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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008
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.)

Saddle River Executive Centre
1 Route 17 South
Saddle River, New Jersey 07458
(Address of principal executive offices and zip code)

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

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

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

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

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

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

Class	**Shares Outstanding November 3, 2008**
Common stock, $0.01 par value	14,188,374

PDI, Inc.
Form 10-Q for Period Ended September 30, 2008
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PDI, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	September 30, 2008 (unaudited)	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 94,310	$ 99,185
Short-term investments	5,616	7,800
Accounts receivable, net	11,721	22,751
Unbilled costs and accrued profits on contracts in progress	3,264	3,481
Other current assets	5,089	7,558
Total current assets	120,000	140,775
Property and equipment, net	5,985	8,348
Goodwill	13,612	13,612
Other intangible assets, net	13,708	14,669
Other long-term assets	3,500	2,150
Total assets	$ 156,805	$ 179,554
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,628	$ 2,792
Unearned contract revenue	2,122	8,459
Accrued salary and bonus	6,343	7,136
Other accrued expenses	11,559	10,801
Total current liabilities	22,652	29,188
Long-term liabilities	10,584	10,177
Total liabilities	33,236	39,365
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $.01 par value; 100,000,000 shares authorized; 15,236,194 and 15,222,715 shares issued, at September 30, 2008 and December 31, 2007, respectively; 14,190,619 and 14,183,236 shares outstanding, at September 30, 2008 and December 31, 2007, respectively	152	152
Additional paid-in capital	121,426	120,422
Retained earnings	15,477	33,018
Accumulated other comprehensive (loss) income	(7)	30
Treasury stock, at cost - 1,045,575 shares	(13,479)	(13,433)
Total stockholders' equity	123,569	140,189
Total liabilities and stockholders' equity	$ 156,805	$ 179,554

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Revenue, net	$ 24,496	$ 23,969	$ 87,124	$ 84,555
Cost of services	24,084	18,203	74,423	62,664
Gross profit	412	5,766	12,701	21,891
Compensation expense	5,696	5,861	19,006	18,287
Other selling, general and administrative expenses	4,305	5,155	12,892	14,985
Total operating expenses	10,001	11,016	31,898	33,272
Operating loss	(9,589)	(5,250)	(19,197)	(11,381)
Other income, net	629	1,488	2,579	4,425
Loss before income tax	(8,960)	(3,762)	(16,618)	(6,956)
Provision for income tax	44	295	923	1,499
Net loss	$ (9,004)	$ (4,057)	$ (17,541)	$ (8,455)
Loss per share of common stock:				
Basic	$ (0.64)	$ (0.29)	$ (1.25)	$ (0.61)
Diluted	(0.64)	(0.29)	(1.25)	(0.61)
Weighted average number of common shares and common share equivalents outstanding:				
Basic	14,026	13,956	13,994	13,932
Diluted	14,026	13,956	13,994	13,932

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

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

	Nine Months Ended September 30,	
	2008	**2007**
Cash Flows From Operating Activities		
Net loss from operations	$ (17,541)	$ (8,455)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,730	4,251
Deferred income taxes, net	254	774
Provision for bad debt	23	(16)
Recovery of doubtful notes	-	(150)
Stock-based compensation	1,004	901
Other (gains), losses and expenses, net	(19)	67
Other changes in assets and liabilities:		
Decrease in accounts receivable	11,030	18,414
Decrease in unbilled costs	217	410
Decrease in other current assets	956	1,705
Decrease in other long-term assets	175	175
Decrease in accounts payable	(164)	(2,391)
Decrease in unearned contract revenue	(6,337)	(6,972)
Decrease in accrued salaries and bonus	(793)	(3,653)
Increase (decrease) in accrued liabilities	1,002	(1,357)
Increase (decrease) in long-term liabilities	143	(311)
Net cash (used in) provided by operating activities	(6,320)	3,392
Cash Flows From Investing Activities		
Purchase of available-for-sale investments	-	(11,700)
Proceeds from sales of available-for-sale investments	-	44,285
Purchase of held-to-maturity investments	(15,161)	(11,317)
Proceeds from maturities of held-to-maturity investments	17,050	41,766
Loan repayments	-	150
Purchase of property and equipment	(398)	(768)
Net cash provided by investing activities	1,491	62,416
Cash Flows From Financing Activities		
Cash paid for repurchase of restricted shares	(46)	(207)
Net cash used in financing activities	(46)	(207)
Net (decrease) increase in cash and cash equivalents	(4,875)	65,601
Cash and cash equivalents – beginning	99,185	45,221
Cash and cash equivalents – ending	$ 94,310	$ 110,822

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

(Tabular information in thousands, except per share amounts)

1. BASIS OF PRESENTATION:

The accompanying unaudited interim condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements of PDI, Inc. and its subsidiaries (the Company or PDI) and related notes as included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 as filed with the Securities and Exchange Commission (the SEC). The unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The unaudited interim condensed consolidated financial statements include all adjustments (consisting of normal recurring adjustments) that, in the judgment of management, are necessary for a fair presentation of such financial statements. Certain significant customers engage the Company's services on a seasonal basis and therefore, operating results for the three and nine month periods ended September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Accounting Estimates

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

Basic and Diluted Net Income per Share

A reconciliation of the number of shares of common stock used in the calculation of basic and diluted earnings per share for the three and nine month periods ended September 30, 2008 and 2007 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Basic weighted average number of of common shares	14,026	13,956	13,994	13,932
Dilutive effect of stock options, SARs, and restricted stock	-	-	-	-
Diluted weighted average number of common shares	14,026	13,956	13,994	13,932

Outstanding options to purchase 333,707 shares of common stock and 256,115 stock-settled stock appreciation rights (SARs) at September 30, 2008 were not included in the computation of loss per share as they would be anti-dilutive. Outstanding options to purchase 373,508 shares of common stock and 300,105 SARs at September 30, 2007 were not included in the computation of loss per share as they would be anti-dilutive.

Investments in Marketable Securities

As part of its cash management program, the Company maintains a portfolio of marketable investment securities. The fair values for marketable securities are based on publicly available market prices. Available-for-sale securities are carried at fair value with the unrealized gains or losses, net of tax, included as a component of accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in other income (expense), net. Held-to-maturity investments are stated at amortized cost. Interest income is accrued as earned. Realized gains and losses are computed based upon specific identification and included in other income, net in the consolidated statement of operations. The Company does not have any investments classified as "trading."

Fair Value of Financial Instruments

The Company considers carrying amounts of cash, accounts receivable, accounts payable and accrued expenses to approximate fair value due to the short-term nature of these financial instruments. Marketable securities classified as available-for-sale are carried at fair value. Marketable securities classified as held-to-maturity are carried at amortized cost which approximates fair value. The fair value of letters of credit is determined to be $0 as management does not expect any material losses to result from these instruments because performance is not expected to be required.

Recently Issued Standards

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141 (Revised 2007), *"Business Combinations"* (FAS 141R). FAS 141R continues to require the purchase method of accounting to be applied to all business combinations, but it significantly changes the accounting for certain aspects of business combinations. Under FAS 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. FAS 141R will change the accounting treatment for certain specific acquisition related items including: (1) expensing acquisition related costs as incurred; (2) valuing noncontrolling interests at fair value at the acquisition date; and (3) expensing restructuring costs associated with an acquired business. FAS 141R also includes a substantial number of new disclosure requirements. FAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after January 1, 2009. The Company expects FAS 141R will have an impact on its accounting for any future business combinations once adopted but the effect is dependent upon the nature and timing of any acquisitions that may be made in the future.

