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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2010

OR

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

For the transition period from ____________to_________________

Commission file Number: 0-24249

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

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

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

(800) 242-7494
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01 per share	The Nasdaq Stock Market LLC

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

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

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

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

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

The aggregate market value of the registrant's common stock, $0.01 par value per share, held by non-affiliates of the registrant on June 30, 2010, the last business day of the registrant's most recently completed second fiscal quarter, was $47,985,308 (based on the closing sales price of the registrant's common stock on that date). Shares of the registrant's common stock held by each officer and director and each person who owns 10% or more of the outstanding common stock of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 11, 2011, 14,628,262 shares of the registrant's common stock, $0.01 par value per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2011 Annual Meeting of Stockholders (the Proxy Statement), to be filed within 120 days of the end of the fiscal year ended December 31, 2010, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K (Form 10-K), the Proxy Statement is not deemed to be filed as part hereof.

PDI, Inc.
Annual Report on Form 10-K

		Page
PART I		
Item 1.	Business	5
Item 1A.	Risk Factors	10
Item 1B.	Unresolved Staff Comments	17
Item 2.	Properties	18
Item 3.	Legal Proceedings	18
Item 4.	Reserved	18
PART II		
Item 5.	Market for our Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	18
Item 6.	Selected Financial Data	21
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	41
Item 8.	Financial Statements and Supplementary Data	42
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	42
Item 9A.	Controls and Procedures	42
Item 9B.	Other Information	43
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	43
Item 11.	Executive Compensation	43
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	43
Item 13.	Certain Relationships and Related Transactions, and Director Independence	43
Item 14.	Principal Accounting Fees and Services	43
PART IV		
Item 15.	Exhibits, Financial Statement Schedules	44
Signatures		48

FORWARD LOOKING STATEMENT INFORMATION

This Form 10-K 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-K, including, but not limited to, statements found in Part I – Item 1 – "Business," Part II – Item 5 – "Market for our Common Equity, Related Stockholder Matters and Issuer Purchases of Securities," Part II – Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Part II – Item 7A – "Quantitative and Qualitative Disclosures About Market Risk."

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

- The effects of the current worldwide economy;
- Changes in outsourcing trends or a reduction in promotional, marketing and sales expenditures in the pharmaceutical, biotechnology and healthcare industries;
- Our customer concentration risk in light of continued consolidation within the pharmaceutical industry and our current business development opportunities;
- Early termination of a significant services contract, the loss of one or more of our significant customers or a material reduction in service revenues from such customers;
- Our ability to obtain additional funds in order to implement our business model;
- Our ability to successfully integrate the acquisition of the Group DCA business and the effect of this acquisition on our ongoing business;
- 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 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;
- Failure to comply with laws and regulations or changes to such laws and regulations by us, our industry or our customers;
- The sufficiency of our insurance and self-insurance reserves to cover future liabilities;
- Our ability to successfully develop and generate revenue from product commercialization opportunities;
- Failure of third-party service providers to perform their obligations to us;
- Volatility of our stock price and fluctuations in our quarterly revenues and earnings;
- Our controlling stockholder continuing to have significant influence, which could delay or prevent a change in corporate control that may otherwise be beneficial to our other stockholders;
- Our anti-takeover defenses could delay or prevent an acquisition and could adversely affect the price of our common stock;
- Our ability to sublease the unused office space in Saddle River, New Jersey;
- Failure of, or significant interruption to, the operation of our information technology and communication systems; and
- The results of any future impairment testing for goodwill and other intangible assets.

Please see Part I – Item 1A – "Risk Factors" of this Form 10-K, as well as other documents we file with the United States Securities and Exchange Commission (SEC) from time-to-time, for other important factors that could cause our actual results to differ materially from our current expectations and from the forward-looking statements discussed herein. 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 this Form 10K and, except as may be required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

PART I

ITEM 1. BUSINESS

Summary of Business

We provide integrated multichannel outsourced promotional services to established and emerging companies in the pharmaceutical, biotechnology and healthcare industries. We are a leading provider of outsourced sales teams in the United States that target healthcare providers, offering a range of complementary sales support services designed to achieve our customers' strategic and financial product objectives. In addition to outsourced sales teams, we also provide other promotional services including clinical educator services, e-detailing and other digital communications, medical education and teledetailing. Combined, our services offer customers a range of both personal and non-personal promotional options for the commercialization of their products throughout their lifecycles, from early commercialization through maturity. We provide innovative and flexible service offerings designed to drive our customers' businesses forward and successfully respond to a continually changing market. Our services provide a vital link between our customers and the medical community through the communication of product information to physicians and other healthcare professionals for use in the care of their patients.

We have evolved our multichannel promotional capabilities through innovation, organic growth, acquisitions and strategic partnerships. We have designed and implemented programs for many large pharmaceutical companies, a variety of emerging and specialty pharmaceutical and biotechnology companies as well as nutritional, diagnostic and other healthcare service providers. We recognize that our relationships with customers are dependent upon the quality of our performance and our ability to reach and engage their target audiences in a positive and meaningful manner. Our focus is to flawlessly execute our customers' programs in order to consistently deliver their desired results.

On November 3, 2010, we acquired 100% of the membership interest in Group DCA, LLC (Group DCA), a privately held interactive digital communications company serving the pharmaceutical, biotechnology and healthcare industries. Based in Parsippany, New Jersey, Group DCA leverages the strength of the Internet, multimedia, tablet PCs, dimensional direct mail and its proprietary software, DIAGRAM™ (DIAlogue, GRAphics, Motion), to deliver digital selling solutions via interactive communications exchanges that accommodate the schedules of healthcare providers. Group DCA's proprietary software also yields meaningful response data that allows customers the opportunity to better understand the needs and opinions of their audiences and, in turn, the opportunity to market to their audiences more effectively. With the combination of PDI's traditional outsourced promotional services and Group DCA's e-detailing, patient education communications and other digital communications, we expect to be even better positioned to offer customers increased insight and greater engagement, resulting in integrated information and more impactful messages being delivered to healthcare providers across multiple communication channels.

On March 3, 2011, we announced the launch of a new business unit within our Sales Services segment, EngageCE that will provide clinical educator services to our customers. The goal of clinical educators is to work with healthcare providers in the management of chronic diseases in order to optimize patient care and outcomes. We have seen a growing demand for these types of services from our customers and we believe that the clinical educator services provided via EngageCE will complement traditional sales force efforts and enhance our offerings.

We completed exiting the marketing research business conducted by our TVG Marketing Research & Consulting (TVG) business unit by the end of our third quarter, September 30, 2010. Changes in the healthcare industry, including various mergers and acquisitions as well as healthcare reform, have resulted in a significant decrease in demand for the market research services our TVG business unit provided. See Note 20, Segment Information, to the consolidated financial statements included in this Annual Report on Form 10-K for additional details.

We commenced operations as an outsourced sales organization in 1987 and we completed our initial public offering in May 1998. Our executive offices are located at Morris Corporate Center 1, Building A, 300 Interpace Parkway, Parsippany, New Jersey 07054. Our telephone number is (800) 242-7494.

Strategy

Under the direction of our chief executive officer, the entire executive team is fully committed to establishing PDI as the best-in-class outsourced promotional services organization in the United States. With a focus on best-in-class quality and cost effectiveness, we have intensified our focus on strengthening all aspects of our core outsourced promotional services business.

In addition to concentrating our efforts on strengthening our core outsourced sales business, we also continue to

focus on enhancing our multichannel promotional services capabilities by aggressively promoting and broadening the depth of our value-added service offerings. While our primary approach in broadening our value-added services offerings will be through internal development, we do not exclude the possibility of continued growth through acquisition. Additionally, we may seek out strategic partnerships with industry leaders in ancillary areas that we deem important to solidifying and enhancing our overall service offering, but where organic growth or acquisition may not be feasible at that time.

We offer two distinct forms of promotion: personal and non-personal promotion. Personal promotion involves a face-to-face interaction between a healthcare provider and a sales representative or clinical educator during normal business hours. These services are included within our Sales Services segment. The second type of promotion we offer is non-personal promotion. During a non-personal interaction the healthcare provider accesses clinical or product information via an alternate channel such as computer, mobile device or telephone at a time that is convenient to them. Due to the on-demand nature of our non-personal offerings, healthcare professionals can participate 24 hours a day, 7 days week whether at home, in the office or from another remote location. Our non-personal promotional options are included within our Marketing Services segment.

Although we had no active product commercialization arrangements in 2010, as we ended our sole product commercialization arrangement in April 2009, we continue to evaluate potential opportunities for similar types of promotional arrangements on a very selective and opportunistic basis to the extent we are able to mitigate certain risks relating to the investment of our resources.

Reporting Segments and Business Units

For 2010, we had three reporting segments: Sales Services; Marketing Services and Product Commercialization Services (PC Services).

Sales Services (Personal Promotion)

This segment, which focuses primarily on product detailing, includes our outsourced sales teams and newest business unit, EngageCE and represented 92.2% of our consolidated revenue for the year ended December 31, 2010. Product detailing involves a sales representative meeting face-to-face with targeted physicians and other healthcare decision makers to provide a technical review of the product being promoted and deliver marketing materials, including samples. Outsourced sales teams can be deployed on either a customer dedicated or shared basis, and may use either full-time or flex-time sales representatives. This segment also includes a portfolio of expanded sales services which includes talent acquisition services, short-term teams and vacancy coverage services. Our talent acquisition platform provides pharmaceutical customers with an outsourced, stand-alone sales force recruiting and on-boarding service. Short-term programs provide temporary full or flex-time sales teams, and are designed to help our customers increase brand impact during key market cycles, rapidly respond to regional opportunities, or conduct pilot programs. Our vacancy coverage service provides customers with outsourced full or flex-time sales representatives to fill temporary territory vacancies created by leaves of absence within our customers' internal sales forces, thereby allowing our customers to maintain continuity of services.

Dedicated Sales Teams

A Dedicated Sales Team works exclusively on behalf of one customer. The sales team is customized to meet the customer's specifications with respect to sales representative profile, physician targeting, product training, incentive compensation plans, integration with the customer's in-house sales force, call reporting platform and data integration. Without adding permanent personnel, our customers receive high quality, industry-standard sales teams comparable to their internal sales force.

Shared Sales Teams

Our Shared Sales Teams business model centers on an existing PDI-managed team where multiple non-competing brands are promoted for different pharmaceutical companies. Using these teams, we make a face-to-face selling resource available to those customers who want an alternative to a Dedicated Sales Team. We are a leading provider of this type of detailing program in the United States. Since costs are shared among various companies, these programs may be less expensive for the customer than programs involving a dedicated sales force. With a Shared Sales Team, our customers receive targeted coverage of their physician audience.

EngageCE

Launched in the first quarter of 2011, EngageCE, offers expert clinical educators to work with health care providers in the management of chronic diseases in order to optimize patient care and outcomes. EngageCE clinical educators will help medical practices transition from providing routine health care to implementing recognized and

recommended standards of care. The primary focus of EngageCE will be to instill best-practice treatment standards and procedures among health care practitioners and engage in discussions on appropriate drug therapies. This will involve introducing new protocols that can proactively enhance patient and disease management, with the goals of preventing medical issues from becoming more serious and of improving patient outcomes. The secondary focus will be to provide patient education on medical treatments to improve patients' ownership of their disease.

Marketing Services (Non-personal Promotion)

This segment includes three business units: Pharmakon, Group DCA and PDI Voice (Voice). As of September 2010, we exited the market research business, ceased the operations of the TVG business unit and classified TVG as discontinued operations. This segment also included our continuing medical education business unit, Vital Issues in Medicine (VIM), which ceased operations in the third quarter of 2009. The Marketing Services segment represented 7.8% of consolidated revenue for the year ended December 31, 2010.

