally determined within 90 days after the Date of Termination, such amount shall be estimated on a good faith basis by the Company and the estimated amount shall be paid no later than 90 days after such Date of Termination. As soon as practicable hereafter, the final determination of the amount due shall be made and any adjustment requiring a payment to or from the Executive shall be made as promptly as practicable.

(i) No Mitigation. The Executive shall not be required to mitigate the amount of any payments provided for by this Agreement by seeking employment or otherwise, nor shall the amount of any payment or benefit provided in this Agreement be reduced by any compensation or benefit earned by the Executive after termination of his employment.

9. Company Property. All advertising, promotional, sales, suppliers, manufacturers and other materials or articles or information, including without limitation data processing reports, customer lists, customer sales analyses, invoices, product lists, price lists or information, samples, or any other materials or data of any kind furnished to the Executive by the Company or developed by the Executive on behalf of the Company or at the Company's direction or for the Company's use or otherwise in connection with the Executive's employment hereunder, are and shall remain the sole and confidential property of the Company; if the Company requests the return of such materials at any time during or at or after the termination of the Executive's employment, the Executive shall immediately deliver the same to the Company.

10. Covenant Not To Compete.

(a) Covenants Against Competition. The Executive acknowledges that as of the execution of this Employment Agreement (i) the Company is engaged in the business of providing sales and marketing and marketing research services to the pharmaceutical and biotechnology industries (the "Business"); (ii) the Company's Business is conducted currently throughout the United States and may be expanded to other locations; (iii) his employment with the Company will have given him access to confidential information concerning the Company; and (iv) the agreements

and covenants contained in this Agreement are essential to protect the business and goodwill of the Company. Accordingly, the Executive covenants and agrees as follows:

(i) Non-Compete. Without the prior written consent of the Board of the Company, the Executive shall not during the Restricted Period (as

defined below) within the Restricted Area (as defined below) (except in the Executive's capacity as an officer of the Company or any of its affiliates), (a) engage or participate in the Business; (b) enter the employ of, or render any services (whether or not for a fee or other compensation) to, any person engaged in the Business; or (c) acquire an equity interest in any such person; provided, that the foregoing restrictions shall not apply at any time if the Executive's employment is terminated during the Term by the Executive for Good Reason (as defined in Section 8(b) below) or by the Company other than for "Cause"; provided, further, that during the Restricted Period the Executive may own, directly or indirectly, solely as a passive investment, securities of any company traded on any national securities exchange or on the National Association of Securities Dealers Automated Quotation System.

As used herein, "Restricted Period" shall mean the period commencing on the Commencement Date and ending on the second anniversary of the Executive's termination of employment.

"Restricted Area" shall mean any place within the United States and any other country in which the Company is then actively considering conducting Business.

(b) Confidential Information; Personal Relationships. The Executive acknowledges that the Company has a legitimate and continuing proprietary interest in the protection of its confidential information and has invested substantial sums and will continue to invest substantial sums to develop, maintain and protect confidential information. The Executive agrees that, during and after the Restricted Period, without the prior written consent of the Board, the Executive shall keep secret and retain in strictest confidence, and shall not knowingly use for the benefit of himself or others all confidential matters relating to the Company's Business including, without limitation, operational methods, marketing or development plans or strategies, business acquisition plans, joint venture proposals or plans, and new personnel acquisition plans, learned by the Executive heretofore or hereafter (such information shall be referred to herein collectively as "Confidential Information"); provided, that nothing in this Agreement shall prohibit the Executive from disclosing or using any Confidential Information (A) in the performance of his duties

hereunder, (B) as required by applicable law, (C) in connection with the enforcement of his rights under this Agreement or any other agreement with the Company, or (D) in connection with the defense or settlement of any claim, suit or action brought or threatened against the Executive by or in the right of the Company. Notwithstanding any provision contained herein to the contrary, the term Confidential Information shall not be deemed to include any general knowledge, skills or experience acquired by the Executive or any knowledge or information known or available to the public in general. Moreover, the Executive shall be permitted to retain copies of, or have access to, all such Confidential Information relating to any disagreement, dispute or litigation (pending or threatened) involving the Executive.

(c) Employees of the Company and its Affiliates. During the Restricted Period, without the prior written consent of the Board of the Company, the Executive shall not, directly or indirectly, hire or solicit, or cause others to hire or solicit, for employment by any person other than the Company or any affiliate or successor thereof, any employee of, or person employed within the two years preceding the Executive's hiring or solicitation of such person by, the Company and its affiliates or successors or encourage any such employee to leave his employment. For this purpose, any person whose employment has been terminated involuntarily by the Company shall be excluded from those persons protected by this Section for the benefit of the Company.

(d) Business Relationships. During the Restricted Period, the Executive shall not, directly or indirectly, request or advise a person that has a business relationship with the Company to curtail or cancel such person's business relationship with the Company.

(e) Rights and Remedies Upon Breach. If the Executive breaches, threatens to commit a breach of, any of the provisions contained in Section 10 of this Agreement (the "Restrictive Covenants"), the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the others and severally enforceable, and each of which is in

addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

(i) Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company.

(ii) Accounting. The right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits derived or received by the Executive as the result of any action constituting a breach of Restrictive Covenants.

(f) Severability of Covenants. The Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in duration and geographical scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect without regard to the invalid portions. The provisions set forth in Section 10 above shall be in addition to any other provisions of the business conduct and ethics policy applicable to employees of the Company and its subsidiaries during the term of Executive's employment.

(g) Saving Clause. If the period of time or the area specified in subsection (a) above should be adjudged unreasonable in any proceeding, then the period of time shall be reduced by such number of months or the area shall be reduced by the elimination of such portion thereof or both so that such restrictions may be enforced in such area and for such time as is adjudged to be reasonable. If the Executive violates any of the restrictions contained in the foregoing subsection (a), the restrictive period shall not run in favor of the Executive from the time of the commencement of any such violation until such time as such violation shall be cured by the Executive to the satisfaction of Company.

11. Executive's Representation and Warranties. Executive represents and warrants that he has the full right and authority to enter into this Agreement and fully perform his obligations hereunder, that he is not subject to any non-competition agreement other than with the Company, and that his past, present and anticipated future activities have not and will not infringe on the proprietary rights of others. Executive further represents and warrants that he is not obligated under any contract (including, but not limited to, licenses, covenants or commitments of any nature) or other agreement or subject to any judgment, decree or order of any court or administrative agency which would conflict with his obligation to use his best efforts to perform his duties hereunder or which would conflict with the Company's business and operations as presently conducted or proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the

Company's business as officer and employee by Executive will conflict with or result in a breach of the terms, conditions or provisions of or constitute a default under any contract, covenant or instrument to which Executive is currently a party.

12. Miscellaneous.

(a) Integration; Amendment. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters set forth herein and supersedes and renders of no force and effect all prior understandings and agreements between the parties with respect to the matters set forth herein, including, but limited to, the Employment Agreement between the Company and the Executive dated as of March 1, 1998. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties.

(b) Severability. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable law or regulations, such

provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited, or invalid, but the remainder of this Agreement shall not be invalid and shall be given full force and effect so far as possible.

(c) Waivers. The failure or delay of any party at any time to require performance by the other party of any provision of this Agreement, even if known, shall not affect the right of such party to require performance of that provision or to exercise any right, power, or remedy hereunder, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power, or remedy under this Agreement. No notice to or demand on any party in any case shall, of itself, entitle such party to other or further notice or demand in similar or other circumstances.

(d) Power and Authority. The Company represents and warrants to the Executive that it has the requisite corporate power to enter into this Agreement and perform the terms hereof; that the execution, delivery and performance of this Agreement by it has been duly authorized by all appropriate corporate action; and that this Agreement represents the valid and legally binding obligation of the Company and is enforceable against it in accordance with its terms.

(e) Burden and Benefit; Survival. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, personal and legal representatives, successors and assigns. In addition to, and not in limitation of, anything contained in

this Agreement, it is expressly understood and agreed that the Company's obligation to pay Termination Compensation as set forth herein shall survive any termination of this Agreement.

(f) Governing Law; Headings. This Agreement and its construction, performance, and enforceability shall be governed by, and construed in accordance with, the laws of the State of New Jersey. Headings and titles herein are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

(g) Arbitration; Remedies. Any dispute or controversy arising under this Agreement or as a result of or in connection with Executive's employment (other than disputes arising under Section 10) shall be arbitrated and settled pursuant to the National Rules for the Resolution of Employment Disputes of the American Arbitration Association which are then in effect in a proceeding held in Bergen County, New Jersey. This provision shall also apply to any and all claims that may be brought under any federal or state anti-discrimination or employment statute, rule or regulation, including, but not limited to, claims under: 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; the Immigration Reform and Control Act; the Americans With Disabilities Act; the Age Discrimination in Employment Act; the Fair Labor Standards Act; the Occupational Safety and Health Act; the Family and Medical Leave Act; and the Equal Pay Act. The decision of the arbitrator and award, if any, is final and binding on the parties and the judgment may be entered in any court having jurisdiction thereof. The parties will agree upon an arbitrator from the list of labor arbitrators supplied by the American Arbitration Association. The parties understand and agree, however, that disputes arising under Section 10 of this Agreement may be brought in a court of law or equity without submission to arbitration.

(h) Jurisdiction. Except as otherwise provided for herein, each of the parties (a) submits to the exclusive jurisdiction of any state court sitting in Bergen County, New Jersey or federal court sitting in New Jersey in any action or proceeding arising out of or relating to this Agreement, (b) agrees that all claims in respect of the action or proceeding may be heard and determined in any such court, (c) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court and (d) waives any right such party may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or proceeding

so brought and waives any bond, surety or other security that might be required of any other party with respect thereto. Any party may make service on another party by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for giving of notices in Section 12(i). Nothing in this Section, however, shall affect the right of any party to serve legal process in any other manner permitted by law.

(i) Notices. All notices called for under this Agreement shall be in writing and shall be deemed given upon receipt if delivered personally or by confirmed facsimile transmission and followed promptly by mail, or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at their respective addresses (or at such other address for a party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof) as set forth in the preamble to this Agreement or to any other address or addressee as any party entitled to receive notice under this Agreement shall designate, from time to time, to others in the manner provided in this subsection 12(i) for the service of notices.

Any notice delivered to the party hereto to whom it is addressed shall be deemed to have been given and received on the day it was received; provided, however, that if such day is not a business day then the notice shall be deemed to have been given and received on the business day next following such day. Any notice sent by facsimile transmission shall be deemed to have been given and received on the business day next following the day of transmission.

(j) Number of Days. In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays and holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday or holiday on which federal banks are or may elect to be closed, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or such holiday.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

BERNARD C. BOYLE

PDI, INC.

By:

Charles T. Saldarini
Chief Executive Officer

Exhibit 10.9

AMENDED AND RESTATED
EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement") is made as of the 1st day of May, 2001, by and among PDI, INC., a Delaware corporation (the "Company"), having its principal place of business at 10 Mountainview Road, Upper Saddle River, New Jersey 07458, on the one hand, and STEPHEN COTUGNO, residing at 265 Worthington Road, Greenburgh, New York 10607 (the "Executive"), on the other.

W I T N E S S E T H

WHEREAS, the Executive is currently employed by the Company and serves as the Company's Executive Vice President -- Corporate Development; and

WHEREAS, the Company, recognizing the unique skills and abilities of the Executive, wishes to insure that the Executive will continue to be employed by the Company; and

WHEREAS, the Executive desires to continue in the employment of the Company as Executive Vice President -- Corporate Development; and

WHEREAS, the parties desire by this Amended and Restated Agreement to set forth the terms and conditions of the employment relationship between the Company and the Executive.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants in this Agreement, the Company and the Executive agree as follows:

1. Employment and Duties. The Company hereby employs the Executive as Executive Vice President -- Corporate Development on the terms and conditions provided in this Agreement and Executive agrees to accept such employment subject to the terms and conditions of this Agreement. The Executive shall be responsible for management of the day-to-day corporate development activities of the Company, shall perform the duties and responsibilities as are customary for the officer of a corporation in such positions, and shall perform such other duties and responsibilities as are reasonably determined from time to time by the Chief Executive Officer of the Company. The Executive shall report to and be supervised by the Company's Chief Executive Officer. The Executive shall be based at the Company's offices in Upper Saddle River, New Jersey or such other place that shall constitute the Company's headquarters and, except for business travel incident to his employment under this Agreement, the Company agrees the Executive shall not be

required to relocate. The Executive agrees to devote substantially all his attention and time during normal business hours to the business and affairs of the Company and to use his reasonable best efforts to perform faithfully and efficiently the duties and responsibilities of his positions and to accomplish the goals and objectives of the Company as may be established from time to time by the Company's Board of Directors (the "Board"). Notwithstanding the foregoing, the Executive may engage in the following activities (and shall be entitled to retain all economic benefits thereof including fees paid in connection therewith) as long as they do not interfere in any material respect with the performance of the Executive's duties and responsibilities hereunder and, with respect to subsections (i) and (ii) below, that such activity is pre-approved by the Company's Chief Executive Officer: (i) serve on corporate, civic, religious, educational and/or charitable boards or committees, provided that the Executive shall not serve on any board or committee of any corporation or other business which competes with the Business (as defined in Section 10(a) below); (ii) deliver lectures, fulfill speaking engagements or teach on a part-time basis at educational institutions; and (iii) make investments in businesses or enterprises and manage his personal investments; provided that with respect to such activities Executive shall comply with any business conduct and ethics policy applicable to employees of the Company.

2. Term. The term of this Agreement shall commence on May 1, 2001 (the "Commencement Date"), and shall terminate on November 30, 2004, unless extended or earlier terminated in accordance with the terms of this Agreement (the

"Termination Date"). Such term of employment is herein sometimes referred to as the "Employment Term". The Employment Term shall be extended for successive one year periods unless either party notifies the other in writing at least 365 days before the Termination Date, or any anniversary of the Termination Date, as the case may be, that he or it chooses not to extend the Employment Term.

3. Compensation. As compensation for performing the services required by this Agreement, and during the term of this Agreement, the Executive shall be compensated as follows:

(a) Base Compensation. The Company shall pay to the Executive an annual salary ("Base Compensation") of $175,000, payable in equal installments pursuant to the Company's customary payroll procedures in effect for its executive personnel at the time of payment, but in no event less frequently than monthly, subject to withholding for applicable federal, state, and local income and employment related taxes. The Executive may be entitled to such increases in Base

Compensation with respect to each calendar year during the term of this Agreement, as shall be determined by the Company's Compensation Committee (the "Committee"), in its sole and absolute discretion, based on an annual review of the Executive's performance .

(b) Incentive Compensation. In addition to Base Compensation, the Executive may be entitled to receive additional compensation ("Incentive Compensation") in the discretion of the Committee. The Incentive Compensation shall be pursuant to short-term and/or long-term incentive compensation programs which currently exist or may be established by the Company. For purposes of this Agreement, the Executive's "Pro Rata Share" of Incentive Compensation for any calendar of the Company shall be a fraction whose numerator shall be equal to the number of months (or parts of months) during which the Executive was actually employed by the Company during any such calendar year and whose denominator shall be the total number of months in such calendar year.

4. Employee Benefits. During the Employment Term and subject to the limitations set forth in this Section 4, the Executive and his eligible dependents shall have the right to participate in any retirement plans (qualified and non-qualified), pension, insurance, health, disability or other benefit plan or program that has been or is hereafter adopted by the Company (or in which the Company participates), according to the terms of such plan or program, on terms no less favorable than the most favorable terms granted to senior executives of the Company.

5. Vacation and Leaves of Absence. The Executive shall be entitled to the normal and customary amount of paid vacation provided to senior executive officers of the Company, but in no event less than 20 days during each 12 month period, beginning on the Commencement Date of this Agreement. Any vacation days that are not taken in a given 12 month period shall not accrue or carry-over from year to year. Upon any termination of this Agreement for any reason whatsoever, accrued and unused vacation for the year in which this Agreement terminates will be paid to the Executive within 10 days of such termination based on his annual rate of Base Compensation in effect on the date of such termination. In addition, the Executive may be granted leaves of absence with or without pay for such valid and legitimate reasons as the Company in its sole and absolute discretion may determine, and the Executive shall be entitled to the same sick leave and holidays provided to other senior executives of the Company.

6. Expenses.

(a) Business Expenses. The Executive shall be promptly reimbursed against presentation of vouchers or receipts for all reasonable and necessary expenses incurred by him in connection with the performance of his duties hereunder.

(b) Automobile Expense. During the Employment Term, in order to facilitate the performance of the Executive's duties hereunder, and otherwise for the convenience of the Company, the Company shall provide the Executive with

an automobile, or shall reimburse the Executive for the cost of leasing an automobile (provided that the lease payments with respect to such automobile shall not exceed $1,000 per month) and shall pay or reimburse Executive (upon presentation of vouchers or receipts) for the reasonable cost of all maintenance, insurance, repairs, and other reasonable expenses related to such automobile.

7. Indemnification.

(a) General. The Company agrees that if the Executive is made a party or is threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director or officer of the Company, is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including, without limitation, service with respect to employee benefit plans, whether or not the basis of such Proceeding is alleged action in an official capacity as a director, officer, member, employee or agent while serving as a director, officer, member, employee or agent, the Executive shall be indemnified and held harmless by the Company to the fullest extent authorized by applicable law (in accordance with the certificate of incorporation and/or bylaws of the Company), as the same exists or may hereafter be amended, against all Expenses (as defined below) incurred or suffered by the Executive in connection therewith, and such indemnification shall continue as to the Executive even if the Executive has ceased to be an officer, director or agent, or is no longer employed by the Company and shall inure to the benefit of his heirs, executors and administrators.

(b) Expenses. As used in this Agreement, the term "Expenses" shall include, without limitation, damages, losses, judgments, liabilities, fines, penalties, excise taxes, settlements and costs, attorneys' fees, accountants' fees, and disbursements and costs of attachment or similar bonds, investigations, and any expenses of establishing a right to indemnification under this

Agreement.

(c) Enforcement. If a claim or request under this Agreement is not paid by the Company, or on their behalf, within fifteen days after a written claim or request has been received by the Company, the Executive may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim or request and if successful in whole or in part, the Executive shall be entitled to be paid also the expenses of prosecuting such suit. The burden of proving that the Executive is not entitled to indemnification for any reason shall be upon the Company.

(d) Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of the Executive.

(e) Partial Indemnification. If the Executive is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of any Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify the Executive for the portion of such Expenses to which the Executive is entitled.

(f) Advances of Expenses. Expenses incurred by the Executive in connection with any Proceeding shall be paid by the Company in advance upon request of the Executive that the Company pay such Expenses.

(g) Notice of Claim. The Executive shall give to the Company notice of any claim made against his for which indemnity will or could be sought under this Agreement. In addition, the Executive shall give the Company such information and cooperation as it may reasonably require and as shall be within the Executive's power and at such times and places as are convenient for the Executive.

(h) Defense of Claim. With respect to any Proceeding as to which the Executive notifies the Company of the commencement thereof: (i) the Company will be entitled to participate therein at its own expense; and (ii) except as

otherwise provided below, to the extent that it may wish, the Company jointly with any other indemnifying party similarly notified will be entitled to assume the defense thereof, with counsel reasonably satisfactory to the Executive. The Company shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Company or as to which the Executive shall have reasonably concluded that there may be a conflict of interest between the Company and the Executive in the conduct of the defense of such action.

The Company shall not be liable to indemnify the Executive under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent. The Company shall not settle any action or claim in any manner which would impose any penalty or limitation on the Executive without Executive's written consent. Neither the Company nor the Executive shall unreasonably withhold or delay their consent to any proposed settlement.

(i) Non-exclusivity. The right to indemnification and the payment of expenses incurred in defending a Proceeding in advance of its final disposition conferred in this Section 7 shall not be exclusive of any other right which the Executive may have or hereafter may acquire under any statute, provision of the certificate of incorporation or by-laws of the Company, agreement, vote of stockholders or disinterested directors or otherwise.

(j) Directors and Officers Liability Policy. The Company agrees to use reasonable efforts to maintain directors and officers liability insurance covering the Executive in a reasonable and adequate amount determined by the Company.

8. Termination and Termination Benefits.

(a) Termination by the Company.

(i) For Cause. Notwithstanding any provision contained herein, the Company may terminate this Agreement at any time during the Employment Term for "Cause". For purposes of this subsection 8(a)(i), "Cause" shall mean (1) the continuing willful failure by the Executive to substantially perform his duties hereunder for any reason other than total or partial incapacity due to physical or mental illness, or (2) gross negligence or gross malfeasance on the part of the Executive in the performance of his duties hereunder that causes material harm to the Company. Termination pursuant to this subsection 8(a)(i) shall be effective immediately upon giving the Executive written notice thereof stating the reason or reasons therefor with respect to clause (2) above, and 15 days after written notice thereof from the Company to the Executive specifying the acts or omissions constituting the failure and requesting that they be remedied with respect to clause (1) above, but only if the Executive has not cured such failure within such 15 day period. In the event of a termination pursuant to this subsection 8(a)(i), the Executive shall be entitled to payment of his Base Compensation and the benefits pursuant to Section 4 hereof up to the effective date of such termination and it is also the intention and agreement of the Company that Executive shall not be deprived by reason of termination for Cause of any payments, options or benefits which have been

vested or have been earned or to which Executive is entitled as of the effective date of such termination.

(ii) Disability. If due to illness, physical or mental disability, or other incapacity, the Executive shall fail, for a total of any six consecutive months ("Disability"), to substantially perform the principal duties required by this Agreement, the Company may terminate this Agreement upon 30 days' written notice to the Executive. In such event, the Executive shall be (1) paid his Base Compensation until the Termination Date and his Pro Rata Share of any Incentive Compensation to which he would have been entitled for the year in which such termination occurs, and (2) provided with employee benefits pursuant to Section 4, to the extent available, for the remainder of the Employment Term; provided, however, that any compensation to be paid to the Executive pursuant to this subsection 8(a)(ii) shall be offset against any payments received by the Executive pursuant to any policy of disability

insurance the premiums of which are paid for by the Company.

(b) Termination Without Cause or Termination For Good Reason. The Company may terminate the Executive's employment hereunder without Cause and the Executive may terminate his employment hereunder for "Good Reason" (as defined below). If the Company terminates the Executive's employment hereunder without Cause, other than due to death or Disability, or if the Executive terminates his employment for Good Reason, the Executive shall be paid: (i) his Base Compensation at the rate in effect at the time of termination through the Termination Date; (ii) his Pro Rata Share of any Incentive Compensation to which he would have been entitled for the year in which such termination occurs; (iii) a lump sum payment equal to the product of thirty-six (36) times the "Monthly Salary Amount"; (iv) any vested deferred compensation (including, without limitation, interest or other credits on the deferred amounts) and any accrued vacation pay; (v) continuation, until the expiration of the Employment Term and for twelve months thereafter, of the health and welfare benefits of the Executive and any long-term disability insurance generally provided to senior executives of the Company (as provided for by Section 4 of this Agreement) (or the Company shall provide the economic equivalent thereof); provided, however, if the Executive obtains new employment and such employment makes the Executive eligible for health and welfare or long-term disability benefits which are equal to or greater in scope then the benefits then being offered by the Company, then the Company shall no longer be required to

provide such benefits to the Executive; and (vi) any other compensation and benefits as may be provided in accordance with the terms and provisions of any applicable plans or programs of the Company.

As used herein, "Monthly Salary Amount" shall mean an amount equal to one-twelfth of the sum of (y) the Executive's then current annual Base Salary plus (z) the average cash incentive compensation paid to the Executive during the three years immediately preceding the termination date.

As used herein, "Good Reason" means and shall be deemed to exist if, without the prior express written consent of the Executive, (a) the Company breaches this Agreement in any material respect; (b) the Company fails to obtain the full assumption of this Agreement by a successor; (c) the Company fails to use its reasonable best efforts to maintain, or cause to be maintained directors and officers liability insurance coverage for the Executive; (d) the Company purports to terminate the Executive's employment for Cause and such purported termination of employment is not effected in accordance with the requirements of this Agreement, or (e) of within two years following the occurrence of a Change in Control (i) the Executive suffers an adverse change in his status, title, position or responsibilities, (ii) the Executive suffers a reduction in his base salary, (iii) the Executive suffers an adverse change in his working conditions, or (iv) the Company breaches any material provision of this Agreement; provided, however, that with respect to items (a) through (d) above, within 30 days of written notice of termination by the Executive, the Company has not cured, or commenced to cure, such failure or breach.

For purposes of this Agreement, a "Change of Control" shall mean (1) any merger by the Company into another corporation or corporations which results in the stockholders of the Company immediately prior to such transaction owning less than 55% of the surviving Corporation; (2) any acquisition (by purchase, lease or otherwise) of all or substantially all of the assets of the Company by any person, corporation or other entity or group thereof acting jointly; (3) the acquisition of beneficial ownership, directly or indirectly, of voting securities of the Company (defined as Common Stock of the Company or any securities having voting rights that the Company may issue in the future) and rights to acquire voting securities of the Company (defined as including, without limitation, securities that are convertible into voting securities of the Company (as defined above) and rights, options warrants and other agreements or arrangements to acquire such voting

securities) by any person, corporation or other entity or group thereof acting jointly, in such amount or amounts as would permit such person, corporation or other entity or group thereof acting jointly to elect a majority of the members

of the Board of the Company, as then constituted; or (4) the acquisition of beneficial ownership, directly or indirectly, of voting securities and rights to acquire voting securities having voting power equal to 25% or more of the combined voting power of the Company's then outstanding voting securities by any person, corporation or other entity or group thereof acting jointly unless such acquisition as is described in this part (4) is expressly approved by resolution of the Board of the Company passed upon affirmative vote of not less than a majority of the Board and adopted at a meeting of the Board held not later than the date of the next regularly scheduled or special meeting held following the date the Company obtains actual knowledge of such acquisition (which approval may be limited in purpose and effect solely to affecting the rights of Employee under this Agreement). Notwithstanding the preceding sentence, (i) any transaction that involves a mere change in identity form or place of organization within the meaning of Section 368(a)(1)(F) of the Internal Revenue Code of 1986, as amended, or a transaction of similar effect, shall not constitute a Change in Control.

(c) Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided or maintained by the Company and for which the Executive may qualify, nor shall anything herein limit or otherwise prejudice such rights as the Executive may have under any other existing or future agreements with the Company. Except as otherwise expressly provided for in this Agreement, amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plans or programs of the Company at or subsequent to the date of termination shall be payable in accordance with such plans or programs.

(d) Vesting of Stock Grants and Stock Options. In the event of any termination of this Agreement, Executive's rights with regard to any stock grants, loan agreements or stock options shall be as set forth in the respective agreement containing the terms and conditions pertaining thereto. Notwithstanding the foregoing, in the event that the Executive is terminated for reasons other than for "Cause" or in the event the Executive terminates this Agreement for "Good Reason", any stock options then held by the Executive shall immediately vest in the Executive;

provided, however, all stock options then held by the Executive shall expire and/or terminate 90 days after the date this Agreement is terminated.

(e) Certain Additional Payments by the Company. Anything in this Agreement to the contrary notwithstanding, in the event that it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986 or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (an "Excise Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Excise Gross-Up Payment and any ordinary income tax on the Excise Gross-Up Payment, in order to put the Executive in the same net after-tax position as if the payment were not subject to any Excise Tax. Subject to the provisions of this Section 8(e), all determinations required to be made hereunder, including whether an Excise Gross-Up Payment is required and the amount of such Excise Gross-Up Payment, shall be made by PricewaterhouseCoopers LLP or such other accounting firm which at the time audits the financial statements of the Company (the "Accounting Firm") at the sole expense of the Company, which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the date of termination of the Executive's employment under this Agreement, if applicable, or such earlier time as is requested by the Company.

(f) Death Benefit. Notwithstanding any other provision of this Agreement, this Agreement shall terminate on the date of the Executive's death. In such event the Company shall continue to pay Executive's Base Compensation to his wife, if she survives him, or, if she does not survive him, to his estate, through the end of the twelfth month following the month in which such death occurs. In addition, the Company shall pay to Executive's wife, if she survives

him, or, if she does not survive him, to his estate, the Pro Rata Share of any Incentive Compensation to which Executive would have been entitled for the year in which such death occurs.

If the Accounting Firm determines that no Excise Tax is payable by the Executive, the Company shall use its reasonable best efforts to cause the Accounting Firm to furnish the Executive

with an opinion that he has substantial authority not to report any Excise Tax on his federal income tax return. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Excise Gross-Up Payments, which will not have been made by the Company, should have been made (an "Underpayment") consistent with the calculations required to be made hereunder. If the Company exhausts its remedies pursuant hereto and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Excise Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive knows of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall: (i) give the Company any information reasonably requested by the Company relating to such claim; (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including (without limitation) accepting legal representation with respect to such claim by an attorney reasonably selected by the Company; (iii) cooperate with the Company in good faith to contest effectively such claim; and (iv) permit the Company to participate in any proceedings relating to such claim; provided that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions hereof the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue

or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine, provided that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance, and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which an Excise Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue

Service or any other taxing authority.

If, after the receipt by the Executive of an amount advanced by the Company pursuant hereto, the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements hereof) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant hereto, a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Excise Gross-Up Payment required to be paid.

(g) Termination Payment. In the event Company does not elect to extend the Employment Term as provided for in Section 2 hereof, in consideration for the post-employment covenant against competition set forth in Section 10 hereof, the Executive shall be entitled to a lump-sum payment equal to the product of twelve times the Monthly Salary Amount.

(h) Payment. Except as otherwise provided in this Agreement, any payments to which the Executive shall be entitled under this Section 8, including, without limitation, any economic equivalent of any benefit, shall be made as promptly as possible following the date of termination. If the amount of any payment due to the Executive cannot be finally determined within 90 days after the Date of Termination, such amount shall be estimated on a good faith basis by the Company and the estimated amount shall be paid no later than 90 days after such Date of Termination. As soon as practicable hereafter, the final determination of the amount due shall be made and any adjustment requiring a payment to or from the Executive shall be made as promptly as practicable.

(i) No Mitigation. The Executive shall not be required to mitigate the amount of any payments provided for by this Agreement by seeking employment or otherwise, nor shall the amount of any payment or benefit provided in this Agreement be reduced by any compensation or benefit earned by the Executive after termination of his employment.

9. Company Property. All advertising, promotional, sales, suppliers, manufacturers and other materials or articles or information, including without limitation data processing reports, customer lists, customer sales analyses, invoices, product lists, price lists or information, samples, or any other materials or data of any kind furnished to the Executive by the Company or developed by the Executive on behalf of the Company or at the Company's direction or for the Company's use or otherwise in connection with the Executive's employment hereunder, are and shall remain the sole and confidential property of the Company; if the Company requests the return of such materials at any time during or at or after the termination of the Executive's employment, the Executive shall immediately deliver the same to the Company.

10. Covenant Not To Compete.

(a) Covenants Against Competition. The Executive acknowledges that as of the execution of this Employment Agreement (i) the Company is engaged in the business of providing sales and marketing and marketing research services to the pharmaceutical and biotechnology industries (the "Business"); (ii) the Company's Business is conducted currently throughout the United States and may be expanded to other locations; (iii) his employment with the Company will have given him access to confidential information concerning the Company; and (iv) the agreements

and covenants contained in this Agreement are essential to protect the business and goodwill of the Company. Accordingly, the Executive covenants and agrees as follows:

(i) Non-Compete. Without the prior written consent of the

Board of the Company, the Executive shall not during the Restricted Period (as defined below) within the Restricted Area (as defined below) (except in the Executive's capacity as an officer of the Company or any of its affiliates), (a) engage or participate in the Business; (b) enter the employ of, or render any services (whether or not for a fee or other compensation) to, any person engaged in the Business; or (c) acquire an equity interest in any such person; provided, that the foregoing restrictions shall not apply at any time if the Executive's employment is terminated during the Term by the Executive for Good Reason (as defined in Section 8(b) below) or by the Company other than for "Cause"; provided, further, that during the Restricted Period the Executive may own, directly or indirectly, solely as a passive investment, securities of any company traded on any national securities exchange or on the National Association of Securities Dealers Automated Quotation System.

As used herein, "Restricted Period" shall mean the period commencing on the Commencement Date and ending on the second anniversary of the Executive's termination of employment.

"Restricted Area" shall mean any place within the United States and any other country in which the Company is then actively considering conducting Business.