Recently Adopted Standards

SFAS No. 157, *"Fair Value Measurements"* (FAS 157) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard is to be applied when other standards require or permit the use of fair value measurement of an asset or liability. SFAS 157 was adopted on January 1, 2008 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the Company's consolidated financial statements on a recurring basis (at least annually). For all other nonfinancial assets and liabilities, SFAS 157 is effective on January 1, 2009. The initial adoption of FAS 157 had no impact on the Company's consolidated financial position or results of operations; however, the Company is now required to provide additional disclosures as part of its financial statements. See Note 6, Fair Value Measurements. The Company is still in the process of evaluating this standard with respect to its effect on nonfinancial assets and liabilities and, therefore, has not yet determined the impact that it will have on the Company's financial statements upon full adoption in 2009. Nonfinancial assets and liabilities for which the Company has not applied the provisions of FAS 157 include those measured at fair value in impairment testing and those initially measured at fair value in a business combination.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115"* (FAS 159). FAS 159 permits entities to elect to measure eligible financial instruments at fair value. The Company would report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date, and recognize upfront costs and fees related to those items in earnings as incurred and not deferred. The Company adopted FAS 159 as of January 1, 2008. The Company did not apply the fair value option to any of its outstanding instruments and, therefore, the adoption of FAS 159 did not have an impact on the Company's financial condition or results of operations.

3. INVESTMENTS IN MARKETABLE SECURITIES:

The Company's available-for-sale investments are carried at fair value and consist of assets in a rabbi trust associated with its deferred compensation plan at September 30, 2008 and December 31, 2007. Marketable securities classified as available-for-sale are carried at fair value. At September 30, 2008 and December 31, 2007, the carrying value of available-for-sale securities was approximately $164,000 and $459,000, respectively, which are included in short-term investments. The available-for-sale securities within the Company's deferred compensation plan at September 30, 2008 and December 31, 2007 consisted of approximately $94,000 and $198,000 respectively, in money market accounts, and approximately $70,000 and $261,000, respectively, in mutual funds. At September 30, 2008 and December 31, 2007, included in accumulated other comprehensive income were gross unrealized gains of approximately $0 and $51,000, respectively, and gross unrealized losses of approximately $12,000 and $2,000, respectively. In the nine month periods ended September 30, 2008 and 2007, included in other income, net were gross realized gains of approximately $29,000 and $20,000, respectively, and no gross realized losses.

(Tabular information in thousands, except per share amounts)

The Company's other marketable securities consist of investment grade debt instruments such as obligations of U.S. Treasury and U.S. Federal Government agencies and corporate debt securities. These investments are categorized as held-to-maturity because the Company's management has the intent and ability to hold these securities to maturity. Marketable securities classified as held-to-maturity are carried at amortized cost which approximates fair value.

The Company has standby letters of credit of approximately $5.9 million and $7.3 million at September 30, 2008 and December 31, 2007, respectively, as collateral for its existing insurance policies and its facility leases. Certain held-to-maturity investments are maintained in separate accounts to support these letters of credit.

At September 30, 2008 and December 31, 2007, held-to-maturity investments were included in short-term investments (approximately $5.5 million and $7.3 million, respectively), other current assets (approximately $2.3 million and $5.1 million, respectively) and other long-term assets (approximately $3.5 million and $2.2 million, respectively). At September 30, 2008 and December 31, 2007, held-to-maturity investments included:

	September 30, 2008			December 31, 2007		
		Maturing			Maturing	
	Carrying Amount	within 1 year	after 1 year through 3 years	Carrying Amount	within 1 year	after 1 year through 3 years
Short-term investments:						
Corporate debt securities	$ 5,341	$ 5,341	$ -	$ 7,340	$ 7,340	$ -
US Treasury securities	111	111	-	-	-	-
	5,452	5,452	-	7,340	7,340	-
Investments supporting letters of credit:						
Cash/money accounts	-	-	-	2,390	2,390	-
US Treasury securities	1,363	1,363	-	1,498	500	998
Government agency securities	4,500	1,000	3,500	3,400	1,400	2,000
	5,863	2,363	3,500	7,288	4,290	2,998
Total	$ 11,315	$ 7,704	$ 3,500	$ 14,628	$ 11,630	$ 2,998

4. GOODWILL AND OTHER INTANGIBLE ASSETS:

For the nine months ended September 30, 2008, there were no changes to the carrying amount of goodwill as compared to the year ended December 31, 2007.

All identifiable intangible assets recorded as of September 30, 2008 are being amortized on a straight-line basis over the lives of the intangibles, which range from 5 to 15 years.

	As of September 30, 2008			As of December 31, 2007		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Covenant not to compete	$ 140	$ 114	$ 26	$ 140	$ 93	$ 47
Customer relationships	16,300	4,437	11,863	16,300	3,622	12,678
Corporate tradename	2,500	681	1,819	2,500	556	1,944
Total	$ 18,940	$ 5,232	$ 13,708	$ 18,940	$ 4,271	$ 14,669

Amortization expense for the three months ended September 30, 2008 and 2007 was $320,000. Amortization expense for the nine months ended September 30, 2008 and 2007 was $961,000. Estimated amortization expense for the current year and the next four years is as follows:

2008	2009	2010	2011	2012
$ 1,281	$ 1,272	$ 1,253	$ 1,253	$ 1,253

(Tabular information in thousands, except per share amounts)

5. FACILITIES REALIGNMENT:

The Company recorded facility realignment charges totaling approximately $1.0 million, $2.0 million and $2.4 million during 2007, 2006 and 2005, respectively. These charges were for costs related to excess leased office space the Company had at its Saddle River, New Jersey and Dresher, Pennsylvania facilities. The Company has real estate lease contracts for these spaces and is required to make payments over the remaining lease term (January 2016 and November 2016 for the Saddle River, New Jersey facility and for the Dresher, Pennsylvania facility, respectively). All lease termination amounts are shown net of projected sublease income. The expenses are reported in other selling, general and administrative expenses within the reporting segment that it resides in and the accrual balance is reported in other accrued expenses and long-term liabilities on the balance sheet. In 2007, the Company sublet the excess office space at its Saddle River location and two of the three vacant spaces at its Dresher location. The Company is currently seeking to sublease the remaining excess space at its Dresher location. A rollforward of the activity for the facility realignment plan is as follows:

	Sales Services	Marketing Services	Total
Balance as of December 31, 2007	$ 274	$ 401	$ 675
Accretion	4	6	10
Payments	(72)	(89)	(161)
Balance as of September 30, 2008	$ 206	$ 318	$ 524

6. FAIR VALUE MEASUREMENTS:

As discussed in Note 2, the Company adopted FAS 157 for all financial assets and liabilities and for nonfinancial assets and liabilities recognized or disclosed at fair value in the Company's consolidated financial statements on a recurring basis (at least annually). Broadly, the FAS 157 framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. FAS 157 establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The valuation techniques required by FAS 157 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs create the following three-tier fair value hierarchy: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring the Company to develop its own assumptions.

The Company's adoption of FAS 157 was limited to its investment in marketable securities. See Note 3, Investments in Marketable Securities, for additional information. The fair values for these securities are based on quoted market prices.

The following table presents financial assets and liabilities measured at fair value at September 30, 2008:

	Carrying Amount	Fair Value	Fair Market Measurements at September 30, 2008		
			Level 1	Level 2	Level 3
Available-for-sale securities	$ 164	$ 164	$ 164	$ -	$ -
Held-to-maturity securities	11,315	11,315	11,315	-	-
Total	$ 11,479	$ 11,479	$ 11,479	$ -	$ -

(Tabular information in thousands, except per share amounts)

7. COMMITMENTS AND CONTINGENCIES:

Due to the nature of the businesses in which the Company is engaged, such as product detailing and in the past, the distribution of pharmaceutical and other healthcare products, it could be exposed to certain risks. Such risks include, among others, risk of liability for personal injury or death to persons using products the Company promotes or distributes. There can be no assurance that substantial claims or liabilities will not arise in the future due to the nature of the Company's business activities and recent increases in litigation related to healthcare products, including pharmaceuticals. The Company seeks to reduce its potential liability under its service agreements through measures such as contractual indemnification provisions with 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 an indemnification agreement; if the indemnity, although applicable, is not performed in accordance with its terms; or if the Company's liability exceeds the amount of applicable insurance or indemnity.