Pharmakon

Pharmakon's business is focused on the creation, design and implementation of promotional peer interactive programming targeted to healthcare professionals. Each marketing program can be delivered through a number of different venues including: teleconferences; dinner meetings; webcasts; satellite; and other alternative media. Within each of our programs, we offer a number of services including strategic design, tactical execution, technology support, audience generation, moderator services and thought leader management. In addition to our peer interactive programs, Pharmakon also provides promotional communications activities, thought leader training and content development.

Group DCA

Group DCA's business is focused on the creation, design and implementation of interactive digital communications, including its award-winning e-detailing programs to the healthcare community on behalf of its pharmaceutical, biotechnology and healthcare customers. Group DCA leverages the strength of the Internet, multimedia, tablet PCs, mobile devices, dimensional direct mail and its proprietary software, DIAGRAM™ (DIAlouge, GRAphics, Motion), to deliver digital selling solutions via interactive communications exchanges that accommodate the schedules of healthcare providers. Group DCA's proprietary software also yields meaningful response data that allows customers the opportunity to better understand the needs and opinions of their audiences and, in turn, the opportunity to market to their audiences more effectively.

Voice

Voice's business is focused on the creation of teledetailing programs that are executed via our tele-representatives. Voice programs are designed to cover healthcare providers that are either categorized as "no see", who are geographically not covered by our customer's sales team or where a vacancy within the team exists. In addition to teledetailing programs, our call center can provide program enrollment support, conduct telephonic surveys and manage sample, literature and other materials fulfillment requests by healthcare providers.

Product Commercialization Services

In March 2008, we announced a new strategic initiative to identify and develop opportunities to enter into arrangements with pharmaceutical companies to provide sales and marketing support services and potentially limited capital in connection with the promotion of pharmaceutical products in exchange for a percentage of product sales above a certain threshold amount. 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). On April 22, 2009, we announced the termination of this agreement. Although we are not currently a party to any product commercialization agreements, we continue to evaluate potential opportunities within this segment on a very selective and opportunistic basis and may pursue additional opportunities in the future to the extent we are able to mitigate certain risks relating to the investment of our resources.

For details on revenue, operating results and total assets by segment, see Note 20, Segment Information, to the consolidated financial statements included in this Form 10-K.

Contracts

Set forth below is a general description of our service contracts within each of our business segments.

Sales Services

Contracts within our Sales Services reporting segment consist primarily of detailing agreements and are nearly all fee-for-service arrangements. The term of these contracts is typically between one and two years. On occasion, certain contracts have terms that are modestly shorter or longer due to the seasonal nature of the products or at the request of the customer. All agreements, whether or not specifically provided for by terms within the contract, may be renewed or extended upon mutual agreement of the parties as to revised terms for provisions such as pricing, penalties, incentives and performance metrics.

The majority of our Sales Services contracts are terminable by the customer without cause upon 30 days' to 180 days' prior written notice. Additionally, certain contracts include provisions mandating that such notice may not be provided prior to a pre-determined future date and also provide for termination payments if the customer terminates the agreement without cause. Typically, however, the total compensation provided by minimum service periods (otherwise referred to as minimum purchase obligations) and termination payments within any individual agreement will not fully offset the revenue we would have earned from fully executing the contract or the costs we may incur as a result of its early termination. The loss or termination of multiple Sales Services contracts could have a material adverse effect on our financial condition, results of operations and cash flow.

Our Sales Services contracts generally include standard mutual representations and warranties as well as mutual confidentiality and indemnification provisions, including product liability indemnification for our protection. Most of our contracts also include exclusivity provisions limiting our ability to promote competing products during the contract service period unless consent has been provided by the customer, and may also require the personnel we utilize to be dedicated exclusively to promoting the customer's product for the term of the contract.

Some of our contracts, including contracts with significant customers of ours, may contain performance benchmarks requiring adherence to certain call plan metrics, such as a minimum amount of detailing activity to certain physician targets within a specified time period. Our failure to meet these benchmarks may result in specific financial penalties for us such as a reduction in our program management fee on our dedicated sales agreements, or a discount on the fee we are permitted to charge per detail on our shared sales agreements. Conversely, these same agreements generally include incentive payments that can be earned if our promotional activities generate results that meet or exceed agreed-upon performance targets, both related to call plan adherence as well as increases in the number of prescriptions written by physician targets.

All of our contracts provide for certain reimbursable out-of-pocket expenses such as travel, meals and entertainment or product sample distribution costs, for which we are reimbursed at cost by our customers. Certain contracts may also provide for reimbursement of other types of expenses depending upon the type of services we are providing to the customer.

Marketing Services

Our Marketing Services reporting segment is comprised of our Pharmakon, Group DCA and Voice business units. Our Pharmakon business unit enters into and performs contracts that generally take the form of either master service agreements (MSAs) with a term of one to three years, or contracts specifically related to particular projects with terms equal to the duration of the project (typically two to six months). These contracts include standard representations and warranties as well as confidentiality and indemnification obligations and are generally terminable by the customer for any reason. Upon termination, the customer is generally responsible for payment of all work completed to date, plus the cost of any nonrefundable commitments made by us 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 financial condition, results of operations or cash flows.

Our Group DCA business unit enters into and performs contracts with our major clients that generally take the form of MSAs and typically have a term of one to three years. These contracts include standard representations and warranties, as well as confidentiality and indemnification obligations, and are generally terminable by the customer or us for any reason. There is significant customer concentration within our Group DCA business unit.

Product Commercialization Services

In March 2008, we announced a strategic initiative to identify and execute on opportunities to enter into arrangements with pharmaceutical companies to provide sales and marketing support services and potentially limited capital in connection with the promotion of pharmaceutical products in exchange for a percentage of product sales above a certain threshold amount. In April 2008, we entered into a contract under our product commercialization initiative with Novartis. On April 22, 2009, we announced the termination of this agreement

with Novartis. See Note 12, Product Commercialization Contract, to the consolidated financial statements included in this Annual Report on Form 10-K for additional information relating to the agreement. Although we are not currently a party to any product commercialization agreements, we continue to evaluate potential opportunities within this segment on a very selective and opportunistic basis and may pursue additional opportunities in the future to the extent we are able to mitigate certain risks relating to the investment of our resources.

Significant Customers

Historically, we have experienced a high degree of customer concentration in our businesses. Our three largest customers were Pfizer Inc., Genentech, and Ferring Pharmaceuticals, Inc., which accounted for 49.7%, 16.3% and 11.0%, respectively, of our revenue for the year ended December 31, 2010.

Marketing

Our marketing efforts target established and emerging companies in the pharmaceutical, biotechnology and healthcare industries and are designed to reach the senior sales, marketing, and business development personnel within these companies with the goal of informing them of the services we offer and the value we can bring to their products. Our tactical plan usually includes editorial contributions and/or advertising in trade publications, direct marketing campaigns, presence at industry seminars and conferences and a direct selling effort. We have a dedicated team of business development specialists who work within our business units to identify needs and opportunities within the pharmaceutical, biotechnology and healthcare industries that we can address. We review possible business opportunities as identified by our business development team and develop a customized strategy and solution for each attractive business opportunity.

Competition

With respect to our Sales Services reporting segment, we compete with our customers' ability to manage their needs internally. In addition, a small number of providers comprise the market for outsourced sales teams, and we believe that PDI, inVentiv Health Inc., Quintiles, and Publicis Touchpoint Solutions - part of Publicis Groupe SA, accounted for the majority of the outsourced sales team market share in the United States in 2010. Our Marketing Services reporting segment operates in a highly fragmented and competitive market and we believe that PDI, WebMD, Inc., Cadient Group, Inc., Heartbeat Digital, Digitas, Inc. – part of Publicis Groupe SA, were the significant providers of marketing services to the pharmaceutical, biotechnology and healthcare industries in 2010.

We compete on the basis of such factors as reputation, service quality, management experience, performance record, customer satisfaction, ability to respond to specific customer needs, integration skills and price. Increased competition and/or a decrease in demand for our services may also lead to other forms of competition. We believe that our business units individually and our organization as a whole have a variety of competitive advantages that allow us to compete successfully in the marketplaces for our services. While we believe we compete effectively with respect to each of these factors, certain of our competitors are larger than we are and have greater capital, personnel and other resources than we have. Increased competition may lead to pricing pressures and competitive practices that could have a material adverse effect on our market share and our ability to attract new business opportunities as well as our business, financial condition and results of operations.

Employees

As of February 28, 2011, we had approximately 1,550 employees, including approximately 870 full-time employees. Approximately 90% of our employees are field sales representatives and sales managers. We are not party to a collective bargaining agreement with any labor union. We believe our relationship with our employees is generally positive.

Available Information

Our website address is www.pdi-inc.com. We are not including the information contained on our website as part of, or incorporating such information by reference into, this Form 10-K. We make available free of charge through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC.

The public may read and copy any materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding registrants such as us that file electronically with the SEC. The website address is www.sec.gov.

Government Regulations and Industry Guidelines

The healthcare sector is subject to extensive federal, state and local government regulations. A complex and evolving body of laws and regulations affects, among other matters, the approval, provision, licensing, labeling, marketing, promotion, price, sale and reimbursement of healthcare services and products, including pharmaceutical products. The federal government has extensive enforcement powers over the activities of pharmaceutical manufacturers, including authority to withdraw product approvals, commence actions to seize and prohibit the sale of unapproved or non-complying products, to halt manufacturing operations that are not in compliance with good manufacturing practices, and to impose or seek injunctions, voluntary recalls, and civil, monetary, and criminal penalties.

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

There are also numerous federal and state laws pertaining to healthcare fraud and abuse as well as increased scrutiny regarding the off-label promotion and marketing of pharmaceutical products and devices. In particular, certain federal and state laws prohibit manufacturers, suppliers and providers from offering, giving or receiving kickbacks or other remuneration in connection with ordering or recommending the purchase or rental of healthcare items and services. The federal anti-kickback statute imposes both civil and criminal penalties for, among other things, offering or paying any remuneration to induce someone to refer patients to, or to purchase, lease or order (or arrange for or recommend the purchase, lease or order of) any item or service for which payment may be made by Medicare or other federally-funded state healthcare programs (e.g., Medicaid). This statute also prohibits soliciting or receiving any remuneration in exchange for engaging in any of these activities. The prohibition applies whether the remuneration is provided directly or indirectly, overtly or covertly, in cash or in kind. Violations of the statute can result in numerous sanctions, including criminal fines, imprisonment and exclusion from participation in the Medicare and Medicaid programs. Several states also have referral, fee splitting and other similar laws that may restrict the payment or receipt of remuneration in connection with the purchase or rental of medical equipment and supplies. State laws vary in scope and have been infrequently interpreted by courts and regulatory agencies, but may apply to all healthcare items or services, regardless of whether Medicare or Medicaid funds are involved.

Some of the services that we currently perform or that we may provide in the future may also be affected by various guidelines established by industry and professional organizations. For example, ethical guidelines established by the American Medical Association (AMA) govern, among other matters, the receipt by physicians of gifts from health-related entities. These guidelines govern honoraria and other items of economic value that AMA member physicians may receive, directly or indirectly, from pharmaceutical companies. Similar guidelines and policies have been adopted by other professional and industry organizations, such as Pharmaceutical Research and Manufacturers of America, an industry trade group. In addition, the Office of the Inspector General has also issued guidance for pharmaceutical manufacturers and the Accreditation Council for Continuing Medical Education has issued guidelines for providers of continuing medical education.

ITEM 1A. RISK FACTORS

In addition to the other information provided in this Annual Report on Form 10-K, you should carefully consider the following factors in evaluating our business, operations and financial condition. Additional risks and uncertainties not presently known to us, which we currently deem immaterial or that are similar to those faced by other companies in our industry or businesses in general, such as competitive conditions, may also impair our business operations. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Changes in outsourcing trends in the pharmaceutical, biotechnology or healthcare industries could materially

and adversely affect our business, financial condition and results of operations.