(b) Confidential Information; Personal Relationships. The Executive acknowledges that the Company has a legitimate and continuing proprietary interest in the protection of its confidential information and has invested substantial sums and will continue to invest substantial sums to develop, maintain and protect confidential information. The Executive agrees that, during and after the Restricted Period, without the prior written consent of the Board, the Executive shall keep secret and retain in strictest confidence, and shall not knowingly use for the benefit of himself or others all confidential matters relating to the Company's Business including, without limitation, operational methods, marketing or development plans or strategies, business acquisition plans, joint venture proposals or plans, and new personnel acquisition plans, learned by the Executive heretofore or hereafter (such information shall be referred to herein collectively as "Confidential Information"); provided, that nothing in this Agreement shall prohibit the Executive from disclosing or using any Confidential Information (A) in the performance of his duties

hereunder, (B) as required by applicable law, (C) in connection with the enforcement of his rights under this Agreement or any other agreement with the Company, or (D) in connection with the defense or settlement of any claim, suit or action brought or threatened against the Executive by or in the right of the Company. Notwithstanding any provision contained herein to the contrary, the term Confidential Information shall not be deemed to include any general knowledge, skills or experience acquired by the Executive or any knowledge or information known or available to the public in general. Moreover, the Executive shall be permitted to retain copies of, or have access to, all such Confidential Information relating to any disagreement, dispute or litigation (pending or threatened) involving the Executive.

(c) Employees of the Company and its Affiliates. During the Restricted Period, without the prior written consent of the Board of the Company, the Executive shall not, directly or indirectly, hire or solicit, or cause others to hire or solicit, for employment by any person other than the Company or any affiliate or successor thereof, any employee of, or person employed within the two years preceding the Executive's hiring or solicitation of such person by, the Company and its affiliates or successors or encourage any such employee to leave his employment. For this purpose, any person whose employment has been terminated involuntarily by the Company shall be excluded from those persons protected by this Section for the benefit of the Company.

(d) Business Relationships. During the Restricted Period, the Executive shall not, directly or indirectly, request or advise a person that has a business relationship with the Company to curtail or cancel such person's business relationship with the Company.

(e) Rights and Remedies Upon Breach. If the Executive breaches, threatens to commit a breach of, any of the provisions contained in Section 10 of this Agreement (the "Restrictive Covenants"), the Company shall have the following rights and remedies, each of which rights and remedies shall be

independent of the others and severally enforceable, and each of which is in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity.

(i) Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company.

(ii) Accounting. The right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits derived or received by the Executive as the result of any action constituting a breach of Restrictive Covenants.

(f) Severability of Covenants. The Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in duration and geographical scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect without regard to the invalid portions. The provisions set forth in Section 10 above shall be in addition to any other provisions of the business conduct and ethics policy applicable to employees of the Company and its subsidiaries during the term of Executive's employment.

(g) Saving Clause. If the period of time or the area specified in subsection (a) above should be adjudged unreasonable in any proceeding, then the period of time shall be reduced by such number of months or the area shall be reduced by the elimination of such portion thereof or both so that such restrictions may be enforced in such area and for such time as is adjudged to be reasonable. If the Executive violates any of the restrictions contained in the foregoing subsection (a), the restrictive period shall not run in favor of the Executive from the time of the commencement of any such violation until such time as such violation shall be cured by the Executive to the satisfaction of Company.

11. Executive's Representation and Warranties. Executive represents and warrants that he has the full right and authority to enter into this Agreement and fully perform his obligations hereunder, that he is not subject to any non-competition agreement other than with the Company, and that his past, present and anticipated future activities have not and will not infringe on the proprietary rights of others. Executive further represents and warrants that he is not obligated under any contract (including, but not limited to, licenses, covenants or commitments of any nature) or other agreement or subject to any judgment, decree or order of any court or administrative agency which would conflict with his obligation to use his best efforts to perform his duties hereunder or which would conflict with the Company's business and operations as presently conducted or proposed to be conducted. Neither the execution nor delivery of this Agreement, nor the carrying on of the

Company's business as officer and employee by Executive will conflict with or result in a breach of the terms, conditions or provisions of or constitute a default under any contract, covenant or instrument to which Executive is currently a party.

12. Miscellaneous.

(a) Integration; Amendment. This Agreement constitutes the entire agreement between the parties hereto with respect to the matters set forth herein and supersedes and renders of no force and effect all prior understandings and agreements between the parties with respect to the matters set forth herein, including, but not limited to, the Employment Agreement between the Executive and the Company dated as of September 1, 2000. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties.

(b) Severability. If any part of this Agreement is contrary to,

prohibited by, or deemed invalid under applicable law or regulations, such provision shall be inapplicable and deemed omitted to the extent so contrary, prohibited, or invalid, but the remainder of this Agreement shall not be invalid and shall be given full force and effect so far as possible.

(c) Waivers. The failure or delay of any party at any time to require performance by the other party of any provision of this Agreement, even if known, shall not affect the right of such party to require performance of that provision or to exercise any right, power, or remedy hereunder, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right, power, or remedy under this Agreement. No notice to or demand on any party in any case shall, of itself, entitle such party to other or further notice or demand in similar or other circumstances.

(d) Power and Authority. The Company represents and warrants to the Executive that it has the requisite corporate power to enter into this Agreement and perform the terms hereof; that the execution, delivery and performance of this Agreement by it has been duly authorized by all appropriate corporate action; and that this Agreement represents the valid and legally binding obligation of the Company and is enforceable against it in accordance with its terms.

(e) Burden and Benefit; Survival. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, executors, personal and legal representatives, successors and assigns. In addition to, and not in limitation of, anything contained in

this Agreement, it is expressly understood and agreed that the Company's obligation to pay Termination Compensation as set forth herein shall survive any termination of this Agreement.

(f) Governing Law; Headings. This Agreement and its construction, performance, and enforceability shall be governed by, and construed in accordance with, the laws of the State of New Jersey. Headings and titles herein are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

(g) Arbitration; Remedies. Any dispute or controversy arising under this Agreement or as a result of or in connection with Executive's employment (other than disputes arising under Section 10) shall be arbitrated and settled pursuant to the National Rules for the Resolution of Employment Disputes of the American Arbitration Association which are then in effect in a proceeding held in Bergen County, New Jersey. This provision shall also apply to any and all claims that may be brought under any federal or state anti-discrimination or employment statute, rule or regulation, including, but not limited to, claims under: 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; the Immigration Reform and Control Act; the Americans With Disabilities Act; the Age Discrimination in Employment Act; the Fair Labor Standards Act; the Occupational Safety and Health Act; the Family and Medical Leave Act; and the Equal Pay Act. The decision of the arbitrator and award, if any, is final and binding on the parties and the judgment may be entered in any court having jurisdiction thereof. The parties will agree upon an arbitrator from the list of labor arbitrators supplied by the American Arbitration Association. The parties understand and agree, however, that disputes arising under Section 10 of this Agreement may be brought in a court of law or equity without submission to arbitration.

(h) Jurisdiction. Except as otherwise provided for herein, each of the parties (a) submits to the exclusive jurisdiction of any state court sitting in Bergen County, New Jersey or federal court sitting in New Jersey in any action or proceeding arising out of or relating to this Agreement, (b) agrees that all claims in respect of the action or proceeding may be heard and determined in any such court, (c) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court and (d) waives any right such party may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or

proceeding

so brought and waives any bond, surety or other security that might be required of any other party with respect thereto. Any party may make service on another party by sending or delivering a copy of the process to the party to be served at the address and in the manner provided for giving of notices in Section 12(i). Nothing in this Section, however, shall affect the right of any party to serve legal process in any other manner permitted by law.

(i) Notices. All notices called for under this Agreement shall be in writing and shall be deemed given upon receipt if delivered personally or by confirmed facsimile transmission and followed promptly by mail, or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at their respective addresses (or at such other address for a party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof) as set forth in the preamble to this Agreement or to any other address or addressee as any party entitled to receive notice under this Agreement shall designate, from time to time, to others in the manner provided in this subsection 12(i) for the service of notices.

Any notice delivered to the party hereto to whom it is addressed shall be deemed to have been given and received on the day it was received; provided, however, that if such day is not a business day then the notice shall be deemed to have been given and received on the business day next following such day. Any notice sent by facsimile transmission shall be deemed to have been given and received on the business day next following the day of transmission.

(j) Number of Days. In computing the number of days for purposes of this Agreement, all days shall be counted, including Saturdays, Sundays and holidays; provided, however, that if the final day of any time period falls on a Saturday, Sunday or holiday on which federal banks are or may elect to be closed, then the final day shall be deemed to be the next day which is not a Saturday, Sunday or such holiday.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

STEPHEN COTUGNO

PDI, INC.

By:

Charles T. Saldarini
Chief Executive Officer

EXECUTION COPY

EXHIBIT 10.11

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$60,000,000 REVOLVING CREDIT FACILITY
CREDIT AGREEMENT

by and among

PROFESSIONAL DETAILING, INC.,
TVG, INC., PDI INVESTMENT COMPANY, INC.,
PROTOCALL, INC.,
and
LIFECYCLE VENTURES, INC.,
as Borrowers,

and

THE BANKS PARTY HERETO,

PNC BANK, NATIONAL ASSOCIATION,
as Administrative and Syndication Agent

and

THE BANK OF NEW YORK, as Documentation Agent

Dated as of March 30, 2001

with

PNC CAPITAL MARKETS, INC., as Lead Arranger

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EXHIBIT 10.11

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TABLE OF EXHIBITS AND SCHEDULES

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is dated as of March 30, 2001 and is made by and among PROFESSIONAL DETAILING, INC. ("PDI"), a Delaware corporation, TVG, INC., a Delaware corporation, PDI INVESTMENT COMPANY, INC., a Delaware corporation, PROTOCALL, INC., a New Jersey corporation and LIFECYCLE VENTURES, INC. ("LCV"), a Delaware corporation (each a "Borrower" and collectively the "Borrowers"), the Banks (as hereinafter defined), PNC BANK, NATIONAL ASSOCIATION, in its capacity as administrative and syndication agent for the Banks under this Agreement (hereinafter referred to in such capacity as the "Agent"), and THE BANK OF NEW YORK, as documentation agent (hereinafter referred to in such capacity as the "Documentation Agent").

WITNESSETH:

WHEREAS, the Borrower has requested the Banks to provide (i) a short-term revolving credit facility to the Borrower in an aggregate principal amount not to exceed $30,000,000 and (ii) a long-term revolving credit facility to the Borrowers in an aggregate principal amount not to exceed $30,000,000; and

WHEREAS, the short-term and long-term revolving credit facilities shall be used for general corporate and working capital purposes; and

WHEREAS, the Banks are willing to provide such credit upon the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto, in consideration of their mutual covenants and agreements hereinafter set forth and intending to be legally bound hereby, covenant and agree as follows:

1. CERTAIN DEFINITIONS

1.1 Certain Definitions.

In addition to words and terms defined elsewhere in this Agreement, the following words and terms shall have the following meanings, respectively, unless the context hereof clearly requires otherwise:

Affiliate as to any Person shall mean any other Person (i) which directly or indirectly controls, is controlled by, or is under common control with such Person, (ii) which beneficially owns or holds 5% or more of any class of the voting or other equity interests of such Person, or (iii) 5% or more of any class of voting interests or other equity interests of which is beneficially owned or held, directly or indirectly, by such Person. Control, as used in this definition, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors of a corporation or trustees of a corporation or trust or managers of a limited liability company, as the case may be.

Agent shall mean PNC Bank, National Association, in its capacity as administrative and syndication agent for the Banks hereunder, and its successors and assigns.

Agent's Fee shall have the meaning assigned to such term in Section 9.15.

Agent's Letter shall have the meaning assigned to such term in Section 9.15.

Agreement shall mean this Credit Agreement, as the same may be supplemented or amended from time to time, including all SCHEDULES, EXHIBITS, and other attachments hereto.

Annual Statements shall have the meaning assigned to such term in Section 5.1.9(i).

Applicable Base Rate Margin shall mean the margin (expressed in basis points) to be added to the Base Rate determined by the level of the Leverage Ratio in accordance with the Pricing Grid; provided, however that until receipt by the Banks of PDI's audited financial statements in accordance with Section 7.3.3 for the fiscal year ended December 31, 2000, the Applicable Base Rate Margin shall be the margin set forth under Level I on such Pricing Grid.

Applicable Commitment Fee Percentage shall mean the commitment fee rate (expressed in basis points) determined by the level of the Leverage Ratio in accordance with the Pricing Grid; provided, however, that until receipt by the Banks of PDI's audited financial statements in accordance with Section 7.3.3 for the fiscal year ended December 31, 2000, the Applicable Commitment Fee Percentage shall be the percentage set forth under Level I on such Pricing Grid.

Applicable Euro-Rate Margin shall mean the margin (expressed in basis points) to be added to the Euro-Rate determined by the level of the Leverage Ratio in accordance with the Pricing Grid; provided, however that until

receipt by the Banks of PDI's audited financial statements in accordance with Section 7.3.3 for the fiscal year ended December 31, 2000, the Applicable Euro-Rate Margin shall be the margin set forth under Level I on such Pricing Grid.

Applicable LCV Advance Rate shall mean 75% until such time as the Agent shall have received and approved the results at a certain field exam, verification and collateral audit of LCV's books, records, operations, properties and receivables, at which time and based upon such results, the Agent may increase or decrease said advance rate in its reasonable discretion; provided, however that any proposed increase shall be subject to the prior approval of all of the Banks.

Applicable Letter of Credit Fee Percentage shall mean the letter of credit fee (expressed in basis points) rate determined by the level of the Leverage Ratio in accordance with the Pricing Grid; provided, however, that until receipt by the Banks of PDI's audited financial statements in accordance with Section 7.3.3 for the fiscal year ended December 31, 2000, the Applicable Letter of Credit Fee Percentage shall be the percentage set forth under Level I on such Pricing Grid.

Assignee Bank shall have the meaning assigned to such term in Section 2.11.2.

Assignment and Assumption Agreement shall mean an Assignment and Assumption Agreement by and among a Purchasing Bank (including any Assignee Bank), a Transferor Bank and the Agent, substantially in the form of EXHIBIT 1.1(A).

Authorized Officers shall mean those individuals, designated by written notice to the Agent from the Borrowers, authorized to execute notices, reports and other documents on behalf of the Borrowers required hereunder. The Borrowers may amend such list of individuals from time to time by giving written notice of such amendment to the Agent.

Availability shall mean, at any relevant time of determination, the amount by which the Borrowing Base exceeds the sum of (i) the aggregate outstanding principal amount of the Revolving Credit Loans plus (ii) (without duplication) the Letter of Credit Outstandings.

Bank to be Terminated shall have the meaning assigned to such term in Section 2.11.2.

Banks shall mean the financial institutions named on SCHEDULE 1.1(B) and their respective successors and assigns as permitted hereunder, each of which is referred to herein as a Bank.

Base Rate shall mean the greater of (i) the interest rate per annum announced from time to time by the Agent at its Principal Office as its then prime rate, which rate may not be the lowest rate then being charged commercial borrowers by the Agent, or (ii) the Federal Funds Effective Rate plus .50% per annum.

Base Rate Option shall mean the option of the Borrower to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(i).

Benefit Arrangement shall mean at any time an "employee benefit plan," within the meaning of Section 3(3) of ERISA, which is neither a Plan nor a Multiemployer Plan and which is maintained, sponsored or otherwise contributed to by any member of the ERISA Group.

Borrower and Borrowers shall have the meaning assigned to such terms in the Introductory Paragraph of this Agreement.

Borrowing Base shall mean, at any time, the sum of (A) 90% of Unencumbered Cash of the Borrowers, plus (B) 80% of Eligible Receivables (exclusive of the Eligible Receivables of LCV), plus (C) the Applicable LCV Advance Rate of the Eligible Receivables of LCV less the LCV Specific Adjustments, plus (D) the value of the Eligible Inventory discounted by an advance rate determined by the Agent from time to time in its reasonable discretion based upon, among other factors, such appraisals, field exams and other forms of valuations as the Agent may deem relevant from time to time and the circumstances under which any such Inventory is acquired, held, processed or otherwise managed by the Borrowers from time to time (provided, however, that the establishment of an advance rate in excess of 40% shall require the prior approval of all of the Banks), for each relevant Calculation Period.

Borrowing Base Certificate shall mean a certificate in the form of EXHIBIT 1.1(B) hereto.

Borrowing Date shall mean, with respect to any Loan, the date for the making thereof or the renewal or conversion thereof at or to the same or a different Interest Rate Option, which shall be a Business Day.

Borrowing Tranche shall mean specified portions of Loans outstanding as follows: (i) any Loans to which a Euro-Rate Option applies which become subject to the same Interest Rate Option under the same Loan Request by the Borrower and which have the same Interest Period shall constitute one Borrowing Tranche, and (ii) all Loans to which a Base Rate Option applies shall constitute one Borrowing Tranche.

Business Day shall mean any day other than a Saturday or Sunday or a legal holiday on which commercial banks are authorized or required to be closed for business in Pittsburgh, Pennsylvania or New York, New York and if the applicable Business Day relates to any Loan to which the Euro-Rate Option applies, such day must also be a day on which dealings in Dollar deposits are carried on in the London interbank market.

Capital Expenditures of any Person shall mean expenditures (whether paid in cash or other consideration or accrued as a liability) for fixed or capital assets determined in accordance with GAAP (excluding any capitalized interest and any such asset acquired in connection with normal replacement and maintenance programs properly charged to current operations and excluding any replacement assets acquired with the proceeds of insurance) made by such Person.

Calculation Period shall mean each calendar month beginning with March 2001, and each successive month thereafter.

Closing Date shall mean the Business Day on which all the conditions specified in Section 6.1 have been satisfied as determined by the Agent and the Banks in their sole discretion, which is intended to be April 27, 2001. The closing shall take place at 11:00 a.m., Eastern Standard Time, on the Closing Date at the New Brunswick, New Jersey offices of Windels Marx Lane & Mittendorf, LLP, or at such other time and place as the parties agree.

Commitment shall mean as to any Bank the aggregate of its Short-Term Revolving Credit Commitment and Long-Term Revolving Commitment, and Commitments shall mean the aggregate of the Short-Term Revolving Credit Commitments and Long-Term Revolving Credit Commitments of all of the Banks.

Commitment Fee shall have the meaning assigned to such term in Section 2.3.

Consideration shall mean, with respect to any Permitted Acquisition, the aggregate of (i) the cash paid by any of the Borrowers, directly or indirectly, to the seller in connection therewith, (ii) the Indebtedness incurred or assumed by any of the Borrowers, whether in favor of the seller or otherwise and whether fixed or contingent, (iii) any Guaranty given or incurred by any Borrower in connection therewith, and (iv) any other consideration given or obligation incurred by any of the Borrowers in connection therewith.

Consolidated EBIT plus Rent for any period of determination shall mean (i) the sum of net income, interest expense and income tax expense, and rental expense under operating leases minus (ii) non-cash credits to net income, in each case of PDI and the Restricted Subsidiaries for such period determined and consolidated (as to PDI and the Restricted

Subsidiaries only) in accordance with GAAP; provided, however that the Consolidated EBIT plus Rent calculation shall be made without consideration of any income derived from any investment or interest in any Unrestricted Subsidiary or other Permitted Joint Venture, other than any cash dividends or other form of cash distributions from any Unrestricted Subsidiary or other Permitted Joint Venture received by PDI or any Restricted Subsidiary during the relevant period of determination.

Consolidated EBITDA for any period of determination shall mean (i) the sum of net income, depreciation, amortization, other non-cash charges to net income, interest expense and income tax expense minus (ii) non-cash credits to net income, in each case of PDI and the Restricted Subsidiaries for such period determined and consolidated (as to PDI and the Restricted Subsidiaries only) in accordance with GAAP; provided, however that the Consolidated EBITDA calculation shall be made without consideration of any income derived from any investment or interest in any Unrestricted Subsidiary or other Permitted Joint Venture, other than any cash dividends or other form of cash distributions from any Unrestricted Subsidiary or other Permitted Joint Venture received by PDI or any Restricted Subsidiaries during the relevant period of determination.

Consolidated Net Worth shall mean as of any date of determination total stockholders' equity of PDI and the Restricted Subsidiaries as of such date determined and consolidated (as to PDI and the Restricted Subsidiaries

only) in accordance with GAAP; provided, however, that the Consolidated Net Worth calculation shall be made without consideration of asset attributable to any investment or interest of any Borrower or any Restricted Subsidiary in any Unrestricted Subsidiary or any other Permitted Joint Venture.

Consolidated Total Debt shall mean the aggregate amount of the Indebtedness plus any usage under any Receivables Securitization, if any, in each case of PDI and the Restricted Subsidiaries as of any date of determination, determined and consolidated (as to PDI and the Restricted Subsidiaries only) in accordance with GAAP.

Contamination shall mean the presence or release or threat of release of Regulated Substances in, on, under or emanating to or from any of the Property, which pursuant to Environmental Laws requires notification or reporting to an Official Body, or which pursuant to Environmental Laws requires investigation, cleanup, removal, remediation, containment, abatement or other response action or which otherwise constitutes a violation of Environmental Laws.

Deferred Payments shall mean (i) in connection with any Permitted Acquisition, the portion of the Consideration (whether in the form of a contingent funding obligation or otherwise) remaining after the initial payments of Consideration that a Borrower or Restricted Subsidiary is required to fund within 12 months of the consummation of such transaction or (ii) in connection with any Permitted Joint Venture, the cash, property or assets (whether in the form of a contingent funding obligation or otherwise) remaining after the initial payments and/or contributions that a Borrower or any Restricted Subsidiary are required to fund or contribute within 12 months of the consummation of such transaction.

Dollar, Dollars, U.S. Dollars and the symbol $ shall mean lawful money of the United States of America.

Documentation Agent shall mean The Bank of New York, in its capacity as documentation agent under this Agreement, and its successors and assigns.

Drawing Date shall have the meaning assigned to such term in Section 2.9.3.2.

Eligible Inventory shall mean saleable finished goods produced or acquired by any of the Borrowers in the ordinary course of business which (i) are stored in locations owned or leased by any of the Borrowers and do not constitute goods in transit to any third party; provided, however that such goods shall not be deemed ineligible solely because such goods are in the possession of a provider of public warehouse space or an agent of a Borrower responsible for the storage and/or distribution of such goods, which, in either case, has been paid currently for the use of such space or the rendition of such services by the relevant Borrower, (ii) are not subject to any consignment or similar arrangement whereby said goods are in the actual or constructive possession of customers of any of the Borrowers for subsequent resale in the ordinary course of business of such customers, (iii) are not subject to any Lien (other than in favor of the Agent for the ratable benefit of the Banks), (iv) do not consist of packaging materials, supplies or work-in-process, or returned or rejected finished goods, (v) do not constitute Glaxo Inventory or are otherwise subject to recapture or any other form of off-set or title retention arrangement with the manufacturer of such goods, (vi) can be sold by the Borrowers in the ordinary course of business in accordance with applicable Law without unduly burdensome restrictions, and (vii) the Agent has deemed to be otherwise acceptable in its reasonable discretion. The Agent reserves the right to revise the standards of eligibility from time to time in its reasonable discretion; provided, however, that any such revisions that are less restrictive of the standards set forth above in this definition shall require the consent of the Required Banks. Eligible Inventory shall be valued at the lower cost or market value determined on a first-in, first-out basis.

Eligible Receivables shall mean all accounts receivable of the Borrowers which are the result of the sale of goods or rendition of services in the ordinary course of business other than accounts receivable (i) which have remained unpaid for more than 90 days from invoice date; (ii) which are owed by any Person where 50% or more of the receivables owed by such Person would be excluded by reason of clause (i) of this definition (the "50% Rule"); (iii) which are owed by any Affiliate of any Borrower to any Borrower or another Affiliate of any Borrower and the aggregate amount of said accounts receivable exceed 5% of the aggregate amount of all Eligible Receivables in any Calculation Period, in which case the amount of such excess shall be deemed ineligible; provided, however that no such receivable shall be included as an Eligible Receivable if (y) the transaction from which such receivable has arisen does not comply with Section 7.2.9 or (z) such receivable is a duplication of other Eligible Receivables included into the Borrowing Base; (iv) which are payable by any Person not incorporated (or otherwise not transacting business through principal places of business) in a jurisdiction which is part of the United States of America or any state or commonwealth (including Puerto Rico) thereof;

(v) as to which the goods which gave rise to the receivable have been or are being returned or as to which a credit has been claimed; (vi) as to which (collectively, "Contras") the account party has (or claimed the right to) off-set against or has netted out (or claimed the right to) amounts due such account party by any Borrower; (vii) as to which there are accrued and unpaid late charges, to the extent of such late charges (provided, that this clause (vii) shall not derogate from the provisions of clause (i) above); (viii) which are payable by any Person which is the subject of any Insolvency Proceeding, or had a receiver, trustee or other similar official appointed with respect to all or a substantial portion of its properties or which has ceased doing business; (ix) as to which the goods which gave rise to the

receivable were shipped or delivered or provided to the account party on a bill and hold basis, consignment sale basis, guaranteed sale basis, sale or return basis or on a basis of similar terms; (x) which are payable by an Official Body unless such Official Body is not subject to the Federal Assignment of Claims Act of 1940 or any similar state or local Law; (xi) which are subject to any Lien (other than in favor of the Agent for the ratable benefit of the Bank); (xii) which are payable in any currency other than Dollars, or (xiii) which the Agent has deemed to be otherwise unacceptable in its reasonable business judgment. Furthermore, if receivables payable by any single Person (together with any Affiliate of such Person) account for 25% or more of the aggregate amount of all receivables of the Borrowers, the amount of said receivables in excess of said 25% shall be deemed (in the reasonable business judgment of the Agent) not to be Eligible Receivables whether or not said receivables otherwise meet the foregoing eligibility requirements.

Environmental Complaint shall mean any written complaint by any Person or Official Body setting forth a cause of action for personal injury or property damage, natural resource damage, contribution or indemnity for response costs, civil or administrative penalties, criminal fines or penalties, or declaratory or equitable relief arising under any Environmental Laws or any order, notice of violation, citation, subpoena, request for information or other written notice or demand of any type issued by an Official Body pursuant to any Environmental Laws.

Environmental Laws shall mean all federal, state, local and foreign Laws and any consent decrees, settlement agreements, judgments, orders, directives, policies or programs issued by or entered into with an Official Body pertaining or relating to: (i) pollution or pollution control; (ii) protection of human health or the environment; (iii) employee safety in the workplace; (iv) the presence, use, management, generation, manufacture, processing, extraction, treatment, recycling, refining, reclamation, labeling, transport, storage, collection, distribution, disposal or release or threat of release of Regulated Substances; (v) the presence of Contamination; (vi) the protection of endangered or threatened species; and (vii) the protection of Environmentally Sensitive Areas.

Environmentally Sensitive Area shall mean (i) any wetland as defined by applicable Environmental Laws; (ii) any area designated as a coastal zone pursuant to applicable Laws, including Environmental Laws; (iii) any area of historic or archeological significance or scenic area as defined or designated by applicable Laws, including Environmental Laws; (iv) habitats of endangered species or threatened species as designated by applicable Laws, including Environmental Laws; or (v) a floodplain or other flood hazard area as defined pursuant to any applicable Laws.

ERISA shall mean the Employee Retirement Income Security Act of 1974, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

ERISA Group shall mean, at any time, the Borrower and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control and all other entities which, together with the Borrower, are treated as a single employer under Section 414 of the Internal Revenue Code.

Euro-Rate shall mean, with respect to the Loans comprising any Borrowing Tranche to which the Euro-Rate Option applies for any Interest Period, the interest rate per annum determined by the Agent by dividing (the resulting quotient rounded upwards, if necessary, to the

nearest 1/100th of 1% per annum) (i) the rate of interest determined by the Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) to be the average of the London interbank offered rates for U.S. Dollars quoted by the British Bankers' Association as set forth on Dow Jones Markets Service (formerly known as Telerate) (or appropriate successor or, if the British Bankers' Association or its successor ceases to

provide such quotes, a comparable replacement determined by the Agent) display page 3750 (or such other display page on the Dow Jones Markets Service system as may replace display page 3750) two (2) Business Days prior to the first day of such Interest Period for an amount comparable to such Borrowing Tranche and having a borrowing date and a maturity comparable to such Interest Period by (ii) a number equal to 1.00 minus the Euro-Rate Reserve Percentage. The Euro-Rate may also be expressed by the following formula:

$$\text{Euro Rate} = \frac{\text{Average of London interbank offered rates quoted by BBA or appropriate successor as shown on Dow Jones Markets Service display page 3750}}{\text{1.00 - Euro-Rate Reserve Percentage}}$$

The Euro-Rate shall be adjusted with respect to any Loan to which the Euro-Rate Option applies that is outstanding on the effective date of any change in the Euro-Rate Reserve Percentage as of such effective date. The Agent shall give prompt notice to the Borrowers and the Banks of the Euro-Rate as determined or adjusted in accordance herewith, which determination shall be conclusive absent manifest error.

Euro-Rate Option shall mean the option of the Borrowers to have Revolving Credit Loans bear interest at the rate and under the terms and conditions set forth in Section 3.1.1(ii).

Euro-Rate Reserve Percentage shall mean as of any day the maximum percentage in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirements (including supplemental, marginal and emergency reserve requirements) with respect to eurocurrency funding (currently referred to as "Eurocurrency Liabilities").

Event of Default shall mean any of the events described in Section 8.1 and referred to therein as an "Event of Default."

Executive Officer of the Borrowers shall mean the Chief Executive Officer of PDI, Chief Financial Officer of PDI, Chief Operating Officer of PDI, the President of PDI, or any other executive officer of PDI performing substantially the same functions of any of the foregoing officers, now or in the future.

Extending Bank shall have the meaning assigned to such term in Section 2.11.2.

Facility Fees shall mean the fees referred to in Section 2.4.

Federal Funds Effective Rate for any day shall mean the rate per annum (based on a year of 360 days and actual days elapsed and rounded upward to the nearest 1/100 of 1%) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank

(or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the date of this Agreement; provided, if such Federal Reserve Bank (or its successor) does not announce such rate on any day, the "Federal Funds Effective Rate" for such day shall be the Federal Funds Effective Rate for the last day on which such rate was announced.

Financial Projections shall have the meaning assigned to such term in Section 5.1.9(ii).

Fixed Charge Coverage Ratio shall mean the ratio of Consolidated EBIT plus Rent to Fixed Charges.

Fixed Charges shall mean for any period of determination the sum of cash interest expense and rental expense under operating leases, in each case of PDI and the Restricted Subsidiaries for such period determined and consolidated (as to PDI and the Restricted Subsidiaries only) in accordance with GAAP.

GAAP shall mean generally accepted accounting principles as are in effect from time to time, subject to the provisions of Section 1.3, and applied on a consistent basis both as to classification of items and amounts; provided, however, that, except as otherwise provided in Sections 7.3.2 and 7.3.3, any consolidated accounting presentation required hereunder to be in conformity with GAAP may present a consolidation of PDI and the Restricted Subsidiaries without regard to any other Subsidiary of PDI.

Glaxo Agreement shall mean that certain Distribution Agreement dated as of September 29, 2000 by and between Glaxo Wellcome Inc., LCV and PDI, as guarantor, as amended by the Glaxo Letter Agreement.

Glaxo Inventory shall mean any and all Product (as defined in the Glaxo Agreement) acquired by LCV pursuant to the Glaxo Agreement.

Glaxo Letter Agreement shall mean that certain amendatory letter agreement of LCV, PDI, and Glaxo Wellcome, Inc., dated as of September 29, 2000.

Governmental Acts shall have the meaning assigned to such term in Section 2.9.8.

Guaranty of any Person shall mean any obligation of such Person guaranteeing or in effect guaranteeing any liability or obligation of any other Person in any manner, whether directly or indirectly, including any agreement to indemnify or hold harmless any other Person, any performance bond or other suretyship arrangement and any other form of assurance against loss, except endorsement of negotiable or other instruments for deposit or collection in the ordinary course of business.

Historical Statements shall have the meaning assigned to such term in Section 5.1.9(i).

Increasing Bank shall have the meaning assigned to such term in Section 2.10.2.