Bayer-Baycol Litigation

The Company has been named as a defendant in numerous lawsuits, including two class action matters, alleging claims arising from the use of Baycol, a prescription cholesterol-lowering medication. Baycol was distributed, promoted and sold by Bayer AG (Bayer) in the U.S. through early August 2001, at which time Bayer voluntarily withdrew Baycol from the U.S. market. Bayer had retained certain companies, such as the Company, to provide detailing services on its behalf pursuant to contract sales force agreements. The Company may be named in additional similar lawsuits. To date, the Company has defended these actions vigorously and has asserted a contractual right of defense and indemnification against Bayer for all costs and expenses that it incurs relating to these proceedings. In February 2003, the Company entered into a joint defense and indemnification agreement with Bayer, pursuant to which Bayer has agreed to assume substantially all of the Company's defense costs in pending and prospective proceedings and to indemnify the Company in these lawsuits, subject to certain limited exceptions. Further, Bayer agreed to reimburse the Company for all reasonable costs and expenses incurred through such date in defending these proceedings. The Company has not incurred any costs or expenses relating to these matters since 2003.

Letters of Credit

As of September 30, 2008, the Company has $5.9 million in letters of credit outstanding as required by its existing insurance policies and as required by its facility leases. These letters of credit are supported by investments in held-to-maturity securities. See Note 3 for additional information.

8. OTHER COMPREHENSIVE LOSS:

A reconciliation of net loss as reported in the condensed consolidated statements of operations to other comprehensive loss is presented in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net loss	$ (9,004)	$ (4,057)	$ (17,541)	$ (8,455)
Other comprehensive income				
Reclassification adjustment for realized gains	-	-	(18)	-
Unrealized holding gain/(loss) on available-for-sale securities	(5)	12	(19)	22
Other comprehensive loss	$ (9,009)	$ (4,045)	$ (17,578)	$ (8,433)

9. PRODUCT COMMERCIALIZATION CONTRACT:

On April 11, 2008, the Company issued a press release announcing the signing of a promotion agreement with Novartis Pharmaceuticals Corporation (Novartis). Pursuant to the agreement, the Company has the co-exclusive right to promote on behalf of Novartis the pharmaceutical product Elidel® (pimecrolimus) Cream 1% (Elidel) to physicians in the United States. Under terms of the agreement, the Company is providing sales representatives to promote Elidel to physicians. In addition, the Company is obligated under the agreement to spend at least $7.0 million per year during the term on promotional activities relating to Elidel. The Company currently intends to make expenditures of approximately $20 to $21 million during the initial 12 months of the agreement in connection with its sales force activities and the promotion of Elidel. During the second quarter of 2008, the Company paid an up-front nonrefundable fee of $1.0 million that is required under accounting guidance to be shown as a reduction of revenue. To date, the Company has not achieved the required sales levels as measured by increases in prescriptions over the pre-determined baseline. Under the terms of the contract, any shortfall from a previous quarter is added to the current quarter's baseline amount that the Company must achieve in order to generate revenue.

In exchange for its promotional and sales force activities, the Company will be compensated each quarter based on a specified formula set forth in the agreement relating to Elidel sales for the quarter. The term of the agreement is approximately four years, extending through March 31, 2012, and it may be extended for an additional year upon the mutual consent of the parties. It is possible that the Company may not receive any compensation if Elidel sales are below certain thresholds set forth in the agreement. In addition, if the agreement is not terminated prior to its scheduled expiration on March 31, 2012, if due under the terms of the agreement, Novartis will provide the Company with two residual payments in accordance with specified formulas set forth in the agreement, which are payable 12 and 24 months after the expiration of the term of the agreement. The agreement provides that if one or more major market events occur during the term that significantly affects Elidel, in certain cases either party will have the right to terminate the agreement. Either party may terminate the agreement if the other party materially breaches or fails to perform its obligations under the agreement. In addition, either party may terminate the agreement, effective no earlier than February 2010, upon three months prior notice to the other party if the number of prescriptions for Elidel generated in a specified period is less than a predetermined level for that period. Novartis may terminate the agreement, effective no earlier than January 2010, without cause upon three months prior notice to the Company subject to the payment of an early termination fee based in part on a fixed amount and in part on a specified formula set forth in the agreement.

10. STOCK-BASED COMPENSATION:

On February 27, 2008, under the terms of the stockholder-approved PDI, Inc. 2004 Stock Award Incentive Plan (the 2004 Plan), the Compensation and Management Development Committee (the Compensation Committee) of the Board of Directors of the Company approved grants of SARs, restricted stock and restricted stock units (RSUs) to certain executive officers and members of senior management of the Company. In approving grants under this plan, the Compensation Committee considered, among other things, the overall performance of the Company and the business unit of the Company for which the executive has responsibility, the individual contribution and performance level of the executive, and the need to retain key management personnel. There were 110,610 shares of restricted stock issued with a grant date fair value of $7.73 per share and 194,538 SARs issued with a grant price of $7.73 in the first quarter of 2008. In June the Company issued 44,440 RSUs with a grant date fair value of $8.10 per unit to the non-employee independent members of the Company's Board of Directors on the date of its Annual Meeting of Stockholders.

The compensation cost associated with the granting of SARs is based on the estimated grant date fair value of the award determined using a Black-Scholes pricing model. Assumptions utilized in the model are evaluated and revised, as necessary, to reflect market conditions and experience. The compensation cost associated with the granting of restricted stock and RSUs is based on the fair value of the Company's common stock on the date of grant. The Company recognizes the compensation cost, net of estimated forfeitures, over the vesting term. The Company recognized stock-based compensation expense totaling $0.2 million and $0.3 million for the three months ended September 30, 2008 and 2007, respectively and $1.0 million and $0.9 million for the nine months ended September 30, 2008 and 2007, respectively.

11. INCOME TAXES:

On a quarterly basis, the Company estimates its effective tax rate for the full year and records a quarterly income tax provision based on the anticipated rate. As the year progresses, the Company refines its estimate based on the facts and circumstances by each tax jurisdiction. The following table summarizes income tax expense and the effective tax rate for the three and nine-month periods ended September 30, 2008 and 2007:

(Tabular information in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Income tax expense	$ 44	$ 295	$ 923	$ 1,499
Effective income tax rate	0.5%	7.8%	5.6%	21.5%

Income tax expense for the nine months ended September 30, 2008 was primarily due to state taxes as the Company and its subsidiaries file separate income tax returns in numerous state and local jurisdictions. Income taxes for the nine months ended September 30, 2007 were impacted by an increase of $0.9 million in the valuation allowance on deferred tax assets. The Company performs an analysis each year to determine whether the expected future income will more likely than not be sufficient to realize net deferred tax assets. The Company's recent operating results and projections of future income weighed heavily in the Company's overall assessment. As a result, the Company maintained a full federal and state valuation allowance for the net deferred tax assets at September 30, 2008 and December 31, 2007 because the Company determined that it was more likely than not that these assets would not be realized.

There have been no material changes to the balance of unrecognized tax benefits reported at December 31, 2007. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits within the next 12 months.

12. SEGMENT INFORMATION:

The accounting policies of the segments are described in Note 1 of the Company's audited consolidated financial statements in its Annual Report on Form 10-K for the year ended December 31, 2007. There was approximately $0.1 and $0.4 million of sales between segments in the three and nine-month periods ended September 30, 2008, respectively and $0.1 million in the three and nine-month periods ended September 30, 2007, respectively. In 2008, the Product Commercialization segment (formerly the PPG segment) had activity; there was no activity in this segment during 2007. Corporate charges are allocated to each of the operating segments on the basis of total salary costs. Corporate charges include corporate headquarter costs and certain depreciation expense. Certain corporate capital expenditures have not been allocated from the sales services segment to the other reporting segments since it is impracticable to do so.