Our business depends in large part on demand from the pharmaceutical, biotechnology and healthcare industries for outsourced promotional services. The practice of many companies in these industries has been to hire outside organizations like PDI to conduct large sales and marketing projects on their behalf. However, companies may elect to perform these services internally for a variety of reasons, including the rate of new product development and FDA approval of those products, the number of sales representatives employed internally in relation to demand, the need to promote new and existing products, and competition from other suppliers. During the past few years, there has been a slow-down in the rate of approval of new products by the FDA and this trend may continue. While a significant portion of our revenue is derived from our sales force arrangements with large pharmaceutical companies, and we have therefore benefited from cost control measures implemented by these companies and their resultant increased reliance on outsourced promotional services in 2010, we also were impacted significantly and adversely in previous years when several large pharmaceutical companies made changes to their commercial model by reducing the number of sales representatives employed internally and through outside organizations like PDI. These and other developments within the pharmaceutical industry have resulted in volatility in the market for outsourced sales and marketing services during the last few years, and there can be no assurances regarding the continuation, timing or extent of any changes of these trends. If companies in the pharmaceutical, biotechnology or healthcare industries reduce their demand for outsourcing services, our business, financial condition and results of operations could be materially and adversely affected.

If companies in the pharmaceutical, biotechnology or healthcare industries significantly reduce their promotional, marketing and sales expenditures or significantly reduce or eliminate the role of sales representatives in the promotion of their products, our business and results of operations could be materially and adversely affected.

Our revenues depend on promotional, marketing and sales expenditures by companies in the pharmaceutical, biotechnology and healthcare 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 as well as the high level of patent expiration and related introduction of generic versions of branded medicine within the industry. Furthermore, the trend in the pharmaceutical, biotechnology and healthcare industries toward consolidation may result in a reduction in overall sales and marketing expenditures and, potentially, a reduction in the use of outsourced sales and marketing services providers. This reduction in demand for outsourced sales and marketing services could be further exacerbated by the current economic and financial crisis occurring in the United States and worldwide. If companies in the pharmaceutical, biotechnology or healthcare industries significantly reduce their promotional, marketing and sales expenditures or significantly reduce or eliminate the role of sales representatives in the promotion of their products, our business and results of operations could be materially and adversely affected.

Our service contracts are generally cancelable at any time, which may result in lost revenue and additional costs and expenses.

Our service contracts are generally for a term of one to two years (certain of our business units have contracts of shorter duration) and many may be terminated by the customer at any time for any reason. In addition, many of our customers may internalize the contracted sales teams we provide under the terms of the contract or otherwise significantly reduce the number of sales representatives we deploy on their behalf. The early termination or significant reduction of a contract by one of our customers not only would result in lost revenue, but also cause us to incur additional costs and expenses, such as termination expenses relating to excess employee capacity. All of our sales representatives are employees rather than independent contractors. Accordingly, when a contract is significantly reduced or terminated, unless we can immediately transfer the related sales force to a new program, if permitted under the contract, we must either continue to compensate those employees, without realizing any related revenue, or terminate their employment. If we terminate their employment, we may incur significant expenses relating to their termination. The loss, termination or significant reduction of a large contract or the loss of multiple contracts could have a material adverse effect on our business and results of operations.

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

Our revenue and profitability depend to a great extent on our relationships with a very limited number of large

pharmaceutical companies. As of December 31, 2010, our three largest customers accounted for approximately 49.7%, 16.3% and 11.0% of our 2010 revenue. As of December 31, 2009, our two largest customers accounted for approximately 44.4% and 17.3% of our 2009 revenue. While we expect to continue gaining new business in 2011, it is likely that our revenue and profitability will continue to be dependent on significant contracts with a very limited number of large pharmaceutical companies, and we may experience an even higher degree of customer concentration in 2011 and beyond in light of continued consolidation within the pharmaceutical industry and current business development opportunities.

In order to continue increasing our revenues, we will need to maintain and grow business with our existing customers while attracting additional significant customers. Our failure to attract a sufficient number of new customers during a particular period, or our inability to replace the loss of or significant reduction in business from a major customer could have a material adverse effect on our business, financial condition and results of operations.

Integration of our recently acquired Group DCA business may be costly and may cause disruption to the existing business operations.

In November 2010, we completed our acquisition of Group DCA. The successful integration of independent businesses like PDI and Group DCA is a complex, costly, and time-consuming process that, even with proper planning and implementation, could significantly disrupt the business of Group DCA and our other operations. Achieving synergies and other benefits of the acquisition is subject to a number of uncertainties, including the timely integration of technology, operations and personnel of the two businesses. The challenges involved in this integration include:

- Combining solutions in a coherent and effective manner;
- Coordinating the development and roll-out of new solutions and service offerings;
- Preserving customer and other important relationships of both PDI and Group DCA;
- Minimizing the diversion of management attention from ongoing business concerns;
- Retaining key employees;
- Managing new business structures; and
- Coordinating and combining operations, relationships and facilities.

Failure to successfully integrate the Group DCA business may reduce or eliminate the anticipated benefits of the Group DCA acquisition, which in turn could result in increased costs, decreased revenues, and diversion of management's time and energy and could materially impact PDI's, Group DCA's and the combined businesses' financial condition and results of operations, as well as the market price of PDI common stock.

We incurred substantial losses in connection with a promotional agreement under our product commercialization initiative, and if any future product commercialization or other similar opportunities that we may pursue are not profitable for us, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

Effective April 22, 2009, we and Novartis mutually agreed to terminate the promotional agreement that was entered into in April 2008 in connection with our product commercialization initiative. During the term of this promotion agreement, we incurred significant expenses in connection with implementing and maintaining the program while required product sales levels necessary to receive revenue under the agreement were never achieved, and therefore we did not generate any revenue from this agreement during its term.

While we are not actively engaged in any additional product commercialization opportunities at this time, we continue to evaluate potential opportunities on a very selective and opportunistic basis. To the extent we enter into any arrangements in the future in which all or a portion of our anticipated revenue is based on sales of the product, there can be no assurance that our promotional activities will generate sufficient product sales for these types of arrangements to be profitable for us and our business, financial condition, results of operations and cash flows could

be materially and adversely affected. In addition, there are a number of factors that could negatively impact product sales during the term of a sales force promotional program, 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.

If we do not meet performance goals established in our incentive-based and revenue-sharing arrangements with customers, our revenue could be materially and adversely affected.

We have entered into a number of incentive-based arrangements with our customers. Under incentive-based arrangements, we are typically paid a lower fixed fee and, in addition, have an opportunity to earn additional compensation upon achieving specific performance goals with respect to the products being detailed. Typically, these performance goals relate to targeted sales or prescription volumes, sales force performance metrics or a combination thereof. In addition, we have entered into and may in the future enter into revenue sharing arrangements with customers. Under revenue sharing arrangements, we are typically paid a fixed fee covering all or a portion of our direct costs with our remaining compensation based on the market performance of the products being promoted by us, usually expressed as a percentage of product sales. These incentive-based and revenue sharing arrangements transfer some or most of the market risk from our customers to us. In addition, these arrangements can result in variability in revenue and earnings due to seasonality of product usage, changes in market share, new product introductions (including the introduction of competing generic products into the market), overall promotional efforts and other market-related factors. If we are unable to meet the performance goals established in our incentive-based arrangements or the market performance goals in our revenue sharing arrangements, our revenue could be materially and adversely affected.

Additionally, certain of our service contracts may contain penalty provisions pursuant to which our fixed fees may be significantly reduced if we do not meet certain minimum performance metrics, which may include the number and timing of sales calls, physician reach, territory vacancies and/or sales representative turnover.

Our industry is highly competitive and our failure to address competitive developments may reduce our market share, which could have a material adverse effect on our business and results of operations.

Our primary competitors for sales and marketing services include in-house sales and marketing departments of pharmaceutical, biotechnology and healthcare companies, other contract sales organizations (CSOs) and providers of marketing and related services. Most of our current and potential competitors are larger than we are and have substantially greater capital, personnel and other resources than we have and certain of our competitors currently offer a broader range of personal and non-personal promotional and other related promotional services than we do. Additionally, certain of our competitors provide services on a global basis at the request of pharmaceutical, biotechnology and healthcare customers. Our inability to continue to remain competitive with respect to the range of service offerings that we can provide companies within the pharmaceutical, biotechnology and healthcare industries on a global basis or any other factors that result in increased competition may reduce our market share, which could have a material adverse effect on our business and result of results of operations.

We may require additional funds in order to implement our business model, which we may be unable to obtain on favorable terms, if at all.

We may require additional funds in order to pursue certain business opportunities or meet future operating requirements, develop incremental marketing and sales capabilities; and/or acquire other complementary businesses. We may seek additional funding through public or private equity or debt financing or other arrangements with collaborative partners. Any debt financing arrangements that we enter into may require us to comply with specified financial ratios, including ratios regarding interest coverage, total leverage, senior secured leverage and fixed charge coverage. Our ability to comply with these ratios may be affected by events beyond our control. If we raise additional funds by issuing equity securities, further dilution to existing stockholders may result. As a condition to providing us with additional funds, future investors may demand, and may be granted, rights superior to those of existing stockholders. We cannot be certain, however, that additional financing will be available from any of these sources or, if available, will be available on acceptable or affordable terms. If adequate additional funds are not available, we may be required to delay, reduce the scope of, or eliminate one or more of our strategic initiatives.

Our liquidity, business and financial condition could be materially and adversely affected if the financial institutions that hold our funds fail.

We have substantial funds held in bank deposits, money market funds and other accounts at certain financial

institutions. A significant portion of the funds held in these accounts exceeds the Federal Deposit Insurance Corporation's insurance limits. If any of the financial institutions where we have deposited funds were to fail, we may lose some or all of our deposited funds that exceed the insurance coverage limit. Such a loss could have a material and adverse effect on our liquidity, business and financial condition.

Our business may suffer if we fail to attract and retain qualified sales representatives.

The success and growth of our business depends in large part on our ability to attract and retain qualified sales representatives. There is intense competition for sales representatives from CSOs and pharmaceutical, biotechnology and healthcare companies. In addition, in certain instances, we offer customers the option to permanently hire our sales representatives, and on occasion, our customers have hired the sales representatives that we trained to detail their products. We cannot provide assurance that we will continue to attract and retain qualified personnel. If we cannot attract and retain qualified sales personnel, we will not be able to maintain or expand our Sales Services business and our ability to perform under our existing sales force contracts may be impaired.

If we do not increase our revenues and successfully manage the size of our operations, our business, financial condition and results of operations could be materially and adversely affected.

The majority of our operating expenses are personnel-related costs such as employee compensation and benefits as well as the cost of infrastructure to support our operations, including facility space and equipment. During 2009, we instituted a number of cost-saving initiatives, including a reduction in employee headcount. In addition, we are currently seeking to sublet unused office space in our Saddle River, New Jersey facility. There is no guarantee that we will be able to successfully sublet this unused office space. If we are unable to achieve revenue growth in the future or fail to adjust our cost infrastructure to the appropriate level to support our revenues, our business, financial condition and results of operations could be materially and adversely affected.

Recently enacted healthcare reform legislation may increase our costs, impair our ability to match our pricing with any such increased costs, and therefore could materially and adversely affect our business, financial condition and results of operations.

The Patient Protection and Affordable Care Act ("PPACA") was signed into law on March 23, 2010. The PPACA was subsequently amended on March 30, 2010 by the Health Care and Education Reconciliation Act of 2010 (the "Reconciliation Act"). The PPACA and Reconciliation Act (collectively the "Act") entail sweeping healthcare reforms with staggered effective dates from 2010 through 2018, and many provisions in the Act require the issuance of additional guidance from the U.S. Department of Labor, the Internal Revenue Service, the U.S. Department of Health & Human Services, and state governments. This reform includes, but is not limited to: the implementation of a small business tax credit; required changes in the design of our healthcare policy including providing insurance coverage to part-time workers working thirty or more hours per week; "grandfathering" provisions for existing policies; state insurance exchanges; "pay or play" requirements; and a "Cadillac plan" excise tax. We are currently unable to determine the long-term impact of such legislation on our business. Since many provisions of the Act do not become operative until future years, we do not expect the Act to have a material adverse impact on our 2011 results of operations. However, healthcare reform as mandated and implemented under the Act and any future federal or state mandated healthcare reform could materially and adversely affect our business, financial condition and results of operations by increasing our costs, hindering our ability to effectively match our cost of providing health insurance with our pricing and impeding our ability to attract and retain customers as well as potentially changing our business model or causing us to lose certain current competitive advantages.