Indebtedness shall mean, as to any Person at any time, any and all indebtedness, obligations or liabilities (whether matured or unmatured, liquidated or unliquidated, direct or indirect, absolute or contingent, or joint or several) of such Person for or in respect of: (i) borrowed money, (ii) amounts raised under or liabilities in respect of any note purchase or acceptance credit facility, (iii) reimbursement obligations (contingent or otherwise) under or in respect of any letter of credit, currency swap agreement, interest rate swap, cap, collar or floor agreement or other interest rate management device, (iv) any other transaction (including forward sale or purchase agreements, capitalized leases and conditional sales agreements) having the commercial effect of a borrowing of money entered into by such Person to finance its operations or capital requirements (but not including trade payables and accrued expenses incurred in the ordinary course of business which are not represented by a promissory note or other evidence of indebtedness and which are not more than ninety (90) days past due or otherwise being contested in good faith), or (v) any Guaranty of Indebtedness for borrowed money.

Insolvency Proceeding shall mean, with respect to any Person, (a) a case, action or proceeding with respect to such Person (i) before any court or any other Official Body under any bankruptcy, insolvency, reorganization or other similar Law now or hereafter in effect, or (ii) for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Borrower or otherwise relating to the liquidation, dissolution, winding-up or relief of such Person, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of such Person's creditors generally or any substantial portion of its creditors undertaken under any Law.

Interest Period shall mean the period of time selected by the Borrowers in connection with (and to apply to) any election permitted hereunder by the Borrowers to have Revolving Credit Loans bear interest under the Euro-Rate Option. Subject to the last sentence of this definition, such period shall be one, two, three or six Months as selected by the Borrowers in accordance with the terms hereof. Such Interest Period shall commence on the effective date of such Interest Rate Option, which shall be (i) the Borrowing Date if the Borrowers are requesting new Loans, or (ii) the date of renewal of or conversion to the Euro-Rate Option if the Borrowers are renewing or converting to the Euro-Rate Option applicable to outstanding Loans. Notwithstanding the second sentence hereof: (A) any Interest Period which would otherwise end on a date which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day, and (B) the Borrowers shall not select, convert to or renew an Interest Period for any portion of the Loans that would end after the Short-Term Expiration Date or Long-Term Expiration Date, as the case may be.

Interest Rate Option shall mean any Euro-Rate Option or Base Rate Option.

Interim Statements shall have the meaning assigned to such term in Section 5.1.9(i).

Internal Revenue Code shall mean the Internal Revenue Code of 1986, as the same may be amended or supplemented from time to time, and any successor statute of similar import, and the rules and regulations thereunder, as from time to time in effect.

Labor Contracts shall mean all employment agreements, employment contracts, collective bargaining agreements and other agreements among any Borrower or Restricted Subsidiary and its employees.

Law shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award of or settlement agreement with any Official Body.

LCV shall have the meaning assigned to such term in the Introductory Paragraph of this Agreement.

LCV Specific Adjustments shall mean, for any relevant Calculation Period, the following amounts: (i) the greater of (A) 15% of the gross amount of receivables of LCV from the sale of "Product" as defined in, and pursuant to, the Glaxo Agreement as reported on the relevant Borrowing Base Certificate or (B) the actual accrued so called "rebate/charge-back liability" in respect of volume discounts afforded managed care providers and/or other forms of health maintenance organizations and so called "best price" arrangements with governmental payors and (ii) the greater of (A) 6.5% of the gross amount of receivables of LCV from the sale of "Product" as defined in, and pursuant to, the Glaxo Agreement as reported on the relevant Borrowing Base Certificate or (B) the actual so called "pre-billed reserve" maintained by LCV with respect to LCV products invoiced but not yet shipped in the normal course of its business. Notwithstanding the foregoing, the Agent, with the prior written consent of the Required Banks, (1) may determine that, based upon receipt and satisfactory review of the materials to be furnished by the Borrowers pursuant to Section 7.3.7 (iv) and such other considerations as the Agent and the Required Banks may deem relevant, the adjustments set forth in clause (i) of this definition are no longer necessary and accordingly should not be considered in calculating the Borrowing Base and (2) based upon further field examinations to be conducted subsequent to the Closing Date, the adjustments set forth in clause (ii) of this definition are no longer necessary and accordingly should not be considered in calculating the Borrowing Base. The foregoing determinations shall be of no force or effect unless and until the Agent and the Required Banks provide the Borrowers with written notice of the same.

Letter of Credit shall have the meaning assigned to such term in Section 2.9.1.

Letter of Credit Borrowing shall have the meaning assigned to such term in Section 2.9.3.4.

Letter of Credit Fee shall have the meaning assigned to such term in Section 2.9.2.

Letters of Credit Outstanding shall mean at any time the sum of (i) the aggregate undrawn face amount of outstanding Letters of Credit and (ii) the aggregate amount of all unpaid and outstanding Reimbursement Obligations and Letter of Credit Borrowings.

Leverage Ratio for any period of determination shall mean the ratio of (i) Consolidated Total Debt as of the end of such period to (ii) Consolidated EBITDA for such period.

Lien shall mean any mortgage, deed of trust, pledge, lien, security interest, charge or other encumbrance or security arrangement of any nature whatsoever, whether voluntarily or involuntarily given, including any conditional sale or title retention arrangement, and any assignment, deposit arrangement or lease intended as, or having the effect of, security and any filed financing statement or other notice of any of the foregoing (whether or not a lien or other encumbrance is created or exists at the time of the filing).

Loan Documents shall mean this Agreement, the Agent's Letter, the Notes, each Borrowing Base Certificate and any other instruments, certificates or documents delivered or contemplated to be delivered hereunder or thereunder or in connection herewith or therewith, as the same may be supplemented or amended from time to time in accordance herewith or therewith, and Loan Document shall mean any of the Loan Documents.

Loan Request shall have the meaning given to such term in Section 2.5.

Loans shall mean collectively all Short-Term Revolving Credit Loans and all Long-Term Revolving Credit Loans and Loan shall mean separately each Revolving Credit Loan.

Long-Term Expiration Date shall mean April 27, 2004.

Long-Term Revolving Credit Commitment shall mean, as to any Bank at

any time, the amount initially set forth opposite its name on SCHEDULE 1.1(B) in the column labeled "Amount of Commitment for Long-Term Revolving Credit Loans" and thereafter as reflected on the most recent Assignment and Assumption Agreement to which such Bank is a party, and Long-Term Revolving Credit Commitments shall mean the aggregate of the Long-Term Revolving Credit Commitments of all of the Banks, and, in each case, subject, however to the adjustments contemplated in Sections 2.10, 2.11 and 2.12.

Long-Term Revolving Credit Loan and Long-Term Revolving Credit Loans shall have the meaning assigned to such terms in Section 2.1(b).

Long-Term Revolving Credit Notes shall be the collective reference to each such note of the Borrower in substantially the form of EXHIBIT 1.1(C) evidencing the Long-Term Revolving Credit Loans, together with all amendments, extensions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Mandatory Prepayment Date shall have the meaning assigned to such term in Section 4.5.1.

Material Adverse Change shall mean any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of this Agreement or any other Loan Document, (b) is or could reasonably be expected to be material and adverse to the business, properties, assets, financial condition, results of operations or prospects of the Borrowers (taken as a whole), (c) impairs materially or could reasonably be expected to impair materially the ability of the Borrowers (taken as a whole) to duly and punctually pay or perform their Indebtedness, or (d) impairs materially or could reasonably be expected to impair materially the ability of the Agent or any of the Banks, to the extent permitted, to enforce their legal remedies (taken as a whole) pursuant to this Agreement or any other Loan Document.

Material Contract shall mean any agreement, contract or other form of binding understanding of any of the Borrowers, the gross payments under which have or are likely to represent 5% or more of the consolidated revenues of the Borrowers in any fiscal year.

Month, with respect to an Interest Period under the Euro-Rate Option, shall mean the interval between the days in consecutive calendar months numerically corresponding to the first day of such Interest Period. If any Euro-Rate Interest Period begins on a day of a calendar month for which there is no numerically corresponding day in the month in which such Interest Period is to end, the final month of such Interest Period shall be deemed to end on the last Business Day of such final month.

Multiemployer Plan shall mean any employee benefit plan which is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA and to which the Borrowers or any member of the ERISA Group is then making or accruing an obligation to make contributions or, within the preceding five plan years, has made or had an obligation to make such contributions.

Multiple Employer Plan shall mean a Plan which has two or more contributing sponsors (including a Borrower or any member of the ERISA Group) at least two of whom are not under common control, as such a Plan is described in Sections 4063 and 4064 of ERISA.

Net Cash Proceeds shall mean the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred compensation) by or on behalf of any Borrower in connection with any Receivables Securitization, after deduction therefrom of only (i) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees and other similar fees and expenses, and (ii) the amount of taxes payable in connection with, or as a result of, such transaction; but in each case only to the extent that such amounts are deducted upon receipt of such cash proceeds and actually paid to Persons other than a Borrower or any Affiliate of any Borrower.

New Increasing Bank shall have the meaning assigned to such terms in Section 2.10.2.

Non-Increasing Bank shall have the meaning assigned to such term in Section 2.10.2.

Notes shall mean the Short-Term Revolving Credit Notes and the Long-Term Revolving Credit Notes.

Notices shall have the meaning assigned to such term in Section 10.6.

Obligation shall mean any obligation or liability of any of the Borrowers or any Restricted Subsidiary to the Agent or any of the Banks,

howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, joint or several, or joint and several, now or hereafter existing, or due or to become due, under or in connection with this Agreement, the Notes, the Letters of Credit, the Agent's Letter or any other Loan Document.

Official Body shall mean any national, federal, state, local or other government or political subdivision or any agency, authority, board, bureau, central bank, commission,

department or instrumentality of any of the foregoing, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

Participation Advance shall mean, with respect to any Bank, such Bank's payment in respect of its participation in a Letter of Credit Borrowing according to its Ratable Share pursuant to Section 2.9.3.4.

Partnership Interests shall have the meaning given to such term in Section 5.1.3.

PBGC shall mean the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA or any successor thereto.

PDI shall have the meaning assigned to such term in the Introductory Paragraph of this Agreement.

Permitted Acquisitions shall have the meaning assigned to such term in Section 7.2.6.

Permitted Investments shall mean:

(i) direct obligations of the United States of America or any agency or instrumentality thereof or obligations backed by the full faith and credit of the United States of America maturing in twelve (12) months or less from the date of acquisition;

(ii) commercial paper maturing in 180 days or less rated not lower than A-1, by Standard & Poor's or P-1 by Moody's Investors Service, Inc. on the date of acquisition;

(iii) demand deposits, time deposits or certificates of deposit maturing within one year in any of the Banks or any other commercial bank whose obligations are rated A-1, A or the equivalent or better by Standard & Poor's on the date of acquisition; and

(iv) investments consistent with the PDI Board of Directors approved guidelines attached hereto as EXHIBIT 1.1(P).

Permitted Joint Venture shall have the meaning assigned to such term in Section 7.2.7.

Permitted Liens shall mean:

(i) Liens for taxes, assessments, or similar charges, incurred in the ordinary course of business and which are not yet due and payable;

(ii) Pledges or deposits made in the ordinary course of business to secure payment of workmen's compensation, or to participate in any fund in connection with workmen's compensation, unemployment insurance, old-age pensions or other social security programs;

(iii) Liens of mechanics, materialmen, warehousemen, carriers, or other like Liens, securing obligations incurred in the ordinary course of business that are not yet due and

payable and Liens of landlords securing obligations to pay lease payments that are not yet due and payable or in default;

(iv) Good-faith pledges or deposits made in the ordinary course of business to secure performance of bids, tenders, contracts (other than for the repayment of borrowed money) or leases, not in excess of the aggregate amount due thereunder, or to secure statutory obligations, or surety, appeal, indemnity, performance or other similar bonds required in the ordinary course of business;

(v) Encumbrances consisting of zoning restrictions, easements or other restrictions on the use of real property, none of which materially impairs the use of such property or the value thereof, and none of which is violated in any material respect by existing or proposed structures or land use;

(vi) Liens, security interests and mortgages in favor of the Agent for the benefit of the Banks;

(vii) Any Lien existing on the date of this Agreement and described on SCHEDULE 1.1(P), provided that the principal amount secured thereby is not hereafter increased, and no additional assets become subject to such Lien;

(viii) Purchase Money Security Interests, provided that the aggregate amount of loans and deferred payments secured by such Purchase Money Security Interests shall not exceed $7,500,000 (excluding for the purpose of this computation any loans or deferred payments secured by Liens described on SCHEDULE 1.1(P));

(ix) Purchase Money Security Interests and other Liens securing Indebtedness permitted to be assumed pursuant to Section 7.2.1(iii);

(x) Liens on Glaxo Inventory as contemplated in the Glaxo Agreement;

(xi) Liens on accounts receivable granted by a Borrower in connection with any Receivables Securitization, but only to the extent of the receivables from which income is to be derived to pay debt service on the instruments or securities issued thereunder; and

(xii) The following, (A) if the validity or amount thereof is being contested in good faith by appropriate and lawful proceedings diligently conducted so long as levy and execution thereon have been stayed and continue to be stayed or (B) if a final judgment is entered and such judgment is discharged within thirty (30) days of entry, and in the aggregate, does not materially impair the ability of any Borrower to perform its Obligations hereunder or under the other Loan Documents:

(1) Claims or Liens for taxes, assessments or charges due and payable and subject to interest or penalty, provided that the applicable Borrower maintains such reserves or other appropriate provisions as shall be required by GAAP and pays all such taxes, assessments or charges forthwith upon the commencement of proceedings to foreclose any such Lien;

(2) Claims, Liens or encumbrances upon, and defects of title to, real or personal property, including any attachment of personal or real property or other legal process prior to adjudication of a dispute on the merits; and

(3) Claims or Liens of mechanics, materialmen, warehousemen, carriers, or other statutory nonconsensual Liens.

Person shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, joint venture, government or political subdivision or agency thereof, or any other entity.

Plan shall mean at any time an employee pension benefit plan (including a Multiple Employer Plan, but not a Multiemployer Plan) which is covered by Title IV of ERISA or is subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained by any entity which was at such time a member of the ERISA Group for employees of any entity which was at such time a member of the ERISA Group.

PNC Bank shall mean PNC Bank, National Association, its successors and assigns.

Potential Default shall mean any event or condition which, with notice, passage of time or any combination of the foregoing, would constitute an Event of Default.

Principal Office shall mean the main banking office of the Agent in Pittsburgh, Pennsylvania.

Pricing Grid shall mean the Pricing Grid attached hereto and made a part hereof.

Product Contract Rights Acquisitions shall mean the acquisition by any of the Borrowers, or any Restricted Subsidiary, of certain equity participations, contract rights or other forms of entitlements to share in the economic benefits of the income derived from the distribution of pharmaceutical products of a Person other than a Borrower or a Restricted Subsidiary for cash consideration or in exchange for marketing, sale or promotional services rendered for other than compensation in the ordinary course of business,

including, without limitation, any royalty or licensing arrangements that inure to the benefit of a Borrower or Restricted Subsidiary as a result of the rendition of such services.

Product Line Acquisitions shall mean the acquisition by any of the Borrowers, or any Restricted Subsidiary, of exclusive rights to distribute a specific pharmaceutical product or group of related products substantially analogous to the transactions contemplated in the Glaxo Agreement, and, in exchange for said exclusive distribution rights, it would be contemplated that said Borrower or Restricted Subsidiary would purchase specified quantities of the relevant product at specified prices (which may include specified adjustments thereto based on specified contingencies) for a specified term whether or not subsequent sales of such products have been arranged.

Pro Forma Leverage Ratio for any period of determination shall mean the Leverage Ratio determined for the rolling four fiscal quarters then most recently ended and calculated to include any Indebtedness or other liabilities assumed or incurred by a Borrower or a Restricted Subsidiary in connection with the Permitted Acquisition, Permitted Joint Venture or any loans or advances proposed to be made pursuant to Section 7.2.4(vi), as the case may be, but to exclude income earned or expenses incurred by the Person, business or assets to be acquired or the Person participating with a Borrower or Restricted Subsidiary in any such joint venture, in each case prior to the date of consummation of such transaction and determined in accordance with GAAP, consistently applied.

Pro Forma Liquidity Requirement shall mean the demonstration by PDI to the reasonable satisfaction of the Agent and the Required Banks that immediately after giving effect to the Permitted Joint Venture, Permitted Acquisition or any loans or advances proposed to be made pursuant to Section 7.2.4(vi), as the case may be, the Availability (inclusive of any anticipated Loans incurred directly or indirectly to fund any aspect of any such transaction) less any Deferred Payments, shall not be less than the greater of (A) $30,000,000 or (B) 20% of the aggregate amount of the Restricted Assets.

Prohibited Transaction shall mean any prohibited transaction as defined in Section 4975 of the Internal Revenue Code or Section 406 of ERISA for which neither an individual nor a class exemption has been issued by the United States Department of Labor.

Property shall mean all real property, both owned and leased, of any Borrower or Restricted Subsidiary.

Purchase Money Security Interest shall mean a Lien upon tangible personal property securing loans to any Borrower or Restricted Subsidiary or deferred payments by such Borrower or Restricted Subsidiary for the purchase of such tangible personal property.

Purchasing Bank shall mean a Bank which becomes a party to this Agreement by executing an Assignment and Assumption Agreement.

Ratable Share shall mean the proportion that a Bank's Commitment bears to the Commitments of all of the Banks.

Receivables Securitization shall mean the transfer or pledge of some or all of any Borrower's accounts receivable to a trust, partnership, corporation or other entity, which transfer or pledge is funded by such entity in whole or in part by the issuance of instruments or securities that are paid principally from cash flow derived from such receivables or such entity's interest therein.

Regulated Substances shall mean, without limitation, any substance, material or waste, regardless of its form or nature, defined under Environmental Laws as a "hazardous substance," "pollutant," "pollution," "contaminant," "hazardous or toxic substance," "extremely hazardous substance," "toxic chemical," "toxic substance," "toxic waste," "hazardous waste," "special handling waste," "industrial waste," "residual waste," "solid waste," "municipal waste," "mixed waste," "infectious waste," "chemotherapeutic waste," "medical waste," or "regulated substance" or any other material, substance or waste, regardless of its form or nature, which otherwise is regulated by Environmental Laws.

Regulation U shall mean Regulation U, T or X as promulgated by the Board of Governors of the Federal Reserve System, as amended from time to time.

Reimbursement Obligation shall have the meaning assigned to such term in Section 2.9.3.2.

Reportable Event shall mean a reportable event described in Section 4043 of ERISA and the regulations thereunder with respect to a Plan or

Multiemployer Plan.

Required Banks shall mean

(i) if there are no Loans, Reimbursement Obligations or Letter of Credit Borrowings outstanding, at least two Banks whose Commitments aggregate at least 60% of the Commitments of all of the Banks, or

(ii) if there are Loans, Reimbursement Obligations, or Letter of Credit Borrowings outstanding, any group of at least two Banks if the sum (without duplication) of the Loans, Reimbursement Obligations, Participation Advances and Letter of Credit Borrowings of the Banks in such group then outstanding aggregates at least 60% of the total principal amount (without duplication) of all of the Loans, Reimbursement Obligations and Letter of Credit Borrowings then outstanding. Reimbursement Obligations, Participation Advances and Letter of Credit Borrowings shall be deemed, for purposes of this definition, to be in favor of the Agent and not a participating Bank if such Bank has not made its Participation Advance in respect thereof and shall be deemed to be in favor of such Bank to the extent of its Participation Advance if it has made its Participation Advance in respect thereof.

Required Environmental Notices shall mean all notices, reports, plans, forms or other filings which pursuant to Environmental Laws or Required Environmental Permits or at the request or direction of an Official Body either must be submitted to an Official Body or otherwise must be maintained.

Required Environmental Permits shall mean all permits, licenses, bonds, consents, programs, approvals or authorizations required under Environmental Laws to own, occupy or maintain any of the Property or which otherwise are required for the operations and business activities of any Borrower.

Restricted Assets shall mean the total assets of PDI and the Restricted Subsidiaries as would be shown on a consolidated balance sheet of PDI and the Restricted Subsidiaries prepared in accordance with GAAP, consistently applied.

Restricted Subsidiaries shall mean each Subsidiary that is directly or indirectly wholly-owned or controlled by PDI and with respect to which Subsidiary, the requirements of Section 7.2.10 have been satisfied. Control, as used in this definition, shall mean the sole possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise, including the power to elect a majority of the directors of a corporation, trustees of a corporation or trust or managers of a limited liability company, as the case may be.

Revolving Credit Loans shall be the collective reference to each Short-Term Revolving Credit Loan and Long-Term Revolving Credit Loan.

Short-Term Expiration Date shall mean April 26, 2002.

Short-Term Revolving Credit Commitment shall mean, as to any Bank at any time, the amount initially set forth opposite its name on SCHEDULE 1.1(B) in the column labeled "Amount of Commitment for Short-Term Revolving Credit Loans," and thereafter on SCHEDULE I to the most recent Assignment and Assumption Agreement to which such Bank is a party, and Short-Term Revolving Credit Commitments shall mean the aggregate of the Short-Term Revolving Credit Commitments of all of the Banks, and in each case, subject to adjustment in accordance with Sections 2.10, 2.11 and 2.12.

Short-Term Revolving Credit Loan and Short-Term Revolving Credit Loans shall have the meaning assigned to such terms in Section 2.1(a).

Short-Term Revolving Credit Notes shall be the collective reference to each such Note of the Borrower in substantially the form of EXHIBIT 1.1(C) evidencing the Short-Term Revolving Credit Loans, together with all amendments, exclusions, renewals, replacements, refinancings or refundings thereof in whole or in part.

Standard & Poor's shall mean Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc.

Standby Letter of Credit shall mean a Letter of Credit issued to support obligations of one or more of the Borrowers, contingent or otherwise, which finance the working capital and business needs of any of the Borrowers incurred in the ordinary course of business.

Subsidiary of any Person at any time shall mean (i) any corporation or trust of which 50% or more (by number of shares or number of votes) of the outstanding capital stock or shares of beneficial interest normally entitled to vote for the election of one or more directors or trustees (regardless of any

contingency which does or may suspend or dilute the voting rights) is at such time owned directly or indirectly by such Person or one or more of such Person's Subsidiaries, (ii) any partnership of which such Person is a general partner or of which 50% or more of the partnership interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries, (iii) any limited liability company of which such Person is a manager or of which 50% or more of the limited liability company interests is at the time directly or indirectly owned by such Person or one or more of such Person's Subsidiaries or (iv) any corporation, trust, partnership, limited liability company or other entity which is controlled or capable of being controlled by such Person or one or more of such Person's Subsidiaries.

Subsidiary Shares shall have the meaning assigned to such term in Section 5.1.3.

Transferor Bank shall mean the selling Bank pursuant to an Assignment and Assumption Agreement.

Unencumbered Cash shall mean the sum of the Borrowers' cash (denominated and valued after any necessary currency conversions into Dollars) and Permitted Investments readily convertible into Dollars that are in all cases under the absolute dominion and control of the

Borrowers (subject to any book-entry holding systems that are usual and customary with financial intermediaries) and not subject to any Lien or any other form of restriction as to its use to satisfy any current liabilities of any of the Borrowers from time to time.

Unrestricted Subsidiary shall mean any Subsidiary of any Borrower or any Restricted Subsidiary that does not constitute a Restricted Subsidiary and was created or acquired in connection with a Permitted Joint Venture.

1.1.1. Construction.

Unless the context of this Agreement otherwise clearly requires, the following rules of construction shall apply to this Agreement and each of the other Loan Documents:

1.1.2. Number; Inclusion.

references to the plural include the singular, the plural, the part and the whole; "or" has the inclusive meaning represented by the phrase "and/or," and "including" has the meaning represented by the phrase "including without limitation";

1.1.3. Determination.

references to "determination" of or by the Agent or the Banks shall be deemed to include good-faith estimates by the Agent or the Banks (in the case of quantitative determinations) and good-faith beliefs by the Agent or the Banks (in the case of qualitative determinations) and such determination shall be conclusive absent manifest error;

1.1.4. Agent's Discretion and Consent.

whenever the Agent or the Banks are granted the right herein to act in its or their sole discretion or to grant or withhold consent, such right shall be exercised in good faith;

1.1.5. Reasonable Discretion and Determinations.

whenever the Agent or the Banks are granted the right herein to act in its or their reasonable discretion or to make reasonable determinations hereunder (or words of similar import), such right shall be exercised and such determination shall be made in good faith, with honesty in fact and in a manner consistent with reasonable commercial standards of fair dealing in the banking industry for borrowers similarly situated to the Borrowers and with respect to credit facilities similar to the credit facilities provided herein;

1.1.6. Documents Taken as a Whole.

the words "hereof," "herein," "hereunder," "hereto" and similar terms in this Agreement or any other Loan Document refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document;

1.1.7. Headings.

the section and other headings contained in this Agreement or such other Loan Document and the Table of Contents (if any), preceding this Agreement or such other Loan Document are for reference purposes only and shall not control or affect the construction of this Agreement or such other Loan Document or the interpretation thereof in any respect;

1.1.8. Implied References to this Agreement.

article, section, subsection, clause, SCHEDULE and EXHIBIT references are to this Agreement or such other Loan Document, as the case may be, unless otherwise specified;

1.1.9. Persons.

reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement or such other Loan Document, as the case may be, and reference to a Person in a particular capacity excludes such Person in any other capacity;

1.1.10. Modifications to Documents.

reference to any agreement (including this Agreement and any other Loan Document together with the schedules and exhibits hereto or thereto), document or instrument means such agreement, document or instrument as amended, modified, replaced, substituted for, superseded or restated;

1.1.11. From, To and Through.

relative to the determination of any period of time, "from" means "from and including," "to" means "to but excluding," and "through" means "through and including"; and

1.1.12. Shall; Will.

references to "shall" and "will" are intended to have the same meaning.

1.2 Accounting Principles.

Except as otherwise provided in this Agreement, all computations and determinations as to accounting or financial matters and all financial statements to be delivered pursuant to this Agreement shall be made and prepared in accordance with GAAP (including principles of consolidation where appropriate), and all accounting or financial terms shall have the meanings ascribed to such terms by GAAP; provided, however, that all accounting terms used in Section 7.2 (and all defined terms used in the definition of any accounting term used in Section 7.2 shall have the meaning given to such terms (and defined terms) under GAAP as in effect on the date hereof applied on a basis consistent with those used in preparing the Annual Statements referred to in Section 5.1.9(i). In the event of any change after the date hereof in GAAP, and if such change would result in the inability to determine compliance with the financial covenants set forth in Section 7.2 based upon the Borrowers' regularly prepared financial statements by reason

of the preceding sentence, then the parties hereto agree to endeavor, in good faith, to agree upon an amendment to this Agreement that would adjust such financial covenants in a manner that would not affect the substance thereof, but would allow compliance therewith to be determined in accordance with the Borrowers' financial statements at that time.

2. REVOLVING CREDIT FACILITY

2.1 Revolving Credit Commitments.

(a) Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Bank severally agrees to make short-term revolving credit loans to the Borrowers at any time or from time to time on or after the Closing Date to but excluding the Short-Term Expiration Date (each a "Short-Term Revolving Credit Loan" and collectively the "Short-Term Revolving Credit Loans"). Within such limits set forth herein (including, without limitation, the limits set forth in Section 2.1(c)) and subject to the other provisions of this Agreement, the Borrowers may borrow, repay and reborrow Short-Term Revolving Credit Loans pursuant to this Section 2.1(a).

(b) Subject to the terms and conditions hereof and relying upon the representations and warranties herein set forth, each Bank severally agrees to make long-term revolving credit loans to the Borrowers at any time or from time to time on or after the Closing Date to but excluding the Long-Term Expiration Date (each a "Long-Term Revolving Credit Loan" and collectively the "Long-Term

Revolving Credit Loans"). Within such time limits set forth herein (including, without limitation the limits set forth in Section 2.1(c)) and subject to the other provisions of this Agreement, the Borrowers may borrow, repay and reborrow Long-Term Revolving Credit Loans pursuant to this Section 2.1(b).

(c) Anything to the contrary set forth in this Section 2.1 notwithstanding, in no event shall (i) the aggregate amount of the Short-Term Revolving Credit Loans from any Bank exceed such Bank's Short-Term Revolving Credit Commitment, (ii) the aggregate amount of the Long-Term Revolving Credit Loans from any Bank exceed such Bank's Long-Term Revolving Credit Commitment minus such Bank's Ratable Share of Letter of Credit Obligations, and (iii) the aggregate amount of Revolving Credit Loans from all of the Banks plus the aggregate amount of all of the Letter of Credit Obligations exceed the Borrowing Base.

2.2 Nature of Banks' Obligations with Respect to Revolving Credit Loans.

Each Bank shall be obligated to participate in each request for Revolving Credit Loans pursuant to Section 2.5 in accordance with its Ratable Share. The obligations of each Bank hereunder are several. The failure of any Bank to perform its obligations hereunder shall not affect the Obligations of the Borrowers to any other party nor shall any other party be liable for the failure of such Bank to perform its obligations hereunder. The Banks shall have no obligation to make Short-Term Revolving Credit Loans hereunder on or after the Short-Term Expiration Date.

The Banks shall have no obligation to make Long-Term Revolving Credit Loans hereunder on or after the Long-Term Expiration Date.

2.3 Commitment Fees.

Accruing from and including the Closing Date until the Short-Term Expiration Date or Long-Term Expiration Date, as the case may be, the Borrowers agree to pay to the Agent for the account of each Bank, as consideration for such Bank's Commitment hereunder, a nonrefundable commitment fee (the "Commitment Fee") equal to the sum of (A) the Applicable Commitment Fee Percentage on the average daily difference between the amount of (i) such Bank's Long-Term Revolving Credit Commitment as the same may be constituted from time to time and (ii) the sum of such Bank's Long-Term Revolving Credit Loans outstanding plus its Ratable Share of Letters of Credit Outstanding and (B) the Applicable Commitment Fee Percentage on the average daily difference between the amount of (i) such Bank's Short-Term Revolving Credit Commitment as the same may be constituted from time to time and (ii) such Bank's Short-Term Revolving Credit Loans outstanding. All Commitment Fees shall be payable in arrears on the first Business Day of each January, April, July and October after the date hereof and on the Long-Term Expiration Date or upon acceleration of the Notes. The Applicable Commitment Fee Percentage shall be computed on the basis of a 360-day year, as the case may be, and actual days elapsed.

2.4 Revolving Credit Closing Fee.

The Borrowers agree to pay to the Agent for the account of each Bank, as consideration for such Bank's Commitment, a nonrefundable closing fee equal to 0.15% of such Bank's Commitment, payable on the Closing Date.

2.5 Revolving Credit Loan Requests.

Except as otherwise provided herein, each Borrower may from time to time prior to the Short-Term Expiration Date or Long-Term Expiration Date, as the case may be, request the Banks to make Revolving Credit Loans, or renew or convert the Interest Rate Option applicable to existing Revolving Credit Loans pursuant to Section 3.2, by delivering to the Agent, not later than 10:00 a.m., Pittsburgh time, (i) three (3) Business Days prior to the proposed Borrowing Date with respect to the making of Revolving Credit Loans to which the Euro-Rate Option applies or the conversion to or the renewal of the Euro-Rate Option for any Loans; and (ii) on the same Business Day of the proposed Borrowing Date with respect to the making of a Revolving Credit Loan to which the Base Rate Option applies or the last day of the preceding Interest Period with respect to the conversion to the Base Rate Option for any Loan, of a duly completed request therefor substantially in the form of EXHIBIT 2.5 or a request by telephone immediately confirmed in writing by letter, facsimile or telex in such form (each, a "Loan Request"), it being understood that the Agent may rely on the authority of any individual making such a telephonic request without the necessity of receipt of such written confirmation. Each Loan Request shall be irrevocable and shall specify (i) whether such Loan will be a Short-Term Revolving Credit Loan or Long-Term Revolving Credit Loan; (ii) the proposed Borrowing Date; (iii) the aggregate amount of the proposed Loans comprising each Borrowing Tranche, which shall be in integral multiples of $100,000 and not less than $2,000,000 for each Borrowing Tranche to which the Euro-Rate Option applies and not less than the lesser of $100,000 or the maximum amount available for

Borrowing Tranches to which the Base Rate Option applies; (iv) whether the Euro-Rate Option or Base Rate Option shall apply to the proposed Loans comprising the applicable Borrowing Tranche; and (v) in the case of a Borrowing Tranche to which the Euro-Rate Option applies, an appropriate Interest Period for the Loans comprising such Borrowing Tranche.