	Sales Services	Marketing Services	Product Commercialization	Consolidated
Three months ended September 30, 2008:				
Revenue	$ 19,979	$ 4,517	$ -	$ 24,496
Operating loss	(3,228)	(1,576)	(4,785)	(9,589)
Capital expenditures	43	-	-	43
Depreciation expense	549	147	27	723
Three months ended September 30, 2007:				
Revenue	$ 16,890	$ 7,079	$ -	$ 23,969
Operating loss	(4,822)	(428)	-	(5,250)
Capital expenditures	163	39	-	202
Depreciation expense	843	243	-	1,086
Nine months ended September 30, 2008:				
Revenue	$ 68,636	$ 19,488	$ (1,000)	$ 87,124
Operating loss	(6,482)	(1,389)	(11,326)	(19,197)
Capital expenditures	339	59	-	398
Depreciation expense	2,171	519	69	2,759
Nine months ended September 30, 2007:				
Revenue	$ 62,595	$ 21,960	$ -	$ 84,555
Operating loss	(11,252)	(129)	-	(11,381)
Capital expenditures	635	133	-	768
Depreciation expense	2,639	635	-	3,274

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

FORWARD-LOOKING STATEMENTS

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

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

- Changes in outsourcing trends or a reduction in promotional, marketing and sales expenditures in the pharmaceutical, biotechnology and life sciences industries;
- Loss of one or more of our significant customers or a material reduction in service revenues from such customers;
- Our ability to fund and successfully implement our long-term strategic plan;
- Our ability to generate sufficient revenue from product commercialization opportunities that we pursue to offset the costs and expenses associated with implementing and maintaining these types of programs;
- Our ability to successfully identify, complete and integrate any future acquisitions and the effects of any such acquisitions on our ongoing business;
- Our ability to meet performance goals in incentive-based and revenue sharing arrangements with customers;
- Competition in our industry;
- Our ability to attract and retain qualified sales representatives and other key employees and management personnel;
- Product liability claims against us;
- Changes in laws and healthcare regulations applicable to our industry or our, or our customers' failure to comply with such laws and regulations;
- Volatility of our stock price and fluctuations in our quarterly revenues and earnings;
- Potential liabilities associated with insurance claims; and
- Failure of, or significant interruption to, the operation of our information technology and communications systems.

Please see Part II – Item 1A – "Risk Factors" in this Form 10-Q and Part I – Item 1A – "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2007, as well as other documents we file or furnish with the United States Securities and Exchange Commission (the SEC) from time to time, for other important factors that could cause our actual results to differ materially from our current expectations and from the forward-looking statements discussed in this Form 10-Q. Because of these and other risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. In addition, these statements speak only as of the date of the report in which they are set forth, and, except as required by applicable law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

OVERVIEW

We are a leading provider of contract sales teams in the United States to pharmaceutical companies. Additionally, we provide marketing research, physician interaction and medical education programs. Our services offer customers a range of promotional and educational options for the commercialization of their products throughout their lifecycles, from development through maturity. Due to recent changes surrounding the certified medical education (CME) requirements, our subsidiary, Vital Issues in Medicine (VIM) will no longer be able to provide CME beginning in 2009. We are currently evaluating alternatives for this business. VIM had revenues of approximately $2.6 million and an operating loss of approximately $0.5 million in 2007, which includes corporate allocations.

Our business depends in large part on demand from the pharmaceutical and life sciences industries for outsourced sales and marketing services. In recent years, this demand has been adversely impacted by certain industry-wide factors affecting pharmaceutical companies in recent years, including, among other things, pressures on pricing and access, successful challenges to intellectual property rights (including the introduction of competitive generic products), a strict regulatory environment and decreased pipeline productivity. Recently, there has been a slow-down in the rate of approval of new products by the FDA and this trend may continue. Additionally, a number of pharmaceutical companies have recently made changes to their commercial models by reducing the number of sales representatives employed internally and through outside organizations like us. A very significant source of our revenue is derived from our sales force arrangements with large pharmaceutical companies, and we have therefore been significantly impacted by cost control measures implemented by these companies, including a substantial reduction in the number of sales representatives deployed. This has culminated in the expiration and termination of a number of our significant sales force contracts during 2006 and 2007, including our sales force engagements with AstraZeneca, GlaxoSmithKline, sanofi-aventis and another large pharmaceutical company customer. These four customers accounted for approximately $150.9 million in revenue during 2006 and $15.9 million in revenue during 2007. In addition, a significant sales force program for one of our clients was terminated, effective September 30, 2008, due to generic product competition. We anticipate that the termination of this sales force contract will reduce revenue by approximately $3.5 million during the fourth quarter of 2008. This reduction in demand for outsourced pharmaceutical sales and marketing services could be further exacerbated to the extent that the business and financial condition of our pharmaceutical company clients are adversely impacted by the recent worldwide macroeconomic downturn resulting from the subprime lending crisis, general credit market crisis and the related effects on the banking and financial industries. If the market for outsourced pharmaceutical services significantly deteriorates due to these macroeconomic effects, our business, financial condition, results of operations and cash flows could be materially and adversely impacted.

While we recognize that there is currently significant volatility in the markets in which we provide services, we believe there are opportunities for growth of our sales and marketing services businesses, which provide our pharmaceutical company clients with the flexibility to successfully respond to a constantly changing market and a means of controlling costs through outsourcing. In response to recent market conditions, we are in the process of implementing a five-year strategic plan that is intended to drive revenue growth, diversify the sources of our revenue, increase profit margins and enhance our competitiveness in the markets we serve. Our strategic plan has been formulated to address the changes in the pharmaceutical sales environment while simultaneously capitalizing on our core strengths in pharmaceutical sales and marketing services. The primary goals of this strategic plan include the following:

Recapture our position as the leading contract sales organization in the United States

While the total number of sales representatives in the United States has decreased over the past few years, we still believe that there are opportunities for increased penetration of this market by contract sales organizations in the near and long-term. In an attempt to capitalize on the opportunities for further market penetration that we have identified, we have taken measures to strengthen our business development capabilities, including a focus on alternate business development channels, and we have focused on creating new and differentiated contract sales service offerings, including the introduction during 2007 of our “PDI ON DEMAND” suite of flexible service offerings designed to meet our customers’ evolving needs. These efforts have culminated in a number of new sales force engagements entered into during 2007 and 2008, which have partially offset the lost revenues from the significant sales force contracts that expired and were terminated during 2006, 2007 and 2008.

Leverage our sales and marketing expertise to capitalize on product commercialization opportunities

The decrease in the number of sales representatives utilized and other cost cutting measures within the pharmaceutical industry described above have led to a reduction in the revenue generated by our typical fee for service contract sales arrangements and have the potential to place additional pressures on profit margins for our traditional sales services offerings. In response, we recently implemented a product commercialization strategic initiative in which we utilize sales analytics capabilities to identify what we believe to be attractive opportunities and seek to enter into arrangements with pharmaceutical companies to provide sales and marketing support services in connection with the promotion of pharmaceutical products in exchange for a percentage of product sales. While these arrangements involve significantly more risk than our typical fee for service contracts with respect to a return on our investment and are likely to result in losses for us during the early stages of the initiative as program ramp-up occurs, these opportunities are intended to provide us with the ability to extend our revenue streams through multi-year arrangements and with potentially higher profit margins over the term of the initiative. In April 2008, we announced the signing of our first agreement under this initiative with Novartis. As of September 30, 2008, we had not recognized any revenue from our product commercialization initiative with Novartis. During the launch period in the second and third quarters of 2008, promotional response was slower than originally anticipated. Due to the extended launch period for this program, we currently expect that no revenue will be recognized from this product commercialization initiative in the fourth quarter of 2008.

Enhance our commercialization capabilities in order to provide a broader base of services and more diversified sources of revenue

We believe that it is critical to the growth of our business to identify and build internally, through partnerships and/or acquire complementary commercialization services to the sales and marketing services that we currently provide to our customers. We intend to focus our efforts on adding services that strengthen our core business, expand the scope of our current service offerings and/or provide our customers with alternate methods for physician and healthcare professional engagement. During 2007, our TVG business unit launched three new decision support products that are being utilized by our clients.