Changes in governmental regulation could negatively impact our business operations and increase our costs.

The pharmaceutical, biotechnology and healthcare industries are subject to a high degree of governmental regulation. Significant changes in these regulations affecting the services we provide, including product promotional, marketing research services and physician interaction programs, could result in the imposition of additional restrictions on these types of activities, additional costs to us in providing these services to our customers or otherwise negatively impact our business operations. Changes in governmental regulations mandating price controls and limitations on patient access to our customers' products could also reduce, eliminate or otherwise negatively impact our customers' utilization of our sales and marketing services.

Our failure, or that of our customers, to comply with applicable healthcare regulations could limit, prohibit or otherwise adversely impact our business activities and could result in substantial penalties.

Various laws, regulations and guidelines established by government, industry and professional bodies affect, among other matters, the provision, licensing, labeling, marketing, promotion, sale and distribution of healthcare services and products, including pharmaceutical products. The healthcare industry also is regulated by various

federal and state laws pertaining to healthcare fraud and abuse, including prohibitions on the payment or acceptance of kickbacks or other remuneration in return for the purchase or lease of products that are paid for by Medicare or Medicaid. Violations of these regulations may incur investigation or enforcement action by the FDA, Department of Justice, state agencies, or other legal authorities, and may result in substantial civil, criminal, or other sanctions. Sanctions for violating the fraud and abuse laws also may include possible exclusion from Medicare, Medicaid and other federal or state healthcare programs. Although we believe our current business arrangements do not violate these laws, we cannot assure you that our business practices will not be challenged under these laws in the future or that a challenge would not have a material adverse effect on our business, financial condition or results of operations, even if we successfully defend against such claims. While we rely on contractual indemnification provisions with our customers to protect us against certain claims, we cannot provide assurance that these provisions will be fully enforceable or that they will provide adequate protection against claims intended to be covered.

If our customers continue to experience increased competition from manufacturers of generic drugs, our business, financial condition and results of operations could be materially and adversely impacted.

Our revenues depend on promotional, marketing and sales expenditures by companies in the pharmaceutical, biotechnology and healthcare industries. Promotional, marketing and sales expenditures by pharmaceutical manufacturers have in the past been, and could in the future be, negatively impacted by the introduction of generic versions of branded medicines. This generic competition may occur upon the expiration or loss of patent protection, or in certain circumstances, upon the "at-risk" launch by a generic manufacturer of a generic version of a product we are promoting. The timing or impact of generic competition cannot be accurately predicted by us or our customers and could cause our customers to introduce cost cutting initiatives that result in reduced demand for our outsourced promotional services, or lead to the early termination of existing contracts, and materially and adversely affect our business, financial condition and results of operations.

We have and may continue to experience additional impairment charges of our goodwill and other intangible assets.

We are required to evaluate goodwill for impairment at least annually, and between annual tests if events or circumstances warrant such a test. These events or circumstances could include a significant long-term adverse change in the business climate, poor indicators of operating performance or a sale or disposition of a significant portion of a reporting (business) unit. We test goodwill for impairment at the reporting (business) unit level, which is one level below our segments. Goodwill has been assigned to the business units to which the value of the goodwill relates. We currently have six business units; with two business units, Pharmakon and Group DCA, having goodwill. If we determine that the fair value is less than the carrying value, an impairment loss will be recorded in our statement of operations. The determination of fair value is a highly subjective exercise and can produce significantly different results based on the assumptions used and methodologies employed. If our projected long-term sales growth rate, profit margins or terminal growth rate are considerably lower and/or the assumed weighted-average cost of capital is considerably higher, future testing may indicate impairment and we would have to record a non-cash goodwill impairment loss in our statement of operations. During the year ended December 31, 2009, we recorded an impairment charge of $18.1 million related to goodwill and other intangible assets. See Note 7, Goodwill and Other Intangible Assets, to the consolidated financial statements included in this Annual Report on Form 10-K.

If our insurance and self-insurance reserves are insufficient to cover our future liabilities for workers compensation, automobile and general liability and employee healthcare benefits, our business, financial condition and results of operations could be materially and adversely affected.

We use a combination of insurance and self-insurance to provide for potential liabilities for workers' compensation, automobile and general liability and employee healthcare benefits. Although we have reserved for these liabilities not covered by third-party insurance, our reserves are based on estimates developed using actuarial data as well as historical trends. Any projection of these losses is subject to a high degree of variability and we may not be able to accurately predict the number or value of the claims that occur in the future. In the event that our actual liability exceeds our reserves for any given period or if we are unable to control rapidly increasing healthcare costs, our business, financial condition and results of operations could be materially and adversely affected.

If our information technology and communications systems fail or we experience a significant interruption in their operation, our reputation, business and results of operations could be materially and adversely affected.

The efficient operation of our business is dependent on our information technology and communications systems. The failure of these systems to operate as anticipated could disrupt our business and result in decreased revenue and increased overhead costs. In addition, we do not have complete redundancy for all of our systems and

our disaster recovery planning cannot account for all eventualities. Our information technology and communications systems, including the information technology systems and services that are maintained by third party vendors, are vulnerable to damage or interruption from natural disasters, fire, terrorist attacks, malicious attacks by computer viruses or hackers, power loss or failure of computer systems, Internet, telecommunications or data networks. If these systems or services become unavailable or suffer a security breach, we may expend significant resources to address these problems, and our reputation, business and results of operations could be materially and adversely affected.

If we incur problems with any of our third party service providers, our business operations could be adversely affected.

We have historically relied on outside vendors for a variety of services and functions significant to our businesses. In the event one or more of our vendors ceases operations, terminates its service contract or otherwise fails to perform its obligations to us in a timely and efficient manner, we may be unable to replace these vendors on a timely basis at comparable prices, which could adversely affect our ability to satisfy our contractual obligations to our customers or otherwise meet business objectives and could lead to increases in our cost structure.

If we are unable to successfully sublet unused office space, our financial condition and cash flows could be materially and adversely affected.

During the fourth quarter of 2009, we exited our Saddle River, New Jersey facility and relocated our corporate headquarters to a smaller, less costly and more strategically located office space in Parsippany, New Jersey. We are currently seeking to sublease our third floor office space, approximately 47,000 square feet, in Saddle River, New Jersey. At December 31, 2010, we had future minimum lease payments associated with the Saddle River, New Jersey facility totaling $11.9 million offset by future minimum sublease rental income totaling $4.8 million. There can be no assurance, however, that we will be able to successfully sublet any or all of our remaining unused office space, on favorable terms or at all. The recognition of these charges requires estimates and judgments regarding lease termination costs and other exit costs when these actions take place. Actual results may vary from these estimates.

We may make acquisitions in the future which may lead to disruptions to our ongoing business.

Historically, we have made a number of acquisitions, and we may pursue new acquisition opportunities in the future. If we are unable to successfully integrate an acquired company, the acquisition could lead to disruptions to our business. The success of an acquisition will depend upon, among other things, our ability to:

- assimilate the operations and services or products of the acquired company;
- integrate new personnel associated with the acquisition;
- retain and motivate key employees;
- retain customers; and
- minimize the diversion of management’s attention from other business concerns.

In the event that the operations of an acquired business do not meet our performance expectations, we may have to restructure the acquired business or write-off the value of some or all of the assets of the acquired business, including goodwill and other intangible assets identified at time of acquisition.

In addition, the current market for acquisition targets in our industry is extremely competitive, and there can be no assurance that we will be able to successfully identify, bid for and complete acquisitions necessary or desirable to achieve our strategic goals.

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

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

- the commencement, delay, cancellation or completion of sales and marketing programs;
- regulatory developments;
- uncertainty about when, if at all, revenue from any product commercialization arrangements and/or other incentive-based arrangements with our customers will be recognized;
- mix of services provided and/or mix of programs during the period;
- timing and amount of expenses for implementing new programs and accuracy of estimates of resources required for ongoing programs;
- timing and integration of any acquisitions; and
- changes in regulations related to pharmaceutical, biotechnology and healthcare companies.

In addition, in the case of revenue related to service contracts, we recognize revenue as services are performed, while program costs, other than training costs, are expensed as incurred. For all contracts, training costs are deferred and amortized on a straight-line basis over the shorter of the life of the contract to which they relate or 12 months. As a result, during the first two to three months of a new contract, we may incur substantial expenses associated with implementing that new program without recognizing any revenue under that contract. This could have a material adverse impact on our operating results and the price of our common stock for the quarters in which these expenses are incurred. For these and other reasons, we believe that quarterly comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. Fluctuations in quarterly results could materially and adversely affect the market price of our common stock in a manner unrelated to our long-term operating performance.

Our stock price is volatile and could be further affected by events not within our control, and an investment in our common stock could suffer a decline in value.

The market for our common stock is volatile. During 2010, our stock traded at a low of $4.52 and a high of $11.78. In 2009, our stock traded at a low of $2.80 and a high of $6.25. The trading price of our common stock has been and will continue to be subject to:

- general volatility in the trading markets;
- significant fluctuations in our quarterly operating results;
- significant changes in our cash and cash equivalent reserves;
- announcements regarding our business or the business of our competitors;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- industry and/or regulatory developments;
- changes in revenue mix;
- changes in revenue and revenue growth rates for us and for our industry as a whole;
- changes in accounting standards, policies, guidance, interpretations or principles; and
- statements or changes in opinions, ratings or earnings estimates made by brokerage firms or industry analysts relating to the markets in which we operate or expect to operate.

Our controlling stockholder continues to have significant influence, which could delay or prevent a change in corporate control that may otherwise be beneficial to our stockholders.

John P. Dugan, our former chairman, beneficially owns approximately 34% of our outstanding common stock. As a result, Mr. Dugan is able to exercise significant influence over the election of all of our directors and to determine the outcome of most corporate actions requiring stockholder approval, including a merger with or into another company, the sale of all or substantially all of our assets and amendments to our certificate of incorporation. This ownership concentration by Mr. Dugan could delay or prevent a change in corporate control that may otherwise be beneficial to our other stockholders.

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

Our certificate of incorporation and bylaws include provisions, such as providing for three classes of directors, which may make it more difficult to remove our directors and management and may adversely affect the price of our common stock. In addition, our certificate of incorporation authorizes the issuance of "blank check" preferred stock. This provision could have the effect of delaying, deterring or preventing a future takeover or a change in control, unless the takeover or change in control is approved by our board of directors. We are also subject to laws that may have a similar effect. For example, section 203 of the General Corporation Law of the State of Delaware prohibits us from engaging in a business combination with an interested stockholder for a period of three years from the date the person became an interested stockholder unless certain conditions are met. As a result of the foregoing, it will be difficult for another company to acquire us and, therefore, could limit the price that possible investors might be willing to pay in the future for shares of our common stock. In addition, the rights of our common stockholders will be subject to, and may be adversely affected by, the rights of holders of any class or series of preferred stock that may be issued in the future.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in, and our Sales Services and PC Services segments are operated out of, Parsippany, New Jersey where we lease approximately 23,000 square feet. The lease runs through June 30, 2017. Our Marketing Services business unit, Pharmakon, operates out of a 6,700 square foot facility in Schaumburg, Illinois under a lease that expires in February 2015. Our Marketing Services business unit, Group DCA, operates out of an approximately 21,000 square foot facility in Parsippany, New Jersey under a lease that expires in June 2017, with a June 2014 early cancellation provision. The cancellation provision requires nine months notice and a cancellation fee.