2.6 Making Revolving Credit Loans.

The Agent shall, promptly after receipt by it of a Loan Request pursuant to Section 2.5, notify the Banks of its receipt of such Loan Request specifying: (i) the proposed Borrowing Date and the time and method of disbursement of the Revolving Credit Loans requested thereby; (ii) the amount and type of each such Revolving Credit Loan and the applicable Interest Period (if any); and (iii) the apportionment among the Banks of such Revolving Credit Loans as determined by the Agent in accordance with Section 2.2. Each Bank shall remit the principal amount of each Revolving Credit Loan to the Agent such that the Agent is able to, and the Agent shall, to the extent the Banks have made funds available to it for such purpose and subject to Section 6.2, remit the proceeds of such Revolving Credit Loans to the Borrowers in Dollars and immediately available funds at the Principal Office prior to 2:00 p.m., Pittsburgh time, on the applicable Borrowing Date, provided that if any Bank fails to remit such funds to the Agent in a timely manner and has not notified the Agent prior to the time by which such funds are to be remitted by such Bank that such Bank will not be remitting funds, the Agent may elect in its sole discretion to fund with its own funds the Revolving Credit Loans of such Bank on such Borrowing Date, and such Bank shall be subject to the repayment obligation in Section 9.16.

2.7 Revolving Credit Notes.

The Obligation of the Borrowers to repay the aggregate unpaid principal amount of the Short-Term Revolving Credit Loans made by each Bank, together with interest thereon, shall be evidenced by a Short-Term Revolving Credit Note dated the Closing Date payable to the order of such Bank in a face amount equal to the Short-Term Revolving Credit Commitment of such Bank. The Obligation of the Borrowers to repay the aggregate unpaid principal amount of the Long-Term Revolving Credit Loans made by each Bank, together with interest thereon, shall be evidenced by a Long-Term Revolving Credit Note dated the Closing Date payable to the order of such Bank in a face amount equal to the Long-Term Revolving Credit Commitment of such Bank.

2.8 Use of Proceeds.

The proceeds of the Revolving Credit Loans shall be used for general corporate and other working capital purposes and in accordance with Section 7.1.10.

2.9 Letter of Credit Subfacility.

2.9.1. Issuance of Letters of Credit.

Each Borrower may request the issuance of a letter of credit (each a "Letter of Credit") on behalf of itself or another Borrower by delivering to the Agent a completed application and agreement for letters of credit in such form as the Agent may specify from time to time by no later than 10:00 a.m., Pittsburgh time, at least three (3) Business Days, or such shorter period as may be agreed to by the Agent, in advance of the proposed date of issuance. Each Letter of Credit shall be a Standby Letter of Credit. Subject to the terms and conditions hereof and in

reliance on the agreements of the other Banks set forth in this Section 2.9, the Agent will issue a Letter of Credit provided that each Letter of Credit shall (A) have a maximum maturity of twelve (12) months from the date of issuance, and (B) in no event expire later than ten (10) Business Days prior to the Long-Term Expiration Date and provided that in no event shall the Letters of Credit Outstanding exceed, at any one time, $5,000,000.00, or when added to the aggregate amount of the Long-Term Revolving Credit Loans then outstanding, the Long-Term Revolving Credit Commitments.

2.9.2. Letter of Credit Fees.

The Borrowers shall pay (i) to the Agent for the ratable account of the Banks a fee (the "Letter of Credit Fee") equal to the Applicable Letter of Credit Fee Percentage, and (ii) to the Agent for its own account a fronting fee equal to 0.125% per annum (computed on the basis of a year of 360 days and actual days elapsed), which fees shall be computed on the daily average Letters of Credit Outstanding and shall be payable quarterly in arrears commencing with the first Business Day of each January, April, July and October

following issuance of each Letter of Credit and on the Long-Term Expiration Date. The Borrowers shall also pay to the Agent for the Agent's sole account the Agent's then in effect customary fees and administrative expenses payable with respect to the Letters of Credit as the Agent may generally charge or incur from time to time in connection with the issuance, maintenance, modification (if any), assignment or transfer (if any), negotiation, and administration of Letters of Credit.

2.9.3. Disbursements, Reimbursement.

2.9.3.1. Immediately upon the issuance of each Letter of Credit, each Bank shall be deemed to, and hereby irrevocably and unconditionally agrees to, purchase from the Agent a participation in such Letter of Credit and each drawing thereunder in an amount equal to such Bank's Ratable Share of the maximum amount available to be drawn under such Letter of Credit and the amount of such drawing, respectively.

2.9.3.2. In the event of any request for a drawing under a Letter of Credit by the beneficiary or transferee thereof, the Agent will promptly notify the Borrowers. Provided that they shall have received such notice, the Borrowers shall reimburse (such obligation to reimburse the Agent shall sometimes be referred to as a "Reimbursement Obligation") the Agent prior to 12:00 noon, Pittsburgh time on each date that an amount is paid by the Agent under any Letter of Credit (each such date, a "Drawing Date") in an amount equal to the amount so paid by the Agent. In the event the Borrowers fail to reimburse the Agent for the full amount of any drawing under any Letter of Credit by 12:00 noon, Pittsburgh time, on the Drawing Date, the Agent will promptly notify each Bank thereof, and the Borrowers shall be deemed to have requested that Long-Term Revolving Credit Loans be made by the Banks under the Base Rate Option to be disbursed on the Drawing Date under such Letter of Credit, subject to the amount of the unutilized portion of the Long-Term Revolving Credit Commitment and subject to the conditions set forth in Section 6.2 other than any notice requirements. Any notice given by the Agent pursuant to this Section 2.9.3.2 may be oral if immediately confirmed in writing; provided that the lack of such an immediate confirmation shall not affect the conclusiveness or binding effect of such notice.

2.9.3.3. Each Bank shall upon any notice pursuant to Section 2.9.3.2 make available to the Agent an amount in immediately available funds equal to its Ratable Share of the amount of the drawing, whereupon the participating Banks shall (subject to Section 2.9.3.4) each be deemed to have made a Long-Term Revolving Credit Loan under the Base Rate Option to the Borrowers in that amount. If any Bank so notified fails to make available to the Agent for the account of the Agent the amount of such Bank's Ratable Share of such amount by no later than 2:00 p.m., Pittsburgh time, on the Drawing Date, then interest shall accrue on such Bank's obligation to make such payment, from the Drawing Date to the date on which such Bank makes such payment (i) at a rate per annum equal to the Federal Funds Effective Rate during the first three days following the Drawing Date and (ii) at a rate per annum equal to the rate applicable to Loans under the Base Rate Option on and after the fourth day following the Drawing Date. The Agent will promptly give notice of the occurrence of the Drawing Date, but failure of the Agent to give any such notice on the Drawing Date or in sufficient time to enable any Bank to effect such payment on such date shall not relieve such Bank from its obligation to fund its Ratable Share of any such drawing under this Section 2.9.3.3.

2.9.3.4. With respect to any unreimbursed drawing that is not converted into Long-Term Revolving Credit Loans under the Base Rate Option to the Borrowers in whole or in part as contemplated by Section 2.9.3.2, because of the Borrowers' failure to satisfy the conditions set forth in Section 6.2 (other than any notice requirements) or for any other reason, the Borrowers shall be deemed to have incurred from the Agent a borrowing (each a "Letter of Credit Borrowing") in the amount of such drawing. Such Letter of Credit Borrowing shall be due and payable on demand (together with interest) and shall bear interest at the rate per annum applicable to the Long-Term Revolving Credit Loans under the Base Rate Option. Each Bank's payment to the Agent pursuant to Section 2.9.3.3 shall be deemed to be a payment in respect of its participation in such Letter of Credit Borrowing and shall constitute a "Participation Advance" from such Bank in satisfaction of its participation obligation under this Section 2.9.3.

2.9.4. Repayment of Participation Advances.

2.9.4.1. Upon (and only upon) receipt by the Agent for its account of immediately available funds from the Borrowers (i) in reimbursement of any payment made by the Agent under the Letter of Credit with respect to which any Bank has made a Participation Advance to the Agent, or (ii) in payment of interest on such a payment made by the Agent under such a Letter of Credit, the Agent will pay to each Bank, in the same funds as those received by the Agent, the amount of such Bank's Ratable Share of such funds, except the Agent shall retain the amount of the Ratable Share of such funds of any Bank that did not make a Participation Advance in respect of such payment by Agent.

2.9.4.2. If the Agent is required at any time to return to any Borrower, or to a trustee, receiver, liquidator, custodian, or any official in any Insolvency Proceeding, any portion of the payments made by any Borrower to the Agent pursuant to Section 2.9.4.1 in reimbursement of a payment made under a Letter of Credit or interest or fee thereon and remitted by the Agent to the Banks pursuant to Section 2.9.4.1, each Bank shall, on demand of the Agent, forthwith return to the Agent the amount of its Ratable Share of any such amounts so returned by the Agent plus interest thereon from the date such demand is made to the date such amounts are returned by such Bank to the Agent, at a rate per annum equal to the Federal Funds Effective Rate in effect from time to time.

2.9.5. Documentation.

Each Borrower agrees to be bound by the terms of the Agent's application and agreement for letters of credit and the Agent's written regulations and customary practices relating to letters of credit, though such interpretation may be different from such Borrower's own. In the event of a conflict between such application or agreement and this Agreement, this Agreement shall govern. It is understood and agreed that, except in the case of gross negligence or willful misconduct, the Agent shall not be liable for any error, negligence and/or mistakes, whether of omission or commission, in following any Borrower's instructions or those contained in the Letters of Credit or any modifications, amendments or supplements thereto.

2.9.6. Determinations to Honor Drawing Requests.

In determining whether to honor any request for drawing under any Letter of Credit by the beneficiary thereof, the Agent shall be responsible only to determine that the documents and certificates required to be delivered under such Letter of Credit have been delivered and that they comply on their face with the requirements of such Letter of Credit.

2.9.7. Nature of Participation and Reimbursement Obligations.

Each Bank's obligation in accordance with this Agreement to make Long-Term Revolving Credit Loans or Participation Advances, as contemplated by Section 2.9.3, as a result of a drawing under a Letter of Credit, and the Obligations of the Borrowers to reimburse the Agent upon a draw under a Letter of Credit, shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Section 2.9 under all circumstances, including the following circumstances:

(i) any set off, counterclaim, recoupment, defense or other right which such Bank may have against the Agent, any Borrower or any other Person for any reason whatsoever;

(ii) the failure of any Borrower or any other Person to comply, in connection with a Letter of Credit Borrowing, with the conditions set forth in Section 2.1, 2.5, 2.6 or 6.2 or as otherwise set forth in this Agreement for the making of a Long-Term Revolving Credit Loan, it being acknowledged that such conditions are not required for the making of a Letter of Credit Borrowing and the obligation of the Banks to make Participation Advances under Section 2.9.3;

(iii) any lack of validity or enforceability of any Letter of Credit;

(iv) the existence of any claim, set off, defense or other right which any Borrower or any Bank may have at any time against a beneficiary or any transferee of any Letter of Credit (or any Persons for whom any such transferee may be acting), the Agent or any Bank or any other Person or, whether in connection with this Agreement, the transactions contemplated herein or any unrelated transaction (including any underlying transaction between any Borrower or Subsidiaries of a Borrower and the beneficiary for which any Letter of Credit was procured);

(v) any draft, demand, certificate or other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect even if the Agent has been notified thereof;

(vi) payment by the Agent under any Letter of Credit against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit;

(vii) any adverse change in the business, operations, properties, assets, condition (financial or otherwise) or prospects of any Borrower or Subsidiaries of a Borrower;

(viii) any breach of this Agreement or any other Loan Document by any party hereto or thereto;

(ix) the occurrence or continuance of an Insolvency Proceeding with respect to any Borrower;

(x) the fact that an Event of Default or a Potential Default shall have occurred and be continuing;

(xi) the fact that the Long-Term Expiration Date shall have passed or this Agreement or the Commitments hereunder shall have been terminated; and

(xii) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

2.9.8. Indemnity.

In addition to amounts payable as provided in Section 9.5, each Borrower hereby agrees to protect, indemnify, pay and save harmless the Agent and each Bank from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including reasonable fees, expenses and disbursements of counsel and allocated costs of internal counsel) which the Agent or such Bank may incur or be subject to as a consequence, direct or indirect, of the issuance of any Letter of Credit, other than, in respect of the Agent, as a result of (A) the gross negligence or willful misconduct of the Agent or (B) the wrongful dishonor by the Agent of a proper demand for payment made under any Letter of Credit, except if such dishonor resulted from any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or governmental authority (all such acts or omissions herein called "Governmental Acts").

2.9.9. Liability for Acts and Omissions.

As between any Borrower and the Agent and the Banks, such Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, the Agent and the Banks shall not be responsible for, and the Reimbursement Obligation shall not be

affected by: (i) the form, validity, sufficiency, accuracy, genuineness or legal effect of any document submitted by any party in connection with the application for an issuance of any such Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged (even if the Agent shall have been notified thereof); (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any such Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) the failure of the beneficiary of any such Letter of Credit, or any other party to which such Letter of Credit may be transferred, to comply fully with any conditions required in order to draw upon such Letter of Credit or any other claim of any Borrower against any beneficiary of such Letter of Credit, or any such transferee, or any dispute between or among any Borrower and any beneficiary of any Letter of Credit or any such transferee; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any such Letter of Credit or of the proceeds thereof; (vii) the misapplication by the beneficiary of any such Letter of Credit of the proceeds of any drawing under such Letter of Credit; or (viii) any consequences arising from causes beyond the control of the Agent, including any Governmental Acts, and none of the above shall affect or impair, or prevent the vesting of, any of the Agent's or any Bank's rights or powers hereunder. Nothing in the preceding sentence shall relieve the Agent from liability for the Agent's gross negligence or willful misconduct in connection with actions or omissions described in such clauses (i) through (viii) of such sentence.

In furtherance and extension and not in limitation of the specific provisions set forth above, any action taken or omitted by the Agent under or in connection with the Letters of Credit issued by it or any documents and certificates delivered thereunder, if taken or omitted in good faith, shall not put the Agent or any Bank under any resulting liability to any Borrower or any Bank.

2.9.10. Existing Commerce Letters of Credit.

Attached hereto as SCHEDULE 2.9.10 are true and correct copies of certain letters of credit issued by Commerce Bank/North ("Commerce") for the account of PDI (the "Existing Commerce Letters of Credit"). For administrative convenience, the Existing Commerce Letters of Credit shall be deemed to be Letters of Credit issued under this Agreement and in furtherance thereof: (i) Commerce as the issuer of the Existing Commerce Letters of Credit shall be entitled to all of the benefits and shall be charged with all of the responsibilities of the Agent as the issuer of Letters of Credit set forth in this Section 2.9 with respect to all matters related to the Existing Commerce Letters of Credit, (ii) as of the Closing Date, each Bank shall be deemed to have purchased a participation in the Existing Commerce Letters of Credit in an amount equal to such Bank's Ratable Share of the maximum amount available to be drawn thereunder in accordance with Section 2.9.3.1, and (iii) Commerce hereby waives any fronting fees with respect to the Existing Commerce Letters of Credit that would otherwise be payable pursuant to Section 2.9.2(ii) and acknowledges that, notwithstanding any term or condition of any agreement between Commerce and any of the Borrowers, all other fees that Commerce may be entitled to with respect to the Existing Commerce Letters of Credit shall be limited to the fees payable to the Banks pursuant to this Agreement. The Borrowers and Commerce shall endeavor in a commercially

reasonable manner to offer to each of the beneficiaries of the Existing Commerce Letters of Credit to exchange said letters of credit for a Letter of Credit issued hereunder of like tenor and terms.

2.10 Increase of the Revolving Credit Commitments.

2.10.1. Requests for Increase Generally.

After delivery by PDI of the annual financial statements to be provided under Section 7.3.3 for the fiscal year ended December 31, 2000 and provided that at the time of such request there does not exist an Event of Default or Potential Default, the Borrowers may request a pro rata increase of the Short-Term Revolving Credit Commitments and Long-Term Revolving Credit Commitments, in an amount not less than $2,500,000.00 or greater than $15,000,000.00 in the aggregate by written notice to the Banks requesting each Bank's proportional increase, and the Banks agree to respond to the Borrower's request for an increase within forty five (45) calendar days following receipt of same; provided, however, that the failure of any Bank to respond within such time period shall not in any manner constitute an agreement by such Bank to said increase of its proportionate share of its Commitment. If all Banks elect to increase their proportionate share of their Commitments as proposed above, this Agreement and the relevant Notes shall be amended to reflect such increases, all at the cost and expense of the Borrowers. If one or more Banks decline to so increase their proportionate share of the Commitments or do not respond to Borrower's request, the provisions of Section 2.10.2 shall apply.

2.10.2. Additional Increase Provisions.

In the event that one or more Banks do not agree to the increase of its proportionate share of the Commitments pursuant to Section 2.10.1 or do not respond to Borrower's request for an increase within the time required under Section 2.10.1 (each a "Non-Increasing Bank"), then the Banks which have agreed to such increase within the time required under Section 2.10.1 (the "Increasing Banks") may elect to increase their Commitments proportionately up to the amounts of the Commitments that would have otherwise been assumed by the Non-Increasing Bank. Any amount of the Commitments not assumed by the Increasing Banks pursuant to the immediately preceding sentence is referred to as the "Additional Commitments". Should there exist any Additional Commitments not assumed by the Increasing Banks, then the Agent and the Borrowers may arrange to have one or more other banks (each a "New Increasing Bank") included as a Bank hereunder with respect to the Additional Commitments and all other rights, interests and obligations of a Bank under this Agreement and the other Loan Documents. Any such assumption shall be (1) pursuant to an assumption agreement substantially similar to an Assignment and Assumption Agreement, (2) subject to and in accordance with this Section 2.10, and (3) effective on the last day of the Interest Period if any Loans are outstanding under the Euro-Rate Option. Upon the effectiveness of the increase in the Commitments by the Increasing Banks or the New Increasing Banks, as the case may be, pursuant to this Section 2.10.2, (i) this Agreement and the relevant Notes shall be amended and/or restated to reflect the reduction and/or increase of each Bank's Ratable Share of the Commitments contemplated in this Section 2.10.2 (as determined by the Agent), (ii) the Borrowers will issue new Notes to any New Increasing Bank to evidence the Borrowers' obligations with respect to such New Increasing Bank's Commitment, and (iii) each New Increasing Bank shall be deemed to

be a Bank for all purposes of this Agreement and the other Loan Documents, all at the cost and expense of the Borrowers.

2.11 Extension by Banks of the Expiration Date.

2.11.1. Requests; Approval by All Banks.

Within one hundred (100) calendar days (but no later than seventy-five (75) calendar days) prior to the Short-Term Expiration Date or the Long-Term Expiration Date, as the case may be, the Borrowers may request an extension of the relevant expiration date of 364 days, in the case of the Short-Term Expiration Date, or one (1) year, in the case of the Long-Term Expiration Date, by written notice to the Banks, and the Banks agree to respond to the Borrowers' request for an extension within forty five (45) days of such request or, in the case of the requested extension of the Short-Term Expiration Date, within thirty (30) days of such expiration date; provided, however, that the failure of any Bank to respond within such time period shall not in any manner constitute an agreement by such Bank to extend said expiration date. If all Banks elect to so extend, the Short-Term Expiration Date or Long-Term Expiration Date, as the case may be, shall be extended for the periods so requested. If one or more Banks decline to extend or do not respond to Borrowers' request, the provisions of Section 2.11.2 shall apply.

2.11.2. Approval by Required Banks of Extension.

In the event that one or more Banks do not agree to extend the Short-Term Expiration Date or Long-Term Expiration Date, as the case may be, or do not respond to Borrowers' request for an extension within the time required under Section 2.11.1 (each a "Bank to be Terminated"), but the remaining Banks agree to such extension within such time then, on or prior to such expiration date, the Banks which have agreed to such extension within the time required under Section 2.11.1 (each an "Extending Bank") may, with the prior written approval of the Borrowers and the Agent (it being acknowledged that said approval may be subject to reasonable conditions related to reports on the syndication effort and timeliness of arranging Assignee Banks, as defined below), attempt to arrange (on a best efforts basis) to have one or more other banks (each an "Assignee Bank") purchase all of the outstanding Loans, if any, of the Bank to be Terminated and succeed to and assume the Commitments and all other rights, interests and obligations of the Bank to be Terminated under this Agreement and the other Loan Documents. Any such purchase and assumption shall be (1) pursuant to an Assignment and Assumption Agreement, (2) subject to and in accordance with Section 10.11, and (3) effective on the last day of the Interest Period if any Loans are outstanding under the Euro-Rate Option. The Borrower shall pay all amounts due and payable to the Bank to be Terminated on the effective date of such Assignment and Assumption Agreement. In the event that the Agent shall become a Bank to be Terminated, the provisions of this Section 2.11 shall be subject to Section 9.14. In the event that the Loans and Commitments of a Bank to be Terminated are not fully assigned and assumed pursuant to this Section 2.11.2 on or before said expiration date, then said expiration date shall not be extended for any Bank.

2.12 Reduction of Commitments.

The Borrowers shall have the right, upon not less than three (3) Business Days' prior written notice to the Agent (which the Agent shall promptly furnish to the Banks), to reduce

all or part of the Commitments, said reduction to be permanent and irrevocable upon delivery of said notice. The notice required in this Section 2.12 shall specify (i) the Commitments to be reduced (i.e., the Short-Term Revolving Credit Commitments or Long-Term Revolving Credit Commitments), (ii) the proposed effective date of said reduction, and (iii) the amount of said reduction, which in no event shall be less than $1,000,000.00 as to any Commitment. The reductions to the Commitments permitted in this Section 2.12 shall reduce each Bank's Commitments proportionately in accordance with such Bank's Ratable Share of said reduction.

3. INTEREST RATES

3.1 Interest Rate Options.

The Borrowers shall pay interest in respect of the outstanding unpaid principal amount of the Loans as selected by them from the Base Rate Option or Euro-Rate Option set forth below applicable to the Loans, it being understood that, subject to the provisions of this Agreement, the Borrowers may select different Interest Rate Options and different Interest Periods to apply simultaneously to the Loans comprising different Borrowing Tranches and may convert to or renew one or more Interest Rate Options with respect to all or any portion of the Loans comprising any Borrowing Tranche, provided that there shall not be at any one time outstanding more than five (5) Borrowing Tranches in the aggregate as to either the Short-Term Revolving Credit Loans or Long-Term Revolving Credit Loans. If at any time the designated rate applicable to any Loan made by any Bank exceeds such Bank's highest lawful rate, the rate of interest on such Bank's Loan shall be limited to such Bank's highest lawful rate.

3.1.1. Revolving Credit Interest Rate Options.

The Borrowers shall have the right to select from the following Interest Rate Options applicable to the Revolving Credit Loans:

(i) Base Rate Option: A fluctuating rate per annum (computed on the basis of a year of 365 or 366 days, as the case may be, and actual days elapsed, other than during such times that the Base Rate Option is determined by reference to the Federal Funds Effective Rate, in which case the interest convention to be utilized shall reflect a year of 360 days) equal to the Base Rate plus the Applicable Base Rate Margin, such interest rate to change automatically from time to time effective as of the effective date of each change in the Base Rate; or

(ii) Euro-Rate Option: A rate per annum (computed on the basis of a year of 360 days and actual days elapsed) equal to the Euro-Rate plus the Applicable Euro Rate Margin.

3.1.2. Rate Quotations.

The Borrowers may call the Agent on or before the date on which a Loan Request is to be delivered to receive an indication of the rates then in effect, but it is acknowledged that such projection shall not be binding on the Agent or the Banks or affect the rate of interest which thereafter is actually in effect when the election is made.

3.2 Interest Periods.

At any time when the Borrowers shall select, convert to or renew a Euro-Rate Option, the Borrowers shall notify the Agent (which shall promptly notify each of the Banks) thereof at least three (3) Business Days prior to the effective date of such Euro-Rate Option by delivering a Loan Request. The notice shall specify the Interest Period during which such Interest Rate Option shall apply. Notwithstanding the preceding sentence, the following provisions shall apply to any selection of, renewal of, or conversion to a Euro-Rate Option:

3.2.1. Amount of Borrowing Tranche.

each Borrowing Tranche of Euro-Rate Loans shall be in integral multiples of $100,000 and not less than $2,000,000; and

3.2.2. Renewals.

in the case of the renewal of a Euro-Rate Option at the end of an Interest Period, the first day of the new Interest Period shall be the last day of the preceding Interest Period, without duplication in payment of interest for such day.

3.3 Interest After Default.

To the extent permitted by Law, upon the occurrence of an Event of Default and until such time as such Event of Default shall have been cured or waived:

3.3.1. Letter of Credit Fees, Interest Rate.

each Loan accruing interest at the Euro-Rate Option shall immediately convert to the Base-Rate Option, and the Letter of Credit Fees and the rate of interest for each Loan otherwise applicable pursuant to Section 2.9.2 or Section 3.1, respectively, shall be increased by 2.0% per annum;

3.3.2. Other Obligations.

each other Obligation hereunder if not paid when due shall bear interest at a rate per annum equal to the sum of the rate of interest applicable under the Base Rate Option plus an additional 2.0% per annum from the time such Obligation becomes due and payable and until it is paid in full; and

3.3.3. Acknowledgment.

each Borrower acknowledges that the increase in rates referred to in this Section 3.3 reflects, among other things, the fact that such Loans or other amounts have become a substantially greater risk given their default status and that the Banks are entitled to additional compensation for such risk; and all such interest shall be payable by Borrowers upon demand by Agent.

3.4 Euro-Rate Unascertainable; Illegality; Deposits Not Available.

3.4.1. Unascertainable.

If on any date on which a Euro-Rate would otherwise be determined, the Agent shall have determined that:

(i) adequate and reasonable means do not exist for ascertaining such Euro-Rate, or

(ii) a contingency has occurred which materially and adversely affects the London interbank eurodollar market relating to the Euro-Rate,

the Agent and the Banks shall have the rights specified in Section 3.4.3.

3.4.2. Illegality; Increased Costs; Deposits Not Available.

If at any time any Bank shall have determined that:

(i) the making, maintenance or funding of any Loan to which a Euro-Rate Option applies has been made impracticable or unlawful by compliance by such Bank in good faith with any Law or any interpretation or application thereof by any Official Body or with any request or directive of any such Official Body (whether or not having the force of Law), or

(ii) such Euro-Rate Option will not adequately and fairly reflect the cost to such Bank of the establishment or maintenance of any such Loan, or

(iii) after making all reasonable efforts, deposits of the relevant amount in Dollars for the relevant Interest Period for a Loan, or to banks generally, to which a Euro-Rate Option applies, respectively, are not available to such Bank with respect to such Loan, or to banks generally, in the interbank eurodollar market,

then such Bank shall have the rights specified in Section 3.4.3.

3.4.3. Agent's and Bank's Rights.

In the case of any event specified in Section 3.4.1 above, the Agent shall promptly so notify the Banks and the Borrowers thereof, and in the case of an event specified in Section 3.4.2 above, such Bank shall promptly so notify the Agent and endorse a certificate to such notice as to the specific circumstances of such notice, and the Agent shall promptly send copies of such notice and certificate to the other Banks and the Borrowers. Upon such date as shall be specified in such notice (which shall not be earlier than the date such notice is given), the obligation of (A) the Banks, in the case of such notice given by the Agent, or (B) such Bank, in the case of such notice given by such Bank, to allow the Borrowers to select, convert to or renew a Euro-Rate Option shall be suspended until the Agent shall have later notified the Borrowers, or such Bank shall have later notified the Agent, of the Agent's or such Bank's, as the case may be, determination that the circumstances giving rise to such previous determination no longer exist. If

at any time the Agent makes a determination under Section 3.4.1 and the Borrowers have previously notified the Agent of their selection of, conversion to or renewal of a Euro-Rate Option and such Interest Rate Option has not yet gone into effect, such notification shall be deemed to provide for selection of, conversion to or renewal of the Base Rate Option otherwise available with respect to such Loans. If any Bank notifies the Agent of a determination under Section 3.4.2, the Borrowers shall, subject to the Borrowers' indemnification Obligations under Section 4.6.2, as to any Loan of the Bank to which a Euro-Rate Option applies, on the date specified in such notice either convert such Loan to the Base Rate Option otherwise available with respect to such Loan or prepay such Loan in accordance with Section 4.4. Absent due notice from the Borrowers of conversion or prepayment, such Loan shall automatically be converted to the Base Rate Option otherwise available with respect to such Loan upon such specified date.

3.5 Selection of Interest Rate Options.

If the Borrowers fail to select a new Interest Period to apply to any Borrowing Tranche of Loans under the Euro-Rate Option at the expiration of an existing Interest Period applicable to such Borrowing Tranche in accordance with the provisions of Section 3.2, the Borrowers shall be deemed to have converted such Borrowing Tranche to the Base Rate Option, commencing upon the last day of the existing Interest Period.

4. PAYMENTS

4.1 Payments.

All payments and prepayments to be made in respect of principal, interest, Commitment Fees, Facility Fees, Letter of Credit Fees, Agent's Fee or other fees or amounts due from the Borrowers hereunder shall be payable prior to 11:00 a.m., Pittsburgh time, on the date when due without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by each Borrower, and without set-off, counterclaim or other deduction of any nature, and an action therefor shall immediately accrue. Such payments shall be made to the Agent at the Principal Office for the ratable accounts of the Banks in Dollars and in immediately available funds, and the Agent shall promptly distribute such amounts to the Banks in immediately available funds, provided that in the event payments are received by 11:00 a.m., Pittsburgh time, by the Agent and such payments are not distributed to the Banks on the same day received by the Agent, the Agent shall pay the Banks interest at the Federal Funds Effective Rate with respect to the amount of such payments for each day held by the Agent and not distributed to the Banks. The Agent's and each Bank's statement of account, ledger or other relevant record shall, in the absence of manifest error, be conclusive as the statement of the amount of principal of and interest on the Loans and other amounts owing under this Agreement and shall be deemed an "account stated."

4.2 Pro Rata Treatment of Banks.

Each borrowing shall be allocated to each Bank according to its Ratable Share, and each selection of, conversion to or renewal of any Interest Rate Option and each payment or prepayment by the Borrowers with respect to principal, interest, Commitment Fees, Facility Fees, Letter of Credit Fees, or other fees (except for the Agent's Fee) or amounts due from the Borrowers hereunder to the Banks with respect to the Loans, shall (except as provided in

Section 3.4.3 in the case of an event specified in Section 3.4, 4.4.2 or 4.6) be made in proportion to the applicable Loans outstanding from each Bank and, if no such Loans are then outstanding, in proportion to the Ratable Share of each Bank.

4.3 Interest Payment Dates.

Interest on Loans to which the Base Rate Option applies shall be due and payable in arrears on the first Business Day of each January, April, July and October after the date hereof and on the Short-Term Expiration Date, in the case of Short-Term Revolving Credit Loans and the Long-Term Expiration Date, in the case of Long-Term Revolving Credit Loans, or upon acceleration of the Notes. Interest on Loans to which the Euro-Rate Option applies shall be due and payable on the last day of each Interest Period for those Loans and, if such Interest Period is longer than three (3) Months, also on the 90th day of such Interest Period. Interest on mandatory prepayments of principal under Section 4.5 shall be due on the date such mandatory prepayment is due. Interest on the principal amount of each Loan or other monetary Obligation shall be due and payable on demand after such principal amount or other monetary Obligation becomes due and payable (whether on the stated maturity date, upon acceleration or otherwise).

4.4 Voluntary Prepayments.

4.4.1. Right to Prepay.

The Borrowers shall have the right at their option from time to time to prepay the Loans in whole or part without premium or penalty (except as provided in Section 4.4.2 below or in Section 4.6):

(i) at any time with respect to any Loan to which the Base Rate Option applies,

(ii) on the last day of the applicable Interest Period with respect to Loans to which a Euro-Rate Option applies, or

(iii) on the date specified in a notice by any Bank pursuant to Section 3.4 with respect to any Loan to which a Euro-Rate Option applies.

Whenever the Borrowers desire to prepay any part of the Loans, they shall provide a prepayment notice to the Agent (which shall promptly notify each Bank) by 1:00 p.m., Eastern Standard Time, (A) on the proposed date of payment, if the Base Rate Option applies to such Loans or (B) at least one (1) Business Day prior to the date of prepayment if the Euro-Rate Option applies to such Loans, and in each case setting forth the following information:

(x) the date, which shall be a Business Day, on which the proposed prepayment is to be made;

(y) a statement indicating the application of the prepayment between the Short-Term Revolving Credit Loans and Long-Term Revolving Credit Loans; and

(z) the total principal amount of such prepayment, which shall not be less than $1,000,000.00 or the principal amount of the Loan to which a Euro-Rate Option applies, if that is the Loan that is being prepaid.