DESCRIPTION OF REPORTING SEGMENTS AND NATURE OF CONTRACTS

For the nine months ended September 30, 2008, our three reporting segments were as follows:

- Sales Services, which is comprised of the following business units:
  - Performance Sales Teams; and
  - Select Access.
- Marketing Services, which is comprised of the following business units:
  - Pharmakon;
  - TVG Marketing Research and Consulting (TVG); and
  - Vital Issues in Medicine (VIM)®.
- Product Commercialization (formally PDI Products Group).

Selected financial information for each of these segments is contained in Note 12 to the condensed consolidated financial statements and in the discussion under "*Consolidated Results of Operations."*

Nature of Contracts by Segment

Sales Services

Our sales services contracts are nearly all fee for service arrangements, and certain contracts include incentive payments that may be earned if our activities generate results that meet or exceed agreed upon performance targets. Certain of our contracts also contain financial penalties that we may incur if we fail to meet agreed upon performance or operational benchmarks. In addition, we occasionally enter into sales services contracts in which the majority of our anticipated revenue is based on a variable fee that is directly tied to the achievement of certain performance and sales goals. Our sales services contracts are generally for terms of one to two years and may be renewed or extended. The majority of these contracts, however, are terminable by the client for any reason upon 30 to 90 days' notice. Certain contracts provide for termination payments if the client terminates the contract without cause. Typically, however, these penalties do 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 have a material adverse effect on our business, financial condition, results of operations or cash flow.

Marketing Services

Our marketing services contracts are typically fee for service arrangements and generally take the form of either master service agreements with a term of one to three years, or contracts specifically related to particular projects with terms for the duration of the project, typically lasting from two to six months. These contracts are generally terminable by the customer for any reason. Upon termination, the customer is generally responsible for payment for all work completed to date, plus the cost of any nonrefundable commitments made on behalf of the customer. There is significant customer concentration in our Pharmakon business, and the loss or termination of one or more of Pharmakon's large master service agreements could have a material adverse effect on our business, financial condition, results of operations and cash flow. Due to the typical size of most of TVG's and VIM's contracts, it is unlikely the loss or termination of any individual TVG or VIM contract would have a material adverse effect on our business, financial condition, results of operations or cash flow.

Product Commercialization

We currently expect that these contracts will typically be multi-year arrangements with limited termination rights in which we are responsible for the sales force and potentially other marketing costs relating to the promotion of the pharmaceutical product. We currently expect that we will receive revenues under the agreement only if and when product sales or prescriptions exceed certain pre-determined thresholds. We also expect that these contracts will likely involve significant upfront investment of our resources with no guaranteed return on investment and are likely to generate losses during the initial periods of the contract as program ramp up occurs.

(Tabular information in thousands, except per share amounts)

In April 2008, we entered into our first contract under our product commercialization initiative with Novartis. See Note 9 to the condensed consolidated financial statements and "Critical Accounting Policies – Revenue Recognition and Associated Costs" below for additional information.

CRITICAL ACCOUNTING POLICIES

For a summary of all of our critical accounting policies, see "Management's Discussion and Analysis of Financial Condition and results of Operations – Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2007. The accounting policy discussed below has been updated due to the new promotional program included in the product commercialization segment.

Revenue Recognition and Associated Costs

Under our promotional program included in the commercialization segment, we currently recognize revenue quarterly based on three factors:

- the number of prescriptions filled in excess of the pre-established baseline per the agreement, which is based on information supplied by a major independent supplier of industry prescription data;
- the average net sales value per unit of the product as reported to us by the customer; and
- the revenue sharing percentage in the agreement.

Our actual revenue recognized each quarter is calculated by multiplying the result of the above three factors. Accordingly, the revenues recognized (if any) under this contract will be directly impacted by prescription data provided to us, the customer's revenue recognition policy and other accounting policies used to determine average net sales value per unit (which include reductions for estimates of sales returns, credits and allowances, normal trade and cash discounts, managed cared sales rebates and other allocated costs as identified in the agreement).

Additionally, we must perform a minimum number of sales calls to designated physicians each year, and the failure to satisfy this requirement could result in penalties being imposed on us or provide the customer with the ability to terminate the agreement. We will not receive any compensation during any quarter in which product sales are below certain thresholds established for that quarter as set forth in the agreement.

Consolidated Results of Operations

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
Operating data	2008	2007	2008	2007
Revenue, net	100.0%	100.0%	100.0%	100.0%
Cost of services	98.3%	75.9%	85.4%	74.1%
Gross profit	1.7%	24.1%	14.6%	25.9%
Compensation expense	23.3%	24.5%	21.8%	21.6%
Other selling, general and administrative expenses	17.6%	21.5%	14.8%	17.7%
Total operating expenses	40.8%	46.0%	36.6%	39.3%
Operating loss	(39.1%)	(21.9%)	(22.0%)	(13.5%)
Other income, net	2.6%	6.2%	3.0%	5.2%
Loss before income tax	(36.6%)	(15.7%)	(19.1%)	(8.2%)
Provision for income tax	0.2%	1.2%	1.1%	1.8%
Net loss	(36.8%)	(16.9%)	(20.1%)	(10.0%)

(Tabular information in thousands, except per share amounts)

Three Months Ended September 30, 2008 Compared to Three Months Ended September 30, 2007

Revenue

	Quarter Ended September 30,			
	2008	2007	Change ($)	Change (%)
Sales services	$ 19,979	$ 16,890	$ 3,089	18.3%
Marketing services	4,517	7,079	(2,562)	(36.2%)
Product commercialization	-	-	-	-
Total	$ 24,496	$ 23,969	$ 527	2.2%

Revenue from the sales services segment for the quarter ended September 30, 2008 increased by approximately $3.1 million primarily due to an increase of $1.8 million, or 40.7%, within our Select Access business unit as a result of new sales force engagements. Revenue for the marketing services segment decreased from the quarter ended September 30, 2008 as compared to the quarter ended September 30, 2007. Revenue for all three business units within the marketing services segment was lower due in part to a decrease in new projects as well as the curtailment or postponement of certain existing projects within these business units. The product commercialization segment did not have any revenue for either the quarter ended September 30, 2008 or 2007.

Cost of services

	Quarter Ended September 30,			
	2008	2007	Change ($)	Change (%)
Sales services	$ 17,148	$ 13,990	$ 3,158	22.6%
Marketing services	2,807	4,213	(1,406)	(33.4%)
Product commercialization	4,129	-	4,129	-
Total	$ 24,084	$ 18,203	$ 5,881	32.3%

The increase of approximately $5.9 million in costs of services was primarily attributed to the $4.1 million associated with our promotional program within the product commercialization segment for the quarter ended September 30, 2008. Cost of services within the sales services segment increased by approximately $3.2 million which was primarily a function of the increase in revenue. Cost of services within the marketing services segment decreased by approximately $1.4 million which was a function of the decrease in revenue.

Gross Profit

Quarter Ended September 30,	Sales services	% of sales	Marketing services	% of sales	Product commercialization	% of sales	Total	% of sales
2008	$ 2,831	14.2%	$ 1,710	37.9%	$ (4,129)	-	$ 412	1.7%
2007	2,900	17.2%	2,866	40.5%	-	-	5,766	24.1%
Change ($)	$ (69)		$ (1,156)		$ (4,129)		$ (5,354)	

Gross profit in the sales services segment decreased slightly on higher revenue for the quarter ended September 30, 2008 as compared to the quarter ended September 30, 2007. For the quarter ended September 30, 2007, we recognized $0.6 million in revenue associated with a contract with a former emerging pharmaceutical client for services performed in 2006. Because of the uncertainty surrounding collections, we recognized revenue from this client on a cash basis and all costs associated with this contract were recognized in 2006.