We also lease approximately 84,000 square feet of office space in Saddle River, New Jersey (our former corporate headquarters), that terminates in January 2016 and is cancellable on June 30, 2015. We have entered into subleases for a combined total of approximately 37,000 square feet at our Saddle River facility which run through the end of the underlying lease. Our discontinued Marketing Services business unit, TVG, operated out of a 38,000 square foot facility in Dresher, Pennsylvania under a lease that runs for a term of approximately 12 years and terminates in November 2016. We have sublet substantially all of the office space in Dresher, Pennsylvania through the end of the underlying lease.

We believe that our current facilities are adequate for our current and foreseeable operations and that suitable additional space will be available if needed.

We are seeking to sublease approximately 47,000 square feet of unused office space at our Saddle River, New Jersey location. There can be no assurance, however, that we will be able to successfully sublet the unused office space on favorable terms or at all.

ITEM 3. LEGAL PROCEEDINGS

We are currently a party to 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, results of operations or cash flow, 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, results of operations or cash flows. Legal fees are expensed as incurred.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is traded on the Nasdaq Global Market under the symbol “PDII.” The price range per share of common stock presented below represents the highest and lowest sales price for our common stock on the Nasdaq Global Market for the last two years by quarter:

	2010		2009	
	HIGH	LOW	HIGH	LOW
First quarter	$ 7.69	$ 4.52	$ 6.25	$ 2.80
Second quarter	$ 9.50	$ 6.56	$ 4.56	$ 2.93
Third quarter	$ 9.05	$ 7.01	$ 5.83	$ 3.90
Fourth quarter	$ 11.78	$ 8.40	$ 5.27	$ 3.78

Holders

We had 316 stockholders of record as of March 1, 2011. Not reflected in the number of record holders are persons who beneficially own shares of common stock held in nominee or street name.

Dividends

We have not declared any cash dividends and do not intend to declare or pay any cash dividends in the foreseeable future. Future earnings, if any, will be used to finance the future operation and growth of our business.

Securities Authorized For Issuance under Equity Compensation Plans

We have a number of stock-based incentive and benefit programs designed to attract and retain qualified directors, executives and management personnel. All equity compensation plans have been approved by security holders. The following table sets forth certain information with respect to our equity compensation plans as of December 31, 2010:

Equity Compensation Plan Information
Year Ended December 31, 2010

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (2004 Stock Award and Incentive Plan, 2000 Omnibus Incentive Compensation Plan, and 1998 Stock Option Plan)	176,670	$ 21.32	612,737
Equity compensation plans not approved by security holders (1)	-	-	-
Total	176,670	$ 21.32	612,737

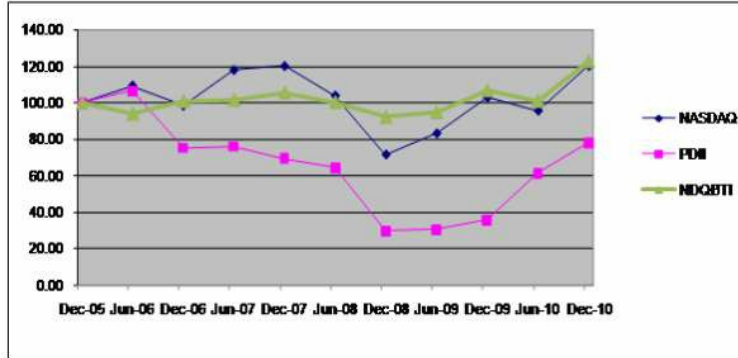
(1) Excludes restricted stock, restricted stock units and stock-settled stock appreciation rights.

Issuer Purchases of Equity Securities

From time-to-time, we repurchase our common stock on the open market or in privately negotiated transactions or both. On November 7, 2006, we announced that our Board of Directors authorized us to repurchase up to one million shares of our common stock, none of which has been repurchased. We did not repurchase any shares of our common stock on the open market during the years ended December 31, 2010, 2009 or 2008. Any future repurchases of shares will be made from available cash.

Comparative Stock Performance Graph

The graph below compares the yearly percentage change in the cumulative total stockholder return on our common stock, based on the market price of our common stock, with the total return of companies included within the Nasdaq Composite Index and the Nasdaq Biotech Index (NDQBTI) for the period commencing December 31, 2005 through December 31, 2010. The calculation of total cumulative return assumes a $100 investment in our common stock and the Nasdaq Composite Index on December 31, 2005, and the reinvestment of all dividends.



ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes appearing elsewhere in this Form 10-K. The operations data for the years ended December 31, 2010, 2009, and 2008 and the balance sheet data at December 31, 2010 and 2009 are derived from our audited consolidated financial statements appearing elsewhere in this Form 10-K. The operations data for the years ended December 31, 2007 and 2006 and the balance sheet data at December 31, 2008, 2007 and 2006 are derived from our audited consolidated financial statements that are not included in this Form 10-K. The historical results are not necessarily indicative of the results to be expected in any future period. No cash dividends have been declared for any period.

(in thousands, except per share data)	2010	2009	2008	2007	2006
Continuing operations data:					
Total revenues, net	$ 144,652	$ 80,384	$ 105,233	$ 108,782	$ 227,027
Gross profit	32,204	24,540	2,107 [4]	28,295	50,990
Operating expenses	36,509 [1]	41,542 [2]	35,404 [5]	41,403 [6]	44,630 [7]
Asset impairment	-	18,118 [3]	23	42	-
Total operating expenses	36,509	59,660	35,427	41,445	44,630
(Loss) income from continuing operations	$ (4,581)	$ (28,074)	$ (31,352)	$ (8,919)	$ 11,462
Per share data from continuing operations:					
(Loss) income per share of common stock					
Basic	$ (0.32)	$ (1.97)	$ (2.20)	$ (0.63)	$ 0.82
Diluted	$ (0.32)	$ (1.97)	$ (2.20)	$ (0.63)	$ 0.81
Weighted average number of shares outstanding:					
Basic	14,306	14,219	14,240	14,150	14,046
Diluted	14,306	14,219	14,240	14,150	14,075
Balance sheet data:					
Cash and short-term investments	$ 62,858	$ 72,627	$ 90,233	$ 106,985	$ 114,684
Working capital	$ 37,324	$ 71,631	$ 81,639	$ 110,739	$ 112,186
Total assets	$ 124,389	$ 109,776	$ 149,036	$ 179,554	$ 201,636
Total long-term debt	$ -	$ -	$ -	$ -	$ -
Stockholders' equity	$ 69,513	$ 74,890	$ 107,107	$ 140,189	$ 149,197

[1] Includes $2.0 million in facilities realignment costs and $1.7 million of costs related to the acquisition of Group DCA. See Note 17, Facilities Realignment, to the consolidated financial statements included in our Annual Report on Form 10-K for additional details.
[2] Includes $6.6 million in facilities realignment costs. See Note 17, Facilities Realignment, to the consolidated financial statements included in our Annual Report on Form 10-K for additional details.
[3] Represents $18.1 million in non-cash charges for the impairment of goodwill and intangible assets related to our Pharmakon business unit. See Note 7, Goodwill and Other Intangible Assets, to the consolidated financial statements included in our Annual Report on Form 10-K for additional details.
[4] Includes $10.3 million in charges related to an accrued contract loss. See Note 12, Product Commercialization Contract, to the consolidated financial statements included in our Annual Report on Form 10-K for additional details.
[5] Includes $0.9 million in charges for executive severance costs. See Note 16, Executive Severance, to the consolidated financial statements included in our Annual Report on Form 10-K for additional details.
[6] Includes $1.0 million in charges for facilities realignment costs. See Note 17, Facilities Realignment, to the consolidated financial statements included in our Annual Report on Form 10-K for additional details.
[7] Includes $4.0 million in credits to legal expense related to the settlement of certain litigation matters and $1.3 million in charges for facilities realignment costs.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and the related notes appearing elsewhere in this Form 10-K.

OVERVIEW

We are a leading provider of integrated multichannel outsourced promotional services to established and emerging pharmaceutical, biotechnology and healthcare companies in the United States. We are a leading provider of outsourced sales teams that target healthcare providers, offering a range of complementary sales support services designed to achieve our customers' strategic and financial product objectives. In addition to outsourced sales teams in the United States, we also provide other promotional services including clinical educator services, digital communications, medical education and teledetailing. Combined, our services offer customers a range of both personal and non-personal promotional options for the commercialization of their products throughout their lifecycles, from development through maturity. We provide innovative and flexible service offerings designed to drive our customers' businesses forward and successfully respond to a continually changing market. Our services provide a vital link between our customers and the medical community through the communication of product information to physicians and other healthcare professionals for use in the care of their patients. We provide these services through three reporting segments: Sales Services; Marketing Services; and Product Commercialization Services (PC Services). These segments are described in detail under the caption *Description of Reporting Segments* below.

Our business depends in large part on demand from the pharmaceutical, biotechnology and healthcare industries for outsourced promotional services. In recent years, this demand has been impacted by certain industry-wide factors affecting pharmaceutical, biotechnology and healthcare companies, 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, decreased pipeline productivity and a slow-down in the rate of approval of new products by the Food and Drug Administration (FDA). Additionally, a number of pharmaceutical companies have made changes to their commercial models by reducing the internal number of sales representatives. A significant portion of our revenue is derived from our sales force arrangements with large pharmaceutical companies, and we have therefore benefited from cost control measures implemented by these companies and their resultant increased reliance on outsourced promotional services. During 2010, certain of our Marketing Services customers delayed the implementation or reduced the scope of a number of marketing initiatives. In addition to fluctuations in customer demand, we continue to experience a high degree of customer concentration and this trend may continue as a result of recent and continuing consolidation within the pharmaceutical industry.

On November 3, 2010, we acquired 100% of the membership interest in Group DCA, LLC (Group DCA), a privately held interactive digital communications company serving the pharmaceutical, biotechnology and healthcare industries. Based in Parsippany, New Jersey, Group DCA leverages the strength of the Internet, multimedia, tablet PCs, dimensional direct mail and its proprietary software, DIAGRAM^tm^, to deliver non-personal selling solutions via interactive communications exchanges that accommodate the schedules of healthcare providers. Group DCA's proprietary software also yields meaningful response data that allows customers the opportunity to better understand the needs and opinions of their audiences and, in turn, the opportunity to market to their audiences more effectively. With the combination of PDI's traditional outsourced promotional services and Group DCA's e-detailing, patient education communications and other digital communications, we expect to be even better positioned to offer customers increased insight and greater engagement, resulting in integrated information and more impactful messages being delivered to healthcare providers across multiple communication channels.

The Company paid cash (net) of approximately $23.9 million for Group DCA, of which $1.3 million was held in escrow. As of December 31, 2010, $1.3 million is still held in escrow and will be paid out at the end of 18 months from the date of acquisition. The final purchase price is subject to working capital adjustment in accordance with the purchase agreement. The purchase agreement also provides for the members of Group DCA to earn up to an additional $30 million from the date of acquisition through December 31, 2012. These payouts are based on Group DCA's achievement of revenue and gross profit metrics and range up to: $5.0 million in the period ended December 31, 2010; and $12.5 million in each of the years ending December 31, 2011 and 2012. The metrics for payments related to the period ended December 31, 2010 were not achieved.

On March 3, 2011, we announced the launch of a new business unit within our Sales Services segment,

EngageCE, that will provide clinical educator services to our customers. The goal of clinical educators is to work with healthcare providers in the management of chronic diseases in order to optimize patient care and outcomes. We have seen a growing demand for these types of services within our customers and we believe that the clinical educator services provided via EngageCE will complement traditional sales force efforts and enhance our offerings.

In July 2010, we announced our intent to exit the marketing research business conducted by our TVG Marketing Research & Consulting (TVG) business unit. Changes in the healthcare industry, including various mergers and acquisitions as well as healthcare reform, have resulted in a significant decrease in demand for the market research services our TVG business unit provided. We completed our exit from the TVG business by the end of our third fiscal quarter, September 30, 2010. See Note 21, Discontinued Operations, to our consolidated financial statements included in this Annual Report on Form 10-K for additional details.