All prepayment notices shall be irrevocable. The principal amount of the Loans for which a prepayment notice is given, together with interest on such principal amount, shall be due and payable on the date specified in such prepayment notice as the date on which the proposed prepayment is to be made. Except as provided in Section 3.4.3, if the Borrowers prepay a Loan but fail to specify the applicable Borrowing Tranche which the Borrowers are prepaying, the prepayment shall be applied first to Loans to which the Base Rate Option applies, then to Loans to which the Euro-Rate Option applies. Any prepayment hereunder shall be subject to the obligations of the Borrowers to indemnify the Banks under Section 4.6.2.

4.4.2. Replacement of a Bank.

In the event any Bank (i) gives notice under Section 3.4 or Section 4.6.1, (ii) does not fund Revolving Credit Loans because the making of such Loans would contravene any Law applicable to such Bank, or (iii) becomes subject to the control of an Official Body (other than normal and customary supervision), then the Borrowers shall have the right at their option, with the consent of the Agent, which shall not be unreasonably withheld, to prepay the Loans of such Bank in whole, together with all interest accrued thereon, and terminate such Bank's Commitment within ninety (90) days after (x) receipt of such Bank's notice under Section 3.4 or 4.6.1, (y) the date such Bank has failed to fund Revolving Credit Loans because the making of such Loans would contravene Law applicable to such Bank, or (z) the date such Bank became subject to the control of an Official Body, as applicable; provided that the Borrowers shall also pay to such Bank at the time of such prepayment any amounts required under Section 4.6 and any accrued interest due on such amount and any related fees; provided, however, that the Commitment of such Bank may be provided by one or more of the remaining Banks or a replacement bank acceptable to the Agent; provided, further, the remaining Banks shall have no obligation hereunder to increase their Commitments. Notwithstanding the foregoing, the Agent may only be replaced subject to the requirements of Section 9.14 and provided that all Letters of Credit have expired or been terminated or replaced.

4.4.3. Change of Lending Office.

Each Bank agrees that upon the occurrence of any event giving rise to increased costs or other special payments under Section 3.4.2 or 4.6.1 with respect to such Bank, it will, if requested by the Borrowers, use reasonable efforts (subject to overall policy considerations of such Bank) to designate another lending office for any Loans or Letters of Credit affected by such event, provided that such designation is made on such terms that such Bank and its lending office suffer no economic, legal or regulatory disadvantage, with the object of avoiding the consequence of the event giving rise to the operation of such Section. Nothing in this Section 4.4.3 shall affect or postpone any of the Obligations of the Borrowers or the rights of the Agent or any Bank provided in this Agreement.

4.5 Mandatory Prepayments.

4.5.1. Borrowing Base.

In the event that the sum of (i) the aggregate outstanding principal amount of the Revolving Credit Loans and (ii) Letter of Credit Outstandings exceeds the lesser of the (y) Commitments and (z) the Borrowing Base at the end of any Calculation Period, the Borrowers shall, on such date and otherwise on the first Business Day after such excess is established by the Agent in writing, prepay the Revolving Credit Loans in an amount equal to such excess (together with interest on the amount prepaid to the date of prepayment). If such excess is greater than the outstanding principal amount of Revolving Credit Loans, the Borrowers shall, in addition to the foregoing mandatory prepayment, provide cash collateral to the Agent to secure repayment of the Letter of Credit Outstandings in an amount equal to the balance of such excess on terms and conditions established by the Agent in its sole discretion.

4.5.2. Sale of Receivables.

Within five (5) Business Days of consummation of any Receivables Securitization permitted pursuant to Section 7.2.7 (vi), the Borrowers shall make a mandatory prepayment of the principal amount of the Revolving Credit Loans in an amount equal to the Net Cash Proceeds of such transaction, together with accrued interest on such principal amount. The foregoing mandatory prepayment shall be applied to the outstanding Short-Term

Revolving Credit Loans and Long-Term Revolving Credit Loans on a pro rata basis. Furthermore, the Short-Term Revolving Credit Commitments and the Long-Term Revolving Credit Commitments shall be permanently reduced and terminated on a pro rata basis in the amount of such Net Cash Proceeds, said reduction and termination to be effective as of the date of receipt of said proceeds.

4.5.3. Application Among Interest Rate Options.

All prepayments required pursuant to this Section 4.5 shall first be applied to Long-Term Revolving Credit Loans that are subject to the Base Rate Option, then to Short-Term Revolving Credit Loans that are subject to the Base Rate Option, then to Long-Term Revolving Credit Loans that are subject to the Euro-Rate Option, and last to Short-Term Revolving Credit Loans that are subject to the Euro-Rate Option. In accordance with Section 4.6.2, the Borrowers shall indemnify the Banks for any loss or expense, including loss of margin, incurred with respect to any such prepayments applied against Loans subject to a Euro-Rate Option on any day other than the last day of the applicable Interest Period.

4.6 Additional Compensation in Certain Circumstances.

4.6.1. Increased Costs or Reduced Return Resulting from Taxes, Reserves, Capital Adequacy Requirements, Expenses, Etc.

If any Law, guideline or interpretation or any change in any Law, guideline or interpretation or application thereof by any Official Body charged with the interpretation or administration thereof or compliance with any request or directive (whether or not having the force of Law) of any central bank or other Official Body:

(i) subjects any Bank to any tax or changes the basis of taxation with respect to this Agreement, the Notes, the Loans or payments by the Borrowers of principal, interest, Commitment Fees, or other amounts due from the Borrowers hereunder or under the Notes (except for taxes on the overall net income or capital of such Bank imposed by the jurisdiction where its principal or lending office is located),

(ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against credits or commitments to extend credit extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds by, any Bank, or

(iii) imposes, modifies or deems applicable any capital adequacy or similar requirement (A) against assets (funded or contingent) of, or letters of credit, other credits or commitments to extend credit extended by, any Bank, or (B) otherwise applicable to the obligations of any Bank under this Agreement,

and the result of any of the foregoing is to increase the cost to, reduce the income receivable by, or impose any expense (including loss of margin) upon any Bank with respect to this Agreement, the Notes or the making, maintenance or funding of any part of the Loans, the issuance of the Letters of Credit (or, in the case of any capital adequacy or similar requirement, to have the effect of reducing the rate of return on any Bank's capital, taking into consideration such Bank's customary policies with respect to capital adequacy) by an amount which such Bank in its sole discretion deems to be material, such Bank shall from time to time (and in any event within forty five (45) days of becoming aware of the facts and/or circumstances entitling such Bank to compensation under this Section 4.6.1) notify the Borrowers and the Agent in writing of the amount determined in good faith (using any averaging and attribution methods employed in good faith) by such Bank to be necessary to compensate such Bank for such increase in cost, reduction of income, additional expense or reduced rate of return. Such notice shall set forth in reasonable detail the basis for such determination. Such amount shall be due and payable by the Borrowers to such Bank ten (10) Business Days after such notice is given.

4.6.2. Indemnity.

In addition to the compensation required by Section 4.6.1, the Borrowers shall indemnify each Bank against all liabilities, losses or expenses (including loss of margin, any loss or expense incurred in liquidating or employing deposits from third parties and any loss or expense incurred in connection with funds acquired by a Bank to fund or maintain Loans subject to a Euro-Rate Option) which such Bank sustains or incurs as a consequence of any

(i) payment, prepayment, conversion or renewal of any Loan to which a Euro-Rate Option applies on a day other than the last day of the corresponding Interest Period (whether or not such payment or prepayment is mandatory, voluntary or automatic and whether or not such payment or prepayment is then due), or

(ii) attempt by the Borrowers to revoke (expressly, by later inconsistent notices or otherwise) in whole or part any Loan Requests under Section 2.5 or Section 3.2 or notice relating to prepayments under Section 4.4.

If any Bank sustains or incurs any such loss or expense, it shall from time to time notify the Borrowers of the amount determined in good faith by such Bank (which determination may include such assumptions, allocations of costs and expenses and averaging or attribution methods as such Bank shall deem reasonable) to be necessary to indemnify such Bank for such loss or expense. Such notice shall set forth in reasonable detail the basis for such determination and said determination shall be conclusive and binding absent manifest error. Such amount shall be due and payable by the Borrowers to such Bank ten (10) Business Days after such notice is given.

5. REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties.

The Borrowers, jointly and severally, represent and warrant to the Agent and each of the Banks as follows:

5.1.1. Organization and Qualification.

Each Borrower, and each Subsidiary of any Borrower, is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization. Each Borrower, and each Subsidiary of any Borrower, has the lawful power to own or lease its properties and to engage in the business it presently conducts or proposes to conduct. Each Borrower, and each Subsidiary of any Borrower, is duly licensed or qualified and in good standing in each jurisdiction listed on SCHEDULE 5.1.1 and in all other jurisdictions where the property owned or leased by it or the nature of the business transacted by it or both makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not constitute a Material Adverse Change.

5.1.2. Capitalization and Ownership.

The authorized capital stock of PDI consists of 30,000,000 shares of common stock, of which 13,561,488 were validly issued and outstanding as of December 31, 2000, and 5,000,000 shares of preferred stock, of which -0- shares are issued and outstanding. Said shares of common stock that have been issued and are outstanding have been fully paid and are nonassessable. There are no options, warrants or other rights outstanding to purchase any such shares, except shares issuable pursuant to PDI's incentive compensation plans. None of the Borrowers other than PDI has any Subsidiaries.

5.1.3. Subsidiaries.

SCHEDULE 5.1.3 states the name of each of PDI's Subsidiaries, its jurisdiction of incorporation, its authorized capital stock, the issued and outstanding shares (referred to herein as the "Subsidiary Shares") and the owners thereof if it is a corporation, its outstanding partnership interests (the "Partnership Interests") if it is a partnership and its outstanding limited liability company interests, interests assigned to managers thereof and the

voting rights associated therewith (the "LLC Interests") if it is a limited liability company. Each of the other Borrowers is a wholly owned Subsidiary of PDI. PDI and each Subsidiary of PDI has good and marketable title to all of the Subsidiary Shares, Partnership Interests and LLC Interests it purports to own, free and clear in each case of any Lien. All Subsidiary Shares, Partnership Interests and LLC Interests have been validly issued, and all Subsidiary Shares are fully paid and nonassessable. All capital contributions and other consideration required to be made or paid in connection with the issuance of the Partnership Interests and LLC Interests have been made or paid, as the case may be. There are no options, warrants or other rights outstanding to purchase any such Subsidiary Shares, Partnership Interests or LLC Interests.

5.1.4. Power and Authority.

Each Borrower has full power to enter into, execute, deliver and carry out this Agreement and the other Loan Documents to which it is a party, to incur the Indebtedness contemplated by the Loan Documents and to perform its Obligations under the Loan Documents to which it is a party, and all such actions have been duly authorized by all necessary proceedings on its part.

5.1.5. Validity and Binding Effect.

This Agreement has been duly and validly executed and delivered by each Borrower, and each other Loan Document which any Borrower is required to execute and deliver on or after the date hereof will have been duly executed and delivered by such Borrower on the required date of delivery of such Loan Document. This Agreement and each other Loan Document constitute, or will constitute, legal, valid and binding obligations of each Borrower which is or will be a party thereto on and after its date of delivery thereof, enforceable against such Borrower in accordance with its terms, except to the extent that enforceability of any such Loan Document may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforceability of creditors' rights generally or limiting the right of specific performance.

5.1.6. No Conflict.

Neither the execution and delivery of this Agreement or the other Loan Documents by any Borrower nor the consummation of the transactions herein or therein contemplated or compliance with the terms and provisions hereof or thereof by any of them will conflict with, constitute a default under or result in any breach of (i) the terms and conditions of the certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents of any Borrower or (ii) any Law or any material agreement or instrument or order, writ, judgment, injunction or decree to which any Borrower or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or to which it is subject, or result in the creation or enforcement of any Lien, charge or encumbrance whatsoever upon any property (now or hereafter acquired) of any Borrower or any Restricted Subsidiary (other than Liens granted under the Loan Documents).

5.1.7. Litigation.

There are no actions, suits, proceedings or investigations pending or, to the knowledge of any Borrower, threatened against such Borrower or any Subsidiary of such Borrower at law or in equity before any Official Body which individually or in the aggregate may result in any Material Adverse Change. None of the Borrowers or any Subsidiaries of any Borrower is in violation of any order, writ, injunction or any decree of any Official Body which may result in any Material Adverse Change.

5.1.8. Title to Properties.

All of the real property leased by each Borrower and each Subsidiary of each Borrower is described on SCHEDULE 5.1.8. Neither any Borrower nor any Restricted Subsidiary owns any real property. Each Borrower, and each Restricted Subsidiary, has good and marketable title to or valid leasehold interests in all properties, assets and other rights which it purports to own or lease or which are reflected as owned or leased on its books and records, free and clear of all Liens and encumbrances except Permitted Liens, and subject to the terms and conditions of the applicable leases. All leases of property are in full force and effect without the necessity for any consent which has not previously been obtained upon consummation of the transactions contemplated hereby.

5.1.9. Financial Statements.

(i) Historical Statements. PDI has delivered to the Agent copies of its audited consolidated year-end financial statements for and as of the end of the fiscal year ended December 31, 1999 (the "Annual Statements"). In addition, PDI has delivered to the Agent copies of its unaudited consolidated interim financial statements for the fiscal year to date and as of the end of the fiscal quarter ended September 30, 2000 (the "Interim Statements") (the Annual and Interim Statements being collectively referred to as the "Historical Statements"). The Historical Statements were compiled from the books and records maintained by PDI's management, are correct and complete and fairly represent the consolidated financial condition of PDI and its Subsidiaries as of their dates and the results of operations for the fiscal periods then ended and have been prepared in accordance with GAAP consistently applied, subject (in the case of the Interim Statements) to normal year-end audit adjustments.

(ii) Financial Projections. PDI has delivered to the Agent financial projections of PDI and its Subsidiaries for the fiscal years ending December 31, 2000, December 31, 2001, December 31, 2002 and December 31, 2003 derived from various assumptions of PDI's management (the "Financial Projections"). The Financial Projections represent a reasonable range of possible results in light of the history of the business, present and foreseeable conditions and the intentions of PDI's management. The Financial Projections accurately reflect the liabilities of PDI and its

Subsidiaries upon consummation of the transactions contemplated hereby as of the Closing Date.

(iii) Accuracy of Financial Statements. Neither PDI nor any Restricted Subsidiary has any liabilities, contingent or otherwise, or forward or long-term commitments that are not disclosed in the Historical Statements or in the notes thereto, and except as disclosed therein there are no unrealized or anticipated losses from any commitments of PDI or any Restricted Subsidiary which may cause a Material Adverse Change. Since December 31, 1999, no Material Adverse Change has occurred.

5.1.10. Use of Proceeds; Margin Stock.

5.1.10.1. General.

The Borrowers intend to use the proceeds of the Loans and the Letters of Credit in accordance with Sections 2.8 and 7.1.10, as applicable.

5.1.10.2. Margin Stock.

None of the Borrowers or any Restricted Subsidiary engages or intends to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U). No part of the proceeds of any Loan, and no Letter of Credit, has been or will be used, immediately, incidentally or ultimately, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or to refund Indebtedness originally incurred for such purpose, or for any purpose which entails a violation of or which is inconsistent with the provisions of the regulations of the Board of Governors of the Federal Reserve System. None of the Borrowers or any Restricted Subsidiary holds or intends to hold margin stock in such amounts that more than 25% of the reasonable value of the assets of any Borrower or Restricted Subsidiary are or will be represented by margin stock.

5.1.11. Full Disclosure.

Neither this Agreement nor any other Loan Document, nor any certificate, statement, agreement or other documents furnished to the Agent or any Bank in connection herewith or therewith, contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein, in light of the circumstances under which they were made, not misleading. There is no fact known to any Borrower which materially adversely affects the business, property, assets, financial condition, results of operations or prospects of any Borrower or Subsidiary of any Borrower which has not been set forth in this Agreement or in the certificates, statements, agreements or other documents furnished in writing to the Agent and the Banks prior to or at the date hereof in connection with the transactions contemplated hereby.

5.1.12. Taxes.

All federal, state, local and other tax returns required to have been filed with respect to each Borrower and each Restricted Subsidiary have been filed, and payment or adequate provision has been made for the payment of all taxes, fees, assessments and other governmental charges which have or may become due pursuant to said returns or to assessments received, except to the extent that such taxes, fees, assessments and other charges are being

contested in good faith by appropriate proceedings diligently conducted and for which such reserves or other appropriate provisions, if any, as shall be required by GAAP shall have been made. There are no agreements or waivers extending the statutory period of limitations applicable to any federal income tax return of any Borrower or any Restricted Subsidiary for any period.

5.1.13. Consents and Approvals.

No consent, approval, exemption, order or authorization of, or registration or filing with, any Official Body or any other Person is required by any Law or any agreement in connection with the execution, delivery and carrying out of, or the consummation of the transactions contemplated by, this Agreement and the other Loan Documents by any Borrower.

5.1.14. No Event of Default; Compliance with Instruments.

No event has occurred and is continuing and no condition exists or will exist after giving effect to the borrowings or other extensions

of credit to be made on the Closing Date under or pursuant to the Loan Documents which constitutes an Event of Default or Potential Default. None of the Borrowers or any Restricted Subsidiaries is in violation of (i) any term of its certificate of incorporation, bylaws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents or (ii) any material agreement or instrument to which it is a party or by which it or any of its properties may be subject or bound where such violation would constitute a Material Adverse Change.

5.1.15. Patents, Trademarks, Copyrights, Licenses, Etc.

Each Borrower, and each Restricted Subsidiary, owns or possesses all the material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises, permits and rights necessary to own and operate its properties and to carry on its business as presently conducted and planned to be conducted by such Borrower or Restricted Subsidiary, without known possible, alleged or actual conflict with the rights of others. All material patents, trademarks, service marks, trade names, copyrights, licenses, registrations, franchises and permits of each Borrower and each Subsidiary of each Borrower are listed and described on SCHEDULE 5.1.15.

5.1.16. Insurance.

SCHEDULE 5.1.16 lists all insurance policies and other bonds to which any Borrower or Restricted Subsidiary is a party, all of which are valid and in full force and effect. No notice has been given or claim made and no grounds exist to cancel or avoid any of such policies or bonds or to reduce the coverage provided thereby. Such policies and bonds provide adequate coverage from reputable and financially sound insurers in amounts sufficient to insure the assets and risks of each Borrower and each Restricted Subsidiary in accordance with prudent business practice in the industry of the Borrowers and each Restricted Subsidiary.

5.1.17. Compliance with Laws.

The Borrowers and their Subsidiaries are in compliance in all material respects with all applicable Laws (other than Environmental Laws which are specifically addressed in Section 5.1.22) in all jurisdictions in which any Borrower or Subsidiary of any Borrower is presently or will be doing business except where the failure to do so would not constitute a Material Adverse Change.

5.1.18. Material Contracts; Burdensome Restrictions.

SCHEDULE 5.1.18 lists all Material Contracts relating to the business operations of each Borrower and each Restricted Subsidiary, including all employee benefit plans and Labor Contracts. All such Material Contracts are valid, binding and enforceable upon such Borrower or Restricted Subsidiary and each of the other parties thereto in accordance with their respective terms, and there is no default thereunder, to the Borrowers' knowledge, with respect to parties other than such Borrower or Restricted Subsidiary. None of the Borrowers or Restricted Subsidiaries is bound by any contractual obligation, or subject to any restriction in any organization document, or any requirement of Law which could result in a Material Adverse Change.

5.1.19. Investment Companies; Regulated Entities.

None of the Borrowers or any Restricted Subsidiary is an "investment company" registered or required to be registered under the Investment Company Act of 1940 or under the "control" of an "investment company" as such terms are defined in the Investment Company Act of 1940 and shall not become such an "investment company" or under such "control." None of the Borrowers or any Restricted Subsidiaries is subject to any other Federal or state statute or regulation limiting its ability to incur Indebtedness for borrowed money.

5.1.20. Plans and Benefit Arrangements.

(i) PDI and each other member of the ERISA Group are in compliance in all material respects with any applicable provisions of ERISA with respect to all Benefit Arrangements, Plans and Multiemployer Plans. There has been no Prohibited Transaction with respect to any Benefit Arrangement or any Plan or, to the best knowledge of PDI, with respect to any Multiemployer Plan or Multiple Employer Plan, which could result in any material liability of any Borrower or any other member of the ERISA Group. PDI and all other members of the ERISA Group have made when due any and all payments required to be made under any agreement relating to a Multiemployer Plan or a Multiple Employer Plan or any Law pertaining thereto. With respect to each Plan and Multiemployer Plan, PDI and each other member of the ERISA Group (i) have fulfilled in all material

respects their obligations under the minimum funding standards of ERISA, (ii) have not incurred any liability to the PBGC, and (iii) have not had asserted against them any penalty for failure to fulfill the minimum funding requirements of ERISA.

(ii) To the best of PDI's knowledge, each Multiemployer Plan and Multiple Employer Plan is able to pay benefits thereunder when due.

(iii) Neither PDI nor any other member of the ERISA Group has instituted or intends to institute proceedings to terminate any Plan.

(iv) No event requiring notice to the PBGC under Section 302(f)(4)(A) of ERISA has occurred or is reasonably expected to occur with respect to any Plan, and no amendment with respect to which security is required under Section 307 of ERISA has been made or is reasonably expected to be made to any Plan.

(v) The aggregate actuarial present value of all benefit liabilities (whether or not vested) under each Plan, determined on a plan termination basis, as disclosed in, and as of the date of, the most recent actuarial report for such Plan, does not exceed the aggregate fair market value of the assets of such Plan.

(vi) Neither PDI nor any other member of the ERISA Group has incurred or reasonably expects to incur any material withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither PDI nor any other member of the ERISA Group has been notified by any Multiemployer Plan or Multiple Employer Plan that such Multiemployer Plan or Multiple Employer Plan has been terminated within the meaning of Title IV of ERISA and, to the best knowledge of PDI, no Multiemployer Plan or Multiple Employer Plan is reasonably expected to be reorganized or terminated, within the meaning of Title IV of ERISA.

(vii) To the extent that any Benefit Arrangement is insured, PDI and all other members of the ERISA Group have paid when due all premiums required to be paid for all periods through the Closing Date. To the extent that any Benefit Arrangement is funded other than with insurance, PDI and all other members of the ERISA Group have made when due all contributions required to be paid for all periods through the Closing Date.

(viii) All Plans, Benefit Arrangements and Multiemployer Plans have been administered in accordance with their terms and applicable Law.

5.1.21. Employment Matters.

Each of the Borrowers, and each Restricted Subsidiary, is in compliance with the Labor Contracts and all applicable federal, state and local labor and employment Laws including those related to equal employment opportunity and affirmative action, labor relations, minimum wage, overtime, child labor, medical insurance continuation, worker adjustment and relocation notices, immigration controls and worker and unemployment compensation, where the failure to comply would constitute a Material Adverse Change. There are no outstanding grievances, arbitration awards or appeals therefrom arising out of the Labor Contracts or current or threatened strikes, picketing, handbilling or other work stoppages or slowdowns at facilities of any of the Borrowers or any Restricted Subsidiary which in any case would constitute a Material Adverse Change. The Borrowers have delivered to the Agent true and correct copies of each of the Labor Contracts.

5.1.22. Environmental Matters.

(i) None of the Borrowers has received any Environmental Complaint, whether directed or issued to any Borrower or relating or pertaining to any prior owner, operator or occupant of any of the Property, and has no reason to believe that it might receive an Environmental Complaint.

(ii) No activity of any Borrower at any of the Property is being or has been conducted in violation of any Environmental Law or Required Environmental Permit and to the knowledge of any Borrower no activity of any prior owner, operator or occupant of any of the Property was conducted in violation of any Environmental Law.

(iii) There are no Regulated Substances present on, in,

under, or emanating from, or to any Borrower's knowledge emanating to, any of the Property or any portion thereof which result in Contamination.

(iv) Each Borrower has all Required Environmental Permits and all such Required Environmental Permits are in full force and effect.

(v) Each Borrower has submitted to an Official Body and/or maintains, as appropriate, all Required Environmental Notices.

(vi) No structures, improvements, equipment, fixtures, impoundments, pits, lagoons or aboveground or underground storage tanks located on any of the Property contain or use, except in compliance with Environmental Laws and Required Environmental Permits, Regulated Substances or otherwise are operated or maintained except in compliance with Environmental Laws and Required Environmental Permits. To the knowledge of each Borrower, no structures, improvements, equipment, fixtures, impoundments, pits, lagoons or aboveground or underground storage tanks of prior owners, operators or occupants of any of the Property contained or used, except in compliance with Environmental Laws, Regulated Substances or otherwise were operated or maintained by any such prior owner, operator or occupant except in compliance with Environmental Laws.

(vii) To the knowledge of each Borrower, no facility or site to which any Borrower, either directly or indirectly by a third party, has sent Regulated Substances for storage, treatment, disposal or other management has been or is being operated in violation of Environmental Laws or pursuant to Environmental Laws is identified or proposed to be identified on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of an investigation, cleanup, removal, remediation or other response action by an Official Body.

(viii) No portion of any of the Property is identified or to the knowledge of any Borrower proposed to be identified on any list of contaminated properties or other properties which pursuant to Environmental Laws are the subject of an investigation or remediation action by an Official

Body, nor to the knowledge of any Borrower is any property adjoining or in the proximity of any of the Property identified or proposed to be identified on any such list.

(ix) No portion of any of the Property constitutes an Environmentally Sensitive Area.

(x) No lien or other encumbrance authorized by Environmental Laws exists against any of the Property and none of the Borrowers has any reason to believe that such a lien or encumbrance may be imposed.

5.1.23. Senior Debt Status.

The Obligations of each Borrower under this Agreement, the Notes, and each of the other Loan Documents to which it is a party do rank and will rank at least pari passu in priority of payment with all other Indebtedness of such Borrower except Indebtedness of such Borrower to the extent secured by Permitted Liens. There is no Lien upon or with respect to any of the properties or income of any Borrower or Restricted Subsidiary which secures indebtedness or other obligations of any Person except for Permitted Liens.

5.1.24. Year 2000.

PDI and the Restricted Subsidiaries have reviewed the areas within their business and operations which could be adversely affected by, and have developed or are developing a program to address on a timely basis, the risk that certain computer applications used by PDI or the Restricted Subsidiaries (or any of their respective material suppliers, customers or vendors) may be unable to recognize and perform properly date-sensitive functions involving dates prior to and after December 31, 1999 (the "Year 2000 Problem"). The Year 2000 Problem will not result in any Material Adverse Change.

5.2 Updates to Schedules.

Should any of the information or disclosures provided on any of the Schedules attached hereto become outdated or incorrect in any material respect, PDI shall promptly provide the Agent in writing with such revisions or updates to such Schedule as may be necessary or appropriate to update or correct same; provided, however, that no Schedule shall be deemed to have been amended,

modified or superseded by any such correction or update, nor shall any breach of warranty or representation resulting from the inaccuracy or incompleteness of any such Schedule be deemed to have been cured thereby, unless and until the Required Banks, in their sole and absolute discretion, shall have accepted in writing such revisions or updates to such Schedule.

6. CONDITIONS OF LENDING AND ISSUANCE OF LETTERS OF CREDIT

The obligation of each Bank to make Loans and of the Agent to issue Letters of Credit hereunder is subject to the performance by each of the Borrowers of its Obligations to be performed hereunder at or prior to the making of any such Loans or issuance of such Letters of Credit and to the satisfaction of the following further conditions:

6.1 First Loans and Letters of Credit.

On the Closing Date:

6.1.1. Officer's Certificate.

The representations and warranties of each of the Borrowers contained in Section 5.1 and in each of the other Loan Documents shall be true and accurate on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the specific dates or times referred to therein), and each of the Borrowers shall have performed and complied with all covenants and conditions hereof and thereof, and no Event of Default or Potential Default shall have occurred and be continuing or shall exist; and there shall have been delivered to the Agent for the benefit of each Bank a certificate of each of the Borrowers, dated the Closing Date and signed by an Executive Officer of the Borrowers, to such effect.

6.1.2. Secretary's Certificate.

There shall have been delivered to the Agent for the benefit of each Bank a certificate dated the Closing Date and signed by the Secretary or an Assistant Secretary of each of the Borrowers, certifying as appropriate as to:

(i) all action taken by each Borrower in connection with this Agreement and the other Loan Documents;

(ii) the names of the officer or officers authorized to sign this Agreement and the other Loan Documents and the true signatures of such officer or officers and specifying the Authorized Officers permitted to act on behalf of each Borrower for purposes of this Agreement and the true signatures of such officers, on which the Agent and each Bank may conclusively rely; and

(iii) copies of each Borrowers' organizational documents, including its certificate of incorporation and bylaws, as in effect on the Closing Date certified by the appropriate state official where such documents are filed in a state office together with certificates from the appropriate state officials as to the continued existence and good standing of each Borrower in each state where organized or qualified to do business and a bring-down certificate by facsimile dated the Closing Date.

6.1.3. Opinion of Counsel.

There shall have been delivered to the Agent for the benefit of each Bank a written opinion of Morse, Zelnick, Rose and Lander, LLP, counsel for the Borrowers, dated the Closing Date and in form and substance satisfactory to the Agent and its counsel:

(i) as to the matters set forth in EXHIBIT 6.1.3; and

(ii) as to such other matters incident to the transactions contemplated herein as the Agent may reasonably request.

6.1.4. Legal Details.

All legal details and proceedings in connection with the transactions contemplated by this Agreement and the other Loan Documents shall be in form and substance satisfactory to the Agent and counsel for the Agent,

and the Agent shall have received all such other counterpart originals or certified or other copies of such documents and proceedings in connection with such transactions, in form and substance satisfactory to the Agent and said counsel, as the Agent or said counsel may reasonably request.

6.1.5. Payment of Fees.

The Borrowers shall have paid or caused to be paid to the Agent for itself and for the account of the Banks to the extent not previously paid the Facility Fees, all other commitment and other fees accrued through the Closing Date and the costs and expenses for which the Agent and the Banks are entitled to be reimbursed.

6.1.6. Consents.

All material consents required to effectuate the transactions contemplated hereby as set forth on SCHEDULE 5.1.13 shall have been obtained.

6.1.7. Officer's Certificate Regarding MACs.

Since December 31, 1999, no Material Adverse Change shall have occurred; and there shall have been delivered to the Agent for the benefit of each Bank a certificate dated the Closing Date and signed by an Executive Officer of the Borrowers to such effect.

6.1.8. No Violation of Laws.

The making of the Loans and the issuance of the Letters of Credit shall not contravene any Law applicable to any Borrower or any of the Banks.

6.1.9. No Actions or Proceedings.

No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, this Agreement, the other Loan Documents or the consummation of the transactions contemplated hereby or thereby or which, in the Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or any of the other Loan Documents.

6.1.10. Insurance Policies; Certificates of Insurance; Endorsements.

The Borrowers shall have delivered evidence acceptable to the Agent that adequate insurance in compliance with Section 7.1.3 is in full force and effect and that all premiums then due thereon have been paid.

6.1.11. Lien Searches.

The Borrowers shall have delivered to the Agent and its counsel UCC lien search, tax lien and judgment search reports with respect to each Borrower in all appropriate jurisdictions verifying the absence of any Liens upon or with respect to any of their respective properties or assets other than Permitted Liens.

6.1.12. Field Audit.

The Agent shall have received a satisfactory report regarding the audit and verification of the accounts receivable and other financial matters of the Borrowers.

6.1.13. Glaxo Matters.

The Borrowers shall have furnished to the Agent and the Banks (i) a certified true and correct copy of the Glaxo Agreement, as amended by the Glaxo Letter Agreement and otherwise amended or modified through the Closing Date, together with any material notices delivered to or furnished by PDI or LCV thereunder, and (ii) a consolidated balance sheet of PDI and its Subsidiaries as of the fiscal year ended December 31, 2000, reflecting, among other matters, the results related to the consummation of the transactions contemplated in the Glaxo Agreement.