The decrease of approximately $1.2 million in gross profit for the marketing services segment was attributable to a reduction in revenue as discussed above.

The product commercialization segment's negative gross profit was entirely attributable to our sales force and promotional costs associated with this program.

(Tabular information in thousands, except per share amounts)

Compensation expense

Quarter Ended September 30,	Sales services	% of sales	Marketing services	% of sales	Product commercialization	% of sales	Total	% of sales
2008	$ 3,092	15.5%	$ 2,239	49.6%	$ 365	-	$ 5,696	23.3%
2007	3,902	23.1%	1,959	27.7%	-	-	5,861	24.5%
Change ($)	$ (810)		$ 280		$ 365		$ (165)	

Compensation expense for the quarter ended September 30, 2008 was slightly lower when compared to the prior year period. Compensation expense for the sales services segments decreased for the quarter ended September 30, 2008 when compared to the quarter ended September 30, 2007. This was primarily a result of a reduction in incentive compensation accrued for 2008 due to our financial performance for the nine months ended September 30, 2008 relative to the financial targets established for 2008 under our incentive compensation plan. Compensation expense for the marketing services segment increased by approximately $0.3 million which was primarily due to the costs associated with an executive departure. The product commercialization segment had compensation costs of approximately $0.4 million which was primarily attributable to employee and sales services support costs. There was no compensation expense attributable to this segment in 2007.

Other selling, general and administrative expenses

Quarter Ended September 30,	Sales services	% of sales	Marketing services	% of sales	Product commercialization	% of sales	Total	% of sales
2008	$ 2,967	14.9%	$ 1,047	23.2%	$ 291	-	$ 4,305	17.6%
2007	3,821	22.6%	1,334	18.8%	-	-	5,155	21.5%
Change ($)	$ (854)		$ (287)		$ 291		$ (850)	

Total other selling, general and administrative expenses decreased by approximately $0.9 million due primarily to a decrease in corporate marketing costs of approximately $0.4 million due to a large increase in expenditures for certain marketing initiatives in the third quarter of 2007, and a decrease in depreciation expense of approximately $0.3 million primarily due to the conversion to a new financial reporting system which was at a much lower capitalized cost than our previous system.

The decrease in other selling, general and administrative expenses attributable to both the sales services and marketing services segment can be attributed to the reasons discussed above. Other selling, general and administrative expenses attributable to the product commercialization segment for the quarter ended September 30, 2008 were approximately $0.3 million. There were no expenses attributable to this segment in 2007.

Operating loss

There was an operating loss of approximately $9.6 million for the quarter ended September 30, 2008 as compared to an operating loss for the quarter ended September 30, 2007 of approximately $5.3 million. This increased loss is primarily attributable to the $4.8 million in expenses associated with our promotional program within the product commercialization segment.

Other income, net

Other income, net, for the quarters ended September 30, 2008 and 2007 was $0.6 million and $1.5 million, respectively, and consisted primarily of interest income. The decrease in interest income is primarily due to lower interest rates and lower cash balances for the quarter ended September 30, 2008.

Income tax expense

The federal and state corporate income tax expense was approximately $44,000 for the quarter ended September 30, 2008, compared to income tax expense of approximately $0.3 million for the quarter ended September 30, 2007. The effective tax rate for the quarter ended September 30, 2008 was 0.5%, compared to an effective tax rate of 7.8% for the quarter ended September 30, 2007. The tax expense for the three-month period ended September 30, 2008 is attributable to state and local taxes.

(Tabular information in thousands, except per share amounts)

Nine Months Ended September 30, 2008 Compared to Nine Months Ended September 30, 2007

Revenue

	Nine Months Ended, September 30,		Change	Change
	2008	2007	($)	(%)
Sales services	$ 68,636	$ 62,595	$ 6,041	9.7%
Marketing services	19,488	21,960	(2,472)	(11.3%)
Product commercialization	(1,000)	-	(1,000)	-
Total	$ 87,124	$ 84,555	$ 2,569	3.0%

The increase in revenue of approximately $6.0 million in the sales services segment is attributable to an increase in revenue within our Select Access business unit which included nine months of revenue from a significant client in 2008 as compared to approximately six months of revenue from this client through September 30, 2007 as well as the addition of some new clients in 2008. Revenue from our marketing services segment for the nine months ended September 30, 2008 decreased by approximately $2.5 million as a result of decreases at TVG and Pharmakon when compared with the prior period. In particular, revenue from our Pharmakon business unit decreased during the nine months ended September 30, 2008 due to a reduction in business from its two largest clients, which is expected to continue through the remainder of 2008. The product commercialization segment had negative revenue of $1.0 million in the nine months ended September 30, 2008 which pertained to a non-refundable upfront payment we made to Novartis as per the terms of our promotion agreement which has been recognized as negative revenue pursuant to EITF 01-09, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Product." This segment had no revenue in 2007.

Cost of services

	Nine Months Ended, September 30,		Change	Change
	2008	2007	($)	(%)
Sales services	$ 54,760	$ 50,707	$ 4,053	8.0%
Marketing services	11,047	11,957	(910)	(7.6%)
Product commercialization	8,616	-	8,616	-
Total	$ 74,423	$ 62,664	$ 11,759	18.8%

The increase of approximately $11.8 million in costs of services was primarily due to the $8.6 million associated with our promotional program within the product commercialization segment for the nine months ended September 30, 2008. Cost of services within the sales services segment increased by approximately $4.1 million which was primarily a function of the increase in revenue. Cost of services within the marketing services segment decreased by approximately $0.9 million which was a function of the decrease in revenue.

Gross Profit

Nine Months Ended, September 30,	Sales services	% of sales	Marketing services	% of sales	Product commercialization	% of sales	Total	% of sales
2008	$ 13,876	20.2%	$ 8,441	43.3%	$ (9,616)	-	$ 12,701	14.6%
2007	11,888	19.0%	10,003	45.6%	-	-	21,891	25.9%
Change ($)	$ 1,988		$ (1,562)		$ (9,616)		$ (9,190)	

The gross profit percentage in the sales services segment was comparable for both the nine months ended September 30, 2008 and 2007.

The decrease in gross profit percentage for the marketing services segment is primarily attributable to a significant decrease at our TVG business unit, where margins are being impacted by increased competition for marketing research projects and cost-reduction initiatives within the pharmaceutical industry.

The product commercialization segment had negative gross profit of approximately $9.6 million for the nine months ended September 30, 2008. There was no activity in 2007.

(Tabular information in thousands, except per share amounts)

Compensation expense

Nine Months Ended, September 30,	Sales services	% of sales	Marketing services	% of sales	Product commercialization	% of sales	Total	% of sales
2008	$ 11,144	16.2%	$ 6,847	35.1%	$ 1,015	-	$ 19,006	21.8%
2007	11,766	18.8%	6,521	29.7%	-	-	18,287	21.6%
Change ($)	$ (622)		$ 326		$ 1,015		$ 719	

The increase in compensation expense of approximately $0.7 million was primarily due to the retirement of our CEO on June 20, 2008 and the subsequent expense of approximately $0.7 million associated with his departure. Compensation expense for the nine months ended September 30, 2008 attributable to the sales services segment decreased primarily due to a reduction in incentive compensation costs accrued for in 2008. For the nine months ended September 30, 2008 compensation expense associated with the marketing services segment increased by approximately $0.3 million which was attributable to the marketing services executive departure discussed previously. Compensation expense for the product commercialization segment was primarily attributable to employee and sales services support costs. There was no compensation expense attributable to this segment in 2007.