While we recognize that there is currently significant volatility in the markets in which we provide services, we believe there are opportunities for growth in our Sales Services and Marketing Services businesses, which provide our customers with the flexibility to successfully respond to a constantly changing market and a means of controlling costs through promotional outsourcing partnerships. In particular, we believe that the significant reduction in the number of pharmaceutical sales representatives within the industry during the past few years is placing increasing demands on our customers' product portfolios and therefore we expect the market share penetration of outsourced sales organizations to increase in order to address these needs. We have recently intensified our focus on strengthening all aspects of the core outsourced pharmaceutical sales teams business that we believe will most favorably position PDI as the best-in-class outsourced promotional services organization in the United States. We believe our focus has led to the significant level of new business wins we have experienced in 2010. In addition, we continue to diligently evaluate the risks and rewards of opportunities within our PC Services segment as they arise, while enhancing future value-added service offerings, as well as continue to evaluate acquisitions that will enhance our current service offerings and provide new business opportunities.

DESCRIPTION OF REPORTING SEGMENTS

For the year ended December 31, 2010, our three reporting segments were as follows:

- Sales Services, which is comprised of the following business units:
  - Dedicated Sales Teams;
  - Shared Sales Teams; and
  - EngageCE.
- Marketing Services, which is comprised of the following business units:
  - Pharmakon;
  - Group DCA; and
  - Voice.
- Product Commercialization Services (PC Services).

Select financial information for each of these segments is contained in Note 20, Segment Information, to our consolidated financial statements included in this Annual Report on Form 10-K and in the discussion under "*Consolidated Results of Operations.*"

CRITICAL ACCOUNTING POLICIES

We prepare our financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements and related disclosures in conformity with GAAP requires management to make judgments, estimates and assumptions at a specific point in time that affect the amounts reported in the consolidated financial statements and disclosed in the accompanying notes. These assumptions and estimates are inherently uncertain. Outlined below are accounting policies, which are important to our financial position and results of operations, and require the most significant judgments on the part of our management in their application. Some of those judgments can be subjective and complex. Management's estimates are based on historical experience, information from third-party professionals, facts and circumstances available at the time and various other assumptions that are believed to be reasonable. Actual results could differ from those estimates. Additionally, changes in estimates could have a material impact on our consolidated results of operations in any one period. For a summary of all of our significant accounting policies, including the accounting policies discussed below, see Note 1, Nature of Business and Significant Account Policies, to our consolidated financial statements included in this Annual Report on Form 10-K.

Revenue and Cost of Services

We recognize revenue from services rendered when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists; services have been rendered; the selling price is fixed or determinable; and collectability is reasonably assured.

Sales Services

Revenue under pharmaceutical detailing contracts is generally based on the number of physician details made or the number of sales representatives utilized. With respect to risk-based contracts, a portion of revenues earned are based on contractually defined percentages of either product revenues or the market value of prescriptions written and filled in a given period. These 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 customer for any reason upon 30 to 180 days' notice. Certain contracts provide for termination payments if the customer terminates the agreement 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.

Many of our product detailing contracts allow for additional periodic incentive fees to be earned if certain performance benchmarks have been attained. Revenue from incentive fees is recognized in the period earned if certain performance benchmarks have been attained and when we are reasonably assured that payment will be made. Under performance based contracts, revenue is recognized when the performance criteria has been achieved. Many contracts also stipulate penalties if agreed upon performance benchmarks have not been met. Revenue is recognized net of any potential penalties until the performance criteria relating to the penalties have been achieved. Commission based revenue is recognized when performance is completed. Revenue from recruiting and hiring contracts is recognized at the time the candidate begins full-time employment less a provision for sales allowances based on contractual commitments and historical experience.

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

The loss or termination of a large pharmaceutical detailing contract or the loss of multiple contracts could have a material adverse effect on our financial condition or results of operations. Historically, we have derived a significant portion of service revenue from a limited number of customers. Concentration of business in the pharmaceutical industry is common and the industry continues to consolidate. As a result, we are likely to continue to experience significant customer concentration in future periods. For the years ended December 31, 2010 and 2008 our three largest customers, who each individually represented 10% or more of our service revenue, together accounted for approximately 77.0% and 54.7% of our service revenue, respectively. For the year ended December 31, 2009 our two largest customers, who each individually represented 10% or more of our service revenue, together accounted for approximately 61.8% of our service revenue. See Note 15, Significant Customers, to our consolidated financial statements included in this Annual Report on Form 10-K.

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

Reimbursable out-of-pocket expenses include those relating to travel and other similar costs, for which the Company is reimbursed at cost by its customers. Reimbursements received for out-of-pocket expenses incurred are characterized as revenue and an identical amount is included as cost of services in the consolidated statements of operations. For the years ended December 31, 2010, 2009, and 2008, reimbursable out-of-pocket expenses were $21.3 million, $8.2 million and $12.6 million, respectively.

Training costs include the costs of training the sales representatives and managers on a particular product

detailing program so that they are qualified to properly perform the services specified in the related contract. For the majority of the Company's contracts, training costs are reimbursable out-of-pocket expenses. For contracts where the Company is responsible for training costs, these costs are deferred and amortized on a straight-line basis over the shorter of the life of the contract to which they relate or 12 months.

Marketing Services

Revenue under marketing service contracts are generally based on a series of deliverable services associated with the design and execution of interactive promotional programs or marketing research/advisory programs. The 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 and Group DCA business units, and the loss or termination of one or more large master service agreements could have a material adverse effect on our business and results of operations.

Revenue from certain promotional contracts that include more than one service offering is accounted for as multiple-element arrangements. For these contracts, the deliverable elements are divided into separate units of accounting provided the following criteria are met: the price is fixed and determinable; the delivered elements have stand-alone value to the customer; there is objective and reliable evidence of the fair value of the undelivered elements; and there is no right of return or refund. The contract revenue is then allocated to the separate units of accounting. Revenue and cost of services are recognized for each unit of accounting separately as the related services are rendered and costs are incurred, respectively.

Interactive digital contracts contain two phases: the content development phase and the delivery phase. Revenue related to interactive digital contracts is generally recognized ratably over the delivery phase(s) of the contract which are generally between eight and twelve months long.

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

Cost of services consists primarily of the costs associated with executing e-detailing programs or other sales and marketing services identified in the contract and includes personnel costs and other direct costs. Personnel costs, which constitute the largest portion of cost of services, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the professional staff that are directly responsible for executing a particular program. Other direct costs include, but are not limited to, freelance costs, email broadcasting fees, cue card and webkey production fees and other promotional expenses. All personnel costs and direct program costs, other than direct and incremental costs incurred for the production of physical products, are expensed as incurred. Direct and incremental costs for the production of physical products related to customer contracts are deferred and recognized ratably with the associated contract revenue.

Contract Loss Provisions

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

Goodwill, Intangibles and Other Long-Lived Assets

We allocate the cost of acquired companies to the identifiable tangible and intangible assets and liabilities acquired, with the remaining amount being classified as goodwill. Since the entities we have acquired do not have significant tangible assets, a significant portion of the purchase price has been allocated to intangible assets and goodwill. The identification and valuation of these intangible assets and the determination of the estimated useful lives at the time of acquisition, as well as the completion of annual impairment tests require significant management judgments and estimates. These estimates are made based on, among other factors, consultations with an accredited independent valuation consultant, reviews of projected future operating results and business plans, economic projections, anticipated future cash flows and the cost of capital. The use of alternative estimates and assumptions

could increase or decrease the estimated fair value of goodwill and other intangible assets, and potentially result in a different impact to our results of operations. Further, changes in business strategy and/or market conditions may significantly impact these judgments thereby impacting the fair value of these assets, which could result in an impairment of the goodwill and acquired intangible assets.

We test goodwill for impairment at least annually (as of December 31) and whenever events or circumstances change that indicate impairment may have occurred. These events or circumstances could include a significant long-term adverse change in the business climate, indicators of poor operating performance or a sale or disposition of a significant portion of a business unit. We test goodwill for impairment at the business unit level, which is one level below our operating segments. Goodwill has been assigned to the business units to which the value of the goodwill relates. We currently have six business units; with only two business units, Pharmakon and Group DCA, having goodwill. We tested goodwill by estimating the fair value of the business unit using both the Discounted Cash Flow (DCF) and Guideline Public Company (GPC) models. The key assumptions used in the DCF model to determine the highest and best use of estimated future cash flows include revenue growth rates and profit margins based on internal forecasts, terminal value and a market participant's weighted-average cost of capital used to discount future cash flows to their present value. The key assumptions used in the GPC model include revenue and earnings before interest, taxes, depreciation and amortization (EBITDA) multiples of entities with comparable size, nature of business, country of operations, portfolio of products and services and economic characteristics, with a focus on public companies within the marketing and advertising industries. Our annual impairment testing as of December 31, 2010 did not result in an indicator of impairment. As of December 31, 2010, Pharmakon's fair value exceeded its carrying value by approximately $2.1 million or 20.3%. Our annual impairment testing as of December 31, 2009 identified an indicator of impairment in our Pharmakon business unit resulting in us recognizing an $8.5 million impairment charge.

We review the recoverability of long-lived assets and finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value of the asset to its fair value measured by future discounted cash flows. This analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. During the year ended December 31, 2010, the Company recorded non-cash charges of approximately $0.6 million for the impairment of certain furniture and leasehold improvements as a result of exiting the remaining space in Dresher, Pennsylvania. During the year ended December 31, 2010, no impairment of finite-lived intangible assets was deemed necessary. During the fourth quarter of 2009, we recognized an impairment charge of $9.6 million related to the customer relationships and tradename in our Pharmakon business unit.

While we use available information to prepare our estimates and to perform impairment evaluations, actual results could differ significantly from these estimates or related projections, resulting in additional impairment and losses related to recorded goodwill, intangibles or long-lived asset balances. In addition, future events impacting cash flows for existing assets could render a write-down or write-off necessary that was not previously required.

Acquisition Accounting

We account for business combinations by applying the acquisition method of accounting. The cost of an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets transferred, liabilities incurred, equity instruments issued, and costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured separately at their fair value as of the acquisition date. The excess of the cost of the acquisition over our interest in the fair value of the identifiable net assets acquired is recorded as goodwill.

The determination and allocation of fair values to the identifiable assets acquired and liabilities assumed is based on various assumptions and valuation methodologies requiring considerable management judgment. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. Management determines discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of products and forecasted life cycle and cash flows over that period. Although we believe that the assumptions applied in the determination are reasonable based on information available at the date of acquisition, actual results may differ from the forecasted amounts and the difference could be material.

Contingencies

In the normal course of business, we are subject to various contingencies. Loss contingencies are recorded in the consolidated financial statements when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated. We are currently involved in certain legal proceedings and, as required, we have accrued our estimate of the probable costs for the resolution of these claims. These estimates are developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Predicting the outcome of claims and litigation is an inherently subjective and complex process and estimating related costs and exposures involves substantial uncertainties that may cause actual results to differ materially from our estimates.

In connection with the acquisition of Group DCA, we recorded the fair value of a contingent earn-out fee of approximately $1.2 million within long-term liabilities as the date of acquisition. The purchase agreement provides for the members of Group DCA to earn up to an additional $30 million from the date of acquisition through December 31, 2012. These payouts are based on Group DCA's achievement of revenue and gross profit metrics and range up to: $5.0 million for the period ended December 31, 2010; and $12.5 million in each of the years ending December 31, 2011 and 2012. The metrics for payments related to the period ended December 31, 2010 were not achieved.