6.1.14. Management Letters.

The Borrowers shall have furnished to the Agent and the Banks a copy of each of any management letters issued by the certified public accountants that conducted the audit of the financial statements of PDI for the fiscal years ended December 31, 1999 and December 31, 2000.

6.1.15. Administrative Questionnaire.

Each of the Banks and the Borrowers shall have completed and

delivered to the Agent the Agent's form of administrative questionnaire.

6.2 Each Additional Loan or Letter of Credit.

At the time of making any Loans or issuing any Letters of Credit other than Loans made or Letters of Credit issued on the Closing Date and after giving effect to the proposed extensions of credit: the representations and warranties of the Borrowers contained in Section 5.1 and in the other Loan Documents shall be true on and as of the date of such additional Loan or Letter of Credit with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time, which representations and warranties shall be true and correct on and as of the

specific dates or times referred to therein) and the Borrowers shall have performed and complied with all covenants and conditions hereof; no Event of Default or Potential Default shall have occurred and be continuing or shall exist; the making of the Loans or issuance of such Letter of Credit shall not contravene any Law applicable to any Borrower or Restricted Subsidiary or any of the Banks; and the Borrower shall have delivered to the Agent a duly executed and completed Loan Request or application for a Letter of Credit, as the case may be.

7. COVENANTS

7.1 Affirmative Covenants.

The Borrowers, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations, Letter of Credit Borrowings, and any fees, expenses or other amounts payable under any of the Loan Documents, and interest thereon, expiration or termination of all Letters of Credit, and termination of the Commitments, the Borrowers shall comply at all times with the following affirmative covenants:

7.1.1. Preservation of Existence, Etc.

Each Borrower shall, and shall cause each Restricted Subsidiary to, maintain its legal existence as a corporation, limited partnership or limited liability company and its license or qualification and good standing in each jurisdiction in which its ownership or lease of property or the nature of its business makes such license or qualification necessary, except as otherwise expressly permitted in Section 7.2.6.

7.1.2. Payment of Liabilities, Including Taxes, Etc.

Each Borrower shall, and shall cause each Restricted Subsidiary to, duly pay and discharge all liabilities to which it is subject or which are asserted against it, promptly as and when the same shall become due and payable, including all taxes, assessments and governmental charges upon it or any of its properties, assets, income or profits, prior to the date on which penalties attach thereto, except to the extent that such liabilities, including taxes, assessments or charges, are being contested in good faith and by appropriate and lawful proceedings diligently conducted and for which such reserve or other appropriate provisions, if any, as shall be required by GAAP shall have been made, but only to the extent that failure to discharge any such liabilities would not result in any additional liability which would adversely affect to a material extent the financial condition of any Borrower or Restricted Subsidiary, provided that the Borrowers and the Restricted Subsidiaries will pay all such liabilities forthwith upon the commencement of proceedings to foreclose any Lien which may have attached as security therefor.

7.1.3. Maintenance of Insurance.

Each Borrower shall, and shall cause each Restricted Subsidiary to, insure its properties and assets against loss or damage by fire and such other insurable hazards as such assets are commonly insured (including fire, extended coverage, property damage, workers' compensation, public liability and business interruption insurance) and against other risks (including errors and omissions) in such amounts as similar properties and assets are insured by prudent companies in similar circumstances carrying on similar businesses, and with reputable and financially sound insurers, including self-insurance to the extent customary, all as reasonably

determined by the Agent. At the request of the Agent, the Borrowers shall deliver to the Agent (x) on the Closing Date and annually thereafter an original certificate of insurance signed by the Borrowers' independent insurance broker describing and certifying as to the existence of the insurance required to be maintained by this Agreement and the other Loan Documents and (y) from time to time a summary schedule indicating all insurance then in force with respect to

each of the Borrowers.

7.1.4. Maintenance of Properties and Leases.

Each Borrower shall, and shall cause each Restricted Subsidiary to, maintain in good repair, working order and condition (ordinary wear and tear excepted) in accordance with the general practice of other businesses of similar character and size, all of those properties useful or necessary to its business, and from time to time, such Borrower will make or cause to be made all appropriate repairs, renewals or replacements thereof.

7.1.5. Maintenance of Patents, Trademarks, Etc.

Each Borrower shall, and shall cause each Restricted Subsidiary to, maintain in full force and effect all patents, trademarks, service marks, trade names, copyrights, licenses, franchises, permits and other authorizations necessary for the ownership and operation of its properties and business if the failure so to maintain the same would constitute a Material Adverse Change.

7.1.6. Visitation Rights; Field Exams.

(i) Each Borrower shall, and shall cause each Restricted Subsidiary to, permit any of the officers or authorized employees of the Agent or any of the Banks to visit and inspect any of its properties and to examine and make excerpts from its books and records and discuss its business affairs, finances and accounts with its officers, all in such detail and at such times and as often as any of the Banks may reasonably request, provided that each Bank shall provide the Borrowers with reasonable notice prior to any visit or inspection. The Borrowers shall reimburse the Agent and each Bank for the reasonable and customary expenses actually incurred by the officers and authorized employees of such parties incidental to any visit permitted pursuant to this Section 7.1.6(i); provided, however, that any such request for reimbursement in excess of $250 shall be subject to the prior approval of PDI.

(ii) In addition to, and not in lieu of, the visitation rights afforded the Agent and Banks pursuant to Section 7.1.6(i), each Borrower shall, and shall cause each Restricted Subsidiary to, permit any of the officers or authorized employees or representatives of the Agent or any of the Banks to conduct field examinations, receivables verifications and collateral audits with respect to the businesses, properties and books and records of such Borrower and Restricted Subsidiaries, as the case may be. Notwithstanding any other term of this clause (ii), all field examinations permitted in this clause may only be conducted upon reasonable advance notice and during normal business hours, and no more frequently than twice in the aggregate for the Agent and the Banks in any period of twelve (12) consecutive months, unless an Event of Default or Potential Default shall then exist, in which case no such limitation as to frequency shall exist. Should any Bank desire to conduct any such field examination, such Bank shall notify the Agent, the Borrowers and the other Banks of such intention and shall make reasonable efforts to conduct

such visitation or field examination contemporaneously with any such field examination to be conducted by the Agent, it being acknowledged that any such contemporaneous field examination shall constitute a single field examination for purposes of this Section 7.1.6. The costs and expenses of any field examination permitted hereunder shall be at the sole cost and expense of the Borrowers.

7.1.7. Keeping of Records and Books of Account.

PDI shall, and shall cause each Restricted Subsidiary to, maintain and keep proper books of record and account which enable PDI and each Restricted Subsidiary to issue financial statements in accordance with GAAP and as otherwise required by applicable Laws or any Official Body having jurisdiction over PDI or any Restricted Subsidiary, and in which full, true and correct entries shall be made in all material respects of all its dealings and business and financial affairs.

7.1.8. Plans and Benefit Arrangements.

PDI shall, and shall cause each other member of the ERISA Group to, comply with ERISA, the Internal Revenue Code and other applicable Laws applicable to Plans and Benefit Arrangements except where such failure, alone or in conjunction with any other failure, would not result in a Material Adverse Change. Without limiting the generality of the foregoing, PDI shall cause all of its Plans and all Plans maintained by any member of the ERISA Group to be funded in accordance with the minimum funding requirements of ERISA and shall make, and cause each member of the ERISA Group to make, in a timely manner, all contributions due in accordance with Plans, Benefit Arrangements and Multiemployer Plans.

7.1.9. Compliance with Laws.

Each Borrower shall, and shall cause each Restricted Subsidiary to, comply with all applicable Laws, including all Environmental Laws, in all respects, provided that it shall not be deemed to be a violation of this Section 7.1.9 if any failure to comply with any Law would not result in fines, penalties, remediation costs, other similar liabilities or injunctive relief which in the aggregate would constitute a Material Adverse Change.

7.1.10. Use of Proceeds.

The Borrowers will use the Letters of Credit and the proceeds of the Revolving Credit Loans only for general corporate purposes and for working capital. The Borrowers shall not use the Letters of Credit or the proceeds of the Revolving Credit Loans for any purposes which contravene any applicable Law or any provision hereof.

7.2 Negative Covenants.

The Borrowers, jointly and severally, covenant and agree that until payment in full of the Loans, Reimbursement Obligations, Letter of Credit Borrowings, and any fees, expenses or other amounts payable under the Loan Documents and interest thereon, expiration or termination of all Letters of Credit, and termination of the Commitments, the Borrowers shall comply with the following negative covenants:

7.2.1. Indebtedness.

Each of the Borrowers shall not, and shall not permit any Restricted Subsidiary to, at any time create, incur, assume or suffer to exist any Indebtedness, except:

(i) Indebtedness under the Loan Documents;

(ii) Existing Indebtedness as set forth on SCHEDULE 7.2.1 (including any extensions or renewals thereof, provided there is no increase in the amount thereof or other significant change in the terms thereof unless otherwise specified on SCHEDULE 7.2.1;

(iii) Indebtedness assumed by a Borrower, or any Restricted Subsidiary, contemporaneous with the consummation of a Permitted Acquisition if, and only if:

(a) said Indebtedness is assumed without modification of the maturity, principal amortization, interest rate, prepayment options, collateral or any other material term or condition pertaining thereto;

(b) said Indebtedness is secured solely by Purchase Money Security Interests, real property or other fixed capital assets to become the property of a Borrower, or any Restricted Subsidiary, in connection with said Permitted Acquisition; and

(c) said Indebtedness is not a revolving credit facility or line of credit arranged for working capital or general corporate purposes similar to the credit facilities provided herein; or

(iv) Indebtedness secured by Purchase Money Security Interests not exceeding $7,500,000 (inclusive of Indebtedness secured by Purchase Money Security Interests permitted to be assumed pursuant to clause (iii) above).

7.2.2. Liens; Negative Pledges.

Each of the Borrowers shall not, and shall not permit any Restricted Subsidiary to, at any time create, incur, assume or suffer to exist any Lien on any of its property or assets, tangible or intangible, now owned or hereafter acquired, or agree or become liable to do so, except Permitted Liens. Each of the Borrowers shall not agree to, or otherwise consent to be bound by, any contractual obligation or undertaking restricting its ability to create, incur, assume or suffer to exist any Lien on any of its property or assets, now owned or hereafter acquired, other than such provisions which may exist in this Agreement or the Glaxo Agreement as such agreement relates solely to the Glaxo Inventory.

7.2.3. Guaranties.

Each of the Borrowers shall not, and shall not permit any Restricted Subsidiary to, at any time, directly or indirectly, become or be liable in respect of any Guaranty, or assume, guarantee, become surety for, endorse or otherwise agree, become or remain directly or

contingently liable upon or with respect to any obligation or liability of any other Person, except for Guaranties of Indebtedness of the Borrowers permitted hereunder.

7.2.4. Loans and Investments.

Each of the Borrowers shall not, and shall not permit any Restricted Subsidiary to, at any time make or suffer to remain outstanding any loan or advance to, or purchase, acquire or own any stock, bonds, notes or securities of, or any partnership interest (whether general or limited) or limited liability company interest in, or any other investment or interest in, or make any capital contribution to, any other Person, or agree, become or remain liable to do any of the foregoing, except:

(i) trade credit extended on usual and customary terms in the ordinary course of business;

(ii) advances to employees to meet expenses incurred by such employees in the ordinary course of business;

(iii) Permitted Investments;

(iv) loans, advances and investments in other Borrowers;

(v) loans from time to time advanced to officers of the Borrowers as approved by the independent compensation committee of the Board of Directors of PDI, which do not exceed $3,000,000 in the aggregate outstanding to any individual officer and $10,000,000 in the aggregate outstanding to all such officers, at any time;

(vi) loans and advances to Persons (other than any Affiliates of a Borrower or any Restricted Subsidiary) engaged in businesses substantially similar or complementary to one or more line or lines of business conducted by the Borrowers if, and only if, each of the following requirements is met:

(a) no Potential Default or Event of Default shall exist immediately prior, or after giving effect, to such loan or advance;

(b) the sum of (x) the proposed amount of any such loan or advance, plus (y) the aggregate outstanding principal amount of all other loans and advances made from time to time pursuant to this clause (vi), plus (z) the Consideration paid by a Borrower or a Restricted Subsidiary in any Permitted Acquisition, will not be greater than any of the monetary limitations set forth in Section 7.2.6(2)(iv);

(c) the Borrowers shall have demonstrated to the reasonable satisfaction of the Agent and the Required Banks that (y) the Pro Forma Leverage Ratio shall be less than or equal to 1.75 to 1.00 and (z) the Pro Forma Liquidity Requirement shall have been satisfied. Said compliance shall be determined at the time that a Borrower or a Restricted Subsidiary, as the case may be, has made available its commitment to fund such loans and advances

and as if said loans and advances under any such commitment were fully funded at such time. Furthermore, said compliance shall be evidenced by a certificate of PDI's Chief Financial Officer demonstrating the calculations of said ratio and requirement and each significant component thereof and certifying as to the matters set forth in Section 7.2.4(vi)(a); and

(d) the Borrowers shall have delivered to the Agent at least ten (10) Business Days prior to funding any loans or advances under this clause (vi) or extending any commitment to so fund (whichever occurs sooner) copies of any letters of intent or proposals, together with any notes, loan agreements, commitments or other agreements (which may be in draft form, if that is the only form available at such time) in connection with such loans or commitment letters and shall have delivered to the Agent such other information about such Borrower thereunder, its assets or product line as any Bank may reasonably require. If the Borrowers shall have delivered any document in its proposed or draft form pursuant to this clause (d), the Borrowers shall undertake to deliver to the Agent a copy of the final executed version of any such documents as soon as practicable after the finalization thereof; or

(vii) any other form of investments, issued, acquired or created in connection with a Permitted Acquisition or a Permitted Joint Venture.

7.2.5. Dividends and Related Distributions.

Each of the Borrowers shall not, and shall not permit any Restricted Subsidiary to, make or pay, or agree to become or remain liable to make or pay, any dividend or other distribution of any nature on account of or in respect of its shares of capital stock, partnership interests or limited liability company interests or on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor), partnership interests or limited liability company interests, except (i) dividends or other distributions payable to another Borrower or Restricted Subsidiary or (ii) dividends and distributions in the form of equity interests of the distributing Borrower or Restricted Subsidiary of like kind to the equity interest in respect of which such dividend or distribution is made.

7.2.6. Liquidations, Mergers, Consolidations, Acquisitions.

Each of the Borrowers shall not, and shall not permit any Restricted Subsidiary to, dissolve, liquidate or wind-up its affairs, or become a party to any merger or consolidation, or acquire by purchase, lease or otherwise all or substantially all of the assets or capital stock of any other Person, or otherwise be a party to a Product Line Acquisition or Product Contract Rights Acquisition; provided that:

(1) Any Borrower or Restricted Subsidiary may consolidate or merge into PDI, or

(2) Any Borrower or Restricted Subsidiary may acquire, whether by purchase or by merger, all of the ownership interests of another Person or substantially all of assets of another Person or of a business or division of another Person, including, without limitation, in a Product Line Acquisition or effect any Product Contract Rights Acquisition transaction with another Person (each a "Permitted Acquisition"); provided that each of the following requirements is met:

(i) The board of directors or other equivalent governing body of such Person shall have approved such Permitted Acquisition (if such approval is necessary or appropriate) and, if the Borrowers shall use any portion of the Loans to fund such Permitted Acquisition, the Borrowers also shall have delivered to the Banks written evidence of the approval of the board of directors (or equivalent body) of such Person for such Permitted Acquisition if reasonably required by the Required Banks;

(ii) The business acquired, or the business conducted by the Person whose ownership interests, assets or product line is being acquired, as applicable, shall be substantially similar or complementary to one or more line or lines of business conducted by the Borrowers and shall comply with Section 7.2.11;

(iii) No Potential Default or Event of Default shall exist immediately prior to or after giving effect to such Permitted Acquisition;

(iv) The Consideration paid by the Borrowers (in each case, when added to the aggregate outstanding principal amount loaned or advanced by a Borrower or a Restricted Subsidiary pursuant to Section 7.2.4(vi)) shall not exceed (x) $40,000,000 for any single Permitted Acquisition, (y) $100,000,000 in the aggregate for all Permitted Acquisitions made during any period of twelve (12) consecutive months, or (z) $200,000,000 in the aggregate for all Permitted Acquisitions made at any time during which any Commitment is in effect;

(v) The Borrowers shall have demonstrated to the reasonable satisfaction of the Agent and the Required Banks that immediately after giving effect to such Permitted Acquisition that (y) the Pro Forma Leverage Ratio shall be less than or equal to 1.75 to 1.00 and (z) the Pro Forma Liquidity Requirement shall have been satisfied, said compliance to be evidenced by a certificate of PDI's Chief Financial Officer demonstrating the calculations of said ratio and requirement and each significant component thereof and certifying as to the matters set forth in Section 7.2.6(2)(iii); and

(vi) The Borrowers shall have delivered to the Agent at least ten (10) Business Days before the consummation of such Permitted Acquisition copies of any letters of intent or proposals, together with any agreements entered into or proposed to be entered into by any Borrower (which may be in draft form, if that is the only form available at such time) in connection with such Permitted Acquisition, and shall have delivered to the Agent such other

information about such Person, its assets or product line as any Bank may reasonably require. If the Borrowers shall have delivered any document in its proposed or draft form pursuant to this clause (vi), the Borrowers shall undertake to deliver to the Agent a copy of the final executed version of any such documents as soon as practicable after the finalization thereof.

If any of the requirements set forth in clause (i) through (vi) of this Section 7.2.6 can not, or have not, been satisfied by the Borrowers in connection with any proposed Per rmitted Acquisition, then the Borrowers must obtain the prior written consent of all of the Banks to effect such transaction.

7.2.7. Permitted Joint Ventures.

Each of the Borrowers shall not, and shall not permit any Restricted Subsidiary to, hold a joint venture interest in any joint venture, or otherwise acquire or create an Unrestricted Subsidiary, unless each of the following requirements is met (each such transaction, a "Permitted Joint Venture"):

(i) The board of directors or other equivalent governing body of the other participant in any such Permitted Joint Venture shall have approved such transaction (if such approval is necessary or appropriate) and, if the Borrowers shall use any portion of the Loans to fund such Permitted Joint Venture, the Borrowers also shall have delivered to the Banks written evidence of the approval of the board of directors (or equivalent body) of such participant if reasonably required by the Required Banks;

(ii) The business acquired, or the business conducted by the relevant joint venture shall be substantially similar or complementary to one or more line or lines of business conducted by the Borrowers and shall comply with Section 7.2.11;

(iii) No Potential Default or Event of Default shall exist immediately prior to or after giving effect to such Permitted Joint Venture;

(iv) The aggregate amount of the cash, property or assets contributed to such joint venture by any Borrower or Restricted Subsidiary, as the case may be, shall not exceed $25,000,000 in the aggregate for all Permitted Joint Ventures;

(v) The Borrowers shall have demonstrated to the reasonable satisfaction of the Agent and the Required Banks that immediately after giving effect to such Permitted Joint Venture that (y) the Pro Forma Leverage Ratio shall be less than or equal to 1.75 to 1.00 and (z) the Pro Forma Liquidity Requirement shall have been satisfied, said compliance to be evidenced by a certificate of PDI's Chief Financial Officer demonstrating the calculations of said ratio and requirement and each significant component thereof and certifying as to the matters set forth in Section 7.2.7(iii); and

(vi) The Borrowers shall have delivered to the Agent at least ten (10) Business Days before the consummation of such Permitted Joint Venture copies of any letters of intent or proposals, together with any agreements entered into or proposed to be entered into by any Borrower, Restricted Subsidiary or Unrestricted Subsidiary (which may be in draft form, if that is the

only form available at such time) in connection with such Permitted Joint Venture, and shall have delivered to the Agent such other information about such Person, its assets or product line as any Bank may reasonably require. If the Borrowers shall have delivered any document in its proposed or draft form pursuant to this clause (vi), the Borrowers shall undertake to deliver to the Agent a copy of the final executed version of any such documents as soon as practicable after the finalization thereof.

If any of the requirements set forth in clause (i) through (vi) of this Section 7.2.7 can not, or have not, been satisfied by the Borrowers in connection with any proposed Permitted Joint Venture, then the Borrowers must obtain the prior written consent of all of the Banks to effect such transaction.

7.2.8. Dispositions of Assets or Subsidiaries.

Each of the Borrowers shall not, and shall not permit any Restricted Subsidiary to, sell, convey, assign, lease, abandon or otherwise transfer or dispose of, voluntarily or involuntarily, any of its properties or

assets, tangible or intangible (including sale, assignment, discount or other disposition of accounts, contract rights, chattel paper, equipment or general intangibles with or without recourse or of capital stock, shares of beneficial interest, partnership interests or limited liability company interests of a Restricted Subsidiary), except:

(i) transactions involving the sale of inventory in the ordinary course of business;

(ii) any sale, transfer or lease of assets in the ordinary course of business which are no longer necessary or required in the conduct of such Borrower's or such Restricted Subsidiary's business;

(iii) any sale, transfer or lease of assets by any Restricted Subsidiary to a Borrower or any other Restricted Subsidiary;

(iv) any sale, transfer or lease of assets in the ordinary course of business which are replaced by substitute assets acquired or leased within the parameters of Section 7.2.1(iii);

(v) any other sale, transfer or lease of assets not otherwise permitted pursuant to clauses (i) through (iv) above, in an amount not to exceed 10% in the aggregate of the total assets of PDI and the Restricted Subsidiaries (determined on a consolidated basis (as to PDI and the Restricted Subsidiaries only) based on the most recent audited financial statement delivered to the Banks pursuant to Section7.3.3) in any fiscal period of twelve (12) consecutive months; or

(vi) any sales or transfers of receivables in connection with a Receivables Securitization on terms and conditions reasonably acceptable to the Agent, so long as the Net Cash Proceeds are applied to the mandatory prepayment required pursuant to Section 4.5.2.

7.2.9. Affiliate Transactions.

Other than the transactions described on SCHEDULE 7.2.9, each of the Borrowers shall not, and shall not permit any of its Subsidiaries to, enter into or carry out any transaction (including purchasing property or services from or selling property or services to any Affiliate of any Borrower or other Person) with any Affiliate unless such transaction is not otherwise prohibited by this Agreement, is entered into in the ordinary course of business upon fair and reasonable arm's-length terms and conditions which are fully disclosed to the Agent and is in accordance with all applicable Law.

7.2.10. Subsidiaries, Partnerships.

Other than in connection with a Permitted Acquisition or a Permitted Joint Venture, each of the Borrowers shall not, and shall not permit any Restricted Subsidiary to, own or create directly or indirectly any Subsidiaries, except that the foregoing shall not prohibit the creation of any new Restricted Subsidiary, if substantially contemporaneously with said creation, the Borrowers shall have caused said new Restricted Subsidiary to execute and deliver to the Agent (i) a supplement to this Agreement substantially in the form of EXHIBIT 7.2.10, pursuant to which such new Restricted Subsidiary assumes the joint and several Obligations of a Borrower hereunder and under the other Loan Documents, and (ii) such resolutions, certificates, opinions and other written assurances as the Agent may reasonably request regarding the corporate authority and legal, valid and binding nature of said assumption and joinder. Other than in connection with a Permitted Acquisition or a Permitted Joint Venture, each of the Borrowers shall not become or agree to (1) become a general or limited partner in any general or limited partnership, except that the Borrowers may be general or limited partners in other Borrowers, (2) become a member or manager of, or hold a limited liability company interest in, a limited liability company, except that the Borrowers may be members or managers of, or hold limited liability company interests in, other Borrowers, or (3) become a joint venturer or hold a joint venture interest in any joint venture.

7.2.11. Continuation of or Change in Business.

Each of the Borrowers shall not, and shall not permit any Restricted Subsidiary to, engage in any business now or in the future other than the provision of (a) sales and marketing services, (b) medical education and communication services, (c) marketing research and consulting services, (d) brand marketing services, and (e) related products and services reasonably complementary to the foregoing, in each case to and/or for the health care industry.

7.2.12. Plans and Benefit Arrangements.

PDI shall not, and shall not permit any Restricted Subsidiary to:

(i) fail to satisfy the minimum funding requirements of ERISA and the Internal Revenue Code with respect to any Plan;

(ii) request a minimum funding waiver from the Internal Revenue Service with respect to any Plan;

(iii) engage in a Prohibited Transaction with any Plan, Benefit Arrangement or Multiemployer Plan which, alone or in conjunction with any other circumstances or set of circumstances resulting in liability under ERISA, would constitute a Material Adverse Change;

(iv) permit the aggregate actuarial present value of all benefit liabilities (whether or not vested) under each Plan, determined on a plan termination basis, as disclosed in the most recent actuarial report completed with respect to such Plan, to exceed, as of any actuarial valuation date, the fair market value of the assets of such Plan;

(v) fail to make when due any contribution to any Multiemployer Plan that any Borrower or any member of the ERISA Group may be required to make under any agreement relating to such Multiemployer Plan, or any Law pertaining thereto;

(vi) withdraw (completely or partially) from any Multiemployer Plan or withdraw (or be deemed under Section 4062(e) of ERISA to withdraw) from any Multiple Employer Plan, where any such withdrawal is likely to result in a material liability of any Borrower or any member of the ERISA Group;

(vii) terminate, or institute proceedings to terminate, any Plan, where such termination is likely to result in a material liability to any Borrower or any member of the ERISA Group;

(viii) make any amendment to any Plan with respect to which security is required under Section 307 of ERISA; or

(ix) fail to give any and all notices and make all disclosures and governmental filings required under ERISA or the Internal Revenue Code, where such failure is likely to result in a Material Adverse Change.

7.2.13. Fiscal Year .

PDI shall not, and shall not permit any Restricted Subsidiary to, change its fiscal year from the twelve-month period beginning January 1 and ending December 31.

7.2.14. Changes in Organizational Documents.

PDI shall not, and shall not permit any Restricted Subsidiary to, amend in any respect its certificate of incorporation (including any provisions or resolutions relating to capital stock), by-laws, certificate of limited partnership, partnership agreement, certificate of formation, limited liability company agreement or other organizational documents, in any manner which, in the reasonable discretion of the Agent, is likely to cause a Material Adverse Change.

7.2.15. Minimum Fixed Charge Coverage Ratio.

PDI shall not permit the Fixed Charge Coverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, to be less than 2.25 to 1.0.

7.2.16. Maximum Leverage Ratio.

PDI shall not permit the Leverage Ratio, calculated as of the end of each fiscal quarter for the four fiscal quarters then ended, to be greater than 2.50 to 1.00.

7.2.17. Minimum Net Worth.

PDI shall not permit the Consolidated Net Worth, calculated as of the end of each fiscal quarter, to be less than the sum of (A) 90% of the

Consolidated Net Worth as of the end of the immediately preceding fiscal quarter plus (B) 50% of PDI's net income as determined and consolidated (as to PDI and the Restricted Subsidiaries only) in accordance with GAAP (but only if a positive number) calculated for the most recently completed fiscal quarter plus (C) 90% of any consideration paid to PDI for any capital stock issued in the most recently completed fiscal quarter.

7.2.18. Capital Expenditure Limitation.

The Borrowers shall not, and shall not permit any Restricted Subsidiary to, expend, or suffer to exist, Capital Expenditures in excess of $15,000,000 in the collective aggregate in any calendar year.

7.2.19. Amendment to Glaxo Agreement.

Neither PDI nor LCV shall agree to amend, supplement, restate, or otherwise modify, or waive compliance with, or consent to the departure from, any term or provision of the Glaxo Agreement in any material respect without the prior written consent of the Agent and the Required Banks (which consent shall not be unreasonably withheld), it being acknowledged by the Borrowers that any modification to Article 13 of the Glaxo Agreement (or any of the defined terms used therein) shall constitute a material amendment requiring the aforementioned consent of the Agent and the Required Banks.

7.2.20. Indirect Means.

The Borrowers shall not take, or permit to occur, any action, which any Borrower is prohibited from doing, or allowing to occur, through a Restricted Subsidiary or by any other indirect means.

7.3 Reporting Requirements.

The Borrowers agree that until payment in full of the Loans, Reimbursement Obligations, Letter of Credit Borrowings, and any fees, expenses or other amounts payable under the Loan Documents, and interest thereon, expiration or termination of all Letters of Credit, and termination of the Commitments, the Borrowers will furnish or cause to be furnished to the Agent and each of the Banks:

7.3.1. Monthly Borrowing Base Information.

As soon as available and in any event within twenty (20) calendar days after the end of each Calculation Period, a Borrowing Base Certificate for such Calculation Period which certificate shall include an accounts receivable aging report and inventory schedules and valuations as of the end of such Calculation Period, in each case for PDI and the Restricted Subsidiaries, in reasonable detail and certified as true and correct by an Executive Officer of the Borrowers.

7.3.2. Quarterly Financial Statements.

As soon as available and in any event within forty-five (45) calendar days after the end of each of the first three fiscal quarters in each fiscal year, financial statements of PDI and its Subsidiaries, consisting of a consolidated and consolidating balance sheet as of the end of such fiscal quarter and related consolidated and consolidating statements of income, stockholders' equity and cash flows for the fiscal quarter then ended and the fiscal year through that date, all in reasonable detail and certified (subject to normal year-end audit adjustments) by the Chief Executive Officer, President or Chief Financial Officer of PDI as having been prepared in accordance with GAAP, consistently applied, and setting forth in comparative form the respective financial statements for the corresponding date and period in the previous fiscal year. The forty-five (45) day time requirement for delivery of said statements shall be subject to a five (5) day extension to not more than fifty (50) days upon presentation by PDI to the Agent that a like extension is in effect for filing PDI's 10-Q statement pursuant to the applicable rules and regulations of the Securities and Exchange Commission. The above described quarterly financial statements shall be accompanied by management prepared financial statements of comparable scope and quality consolidating the results of PDI and the Restricted Subsidiaries only, but in all other respects prepared in accordance with GAAP, consistently applied.

7.3.3. Annual Financial Statements.

7.3.3.1. Audited Statements, etc.

As soon as available and in any event within ninety (90) days after the end of each fiscal year of PDI, financial statements of PDI and its Subsidiaries consisting of a consolidated and consolidating balance sheet as of the end of such fiscal year, and related consolidated and consolidating statements of income, stockholders' equity and cash flows for the fiscal year then ended, all in reasonable detail and setting forth in comparative form the

financial statements as of the end of and for the preceding fiscal year, and certified by independent certified public accountants of nationally recognized standing satisfactory to the Agent. The ninety (90) day time requirement for delivery of said statements shall be subject to a fifteen (15) day extension to not more than one hundred five (105) days upon presentation by PDI to the Agent that a like extension is in effect for filing PDI's 10-K statement pursuant to the applicable rules and regulations of the Securities and Exchange Commission. The certificate or report of accountants shall be free of qualifications (other than any consistency qualification that may result from a change in the method used to prepare the financial statements as to which such accountants

concur) and shall not indicate the occurrence or existence of any event, condition or contingency which would materially impair the prospect of payment or performance of any covenant, agreement or duty of any Borrower under any of the Loan Documents. PDI shall deliver with such financial statements and certification by its accountants a letter of such accountants to the Agent and the Banks substantially (i) to the effect that, based upon their ordinary and customary examination of the affairs of PDI and its Subsidiaries, performed in connection with the preparation of such consolidated financial statements, and in accordance with generally accepted auditing standards, they are not aware of the existence of any condition or event which constitutes an Event of Default or Potential Default or, if they are aware of such condition or event, stating the nature thereof and confirming PDI's calculations with respect to the certificate to be delivered pursuant to Section 7.3.4 with respect to such financial statements and (ii) to the effect that the Banks are entitled to rely upon such accountant's certification of the annual financial statements and that such accountants authorize PDI to deliver such reports and certificate to the Banks on such accountants' behalf.

7.3.3.2. Restricted and Unrestricted Subsidiary Annual Financial Statements.

The annual audited financial statements required pursuant to Section 7.3.3.1 shall be accompanied by management prepared financial statements of comparable scope and quality to the statements required pursuant to Section 7.3.3.1 consolidating the results of PDI and the Restricted Subsidiaries only, but in all other respects prepared in accordance with GAAP, consistently applied; provided, however that the Agent and/or the Required Banks reserve the right to demand audited consolidated financial statements, for PDI and the Restricted Subsidiaries only, but otherwise conforming with the requirements of Section 7.3.3.1 if the Agent or the Required Banks determine that the Unrestricted Subsidiaries constitute a material portion of the consolidated financial results of PDI. Furthermore, the annual audited financial statements required pursuant to Section 7.3.3.1 shall be accompanied by management prepared financial statements of comparable scope and quality to the statements required pursuant to Section 7.3.3.1 for each Unrestricted Subsidiary or other Permitted Joint Venture in which a Borrower or any Restricted Subsidiary (individually or collectively in the aggregate) has contributed cash, property or assets to such Unrestricted Subsidiary or other Permitted Joint Venture with a value of $2,000,000 or more.