Other selling, general and administrative expenses

Nine Months Ended, September 30,	Sales services	% of sales	Marketing services	% of sales	Product commercialization	% of sales	Total	% of sales
2008	$ 9,214	13.4%	$ 2,983	15.3%	$ 695	-	$ 12,892	14.8%
2007	11,374	18.2%	3,611	16.4%	-	-	14,985	17.7%
Change ($)	$ (2,160)		$ (628)		$ 695		$ (2,093)	

Total other selling, general and administrative expenses were $2.1 million less for the nine months ended September 30, 2008 than other selling, general and administrative expenses for the nine months ended September 30, 2007. The decrease can be attributed to: 1) a decrease in executive consulting costs of approximately $1.0 million; 2) lower facility and depreciation expense of approximately $0.6 million due to the sublease of office space in our corporate facilities and the subsequent write-offs of assets associated with the space; and 3) lower business insurance costs of approximately $0.4 million, primarily as a result of the reduction in the size of our business; and 4) the nine months ended September 30, 2007 had an accrual of $0.3 million for the settlement of a claim which resided in the marketing services segment.

Other selling, general and administrative expenses attributable to the sales services segment for the nine months ended September 30, 2008 decreased approximately $2.2 million when compared to the nine months ended September 30, 2007. Other selling, general and administrative expenses within the marketing services segment for the nine months ended September 30, 2008 decreased approximately $0.6 million when compared to the nine months ended September 30, 2007. The decrease in both segments is due to the reasons discussed above.

Other selling, general and administrative expenses within the product commercialization segment for the nine month period ended September 30, 2008 were $0.7 million and consisted primarily of consulting, legal and other costs associated with our new promotional program. There were no other selling, general and administrative expenses attributable to this segment for the nine months ended September 30, 2007.

Operating loss

There was an operating loss for the nine months ended September 30, 2008 of approximately $19.2 million compared to an operating loss of $11.4 million in the comparable prior year period. The increased loss is due to the operating loss associated with our product commercialization segment of $11.3 million. This was partially offset by a $4.8 million reduction in the operating loss of the sales services segment due to reduced operating expenses and increased gross profit as discussed above.

Other income, net

Other income, net, for the nine months ended September 30, 2008 and 2007 was $2.6 million and $4.4 million, respectively, and consisted primarily of interest income. The decrease in interest income is primarily due to lower interest rates and lower average cash balances for the nine months ended September 30, 2008.

Income tax expense

The federal and state corporate income tax expense was approximately $0.9 million for the nine months ended September 30, 2008, compared to income tax expense of $1.5 million for the nine months ended September 30, 2007. The effective tax rate for the nine months ended September 30, 2008 was 5.6%, compared to an effective tax rate for the nine months ended September 30, 2007 of 21.5%. Income taxes for the nine month period ended September 30, 2007 included an increase of $0.9 million in the valuation allowance on deferred tax asset. Tax expense for the nine months ended September 30, 2008 was primarily due to state taxes as we file separate income tax returns in numerous state and local jurisdictions.

Liquidity and Capital Resources

As of September 30, 2008, we had cash and cash equivalents and short-term investments of approximately $99.9 million and working capital of $97.3 million, compared to cash and cash equivalents and short-term investments of approximately $107.0 million and working capital of approximately $111.6 million at December 31, 2007. For the nine months ended September 30, 2008, net cash used in operating activities was $6.3 million, compared to $3.4 million net cash provided by operating activities for the nine months ended September 30, 2007. The main component of cash used in operating activities during the nine months ended September 30, 2008 was a net loss of $17.5 million. This was partially offset by a reduction in accounts receivable of $11.0 million.

As of September 30, 2008, we had $3.3 million of unbilled costs and accrued profits on contracts in progress. When services are performed in advance of billing, the value of such services is recorded as unbilled costs and accrued profits on contracts in progress. Normally all unbilled costs and accrued profits are earned and billed within 12 months from the end of the respective period. As of September 30, 2008, we had $2.1 million of unearned contract revenue. When we bill clients for services before they have been completed, billed amounts are recorded as unearned contract revenue, and are recorded as income when earned.

For the nine months ended September 30, 2008, net cash provided by investing activities was $1.5 million as compared to net cash provided by investing activities of $62.4 million for the comparable prior year period. The significant change during the period was reflective of our change in strategy to investments that had greater liquidity and shorter-term maturities. The net change of $62.4 million reflected a movement from short-term investments to cash and cash equivalents. We had approximately $0.4 million and $0.8 million of capital expenditures primarily for computer equipment and software during the nine months ended September 30, 2008 and 2007, respectively. For both periods, all capital expenditures were funded out of available cash. The cash flows used in financing activities for the nine months ended September 30, 2008 and 2007 represent shares that were delivered back to us and included in treasury stock for the payment of taxes resulting from the vesting of restricted stock.

Our revenue and profitability depend to a great extent on our relationships with a limited number of large pharmaceutical companies. On September 30, 2008, a significant sales force program for one of our clients was terminated due to generic product competition. This sales force program accounted for 12.0% of our revenue for the nine months ended September 30, 2008 and 10.2% of our revenue for the year ended December 31, 2007. We anticipate that the termination of this sales force contract will reduce revenue by approximately $3.5 million during the fourth quarter of 2008. 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, or a decrease in demand for our services, could have a material adverse effect on our business, financial condition and results of operations. In addition, Select Access' services to a significant customer are seasonal in nature, occurring primarily in the winter season.

In April 2008, we signed a promotion agreement with Novartis in connection with our product commercialization initiative. See Note 9 to the condensed consolidated financial statements for additional information. Under terms of the agreement, we are providing sales representatives, at our own cost and expense, to promote a pharmaceutical product to physicians. In addition, we are obligated to spend at least $7.0 million per year during the term on promotional activities relating to this product. We currently intend to make expenditures of approximately $20 to $21 million during the initial 12 months of the agreement in connection with our sales force activities and the promotion of this product. In addition, we provided a $1.0 million upfront payment to Novartis in the second quarter of 2008 as per the terms of the agreement. Under this arrangement, we will be compensated each quarter based on a specified formula set forth in the contract relating to product sales during the quarter. Therefore, if we are unable to increase the sales of the product above a pre-determined quarterly baseline, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we currently expect to incur net losses on this product commercialization arrangement during fiscal year 2008 due to the costs associated with implementing the program and our expectation that an extended ramp up period will be necessary before any meaningful increase in product prescriptions can be achieved.

Although we expect to incur a net loss for the year ending December 31, 2008, we believe that our existing cash balances and expected cash flows generated from operations will be sufficient to meet our operating requirements for at least the next 12 months. However, we may require alternative forms of financing if and when we make acquisitions, which are currently a component of our strategic plan.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk for changes in the market values of some of our investments (investment risk) and the effect of interest rate changes (interest rate risk). Our financial instruments are not currently subject to foreign currency risk or commodity price risk. We have no financial instruments held for trading purposes and we have no interest bearing long term or short term debt. At September 30, 2008 and December 31, 2007 we did not hold any derivative financial instruments.

The objectives of our investment activities are to preserve capital, maintain liquidity and maximize returns without significantly increasing risk. In accordance with our investment policy, we attempt to achieve these objectives by investing our cash in a variety of financial instruments. These investments are principally restricted to government sponsored enterprises and obligations of the U.S. Treasury and U.S. Federal Government Agencies.

Investments in both fixed rate and floating rate interest earning instruments carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates, while floating rate securities may produce less income than expected if interest rates fall. Due in part to these factors, our future investment income may fall short of expectations due to changes in interest rates or we may suffer losses in principal if forced to sell securities that have seen a decline in market value due to changes in interest rates. Our cash and cash equivalents and short term investments at September 30, 2008 were composed of the instruments described in the preceding paragraph and all of those investments mature by December 2008. If interest rates were to increase or decrease by one percent, the fair value of our investments would have an insignificant increase or decrease primarily due to the quality of the investments and the near term maturity.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-Q. Based on that evaluation, our chief executive officer and chief financial officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in internal controls

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Bayer-Baycol Litigation

We have been named as a defendant in numerous lawsuits, including two class action matters, alleging claims arising from the use of Baycol, a prescription cholesterol-lowering medication. Baycol was distributed, promoted and sold by Bayer in the United States until early August 2001, at which time Bayer voluntarily withdrew Baycol from the U.S. market. Bayer had retained certain companies, such as us, to provide detailing services on its behalf pursuant to contract sales force agreements. We may be named in additional similar lawsuits. To date, we have defended these actions vigorously and have asserted a contractual right of defense and indemnification against Bayer for all costs and expenses we incur relating to these proceedings. In February 2003, we entered into a joint defense and indemnification agreement with Bayer, pursuant to which Bayer has agreed to assume substantially all of our defense costs in pending and prospective proceedings and to indemnify us in these lawsuits, subject to certain limited exceptions. Further, Bayer agreed to reimburse us for all reasonable costs and expenses incurred through such date in defending these proceedings. We have not incurred any costs or expenses relating to these matters since 2003.