Income Taxes

We account for income taxes using the asset and liability method. This method requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of our assets and liabilities based on enacted tax laws and rates. A valuation allowance is established, when necessary, to reduce the deferred income tax assets when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

We operate in multiple tax jurisdictions and provide taxes in each jurisdiction where we conduct business and are subject to taxation. The breadth of our operations and the complexity of the various tax laws require assessments of uncertainties and judgments in estimating the ultimate taxes we will pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of proposed assessments arising from federal and state audits. We have established estimated liabilities for uncertain federal and state income tax positions. These accruals represent accounting estimates that are subject to inherent uncertainties associated with the tax audit process. We adjust these accruals as facts and circumstances change, such as the progress of a tax audit. We believe that any potential audit adjustments will not have a material adverse effect on our financial condition or liquidity. However, any adjustments made may be material to our consolidated results of operations within an individual reporting period.

Significant judgment is also required in evaluating the need for and magnitude of appropriate valuation allowances against deferred tax assets. We currently have significant deferred tax assets resulting from net operating loss carryforwards and deductible temporary differences. The realization of these assets is dependent on generating future taxable income. We perform an analysis quarterly to determine whether the expected future income will more likely than not be sufficient to realize the deferred tax assets. Our recent operating results and projections of future income weighed heavily in our overall assessment. The existing and forecasted levels of pretax earnings for financial reporting purposes are not sufficient to generate future taxable income and realize our deferred tax assets and, as a result, we established a full federal and state valuation allowance for the net deferred tax assets at December 31, 2010 and 2009 as we determined that it was more likely than not that these assets would not be realized.

Self-Insurance Accruals

We are self-insured for benefits paid under employee healthcare programs. Our liability for healthcare claims is estimated using an underwriting determination which is based on the current year's average lag days between when a claim is incurred and when it is paid. We maintain stop-loss coverage with third-party insurers to limit our total exposure on all of these programs. Periodically, we evaluate the level of insurance coverage and adjust insurance levels based on risk tolerance and premium expense. Management reviews the self-insurance accruals on a quarterly basis. Actual results may vary from these estimates, resulting in an adjustment in the period of the change in estimate. Prior to October 1, 2008, we were also self-insured for certain losses for claims filed and claims incurred but not reported relating to workers' compensation and automobile-related liabilities for Company-leased cars. Beginning October 1, 2008, we became fully insured through an outside carrier for these losses. Our liability for

claims filed and claims incurred but not reported prior to October 1, 2008 is estimated on an actuarial undiscounted basis supplied by our insurance brokers and insurers using individual case-based valuations and statistical analysis. These estimates are based upon judgment and historical experience. The final cost of many of these claims may not be known for five years or longer.

Stock Compensation Costs

The compensation cost associated with the granting of stock-based awards is based on the grant date fair value of the stock award. We recognize the compensation cost, net of estimated forfeitures, over the shorter of the vesting period or the period from the grant date to the date when retirement eligibility is achieved. Forfeitures are initially estimated based on historical information and subsequently updated over the life of the awards to ultimately reflect actual forfeitures. As a result, changes in forfeiture activity can influence the amount of stock compensation cost recognized from period-to-period.

We primarily use the Black-Scholes option pricing model to determine the fair value of stock options and stock-based stock appreciation rights (SARs). The determination of the fair value of stock-based payment awards is made on the date of grant and is affected by our stock price as well as assumptions made regarding a number of complex and subjective variables. These assumptions include: our expected stock price volatility over the term of the awards; actual and projected employee stock option exercise behaviors; the risk-free interest rate; and expected dividend yield. Our assumptions are more fully described in Note 14, Stock-Based Compensation, to our consolidated financial statements in this Annual Report on Form 10-K.

Changes in the valuation assumptions could result in a significant change to the cost of an individual award. However, the total cost of an award is also a function of the number of awards granted, and as result, we have the ability to manage the cost and value of our equity awards by adjusting the number of awards granted.

Restructuring, Facilities Realignment and Related Costs

From time-to-time, in order to consolidate operations, downsize and improve operating efficiencies, we recognize restructuring or facilities realignment charges. The recognition of these charges requires estimates and judgments regarding employee termination benefits, lease termination costs and other exit costs to be incurred when these actions take place. We reassess the cost to complete the restructurings and facility realignment and related charges on a quarterly basis. These estimates may vary significantly from actual costs depending, in part, upon factors that may be beyond our control, resulting in changes to these estimates in current operations.

CONSOLIDATED RESULTS OF OPERATIONS

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

	Years Ended December 31,		
	2010	2009	2008
Revenue, net	100.0 %	100.0 %	100.0 %
Cost of services	77.7 %	69.5 %	98.0 %
Gross profit	22.3 %	30.5 %	2.0 %
Compensation expense	12.8 %	22.4 %	17.5 %
Other selling, general and administrative expenses	11.0 %	21.1 %	15.3 %
Asset Impairment	0.0 %	22.5 %	0.0 %
Executive Severance	0.0 %	0.0 %	0.8 %
Facilities realignment	1.4 %	8.2 %	0.0 %
Total operating expenses	25.2 %	74.2 %	33.7 %
Operating loss	(3.0 %)	(43.7 %)	(31.7 %)
Other income, net	0.1 %	0.3 %	2.7 %
Loss from continuing operations before income tax	(2.9 %)	(43.4 %)	(29.0 %)
Provision for (benefit from) income tax	0.3 %	(8.5 %)	0.8 %
Loss from continuing operations	(3.2 %)	(34.9 %)	(29.8 %)
Loss from discontinued operations, net of tax	(1.5 %)	(6.8 %)	(3.0 %)
Net loss	(4.7 %)	(41.7 %)	(32.7 %)

Results of Continuing Operations for the Year Ended December 31, 2010 Compared to the Year ended December 31, 2009

(in thousands)	Sales Services	Marketing Services	PC Services	Eliminations	Consolidated
Year ended December 31, 2010:					
Revenue, net	$ 133,307	$ 11,345	$ -	$ -	$ 144,652
Cost of Services	$ 105,184	$ 7,264	$ -	$ -	$ 112,448
Gross Profit	$ 28,123	$ 4,081	$ -	$ -	$ 32,204
Gross Profit %	21.1%	36.0%	-	-	22.3%
Year ended December 31, 2009:					
Revenue, net	$ 73,233	$ 12,260	$ -	$ (5,109)	$ 80,384
Cost of Services	$ 57,541	$ 5,957	$ (2,497)	$ (5,157)	$ 55,844
Gross Profit	$ 15,692	$ 6,303	$ 2,497	$ 48	$ 24,540
Gross Profit %	21.4%	51.4%	-	0.9%	30.5%

Operations Overview

In 2010, we achieved significantly improved results relative to 2009. In fact, revenue, gross profit and operating loss all improved significantly and we were able to achieve positive cash flow from operations in all four quarters of 2010. These overall positive results were driven by our Sales Services segment. Specifically, these improvements were the result of internal actions that strengthened management, systems and product offerings, and favorable and improving industry trends.

From an internal standpoint, throughout 2009 and continuing in 2010, we strengthened our senior management team in the areas of business development, sales, operations and compliance while also strengthening the layer of management that directly supports senior management across all functions. We upgraded many of our systems that directly support our field sales force, most importantly our sales force automation systems, which in turn improved

field force effectiveness and allowed for integration of our sales force activities with our other channels of communications to healthcare professionals.

We have been saying for some time that although we anticipated a continued downsizing of sales forces by the pharmaceutical industry, that we also expected that this downsizing would create an increase in the level of outsourcing of sales and marketing services as the pharmaceutical industry drives to create a new selling model. Over the course of 2010, we have seen an increase in demand for outsourced selling and marketing services including solutions that incorporate integrated sales representative activities and alternative channels such as those that we offer.

During 2010, we strengthened our core dedicated and shared sales teams offerings and broadened our service offerings with the addition of teledetailing capabilities and interactive digital communications with the acquisition of Group DCA. We believe the overall value of our offerings was also improved by our ability to integrate our core and expanded offerings.

Group DCA Accounting Impacts

On the date of the Group DCA acquisition, we outlined certain acquisition accounting related items that would impact the Group DCA operating results in the future. The following is an updated summary of how accounting related to the Group DCA acquisition will impact our reported results.

- On the purchase date Group DCA had deferred revenue on its historical closing balance sheet. Had Group DCA not been purchased, that amount would be recorded as revenue by Group DCA as projects were completed over the remainder of 2010 and 2011. However, as required by the rules of acquisition accounting, a significant portion of the deferred revenue at the date of the acquisition will not carry over to us after the acquisition. A portion of this impacted the two months we owned Group DCA in 2010 and the remainder will impact 2011.

- Revenue recognition rules have the impact of delaying the start of recording revenue from the date a project is initiated to the point at which we earn such revenues as they are delivered. The near term impact on reported revenue from contracts signed and initiated in late 2010 and early 2011 will be that a significantly lower than normal amount of revenue will be recorded in the first and second quarters of 2011, as the flow of revenue recognition builds by quarter. This accounting, in and of itself, would not be an issue if deferred revenue from 2010 carried over in full; however, because it does not, first and second quarter 2011 revenue will not reflect the amount of business being signed or the normal carryover of deferred revenue at the time of acquisition, making reported revenue much lower than it would be on a normal going-forward basis. While the combination of the impact of acquisition accounting and revenue recognition rules will result in lower reported revenue, particularly in the first and second quarters of 2011, neither of these rules will significantly reduce on-going operating expense associated with delivering such revenue.

- Acquisition accounting requires ongoing amortization of intangibles purchased and valued for accounting purposes as of the date of the acquisition. Relative to the Group DCA acquisition, these include the acquired proprietary technology and the value of the extensive Health Care Provider data base. These intangibles will be amortized, resulting in an annual amortization expense of approximately $0.9 million.

The accounting for potential earn out payments, while not impacting 2010 results, are influenced by acquisition accounting. Up to $5.0 million of the potential $30.0 million of earn out payments must be recorded as compensation expense as earned. However, in determining the amount that is recorded as the initial purchase price, acquisition accounting requires us to estimate the fair value for the remainder of the $25.0 million potential earn out payments. We determined the fair value by estimating the present value of earn out payments we think are probable on a weighted–risk adjusted basis. The amount we recorded for the fair value of these estimated earn out payments was $1.7 million and is considered part of the initial purchase price for accounting purposes. Going forward, the difference between what we estimated in November 2010 and our updated estimates to what we actually expect to pay in 2012 and 2013 will be adjusted through the statement of operations in the future. This will result in expense if the amount we expect to pay is higher than our original estimates or a benefit if the amounts we expect to pay are lower than our original estimates.

Revenue, net

Consolidated revenue, net for the year ended December 31, 2010 increased by $64.3 million, or 80.0%, to $144.7 million, compared to the year ended December 31, 2009. This increase was primarily attributable to new business in our Sales Services segment.

Revenue, net in our Sales Services segment for the year ended December 31, 2010 increased by $60.1 million, or 82.0%, to $133.3 million, compared to the year ended December 31, 2009. The increase in Sales Services revenue, net was primarily due to new 2010 business totaling approximately $72.6 million and an increase in revenue from our continuing (or renewal) contracts of $3.3 million, partially offset by a reduction in revenue from the expiration of existing contracts of approximately $16.5 million.

Revenue, net in the Marketing Services segment for the year ended December 31, 2010 decreased by $0.9 million, or 7.5%, to $11.3 million, compared to the year ended December 31, 2009. Revenue from our Pharmakon business unit decreased approximately $1.8 million compared to the year ended December 31, 2009. Pharmakon's decrease in revenue was primarily the result of reductions of $0.6 million and $0.5 million in non-attendee revenue and attendee revenue, respectively, and a decrease in direct mail campaign revenue of $0.7 million. This segment also had approximately $0.4 million in revenue from our former Vital Issues in Medicine (VIM) business unit which ended in 2009. These decreases were partially offset by revenue of approximately $0.7 million from Group DCA and $0.6 million from our new call center, Voice, launched in 2010. Revenue, net for Group DCA recognized from the date of acquisition (November 3, 2010) through December 31, 2010 was significantly impacted by the write down of deferred revenue to its fair value on the date of acquisition in accordance with the acquisition method of accounting.

There was no revenue in our PC Services segment for the years ended December 31, 2010 and 2009, as there were no ongoing product commercialization activities during either period.