7.3.4. Certificate of PDI.

Concurrently with the financial statements of PDI furnished to the Agent and to the Banks pursuant to Sections 7.3.2 and 7.3.3, a certificate of PDI signed by an Executive Officer of the Borrowers, in substantially the form of EXHIBIT 7.3.4, to the effect that, except as described pursuant to Section 7.3.5, (i) the representations and warranties of the Borrowers contained in Section 5 and in the other Loan Documents are true on and as of the date of such certificate with the same effect as though such representations and warranties had been made on and as of such date (except representations and warranties which expressly relate solely to an earlier date or time) and the Borrowers have performed and complied with all covenants and conditions hereof and thereof, (ii) no Event of Default or Potential Default exists and is continuing on the date of such certificate (or, if any Potential Default or Event of Default exists, the facts and circumstances related thereto, in reasonable detail, together with a description of the actions taken, or proposed to be taken, to rectify the same) and (iii) containing calculations in sufficient detail to

demonstrate compliance as of the date of such financial statements with all financial covenants contained in Sections 7.2.15, 7.2.16, 7.17 and 7.2.18.

7.3.5. Notice of Default.

Promptly after any Executive Officer of the Borrowers has learned of the occurrence of an Event of Default or Potential Default, a certificate signed by an Executive Officer of the Borrowers setting forth the details of such Event of Default or Potential Default and the action which such

Borrower proposes to take with respect thereto.

7.3.6. Notice of Litigation.

Promptly after the commencement thereof, notice of all actions, suits, proceedings or investigations before or by any Official Body or any other Person against any Borrower or Subsidiary of any Borrower which involve a claim or series of claims in excess of $5,000,000 or which if adversely determined would constitute a Material Adverse Change.

7.3.7. Certain Events.

Written notice:

(i) at least five (5) Business Days prior to any proposed sale or transfer of assets pursuant to Section 7.2.7(iv) and at least thirty (30) calendar days prior any Receivables Securitization, in each case describing in reasonable detail the action proposed to be taken;

(ii) as soon as reasonably practicable with the taking of any corporate action in furtherance of the same, any amendment to the organizational documents of any Borrower permitted to occur pursuant to Section 7.2.13;

(iii) as soon as practicable after any Executive Officer of the Borrowers obtains actual knowledge of the same, a written description of any material developments in (x) the transactions contemplated in the Glaxo Agreement, (y) the litigation pending in the Federal District Court for the District of New Jersey regarding the attempted introduction of a generic equivalent of the Product (as defined in the Glaxo Agreement), or (z) any other threatened or pending infringement upon any exclusive distribution arrangement in favor of any Borrower or any Subsidiary of any Borrower; and

(iv) as soon as practicable after finalization of the same and subject to any limitations imposed by third parties regarding confidentiality, certified true and correct copies of each of the pricing and rebate contracts entered into by LCV as contemplated in Sections 3.05(d) and 3.12 of the Glaxo Agreement.

7.3.8. Budgets, Forecasts, Other Reports and Information.

Promptly upon becoming available to PDI:

(i) the annual budget and any forecasts or projections of PDI, to be supplied not later than sixty (60) days prior to commencement of the fiscal year to which any of the foregoing may be applicable,

(ii) any reports including management letters submitted to PDI's independent accountants in connection with any annual, interim or special audit,

(iii) any reports, notices or proxy statements generally distributed by PDI to its stockholders on a date no later than the date supplied to such stockholders,

(iv) regular or periodic reports, including Forms 10-K, 10-Q and 8-K, registration statements and prospectuses, filed by PDI with the Securities and Exchange Commission,

(v) a copy of any order in any proceeding to which PDI or any of its Subsidiaries is a party issued by any Official Body, and

(vi) such other reports and information as any of the Banks may from time to time reasonably request. The Borrowers shall also notify the Banks promptly of the enactment or adoption of any Law, which may result in a Material Adverse Change.

7.3.9. Notices Regarding Plans and Benefit Arrangements.

7.3.9.1. Certain Events.

Promptly upon becoming aware of the occurrence thereof, notice (including the nature of the event and, when known, any action taken or threatened by the Internal Revenue Service or the PBGC with respect thereto) of:

(i) any Reportable Event with respect to any Borrower or any other member of the ERISA Group (regardless of whether the obligation to report said Reportable Event to the PBGC has been

waived),

(ii) any Prohibited Transaction which could subject any Borrower or any other member of the ERISA Group to a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Internal Revenue Code in connection with any Plan, any Benefit Arrangement or any trust created thereunder,

(iii) any assertion of material withdrawal liability with respect to any Multiemployer Plan,

(iv) any partial or complete withdrawal from a Multiemployer Plan by any Borrower or any other member of the ERISA Group under Title IV of ERISA (or assertion thereof), where such withdrawal is likely to result in material withdrawal liability,

(v) any cessation of operations (by any Borrower or any other member of the ERISA Group) at a facility in the circumstances described in Section 4062(e) of ERISA,

(vi) withdrawal by any Borrower or any other member of the ERISA Group from a Multiple Employer Plan,

(vii) a failure by any Borrower or any other member of the ERISA Group to make a payment to a Plan required to avoid imposition of a Lien under Section 302(f) of ERISA,

(viii) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA, and

(ix) any change in the actuarial assumptions or funding methods used for any Plan, where the effect of such change is to materially increase or materially reduce the unfunded benefit liability or obligation to make periodic contributions.

7.3.9.2. Notices of Involuntary Termination and Annual Reports.

Promptly after receipt thereof, copies of (a) all notices received by any Borrower or any other member of the ERISA Group of the PBGC's intent to terminate any Plan administered or maintained by any Borrower or any other member of the ERISA Group, or to have a trustee appointed to administer any such Plan; and (b) at the request of the Agent or any Bank each annual report (IRS Form 5500 series) and all accompanying schedules, the most recent actuarial reports, the most recent financial information concerning the financial status of each Plan administered or maintained by any Borrower or any other member of the ERISA Group, and schedules showing the amounts contributed to each such Plan by or on behalf of any Borrower or any other member of the ERISA Group in which any of their personnel participate or from which such personnel may derive a benefit, and each Schedule B (Actuarial Information) to the annual report filed by any Borrower or any other member of the ERISA Group with the Internal Revenue Service with respect to each such Plan.

7.3.9.3. Notice of Voluntary Termination.

Promptly upon the filing thereof, copies of any Form 5310, or any successor or equivalent form to Form 5310, filed with the PBGC in connection with the termination of any Plan.

8. DEFAULT

8.1 Events of Default.

An Event of Default shall mean the occurrence or existence of any one or more of the following events or conditions (whatever the reason therefor and whether voluntary, involuntary or effected by operation of Law):

8.1.1. Payments Under Loan Documents.

The Borrowers shall fail to pay any principal of any Loan (including scheduled installments, mandatory prepayments or the payment due at maturity), Reimbursement Obligation or Letter of Credit Borrowing or shall fail to pay any interest on any Loan, Reimbursement Obligation or Letter of Credit Borrowing or any other amount owing hereunder or under the other Loan Documents after such principal, interest or other amount becomes due in accordance with the terms hereof or thereof;

8.1.2. Breach of Warranty.

Any representation or warranty made at any time by any of the Borrowers herein or by any of the Borrowers in any other Loan Document, or in any certificate, other instrument or statement furnished pursuant to the provisions hereof or thereof, shall prove to have been false or misleading in any material respect as of the time it was made or furnished;

8.1.3. Breach of Negative Covenants or Visitation Rights.

Any of the Borrowers shall default in the observance or performance of any covenant contained in Section 7.1.6, Section 7.2 or Section 7.3.1;

8.1.4. Breach of Other Covenants.

Any of the Borrowers shall default in the observance or performance of any other covenant, condition or provision hereof or of any other Loan Document and such default shall continue unremedied for a period of ten (10) Business Days after any Executive Officer of the Borrowers obtains actual or constructive knowledge of the occurrence thereof (such grace period to be applicable only in the event such default can be remedied by corrective action of the Borrowers as determined by the Agent in its sole discretion);

8.1.5. Defaults in Other Agreements or Indebtedness.

A default or event of default shall occur at any time under the terms of any other agreement involving borrowed money or the extension of credit or any other Indebtedness under which any Borrower or Restricted Subsidiary may be obligated as a borrower or guarantor in excess of $1,000,000 in the aggregate, and such breach, default or event of default consists of the failure to pay (beyond any period of grace permitted with respect thereto, whether waived or not) any indebtedness when due (whether at stated maturity, by acceleration or otherwise) or if such breach or default permits or causes the acceleration of any indebtedness (whether or not such right shall have been waived) or the termination of any commitment to lend;

8.1.6. Final Judgments or Orders.

Any final judgments or orders for the payment of money in excess of $500,000 in the aggregate shall be entered against any Borrower by a court of competent jurisdiction, which judgment is not discharged, vacated, bonded or stayed pending appeal within a period of thirty (30) days from the date of entry;

8.1.7. Loan Document Unenforceable.

Any of the Loan Documents shall cease to be legal, valid and binding agreements enforceable against the party executing the same or such party's successors and assigns (as permitted under the Loan Documents) in accordance with the respective terms thereof or shall in any way be terminated (except in accordance with its terms) or become or be declared ineffective or inoperative or shall in any way be challenged or contested or cease to give or provide rights, titles, interests, remedies, powers or privileges intended to be created thereby;

8.1.8. Uninsured Losses; Proceedings Against Assets.

There shall occur any material uninsured damage to or loss, theft or destruction of any of the property or assets of any of the Borrowers in excess of $500,000, or any such property or assets are attached, seized, levied upon or subjected to a writ or distress warrant; or such come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not cured within thirty (30) days thereafter;

8.1.9. Notice of Lien or Assessment.

A notice of Lien or assessment in excess of $100,000 which is not a Permitted Lien is filed of record with respect to all or any part of any of the Borrowers' assets by the United States, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, including the PBGC, or any taxes or debts owing at any time or times hereafter to any one of these becomes payable and the same is not paid within thirty (30) days after the same becomes payable;

8.1.10. Insolvency.

Any Borrower or any Restricted Subsidiary ceases to be solvent or admits in writing its inability to pay its debts as they mature;

8.1.11. Events Relating to Plans and Benefit Arrangements.

Any of the following occurs: (i) any Reportable Event, which

the Agent determines in good faith constitutes grounds for the termination of any Plan by the PBGC or the appointment of a trustee to administer or liquidate any Plan, shall have occurred and be continuing; (ii) proceedings shall have been instituted or other action taken to terminate any Plan, or a termination notice shall have been filed with respect to any Plan; (iii) a trustee shall be appointed to administer or liquidate any Plan; (iv) the PBGC shall give notice of its intent to institute proceedings to terminate any Plan or Plans or to appoint a trustee to administer or liquidate any Plan; and, in the case of the occurrence of (i), (ii), (iii) or (iv) above, the Agent determines in good faith that the amount of any Borrower's liability is likely to exceed 10% of Consolidated Net Worth (less any intangible assets determined in accordance with GAAP); (v) PDI or any member of the ERISA Group shall fail to make any contributions when due to a Plan or a Multiemployer Plan; (vi) PDI or any other member of the ERISA Group shall make any amendment to a Plan with respect to which security is required under Section 307 of ERISA; (vii) PDI or any other member of the ERISA Group shall withdraw completely or partially from a Multiemployer Plan; (viii) PDI or any other member of the ERISA Group shall withdraw (or shall be deemed under Section 4062(e) of ERISA to withdraw) from a Multiple Employer Plan; or

(ix) any applicable Law is adopted, changed or interpreted by any Official Body with respect to or otherwise affecting one or more Plans, Multiemployer Plans or Benefit Arrangements and, with respect to any of the events specified in (v), (vi), (vii), (viii) or (ix), the Agent determines in good faith that any such occurrence would be reasonably likely to materially and adversely affect the total enterprise represented by PDI and the other members of the ERISA Group;

8.1.12. Cessation of Business.

Any Borrower or Restricted Subsidiary ceases to conduct its business as contemplated, except as expressly permitted under Section 7.2.6 or 7.2.7, or any Borrower or Restricted Subsidiary is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business and such injunction, restraint or other preventive order is not dismissed within thirty (30) days after the entry thereof;

8.1.13. Change of Control.

(i) Any person or group of persons (within the meaning of Sections 13(d) or 14(a) of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership of (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) 25% or more of the voting capital stock of PDI; provided, however, that transfers of voting capital stock of PDI beneficially owned or controlled by John P. Dugan to trusts established for his benefit, or the benefit of his spouse or members of his immediate family, or transfers to such family members pursuant to such trusts, shall not be considered in determining whether an Event of Default has occurred under this Section 8.1.13 or (ii) within a period of twelve (12) consecutive calendar months, individuals who were directors of PDI on the first day of such period shall cease to constitute a majority of the board of directors of PDI; provided, however that (i) the filling of vacancies on such board caused by (x) the voluntary retirement of any incumbent board member which is not incidental to the circumstances described in clause (i) of this Section 8.1.13, or (y) the death or disability of any incumbent board member, or (z) the creation of additional members of said board by the incumbent board, which is not incidental to the circumstances described in clause (i) of this Section 8.1.13, shall not be considered in determining whether an Event of Default has occurred under this Section 8.1.13;

8.1.14. Involuntary Proceedings.

A proceeding shall have been instituted in a court having jurisdiction in the premises seeking a decree or order for relief in respect of any Borrower or Restricted Subsidiary in an involuntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or similar official) of any Borrower or Restricted Subsidiary for any substantial part of its property, or for the winding-up or liquidation of its affairs, and such proceeding shall remain undismissed or unstayed and in effect for a period of thirty (30) consecutive days or such court shall enter a decree or order granting any of the relief sought in such proceeding; or

8.1.15. Voluntary Proceedings.

Any Borrower or Restricted Subsidiary shall commence a

voluntary case under any applicable bankruptcy, insolvency, reorganization or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law, or shall consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator (or other similar official) of itself or for any substantial part of its property or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any action in furtherance of any of the foregoing.

8.2 Consequences of Event of Default.

8.2.1. Events of Default Other Than Bankruptcy, Insolvency or Reorganization Proceedings.

If an Event of Default specified under Sections 8.1.1 through 8.1.13 shall occur and be continuing, the Banks and the Agent shall be under no further obligation to make Loans or issue Letters of Credit, as the case may be, and the Agent may, and upon the request of the Required Banks shall, (i) by written notice to the Borrowers, declare the unpaid principal amount of the Notes then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrowers to the Banks hereunder and thereunder to be forthwith due and payable, and the same shall thereupon become and be immediately due and payable to the Agent for the benefit of each Bank without presentment, demand, protest or any other notice of any kind, all of which are hereby expressly waived, and (ii) require the Borrowers to, and the Borrowers shall thereupon, deposit in a non-interest-bearing account with the Agent, as cash collateral for their Obligations under the Loan Documents, an amount equal to the maximum amount currently or at any time thereafter available to be drawn on all outstanding Letters of Credit, and the Borrowers hereby pledge to the Agent and the Banks, and grant to the Agent and the Banks a security interest in, all such cash as security for such Obligations. Upon the curing of all existing Events of Default to the satisfaction of the Required Banks, the Agent shall return such cash collateral to the Borrowers; and

8.2.2. Bankruptcy, Insolvency or Reorganization Proceedings.

If an Event of Default specified under Section 8.1.14 or 8.1.15 shall occur, the Banks shall be under no further obligations to make Loans hereunder and the unpaid principal amount of the Loans then outstanding and all interest accrued thereon, any unpaid fees and all other Indebtedness of the Borrowers to the Banks hereunder and thereunder shall be immediately and automatically due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived; and

8.2.3. Set off.

If an Event of Default shall occur and be continuing, any Bank to whom any Obligation is owed by any Borrower hereunder or under any other Loan Document or any participant of such Bank which has agreed in writing to be bound by the provisions of Section 9.13 and any branch, Subsidiary or Affiliate of such Bank or participant anywhere in the world shall have the right, in addition to all other rights and remedies available to it (but subject to

Section 9.13), without notice to such Borrower, to set off against and apply to the then unpaid balance of all the Loans and all other Obligations of the Borrowers hereunder or under any other Loan Document any debt owing to, and any other funds held in any manner for the account of, the Borrowers by such Bank or participant or by such branch, Subsidiary or Affiliate, including all funds in all deposit accounts (whether time or demand, general or special, provisionally credited or finally credited, or otherwise) now or hereafter maintained by any of the Borrowers for its or their own account (but not including funds held in custodian or trust accounts) with such Bank or participant or such branch, Subsidiary or Affiliate. Such right shall exist whether or not any Bank or the Agent shall have made any demand under this Agreement or any other Loan Document, whether or not such debt owing to or funds held for the account of the Borrowers are matured or unmatured and regardless of the existence or adequacy of any collateral, guaranty or any other security, right or remedy available to any Bank or the Agent; and

8.2.4. Suits, Actions, Proceedings.

If an Event of Default shall occur and be continuing, and whether or not the Agent shall have accelerated the maturity of Loans pursuant to any of the foregoing provisions of this Section 8.2, the Agent or any Bank, if owed any amount with respect to the Loans, may proceed to protect and enforce its rights by suit in equity, action at law and/or other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Agreement or the other Loan Documents, including as permitted by applicable Law the obtaining of the ex parte appointment of a receiver, and, if such amount shall have become due, by declaration or otherwise, proceed to enforce the payment thereof or any other legal or equitable right of the Agent or such Bank;

and

8.2.5. Other Rights and Remedies.

In addition to the rights and remedies contained in this Agreement or in any of the other Loan Documents, the Agent may, and upon the request of the Required Banks shall, exercise all post-default rights granted to the Agent and the Banks under applicable Law.

9. THE AGENT

9.1 Appointment.

Each Bank hereby irrevocably designates, appoints and authorizes PNC Bank to act as Agent for such Bank under this Agreement and to execute and deliver or accept on behalf of each of the Banks the other Loan Documents. Each Bank hereby irrevocably authorizes, and each holder of any Note by the acceptance of such Note shall be deemed irrevocably to authorize, the Agent to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and any other instruments and agreements referred to herein, and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Agent by the terms hereof, together with such powers as are reasonably incidental thereto. PNC Bank agrees to act as the Agent on behalf of the Banks to the extent provided in this Agreement.

9.2 Delegation of Duties.

The Agent may perform any of its duties hereunder by or through agents or employees (provided such delegation does not constitute a relinquishment of its duties as Agent)

and, subject to Sections 9.5 and 9.6, shall be entitled to engage and pay for the advice or services of any attorneys, accountants or other experts concerning all matters pertaining to its duties hereunder and to rely upon any advice so obtained.

9.3 Nature of Duties; Independent Credit Investigation.

The Agent shall have no duties or responsibilities except those expressly set forth in this Agreement and no implied covenants, functions, responsibilities, duties, obligations, or liabilities shall be read into this Agreement or otherwise exist. The duties of the Agent shall be mechanical and administrative in nature; the Agent shall not have by reason of this Agreement a fiduciary or trust relationship in respect of any Bank; and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Agent any obligations in respect of this Agreement except as expressly set forth herein. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable Law. Instead, such term is used merely as a matter of market custom, and is intended to create or reflect only an administrative relationship between independent contracting parties. Each Bank expressly acknowledges (i) that the Agent has not made any representations or warranties to it and that no act by the Agent hereafter taken, including any review of the affairs of any of the Borrowers, shall be deemed to constitute any representation or warranty by the Agent to any Bank; (ii) that it has made and will continue to make, without reliance upon the Agent, its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of each of the Borrowers in connection with this Agreement and the making and continuance of the Loans hereunder; and (iii) except as expressly provided herein, that the Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Bank with any credit or other information with respect thereto, whether coming into its possession before the making of any Loan or at any time or times thereafter.

9.4 Actions in Discretion of Agent; Instructions From the Banks.

The Agent agrees, upon the written request of the Required Banks, to take or refrain from taking any action of the type specified as being within the Agent's rights, powers or discretion herein, provided that the Agent shall not be required to take any action which exposes the Agent to personal liability or which is contrary to this Agreement or any other Loan Document or applicable Law. In the absence of a request by the Required Banks, the Agent shall have authority, in its sole discretion, to take or not to take any such action, unless this Agreement specifically requires the consent of the Required Banks or all of the Banks. Any action taken or failure to act pursuant to such instructions or discretion shall be binding on the Banks, subject to Section 9.6. Subject to the provisions of Section 9.6 and the second sentence of this Section 9.4, no Bank shall have any right of action whatsoever against the Agent as a result of the Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Banks or all of the Banks, as applicable, or in the absence of such instructions, in the absolute discretion

of the Agent.

9.5 Reimbursement and Indemnification of Agent by the Borrower.

Except as otherwise expressly provided in this Agreement, the Borrowers unconditionally agree to pay or reimburse the Agent and hold the Agent harmless against (a) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements, including the reasonable fees and expenses of counsel (including the allocated costs of staff counsel), appraisers and other consultants reasonably engaged and, incurred by the Agent (i) in connection with the development, negotiation, preparation, printing, execution, administration, syndication, interpretation and performance of this Agreement and the other Loan Documents, (ii) relating to any mutually binding amendments, waivers or consents pursuant to the provisions hereof, (iii) in connection with the enforcement of this Agreement or any other Loan Document or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (iv) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings, and (b) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Agent hereunder or thereunder, provided that the Borrowers shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements if the same results from the Agent's gross negligence or willful misconduct, or if the Borrowers were not given notice of the subject claim and the opportunity to participate in the defense thereof, at their expense (except that the Borrowers shall remain liable to the extent such failure to give notice does not result in a loss to the Borrowers), or if the same results from a compromise or settlement agreement entered into without the consent of the Borrowers, which shall not be unreasonably withheld.

9.6 Exculpatory Provisions; Limitation of Liability.

Neither the Agent nor any of its directors, officers, employees, agents, attorneys or Affiliates shall (a) be liable to any Bank for any action taken or omitted to be taken by it or them hereunder or in connection herewith including pursuant to any Loan Document, unless caused by its or their own gross negligence or willful misconduct, (b) be responsible in any manner to any of the Banks for the effectiveness, enforceability, genuineness, validity or the due execution of this Agreement or any other Loan Documents or for any recital, representation, warranty, document, certificate, report or statement herein or made or furnished under or in connection with this Agreement or any other Loan Documents, or (c) be under any obligation to any of the Banks to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions hereof or thereof on the part of the Borrowers, or the financial condition of the Borrowers, or the existence or possible existence of any Event of Default or Potential Default. No claim may be made by any of the Borrowers, any Bank, the Agent or any of their respective Subsidiaries against the Agent, any Bank or any of their respective directors, officers, employees, agents, attorneys or Affiliates, or any of them, for any special, indirect or consequential damages or, to the fullest extent permitted by Law, for any punitive damages in respect of any claim or cause of action (whether based on contract, tort, statutory liability, or any other ground) based on, arising out of or related to any Loan Document or the transactions contemplated hereby or any act,

omission or event occurring in connection therewith, including the negotiation, documentation, administration or collection of the Loans, and each of the Borrowers (for itself and on behalf of each of its Subsidiaries), the Agent and each Bank hereby waives, releases and agrees never to sue upon any claim for any such damages, whether such claim now exists or hereafter arises and whether or not it is now known or suspected to exist in its favor. Each Bank agrees that, except for notices, reports and other documents expressly required to be furnished to the Banks by the Agent hereunder or given to the Agent for the account of or with copies for the Banks, the Agent and each of its directors, officers, employees, agents, attorneys or Affiliates shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrowers which may come into the possession of the Agent or any of its directors, officers, employees, agents, attorneys or Affiliates.

9.7 Reimbursement and Indemnification of Agent by Banks.

Each Bank agrees to reimburse and indemnify the Agent (to the extent not reimbursed by the Borrowers and without limiting the Obligation of the Borrowers to do so) in proportion to its Ratable Share from and against all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements, including attorneys' fees and disbursements (including the allocated costs of staff counsel), and costs of appraisers and environmental consultants, of any kind or nature whatsoever which may be imposed on, incurred by or asserted against the Agent, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by the Agent hereunder or thereunder, provided that no Bank shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (a) if the same results from the Agent's gross negligence or willful misconduct, or (b) if such Bank was not given notice of the subject claim and the opportunity to participate in the defense thereof, at its expense (except that such Bank shall remain liable to the extent such failure to give notice does not result in a loss to the Bank), or (c) if the same results from a compromise and settlement agreement entered into without the consent of such Bank, which shall not be unreasonably withheld. In addition, each Bank agrees promptly upon demand to reimburse the Agent (to the extent not reimbursed by the Borrowers and without limiting the Obligation of the Borrowers to do so) in proportion to its Ratable Share for all amounts due and payable by the Borrower to the Agent in connection with the Agent's periodic audit of the Borrowers' books, records and business properties.

9.8 Reliance by Agent.

The Agent shall be entitled to rely upon any writing, telegram, telex or teletype message, resolution, notice, consent, certificate, letter, cablegram, statement, order or other document or conversation by telephone or otherwise believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons, and upon the advice and opinions of counsel and other professional advisers selected by the Agent. The Agent shall be fully justified in failing or refusing to take any action hereunder unless it shall first be indemnified to its satisfaction by the Banks against any and all liability and expense (other than any liability or expense that is a direct consequence of the Agent's gross negligence or willful misconduct) which may be incurred by it by reason of taking or continuing to take any such action.

9.9 Notice of Default.

The Agent shall not be deemed to have knowledge or notice of the occurrence of any Potential Default or Event of Default unless the Agent has received written notice from a Bank or the Borrowers referring to this Agreement, describing such Potential Default or Event of Default and stating that such notice is a "notice of default."

9.10 Notices.

The Agent shall promptly send to each Bank a copy of all notices, documents and other certifications received from the Borrowers (and not otherwise contemporaneously forwarded by the Borrowers to the Banks) pursuant to the provisions of this Agreement or the other Loan Documents promptly upon receipt thereof. The Agent shall promptly notify the Borrowers and the other Banks of each change in the Base Rate and the effective date thereof.

9.11 Banks in Their Individual Capacities; Agent in its Individual Capacity.

With respect to its Revolving Credit Commitment, and the Revolving Credit Loans made by it and any other rights and powers given to it as a Bank hereunder or under any of the other Loan Documents, the Agent shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not the Agent, and the term "Bank" and "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity. PNC Bank and its Affiliates and each of the Banks and their respective Affiliates may, without liability to account, except as prohibited herein, make loans to, issue letters of credit for the account of, acquire equity interests in, accept deposits from, discount drafts for, act as trustee under indentures of, and generally engage in any kind of banking, trust, financial advisory, underwriting or other business with, the Borrowers and their Affiliates, in the case of the Agent, as though it were not acting as Agent hereunder and in the case of each Bank, as though such Bank were not a Bank hereunder, in each case without notice to or consent of the other Banks. The Banks acknowledge that, pursuant to such activities, the Agent or its Affiliates may (i) receive information regarding the Borrowers or any of their Subsidiaries or Affiliates (including information that may be subject to confidentiality obligations in favor of the Borrowers or such Subsidiary or Affiliate) and acknowledge that the Agent shall be under no obligation to provide such information to them, and (ii) accept fees and other consideration from the Borrowers for services in connection with this Agreement and otherwise without having to account for the same to the Banks.

9.12 Holders of Notes.

The Agent may deem and treat any payee of any Note as the owner thereof for all purposes hereof unless and until written notice of the assignment or transfer thereof shall have been filed with the Agent. Any request, authority or consent of any Person who at the time of making such request or giving such authority or consent is the holder of any Note shall be conclusive and binding on any subsequent holder, transferee or assignee of such Note or of any Note or Notes issued in exchange therefor.

9.13 Equalization of Banks.

The Banks and the holders of any participations in any Notes agree among themselves that, with respect to all amounts received by any Bank or any such holder for application on any Obligation hereunder or under any Note or under any such participation, whether received by voluntary payment, by realization upon security, by the exercise of the right of set off or banker's lien, by counterclaim or by any other non-pro rata source, equitable adjustment will be made in the manner stated in the following sentence so that, in effect, all such excess amounts will be shared ratably among the Banks and such holders in proportion to their interests in payments under the Notes, except as otherwise provided in Sections 3.4.3, 4.4.2 or 4.6. The foregoing notwithstanding, no Bank to be Terminated pursuant to Section 2.11 shall be required to share any payment received from any Borrower or an Assignee in connection with the termination and/or expiration of its Commitment as contemplated in such Section 2.11. The Banks or any such holder receiving any such amount shall purchase for cash from each of the other Banks an interest in such Bank's Loans or other Obligations owing to such Bank in such amount as shall result in a ratable participation by the Banks and each such holder in the aggregate unpaid amount under the Notes and other Obligations, provided that if all or any portion of such excess amount is thereafter recovered from the Bank or the holder making such purchase, such purchase shall be rescinded and the purchase price restored to the extent of such recovery, together with interest or other amounts, if any, required by law (including court order) to be paid by the Bank or the holder making such purchase.

9.14 Successor Agent.

The Agent (i) may resign as Agent or (ii) shall resign if such resignation is requested by the Required Banks (if the Agent is a Bank, its Loans and its Commitment shall be considered in determining whether the Required Banks have requested such resignation) or required by Section 4.4.2, in either case of (i) or (ii) by giving not less than thirty (30) days' prior written notice to the Borrowers. If the Agent shall resign under this Agreement, then either (a) the Required Banks shall appoint from among the Banks a successor agent for the Banks, subject to the consent of the Borrowers, such consent not to be unreasonably withheld, or (b) if a successor agent shall not be so appointed and approved within the thirty (30) day period following the Agent's notice to the Banks of its resignation, then the Agent shall appoint, with the consent of the Borrowers, such consent not to be unreasonably withheld, a successor agent who shall serve as Agent until such time as the Required Banks appoint and the Borrowers consent to the appointment of a successor agent. Upon its appointment pursuant to either clause (a) or (b) above, such successor agent shall succeed to the rights, powers and duties of the Agent, and the term "Agent" shall mean such successor agent, effective upon its appointment, and the former Agent's rights, powers and duties as Agent shall be terminated without any other or further act or deed on the part of such former Agent or any of the parties to this Agreement. After the resignation of any Agent hereunder, the provisions of this Section 9 shall inure to the benefit of such former Agent and such former Agent shall not by reason of such resignation be deemed to be released from liability for any actions taken or not taken by it while it was an Agent under this Agreement.

9.15 Agent's Fee.

The Borrowers shall pay to the Agent a nonrefundable fee (the "Agent's Fee") under the terms of a letter (the "Agent's Letter") between PDI and Agent, as amended from time to time.

9.16 Availability of Funds.

The Agent may assume that each Bank has made or will make the proceeds of a Loan available to the Agent unless the Agent shall have been notified by such Bank on or before the later of (i) the close of Business on the Business Day preceding the Borrowing Date with respect to such Loan or (ii) two (2) hours before the time on which the Agent actually funds the proceeds of such Loan to the Borrowers (whether using its own funds pursuant to this Section 9.16 or using proceeds deposited with the Agent by the Banks and if such funding

occurs at or after the time on which Banks are required to deposit the proceeds of such Loan with the Agent). The Agent may, in reliance upon such assumption (but shall not be required to), make available to the Borrowers a corresponding amount. If such corresponding amount is not in fact made available to the Agent by such Bank, the Agent shall be entitled to recover such amount on demand from such Bank (or, if such Bank fails to pay such amount forthwith upon such demand from the Borrowers) together with interest thereon, in respect of each day during the period commencing on the date such amount was made available to the Borrowers and ending on the date the Agent recovers such amount, at a rate per annum equal to (i) the Federal Funds Effective Rate during the first three (3) days after such interest shall begin to accrue and (ii) the applicable interest rate in respect of such Loan after the end of such three-day period.

9.17 Calculations.

In the absence of gross negligence or willful misconduct, the Agent shall not be liable for any error in computing the amount payable to any Bank whether in respect of the Loans, fees or any other amounts due the Banks under this Agreement. In the event an error in computing any amount payable to any Bank is made, the Agent, the Borrowers and each affected Bank shall, forthwith upon discovery of such error, make such adjustments as shall be required to correct such error, and any compensation therefor will be calculated at the Federal Funds Effective Rate.