Other Legal Proceedings

We are currently a party to other legal proceedings incidental to our business. As required, we have accrued our estimate of the probable costs for the resolution of these claims. While management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our business, financial condition or results of operations, litigation is subject to inherent uncertainties. Were we to settle a proceeding for a material amount or were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on our business, financial condition or results of operations. Legal fees are expensed as incurred.

Item 1A. Risk Factors

In addition to the factors generally affecting the economic and competitive conditions in our markets, you should carefully consider the additional risk factors that could have a material adverse impact on our business, financial condition or results of operations, which are set forth in our Annual Report on Form 10-K for the year ended December 31, 2007.

Other than as described below, there have been no material changes to the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2007.

If companies in the life sciences industries significantly reduce their promotional, marketing and sales expenditures or significantly reduce or eliminate the role of pharmaceutical sales representatives in the promotion of their products, our business, financial condition and results of operations would be materially and adversely affected.

Our revenues depend on promotional, marketing and sales expenditures by companies in the life sciences industries, including the pharmaceutical and biotechnology industries. Promotional, marketing and sales expenditures by pharmaceutical manufacturers have in the past been, and could in the future be, negatively impacted by, among other things, governmental reform or private market initiatives intended to reduce the cost of pharmaceutical products or by governmental, medical association or pharmaceutical industry initiatives designed to regulate the manner in which pharmaceutical manufacturers promote their products. Furthermore, the trend in the life sciences industries toward consolidation may result in a reduction in overall sales and marketing expenditures and, potentially, a reduction in the use of contract sales and marketing services providers. This reduction in demand for outsourced pharmaceutical sales and marketing services could be further exacerbated to the extent that the business and financial condition of our pharmaceutical company clients are adversely impacted by the recent worldwide macroeconomic downturn resulting from the subprime lending crisis, general credit market crisis and the related effects on the banking and financial industries. If companies in the life sciences industries significantly reduce their promotional, marketing and sales expenditures or significantly reduce or eliminate the role of pharmaceutical sales representatives in the promotion of their products, our business, financial condition and results of operations would be materially and adversely affected.

Our business may suffer if we are unable to hire and retain key management personnel to fill critical vacancies.

The success of our business also depends on our ability to attract and retain qualified senior management who are in high demand and who often have competitive employment options. We are currently conducting a search for a CEO. Our failure to attract and retain qualified individuals could have a material adverse effect on our business, financial condition or results of operations.

Most of our revenue is derived from a limited number of customers, the loss of any one of which could materially and adversely affect our business, financial condition or results of operations.

Our revenue and profitability depend to a great extent on our relationships with a limited number of large pharmaceutical companies. As of September 30, 2008, our two largest customers accounted for approximately 26.7% and 13.3%, respectively, or approximately 40.0% in the aggregate, of our revenue for the nine-month period ended September 30, 2008. For the year ended December 31, 2007, our three largest customers accounted for approximately 13.7%, 12.9% and 11.3% respectively, or approximately 37.9% in the aggregate, of our revenue for the year ended December 31, 2007. For the year ended December 31, 2006, our three largest customers accounted for 28.5%, 18.3% and 9.9%, respectively, or approximately 56.7% in the aggregate, of our revenue. We are likely to continue to experience a high degree of customer concentration, particularly if there is further consolidation within the pharmaceutical industry.

The loss or a significant reduction of business from any of our major customers could have a material adverse effect on our business, financial condition or results of operations. For example, during 2006 and 2007, we announced the termination and expiration of a number of significant service contracts, including our sales force engagements with AstraZeneca, GlaxoSmithKline (GSK), sanofi-aventis and another large pharmaceutical company customer. These four customers accounted for approximately $150.9 million in revenue during 2006 and $15.9 million in revenue during 2007. In addition, on July 31, 2008, we received notification from the client that accounted for 12.7% of our revenue during the six months ended June 30, 2008 that, due to generic competition, it will be terminating a significant sales force program effective September 30, 2008. This sales force program accounted for 12.0% of our revenue for the nine months ended September 30, 2008. We anticipate that the termination of this sales force contract will reduce revenue by approximately $3.5 million during the fourth quarter of 2008.

If we are unable to generate sufficient revenue from product commercialization opportunities that we pursue to offset the costs and expenses associated with implementing and maintaining these types of programs, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

On April 11, 2008, we announced that we had entered into our first arrangement under our product commercialization strategic initiative to provide sales and marketing support services in connection with the promotion of a pharmaceutical product on behalf of Novartis Pharmaceuticals Corporation (Novartis) in exchange for a percentage of revenue from product sales in excess of certain thresholds. We currently intend to make expenditures of approximately $20 to $21 million during the initial 12 months of the agreement in connection with our sales force activities and promotion of the product. In addition, we currently intend to explore additional opportunities to enter into similar types of arrangements with pharmaceutical companies under this strategic initiative. These types of arrangements typically require us to make a significant upfront investment of our resources and are likely to generate losses in the early stages as program ramp up occurs. In addition, any compensation we will receive is expected to be dependent on sales of the product, and in certain arrangements, including our arrangement with Novartis, we will not receive any compensation unless product sales exceed certain thresholds. There can be no assurance that we can generate sufficient product sales for these arrangements to be profitable for us. To date, we have not achieved the required sales levels necessary to receive revenue under this contract as measured by increases in prescriptions over the pre-determined baseline. Under the terms of the contract, any shortfall from a previous quarter is added to the current quarter's baseline amount that we must achieve in order to generate revenue. In addition, there are a number of factors that could negatively impact product sales during the term of a product commercialization contract, many of which are beyond our control, including the level of promotional response to the product, withdrawal of the product from the market, the launch of a therapeutically equivalent generic version of the product, the introduction of a competing product, loss of managed care covered lives, a significant disruption in the manufacture or supply of the product as well as other significant events that could affect sales of the product or the prescription market for the product. Therefore, the revenue we receive, if any, from product sales under these types of arrangements may not be sufficient to offset the costs incurred by us implementing and maintaining these programs. In addition, our agreement with Novartis provides, and any agreements we enter into in the future may provide, certain early termination rights. If our agreement with Novartis, or a similar arrangement we may enter into in the future, were to be terminated prior to its scheduled expiration, our expected revenue and profitability could be materially and adversely affected due to our significant upfront investment of sales force and other promotional resources during the ramp up period for these types of programs.

(Tabular information in thousands, except per share amounts)

Item 6. Exhibits

New exhibits, listed as follows, are attached:

Exhibit No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith as Exhibit 31.1.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith as Exhibit 31.2.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith as Exhibit 32.1.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith as Exhibit 32.2.

SIGNATURES

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

Date: November 6, 2008

PDI, Inc.
(Registrant)

/s/ Jeffrey E. Smith
Jeffrey E. Smith
Chief Executive Officer

/s/ James G. Farrell
James G. Farrell
Chief Financial Officer

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Jeffrey E. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2008 of PDI, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2008

/s/ Jeffrey E. Smith
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, James G. Farrell, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2008 of PDI, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2008

/s/ James G. Farrell
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PDI, Inc. (the "Company") for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey E. Smith, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 6, 2008

/s/ Jeffrey E. Smith
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of PDI, Inc. (the "Company") for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James G. Farrell, as Chief Financial and Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: November 6, 2008

/s/ James G. Farrell
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.