9.18 Beneficiaries.

Except as expressly provided herein, the provisions of this Section 9 are solely for the benefit of the Agent and the Banks, and the Borrowers shall not have any rights to rely on or enforce any of the provisions hereof. In performing its functions and duties under this Agreement, the Agent shall act solely as agent of the Banks and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any of the Borrowers.

9.19 Documentation Agent.

Each Bank hereby designates and appoints The Bank of New York, as Documentation Agent hereunder. In such capacity, the Documentation Agent shall have only such duties, power and responsibilities as may be delegated to it by the Agent with the Borrowers' prior written consent and which The Bank of New York has elected to accept in its sole discretion. In

the course of performance of any such duties, powers or responsibilities (if any), the Documentation Agent shall be entitled to the benefits bestowed upon the Agent pursuant to this Section 9 as if it were named therein as an additional agent.

10. MISCELLANEOUS

10.1 Modifications, Amendments or Waivers.

With the written consent of the Required Banks, the Agent, acting on behalf of the Banks, and PDI, on behalf of all of the Borrowers, may from time to time enter into written agreements amending or changing any provision of this Agreement or any other Loan Document or the rights of the Banks or the Borrowers hereunder or thereunder, or may grant written waivers or consents to a departure from the due performance of the Obligations of the Borrowers hereunder or thereunder. Any such agreement, waiver or consent made with such written consent shall be effective to bind all the Banks and the Borrowers; provided, that, without the written consent of all the Banks, no such agreement, waiver or consent may be made which will:

10.1.1. Increase of Commitment; Extension of Expiration Date.

Increase the amount of the Commitment of any Bank hereunder (other than as contemplated in Section 2.10), extend the Short-Term Expiration Date or Long-Term Expiration Date, or extend the expiration date of any Letter of Credit beyond the period specified in clause (B) of Section 2.9.1;

10.1.2. Extension of Payment; Reduction of Principal Interest or Fees; Modification of Terms of Payment.

Whether or not any Loans are outstanding, extend the time for payment of principal or interest of any Loan, any Reimbursement Obligation or any Participation Advance (excluding the due date of any mandatory prepayment of a Loan or any mandatory Commitment reduction in connection with such a mandatory prepayment hereunder except for mandatory reductions of the Commitments on the Short-Term Expiration Date or Long-Term Expiration Date), the Commitment Fee or any other fee payable to any Bank, or reduce the principal amount of or the rate of interest borne by any Loan, Reimbursement Obligation or Participation Advance or reduce the Commitment Fee or any other fee payable to any Bank, or otherwise affect the terms of payment of the principal of or interest of any Loan, any

Reimbursement Obligation, any Participation Advance, the Commitment Fee or any other fee payable to any Bank;

10.1.3. Miscellaneous.

Amend Section 4.2, 9.6 or 9.13 or this Section 10.1, alter any provision regarding the pro rata treatment of the Banks, change any of the advance rates set forth in the definition of Applicable LCV Advance Rate or Borrowing Base, change the definition of Required Banks, or change any requirement providing for the Banks or the Required Banks to authorize the taking of any action hereunder;

provided, further, that no agreement, waiver or consent which would modify the interests, rights or obligations of the Agent in its capacity as Agent or as the issuer of Letters of Credit shall be effective without the written consent of the Agent.

10.2 No Implied Waivers; Cumulative Remedies; Writing Required.

No course of dealing and no delay or failure of the Agent or any Bank in exercising any right, power, remedy or privilege under this Agreement or any other Loan Document shall affect any other or future exercise thereof or operate as a waiver thereof, nor shall any single or partial exercise thereof or any abandonment or discontinuance of steps to enforce such a right, power, remedy or privilege preclude any other or further exercise thereof or of any other right, power, remedy or privilege. The rights and remedies of the Agent and the Banks under this Agreement and any other Loan Documents are cumulative and not exclusive of any rights or remedies which they would otherwise have. Any waiver, permit, consent or approval of any kind or character on the part of any Bank of any breach or default under this Agreement or any such waiver of any provision or condition of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

10.3 Reimbursement and Indemnification of Banks by the Borrower; Taxes.

Each Borrower agrees unconditionally upon demand to pay or reimburse to each Bank (other than the Agent, as to which the Borrowers' Obligations are set forth in Section 9.5) and to save such Bank harmless against (i) liability for the payment of all reasonable out-of-pocket costs, expenses and disbursements (including fees and expenses of counsel (including allocated costs of staff counsel) for each Bank except with respect to (a) and (b) below), incurred by such Bank (a) in connection with the administration and interpretation of this Agreement, and other instruments and documents to be delivered hereunder, (b) relating to any amendments, waivers or consents pursuant to the provisions hereof, (c) in connection with the enforcement of this Agreement or any other Loan Document, or collection of amounts due hereunder or thereunder or the proof and allowability of any claim arising under this Agreement or any other Loan Document, whether in bankruptcy or receivership proceedings or otherwise, and (d) in any workout or restructuring or in connection with the protection, preservation, exercise or enforcement of any of the terms hereof or of any rights hereunder or under any other Loan Document or in connection with any foreclosure, collection or bankruptcy proceedings and (ii) all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against such Bank, in its capacity as such, in any way relating to or arising out of this Agreement or any other Loan Documents or any action taken or omitted by such Bank hereunder or thereunder, provided that the Borrowers shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements (A) if the same results from such Bank's gross negligence or willful misconduct, or (B) if the Borrowers were not given notice of the subject claim and the opportunity to participate in the defense thereof, at their expense (except that the Borrowers shall remain liable to the extent such failure to give notice does not result in a loss to the Borrowers), or (C) if the same results from a compromise or settlement agreement entered into without the consent of the Borrowers, which shall not be unreasonably withheld. The Banks will attempt to minimize the fees and expenses of legal counsel for the Banks which are subject to reimbursement by the Borrowers hereunder by considering the usage of one law firm to represent the Banks and the Agent if appropriate under the circumstances. The Borrowers agree unconditionally to pay all stamp, document, transfer, recording or filing taxes or fees and similar impositions now or hereafter determined by the Agent or any Bank to be payable in connection with this Agreement or any other Loan Document, and the Borrowers agree unconditionally to save the Agent and the Banks harmless from and against any and all present or

future claims, liabilities or losses with respect to or resulting from any omission to pay or delay in paying any such taxes, fees or impositions.

10.4 Holidays.

Whenever payment of a Loan to be made or taken hereunder shall be due on a day which is not a Business Day such payment shall be due on the next Business Day (except as provided in Section 3.2 with respect to Interest Periods under the Euro-Rate Option) and such extension of time shall be included in computing interest and fees, except that the Short-Term Revolving Credit Loans shall be due on the Business Day preceding the Short-Term Expiration Date if the Short-Term Expiration Date is not a Business Day and Long-Term Revolving Credit Loans shall be due on the Business Day preceding the Long-Term Expiration Date if the Long-Term Expiration Date is not a Business Day. Whenever any payment or action to be made or taken hereunder (other than payment of the Loans) shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall not be included in computing interest or fees, if any, in connection with such payment or action.

10.5 Funding by Branch, Subsidiary or Affiliate.

10.5.1. Notional Funding.

Each Bank shall have the right from time to time, without notice to the Borrowers, to deem any branch, Subsidiary or Affiliate (which for the purposes of this Section 10.5 shall mean any corporation or association which is directly or indirectly controlled by or is under direct or indirect common control with any corporation or association which directly or indirectly controls such Bank) of such Bank to have made, maintained or funded any Loan to which the Euro-Rate Option applies at any time, provided that immediately following (on the assumption that a payment were then due from the Borrowers to such other office), and as a result of such change, the Borrowers would not be under any greater financial obligation pursuant to Section 4.6 than they would have been in the absence of such change. Notional funding offices may be selected by each Bank without regard to such Bank's actual methods of making, maintaining or funding the Loans or any sources of funding actually used by or available to such Bank.

10.5.2. Actual Funding.

Each Bank shall have the right from time to time to make or maintain any Loan by arranging for a branch, Subsidiary or Affiliate of such Bank to make or maintain such Loan subject to the last sentence of this Section 10.5.2. If any Bank causes a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder, all terms and conditions of this Agreement shall, except where the context clearly requires otherwise, be applicable to such part of the Loans to the same extent as if such Loans were made or maintained by such Bank, but in no event shall any Bank's use of such a branch, Subsidiary or Affiliate to make or maintain any part of the Loans hereunder cause such Bank or such branch, Subsidiary or Affiliate to incur any cost or expenses payable by the Borrowers hereunder or require the Borrowers to pay any other compensation to any Bank (including any expenses incurred or payable pursuant to Section 4.6) which would otherwise not be incurred.

10.6 Notices.

All notices, requests, demands, directions and other communications (as used in this Section 10.6, collectively referred to as "notices") given to or made upon any party hereto under the provisions of this Agreement shall be by telephone or in writing (including electronic transmission, facsimile transmission or posting on a secured web-site) unless otherwise expressly permitted hereunder and shall be delivered or sent by electronic or facsimile transmission to the respective parties at the addresses and numbers set forth under their respective names on SCHEDULE 1.1(B) or in accordance with any subsequent unrevoked written direction from any party to the others. All notices shall, except as otherwise expressly herein provided, be effective (a) in the case of facsimile, when received, (b) in the case of hand-delivered notice, when hand-delivered, (c) in the case of electronic transmission when received and in the case of posting on a secured web-site upon receipt of notice of such posting (and rights to access such web-site), (d) in the case of telephone, when telephoned, provided, however, that in order to be effective, telephonic notices must be confirmed in writing no later than the next day by letter, facsimile, electronic transmission or posting on a secured web-site, (e) if given by mail, four (4) days after such communication is deposited in the mail with first-class postage prepaid, return receipt requested, and (f) if given by any other means (including by air courier), when delivered; provided, that notices to the Agent shall not be effective until received. Any Bank giving any notice to any Borrower shall simultaneously send a copy thereof to the Agent, and the Agent shall promptly notify the other Banks of the receipt by it of any such notice. Any notice required to be delivered to the Borrowers hereunder shall be deemed given to all of the Borrowers when given to PDI in accordance with this Section 10.6. Any notice given by PDI hereunder in accordance with this Section 10.6 shall be deemed given by all of the Borrowers when given in accordance with this Section10.6, and the Agent and the Banks are entitled to rely on said notice of

PDI as if communicated by and received from all of the Borrowers.

10.7 Severability.

The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

10.8 Governing Law.

Each Letter of Credit and Section 2.9 shall be subject to the International Standby Practices (1998) issued by the International Chamber of Commerce, as the same may be revised or amended from time to time, and to the extent not inconsistent therewith, the internal laws of the State of New York without regard to its conflict of laws principles, and the balance of this Agreement shall be deemed to be a contract under the Laws of the State of New York and for all purposes shall be governed by and construed and enforced in accordance with the internal laws of the State of New York without regard to its conflict of laws principles.

10.9 Prior Understanding.

This Agreement and the other Loan Documents supersede all prior understandings and agreements, whether written or oral, between the parties hereto and thereto relating to the transactions provided for herein and therein, including any prior confidentiality agreements and commitments.

10.10 Duration; Survival.

All representations and warranties of the Borrowers contained herein or made in connection herewith shall survive the making of Loans and issuance of Letters of Credit and shall not be waived by the execution and delivery of this Agreement, any investigation by the Agent or the Banks, the making of Loans, issuance of Letters of Credit, or payment in full of the Loans. All covenants and agreements of the Borrowers contained in Sections 7.1, 7.2 and 7.3 herein shall continue in full force and effect from and after the date hereof so long as the Borrowers may borrow or request Letters of Credit hereunder and until termination of the Commitments and payment in full of the Loans and expiration or termination of all Letters of Credit. All covenants and agreements of the Borrowers contained herein relating to the payment of principal, interest, premiums, additional compensation or expenses and indemnification, including those set forth in the Notes, Section 4 and Sections 9.5, 9.7 and 10.3, shall survive payment in full of the Loans, expiration or termination of the Letters of Credit and termination of the Commitments.

10.11 Successors and Assigns.

(i) This Agreement shall be binding upon and shall inure to the benefit of the Banks, the Agent, the Borrowers and their respective successors and assigns, except that none of the Borrowers may assign or transfer any of its rights and Obligations hereunder or any interest herein without the prior written consent of all of the Banks, and any such assignment or transfer without such consent shall be null and void. Each Bank may, at its own cost, make assignments of or sell participations in all or any part of its Commitments and the Loans made by it to one or more banks or other entities, subject to the consent of PDI and the Agent with respect to any assignee, such consent not to be unreasonably withheld, provided that (1) no consent of PDI shall be required (A) if an Event of Default or Potential Default exists and is continuing, or (B) in the case of an assignment by a Bank to an Affiliate of such Bank, and (2) any assignment by a Bank to a Person other than an Affiliate of such Bank may not be made in amounts less than the lesser of $5,000,000 or the amount of the assigning Bank's Commitment. In the case of an assignment, upon receipt by the Agent of the Assignment and Assumption Agreement, the assignee shall have, to the extent of such assignment (unless otherwise provided therein), the same rights, benefits and obligations as it would have if it had been a signatory Bank hereunder, the Commitments shall be adjusted accordingly, and upon surrender of any Notes subject to such assignment, the Borrowers shall execute and deliver new Notes to the assignee in an amount equal to the amount of the Revolving Credit Commitment assumed by it and new Notes to the assigning Bank in an amount equal to the Commitment retained by it hereunder. Any Bank which assigns any or all of its Commitment or Loans to a Person other

than an Affiliate of such Bank shall pay to the Agent a service fee in the amount of $3,500 for each assignment, except if such assigning Bank is assigning such interests pursuant to Sections 2.11.2 or 4.4.2, in which case the assignee related thereto shall be responsible for said fee unless waived by the Agent. As of the effective date of any assignment by a Bank pursuant to this Section 10.11 (or as otherwise contemplated pursuant to Sections 2.10.2, 2.11.2, or 4.4.2) of the entire amount of such Bank's Commitments and Obligations hereunder, such assigning Bank shall have no further duties or responsibilities hereunder or under any other Loan Document (other than the duties set forth in Section 10.12), and shall no longer be entitled to the rights and benefits of a Bank hereunder or under any other Loan Documents, except such rights and benefits which expressly survive the termination of this Agreement. In the case of a participation, the participant shall only have the rights specified in Section 8.2.3 (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto and not to include any voting rights except with respect to changes of the type referenced in Sections 10.1.1, 10.1.2, or10.1.3), all of such Bank's obligations under this Agreement or any other Loan Document shall remain unchanged, and all amounts payable by any Borrower hereunder or thereunder shall be determined as if such Bank had not sold such participation.

(ii) Any assignee or participant which is not incorporated under the Laws of the United States of America or a state thereof shall deliver to the Borrowers and the Agent the form of certificate described in Section 10.17 relating to federal income tax withholding. Each Bank may furnish any publicly available information concerning any Borrower or its Subsidiaries and any other information concerning any Borrower or its Subsidiaries in the possession of such Bank from time to time to assignees and participants (including prospective assignees or participants), provided that such assignees and participants agree to be bound by the provisions of Section 10.12.

(iii) Notwithstanding any other provision in this Agreement, any Bank may at any time pledge or grant a security interest in all or any portion of its rights under this Agreement, its Notes and the other Loan Documents to any Federal Reserve Bank in accordance with Regulation A promulgated by the Board of Governors of the Federal Reserve Bank System or U.S. Treasury Regulation 31 CFR Section 203.14 without notice to or consent of the Borrowers or the Agent. No such pledge or grant of a security interest shall release the transferor Bank of its obligations hereunder or under any other Loan Document.

10.12 Confidentiality.

10.12.1. General.

The Agent and the Banks each agree to keep confidential all information obtained from any Borrower or its Subsidiaries which is nonpublic and confidential or proprietary

in nature (including any information PDI specifically designates as confidential), except as provided below, and to use such information only in connection with their respective capacities under this Agreement, for the purposes contemplated hereby or otherwise for internal credit underwriting purposes. The Agent and the Banks shall be permitted to disclose such information (i) to outside legal counsel, accountants and other professional advisors who need to know such information in connection with the administration and enforcement of this Agreement, subject to agreement of such Persons to maintain the confidentiality, (ii) to assignees and participants as contemplated by Section 10.11, and prospective assignees and participants, (iii) to the extent requested by any bank regulatory authority or, if not prohibited, with notice to the Borrowers, as otherwise required by applicable Law or by any subpoena or similar legal process, or in connection with any investigation or proceeding arising out of the transactions contemplated by this Agreement, or to which the Agent, the Documentation Agent or any Bank may be a party, (iv) if it becomes publicly available other than as a result of a breach of this Agreement or becomes available from a source not known to be subject to confidentiality restrictions, or (v) if the Borrowers shall have consented in writing to such disclosure.

10.12.2. Sharing Information With Affiliates of the Banks.

Each Borrower acknowledges that from time to time financial advisory, investment banking and other services may be offered or provided to the Borrowers or one or more of their Affiliates (in connection with this

Agreement or otherwise) by any Bank or by one or more Subsidiaries or Affiliates of such Bank and each of the Borrowers hereby authorizes each Bank to share any information delivered to such Bank by such Borrower and its Subsidiaries pursuant to this Agreement, or in connection with the decision of such Bank to enter into this Agreement, to any such Subsidiary or Affiliate of such Bank, it being understood that any such Subsidiary or Affiliate of any Bank receiving such information shall be bound by the provisions of Section 10.12.1 as if it were a Bank hereunder. Such authorization shall survive the repayment of the Loans and other Obligations and the termination of the Commitments.

10.13 Counterparts.

This Agreement may be executed by different parties hereto on any number of separate counterparts, each of which, when so executed and delivered, shall be an original, and all such counterparts shall together constitute one and the same instrument.

10.14 Agent's or Bank's Consent.

Whenever the Agent's or any Bank's consent is required to be obtained under this Agreement or any of the other Loan Documents as a condition to any action, inaction, condition or event, the Agent and each Bank shall be authorized to give or withhold such consent in its sole and absolute discretion and to condition its consent upon the giving of additional collateral, the payment of money or any other matter.

10.15 Exceptions.

The representations, warranties and covenants contained herein shall be independent of each other, and no exception to any representation, warranty or covenant shall be deemed to be an exception to any other representation, warranty or covenant contained herein

unless expressly provided, nor shall any such exceptions be deemed to permit any action or omission that would be in contravention of applicable Law.

10.16 CONSENT TO FORUM; WAIVER OF JURY TRIAL.

EACH BORROWER HEREBY IRREVOCABLY CONSENTS TO THE NONEXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL DISTRICT COURT SITUATED IN THE STATE OF NEW JERSEY, AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT AND CONSENTS THAT ALL SUCH SERVICE OF PROCESS BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO SUCH BORROWER AT THE ADDRESSES PROVIDED FOR IN SECTION 10.6 AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED UPON ACTUAL RECEIPT THEREOF. EACH BORROWER WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED AGAINST IT AS PROVIDED HEREIN AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION, FORUM NON CONVENIENS OR VENUE. EACH BORROWER, THE AGENT AND THE BANKS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, SUIT, PROCEEDING OR COUNTERCLAIM OF ANY KIND ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT TO THE FULL EXTENT PERMITTED BY LAW.

10.17 Tax Withholding Clause.

Each Bank or assignee or participant of a Bank that is not incorporated under the Laws of the United States of America or a state thereof agrees that it will deliver to each of the Borrowers and the Agent two (2) duly completed copies of the following: (i) Internal Revenue Service Form W-9, 4224 or 1001, or other applicable form prescribed by the Internal Revenue Service, certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or withholding of any United States federal income taxes, or is subject to such tax at a reduced rate under an applicable tax treaty, or (ii) Internal Revenue Service Form W-8 or other applicable form or a certificate of such Bank, assignee or participant indicating that no such exemption or reduced rate is allowable with respect to such payments. Each Bank, assignee or participant required to deliver to the Borrowers and the Agent a form or certificate pursuant to the preceding sentence shall deliver such form or certificate as follows: (A) each such Bank which is a party hereto on the Closing Date shall deliver such form or certificate at least five (5) Business Days prior to the first date on which any interest or fees are payable by the Borrowers hereunder for the account of such Bank; (B) each such assignee or participant shall deliver such form or certificate at least five (5) Business Days before the effective date of such assignment or participation (unless the Agent in its sole discretion shall permit such assignee or participant to deliver such form or certificate less than five (5) Business Days before such date in which case it shall be due on the date specified by the Agent). Each such Bank, assignee or participant which so delivers a Form W-8, W-9, 4224 or 1001 further undertakes to deliver to each of the Borrowers and the Agent two (2) additional copies of such form (or a successor form) on or before the date that such form expires or becomes obsolete or after the occurrence of any event requiring a change in the most recent form so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by the Borrowers or the

Agent, either certifying that such Bank, assignee or participant is entitled to receive payments under this Agreement and the other Loan Documents without deduction or

withholding of any United States federal income taxes or is subject to such tax at a reduced rate under an applicable tax treaty or stating that no such exemption or reduced rate is allowable. The Agent shall be entitled to withhold United States federal income taxes at the full withholding rate unless the Bank, assignee or participant establishes an exemption or that it is subject to a reduced rate as established pursuant to the above provisions.

10.18 Joint and Several Liability.

For the avoidance of doubt, each of the Borrowers hereby acknowledge that obligations of the Borrowers hereunder are joint and several entitling the Agent and the Banks to enforce said obligations against any Borrower or all of the Borrowers in the sole and absolute discretion of the Agent or the Banks, as the case may be. The obligations of each Borrower hereunder, and under each other Loan Document, are primary and independent obligations of such Borrower, and not the obligations of a surety, guarantor, or endorsement or accommodation party. Notwithstanding the foregoing, any claims, defenses, rights or procedure requirements that would inure to the benefit of any Borrower as a surety, guarantor, or endorsement or accommodation party with respect to the enforcement of the Obligations are, to the fullest extent permissible under Law, expressly waived and released by each Borrower.

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed this Agreement as of the day and year first above written.

Borrowers:

PROFESSIONAL DETAILING, INC.

By: _____
Bernard C. Boyle,
Executive Vice President and Chief Financial Officer

TVG, INC.

By: _____
Charles T. Saldarini,
President

PDI INVESTMENT COMPANY, INC.

By: _____
Bernard C. Boyle,
Vice President

PROTOCALL, INC.

By: _____
Charles T. Saldarini,
President

LIFECYCLE VENTURES, INC.

By: _____
Charles T. Saldarini,
President

Banks and Agents:

PNC BANK, NATIONAL ASSOCIATION,
individually and as Agent

By: _____
Judy B. Land

Vice President

THE BANK OF NEW YORK,
individually and as Documentation Agent

By: _____
Linda Mae Coppa
Vice President

COMMERCE BANK/NORTH

By: _____
Michael J. Ferrara
Vice President

SOVEREIGN BANK

By: _____
Michael J. Hassett
Vice President

SCHEDULE 1.1(B)

COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES

Page 1 of 2

Part 1 - Commitments of Banks and Addresses for Notices to Banks

<TABLE>
<CAPTION>

Bank	Amount of Commitment for Short-Term Revolving Credit Loans	Amount of Commitment for Long-Term Revolving Credit Loans	Total Commitment	Ratable Share
<S>	<C>	<C>	<C>	<C>
1. THE BANK OF NEW YORK 385 Rifle Camp Road West Paterson, NJ 07424 Attention: Linda Mae Coppa, Vice President Phone: (973) 357-7714 Fax: (973) 357-7705 lcoppa@bankofny.com	$7,500,000	$7,500,000	$15,000,000	25%
2. COMMERCE BANK/NORTH 1100 Lake Street Ramsey, NJ 07446 Attention: Michael Ferrara, Vice President Phone: (201) 512-2954 Fax: (201) 825-1755 mferrara@yesbank.com	$7,500,000	$7,500,000	$15,000,000	25%
3. PNC BANK, NATIONAL ASSOCIATION One Garret Mountain Plaza, 4th Floor West Paterson, NJ 07424 Attention: Judy B. Land, Vice President Phone: (973) 881-5476 Fax: (973) 881-5234 judy.land@pncbank.com	$10,000,000	$10,000,000	$20,000,000	33.33%

</TABLE>

SCHEDULE 1.1(B)-1

<TABLE>

<S>	<C>	<C>	<C>	<C>
4. SOVEREIGN BANK Three Radnor Corporate Center, Suite 210 100 Matsonford Road Radnor, PA 19087 5. Attention: Michael Hassett,	$5,000,000	$5,000,000	$10,000,000	16.67%

Vice President
Phone: (610) 526-6302
Fax: (610) 526-6214

mhassett@sovereignbank.com

TOTAL	$30,000,000.00	$30,000,000.00	$60,000,000.00	100%

SCHEDULE 1.1(B)-2

SCHEDULE 1.1(B)

COMMITMENTS OF BANKS AND ADDRESSES FOR NOTICES

Page 2 of 2

Part 2 - Addresses for Notices to Borrower and Administrative and Syndication Agent:

ADMINISTRATIVE AND SYNDICATION AGENT

PNC BANK, NATIONAL ASSOCIATION
One Garret Mountain Plaza
4th Floor
West Paterson, NJ 07424
Attention: Judy B. Land, Vice President
Phone: (973) 881-5476
Fax: (973) 881-5234
judy.land@pncbank.com

BORROWER:

PROFESSIONAL DETAILING, INC.
LIFECYCLE VENTURES, INC.
TVG, INC.
PDI INVESTMENT COMPANY, INC.
PROTOCALL, INC.

10 Mountain Road, Suite C200
Upper Saddle River, NJ 07458

Attention: Mr. Brian Boyle, Chief Financial Officer

Phone: (201) 258-8451
Fax: (201) 258-8406
bboyle@pdi-inc.com

SCHEDULE 1.1(B)-3

PRICING GRID FOR PROFESSIONAL DETAILING, INC.(1)

	LEVEL I	LEVEL II	LEVEL III	LEVEL IV
Leverage Ratio	Less than 1.00 to 1.	Less than 1.50 to 1 but greater than or equal to 1.00 to 1.	Less than 2.00 to 1 but greater than or equal to 1.50 to 1.	Greater than or equal to 2.00 to 1.
Commitment Fee Short-Term Revolving Credit Commitment	17.5	22.5	27.5	32.5
Commitment Fee Long-Term Revolving Credit Commitment	25.0	30.0	35.0	40.0
LIBOR +	150.0	175.0	200.0	225.0
Base Rate +	0	0	0	25.0
Letter of Credit Fee	150.0	175.0	200.0	225.0

(1) In basis points.

Changes in the applicable levels resulting from changes in the Leverage

Ratio shall be based upon the certificate most recently delivered to the Banks pursuant to Section 7.3.4.

PROFESSIONAL DETAILING, INC. GROUP

EXHIBIT 1.1(C)

FORM OF NOTE

$_____

March 30, 2001
New Brunswick, New Jersey

FOR VALUE RECEIVED, each of the undersigned, PROFESSIONAL DETAILING, INC., TVG, INC., PDI INVESTMENT COMPANY, INC., PROTOCALL, INC., and LIFECYCLE VENTURES, INC. (each a "Borrower" and collectively the "Borrowers"), hereby promises to pay to the order of [NAME OF BANK] (the "Bank") the principal amount of _____ AND 00/100 DOLLARS ($_____.00) or, if less, the unpaid principal amount of the [Short-Term/Long-Term] Revolving Credit Loans (the "Loans") made by the Bank to the Borrowers, in the amounts and at the times set forth in the Credit Agreement, dated as of March 30, 2001, among the Borrower, the Bank, the other Banks party thereto, PNC Bank, National Association, as Agent, and The Bank of New York, as Documentation Agent (as the same may be amended, supplemented or otherwise modified from time to time, the "Credit Agreement"), and to pay interest from the date hereof on the principal balance of such Loans from time to time outstanding at the rate or rates and at the times set forth in the Credit Agreement, in each case at the office of the Agent located at One Garret Mountain, 4th Floor, West Patterson, New Jersey 07424, or at such other place in the United States of America as the Agent may specify from time to time, in lawful money of the United States in immediately available funds. Terms defined in the Credit Agreement are used herein with the same meanings.

The Loans evidenced by this Note are prepayable in the amounts, and under the circumstances, and their respective maturities are subject to acceleration upon the terms, set forth in the Credit Agreement. This Note is subject to, and shall be construed in accordance with, the provisions of the Credit Agreement and is entitled to the benefits set forth in the Loan Documents.

The Bank is hereby authorized to record on the schedule annexed hereto, and any continuation sheets which the Bank may attach hereto, (a) the date of each Loan made by the Bank to the Borrowers, (b) the type and amount thereof, (c) the interest rate (without regard to the Applicable Base-Rate Margin or Applicable Euro-Rate Margin, as the case may be) and Interest Period applicable to each Loan and (d) the date and amount of each renewal or conversion of, and each payment or prepayment of the principal of, any such Loan. The entries made in such schedule shall be prima facie evidence of the existence and amounts of the obligations recorded therein, provided that the failure to so record or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Loans in accordance with the terms of the Credit Agreement.

Except as specifically otherwise provided in the Credit Agreement, each Borrower hereby waives presentment, demand, notice of dishonor, protest, notice of protest and all other demands, protests and notices in connection with the execution, delivery, performance, collection and enforcement of this Note.

Whenever in this Note any party hereto is referred to, such reference shall be deemed to include the successors and assigns of such party. Neither any of the Borrowers nor the Bank shall have the right to assign its respective rights or obligations hereunder or any interest herein (and any such attempted assignment shall be void), except as expressly permitted by the Loan Documents. No failure or delay of the Bank in exercising any power or right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. Neither this Note nor any provision hereof may be waived, amended or modified, nor shall any departure therefrom be consented to, except pursuant to a written agreement entered into between the Borrower and the Bank with respect to which such waiver, amendment, modification or consent is to apply, subject to any consent required in accordance with Section 10.1 of the Credit Agreement.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

All communications and notices hereunder shall be in writing and given as provided in Section 10.6 of the Credit Agreement.

Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New Jersey State court or Federal court of the United States of America sitting in State of New Jersey, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Note or the other Loan Documents, or for recognition or enforcement of any judgment, and each Borrower hereby irrevocably and unconditionally agrees that, to the extent permitted by applicable law, all claims in respect of any such action or proceeding may be heard and determined in such New Jersey State or, to the extent permitted by applicable law, in such Federal court. Each Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Note shall affect any right that the Bank may otherwise have to bring any action or proceeding relating to this Note or the other Loan Documents against any Borrower, or any of its property, in the courts of any jurisdiction.

Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Note or the other Loan Documents in any court referred to in the preceding paragraph hereof. Each Borrower hereby irrevocably waives, to the fullest extent permitted by applicable law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

Each Borrower irrevocably consents to service of process in the manner provided for notices herein. Nothing herein will affect the right of any Borrower to serve process in any other manner permitted by law.

EACH BORROWER HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS NOTE. THE BORROWER (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE BANK HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE BANK WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT THE BANK HAS BEEN INDUCED TO ACCEPT THIS NOTE AND ENTER INTO THE LOAN DOCUMENTS TO WHICH IT IS A PARTY BY, AMONG OTHER THINGS, THE WAIVERS AND CERTIFICATIONS IN THIS PARAGRAPH.

PROFESSIONAL DETAILING, INC.

By:_____
Bernard C. Boyle,
Executive Vice President and
Chief Financial Officer

TVG, INC.

By:_____
Charles T. Saldarini,
President

PDI INVESTMENT COMPANY, INC.

By:_____
Bernard C. Boyle,
Vice President

PROTOCALL, INC.

By:_____
Charles T. Saldarini,
President

LIFECYCLE VENTURES, INC.

By:_____
Charles T. Saldarini,
President

EXHIBIT 21.1

SUBSIDIARIES OF THE REGISTRANT

- PDI Investment Company, Inc. - Delaware
- TVG, Inc. - Delaware
- ProtoCall, Inc. - New Jersey
- Inserve Support Solutions - California

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement of PDI, Inc. on Form S-8 (File No. 333-61231) and in the Registration Statement of PDI, Inc. on Form S-3 (File No. 333-50024) of our report dated February 15, 2002, on our audits of the financial statements of PDI, Inc. as of December 31, 2001 and 2000, and for the years ended December 31, 2001, 2000 and 1999, which report is included in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

Florham Park, New Jersey
March 12, 2002