Cost of services

Consolidated cost of services for the year ended December 31, 2010 increased by $56.6 million, or 101.4%, to $112.4 million, compared to the year ended December 31, 2009. This increase was due to higher program expenses in our Sales Services segment in support of the increased revenues discussed above, higher program expenses in our Marketing Services segment due to the addition of Group DCA in the fourth quarter of 2010 and the launch of Voice mentioned above, partially offset by lower program expenses in our Pharmakon business unit.

Cost of services in our Sales Services segment for the year ended December 31, 2010 increased by $47.6 million, or 82.8%, to $105.2 million, compared to the year ended December 31, 2009. This increase is directly attributable to the increase in Sales Services engagements, which requires a significant increase in headcount in order to deliver the additional services. The higher headcount resulted in comparable increases in costs related to: recruiting, hiring and training new employees; employee compensation; employee-related benefits; automobile lease expense; and reimbursable travel expenses such as mileage and gas.

Cost of services in our Marketing Services segment for the year ended December 31, 2010 increased by $1.3 million, or 21.9%, to $7.3 million, compared to the year ended December 31, 2009. A reduction of $1.2 million in costs of services at our Pharmakon business unit was directly attributable to decreases in the number of programs/meetings executed, program attendance and the number of direct mail campaigns performed during the year ended December 31, 2010 as compared to the year ended December 31, 2009 and was offset by expenses

incurred by Voice during the year related to its launch and program execution. Group DCA's cost of services for the year ended December 31, 2010 consisted of project expenses since the date of acquisition.

There was no cost of services in our PC Services segment for the year ended December 31, 2010 as there were no ongoing product commercialization activities in 2010. During the year ended December 31, 2009, the segment recorded a $2.5 million credit due to the reversal of the excess contract loss accrual recognized in 2008 for the termination of the product commercialization contract.

Gross profit

Consolidated gross profit for the year ended December 31, 2010 increased by $7.7 million, or 31.2%, to $32.2 million, compared to the year ended December 31, 2009. The consolidated gross profit percentage decreased 8.2%, to 22.3% for the year ended December 31, 2010, compared to the year ended December 31, 2009. This decrease was primarily due to the approximate $2.5 million benefit from the excess 2008 contract loss accrual reversed in 2009 for the termination of the product commercialization contract and the impact of a larger percentage of our sales coming from our lower margin Sales Services. Excluding the impact of the reversal of excess contract loss accrual consolidated gross profit percentage was 27.4% for the year ended December 31, 2009.

The gross profit percentage in our Sales Services segment for the year ended December 31, 2010 decreased slightly to 21.1%, from 21.4% for the year ended December 31, 2009. The slight decrease is primarily attributable to higher field manager costs in our shared sales business unit during the year ended December 31, 2010.

The gross profit percentage in our Marketing Services segment for the year ended December 31, 2010 decreased to 36.0%, from 51.4% in the year ended December 31, 2009. While the gross profit percentage in our Pharmakon business unit increased by 3.5% for the year ended December 31, 2010 when compared to 2009, this increase was more than offset by the start up of Voice and the impact of deferred revenue being reduced to its fair value on the date of acquisition on revenue recognized subsequent to the acquisition of Group DCA.

There was no gross profit in our PC Services segment for the year ended December 31, 2010 as there were no ongoing product commercialization activities in 2010. During the year ended December 31, 2009, the segment recorded gross profit of $2.5 million due to the reversal of the excess contract loss accrual recognized in 2008 for the termination of the product commercialization contract.

Note: Compensation expense and Other selling, general and administrative (other SG&A) expense amounts for each segment include allocated corporate overhead.

Compensation expense (in thousands)

	Year Ended December 31,	Sales Services	% of sales	Marketing Services	% of sales	PC Services	% of sales	Total	% of sales
	2010	$ 14,715	11.0%	$ 3,854	34.0%	$ -	-	$ 18,569	12.8%
	2009	14,462	19.7%	3,234	26.4%	293	-	17,989	22.4%
Change		$ 253		$ 620		$ (293)		$ 580	

Consolidated compensation expense for the year ended December 31, 2010 increased by $0.6 million, or 3.2%, when compared to the year ended December 31, 2009. This increase was primarily attributable to the acquisition of Group DCA in the fourth quarter of 2010. As a percentage of consolidated revenue, consolidated compensation expense decreased 9.6%, to 12.8% for the year ended December 31, 2010, from 22.4% for the year ended December 31, 2009 due primarily to the increase in consolidated revenue.

Compensation expense in our Sales Services segment for the year ended December 31, 2010 increased by $0.3 million, or 1.7%, to $14.7 million compared to the year ended December 31, 2009. This increase is primarily attributable to an increase in bonus expenses as the segment is accruing to a higher percentage in 2010 due to the improvement in operating results. As a percentage of segment revenue, compensation expense decreased 8.7%, to 11.0% for the year ended December 31, 2010, from 19.7% for the year ended December 31, 2009. The decline in segment compensation expense as a percent of segment revenue was primarily driven by the significant increase in segment revenue in 2010.

Compensation expense in our Marketing Services segment for the year ended December 31, 2010 increased by $0.6 million, or 19.2%, to $3.9 million compared to the year ended December 31, 2009. As a

percentage of segment revenue, segment compensation expense increased 7.6%, to 34.0% for the year ended December 31, 2010, from 26.4% for the year ended December 31, 2009. The increase in segment compensation expense as a percent of segment revenue was due to the increase in employee costs of Group DCA, compounded by lower revenue at Group DCA due to the significant write down of deferred revenue to its fair value as of the acquisition date, and lower revenue in our Pharmakon business unit on a year-over-year basis.

There was no compensation expense associated with or allocated to our PC Services segment for the year ended December 31, 2010 as there were no ongoing product commercialization activities during this period. There was approximately $0.3 million of allocated compensation expense to our PC Services segment for the year ended 2009.

Other selling, general and administrative expenses (in thousands)

Year Ended December 31,	Sales Services	% of sales	Marketing Services	% of sales	PC Services	% of sales	Total	% of sales
2010	$ 12,419	9.3%	$ 3,522	31.0%	$ -	-	$ 15,941	11.0%
2009	14,328	19.6%	2,443	19.9%	173	-	16,944	21.1%
Change	$ (1,909)		$ 1,079		$ (173)		$ (1,003)	

Consolidated other selling, general and administrative expenses for the year ended December 31, 2010 decreased by $1.0 million, or 5.9%, to $15.9 million, compared to the year ended December 31, 2009. This decrease was primarily driven by a decrease in facility costs and depreciation expense of approximately $1.8 million from our facility realignment efforts in 2009. This decrease was partially offset by $1.7 million of acquisition-related costs for the Group DCA acquisition, as well as Group DCA's other, selling, general and administrative expenses. As a percentage of consolidated revenue, consolidated other selling, general and administrative expenses decreased 10.1%, to 11.0% for the year ended December 31, 2010, from 21.1% for the year ended December 31, 2009 due to lower other selling, general and administrative expenses overall and the significant increase in consolidated revenue.

Other selling, general and administrative expenses in our Sales Services segment for the year ended December 31, 2010 decreased by $1.9 million, to $12.4 million, compared to the year ended December 31, 2009. As a percentage of segment revenue, other selling, general and administrative expenses decreased 10.3%, to 9.3% for the year ended December 31, 2010, from 19.6% for the year ended December 31, 2009. This decrease was primarily attributable to the significant increase in segment revenue as well as savings in allocated facility and depreciation costs mentioned above.

Other selling, general and administrative expenses in our Marketing Services segment for the year ended December 31, 2010 increased by $1.1 million, to $3.5 million, compared to the year ended December 31, 2009. As a percentage of segment revenue, other selling, general and administrative expenses increased 11.1%, to 31.0% for the year ended December 31, 2010, from 19.9% for the year ended December 31, 2009. This increase was primarily attributable to the acquisition of Group DCA and the associated acquisition related costs of $1.7 million.

There were no other selling, general and administrative expenses associated with our PC Services segment for the year ended December 31, 2010 as there were no ongoing product commercialization activities during this period. There was allocated other selling, general and administrative expenses of approximately $0.2 million to our PC Services segment for the year ended 2009.

Asset impairment

During the year ended December 31, 2009, we incurred approximately $18.1 million of asset impairment charges within our Marketing Services segment. These impairment charges were associated with the write-down of goodwill of $8.5 million and other intangible assets of $9.6 million in our Pharmakon business unit. The main factors contributing to the 2009 impairment were: the decline in revenue from significant customers in the business unit; the decrease in new business generated by this business unit; and uncertain economic conditions within the United States and the pharmaceutical industry.

Facilities realignment

For the year ended December 31, 2010 Sales Services incurred charges of approximately $2.0 million related to

office space in Saddle River, New Jersey. For the year ended December 31, 2009, Sales Services incurred charges of approximately $4.7 million related to office space in Saddle River, New Jersey and approximately $1.9 million related to the impairment of fixed assets associated with the office space.

Operating loss

There was an operating loss of $4.3 million and $35.1 million during the years ended December 31, 2010 and 2009, respectively. The significant decrease in operating loss in 2010 was primarily attributable to the increase in revenue on a year-over-year basis, the goodwill and other intangible asset impairment charges in 2009 and the decrease in facilities realignment charges. The operating loss in 2009 was primarily attributable to the asset impairment charges of $18.1 million and the facilities realignment charges of $6.6 million discussed above. Excluding the impact of the asset impairment and facilities realignment charges in 2009, the significant improvement in 2010 operating results was due to the significant increase in Sales Services revenue and the positive impact of our 2009 cost reduction initiatives.

Provision for income taxes

We recorded a provision for income tax of $0.4 million in 2010 and a benefit for income taxes of $6.8 million in 2009. Our overall effective tax rate was 9.9% for the year ended December 31, 2010. The tax benefit for 2009 was primarily attributable to the ability to carry back federal net operating losses to additional tax years under the *Worker, Homeownership, and Business Assistance Act* , (the Act) passed in November 2009. Prior to the passing of the Act, we had established a full valuation allowance against our net operating losses. In connection with the impairment of goodwill at the Pharmakon business unit during 2009, the deferred tax liability at December 31, 2008 reversed and resulted in a 2009 tax benefit of approximately $1.4 million.

Results of Continuing Operations for the Year Ended December 31, 2009 Compared to the Year ended December 31, 2008

(in thousands)	Sales Services	Marketing Services	PC Services	Eliminations	Consolidated
Year ended December 31, 2009:					
Revenue	$ 73,233	$ 12,260	$ -	$ (5,109)	$ 80,384
Cost of Services	$ 57,541	$ 5,957	$ (2,497)	$ (5,157)	$ 55,844
Gross Profit	$ 15,691	$ 6,303	$ 2,497	$ 48	$ 24,540
Gross Profit %	21.4%	51.4%	-	0.9%	30.5%
Year ended December 31, 2008:					
Revenue	$ 89,656	$ 16,577	$ (1,000)	$ -	$ 105,233
Cost of Services	$ 71,266	$ 9,232	$ 22,628	$ -	$ 103,126
Gross Profit	$ 18,390	$ 7,345	$ (23,628)	$ -	$ 2,107
Gross Profit %	20.5%	44.3%	-	-	2.0%

Revenue

The decrease in total revenues of $24.8 million, or 23.6%, was primarily related to a decrease in revenue in both Sales and Marketing Services. Sales Services' revenue for the year ended December 31, 2009 decreased by approximately $16.4 million, or 18.3%, as compared to the year ended December 31, 2008 primarily due to a reduction in sales force engagements. Sales Services' revenue from new contracts and expansions of existing contracts was more than offset by lost revenue from the internalization of our contract sales force by one of our long-term customers and the expiration or termination of certain sales force arrangements in effect during 2008.

Marketing Services revenue for the year ended December 31, 2009 decreased by approximately $4.3 million, or 26.0%, as compared to the year ended December 31, 2008. This was due to a $2.0 million decrease in our Pharmakon business unit due to a reduction in the number of projects performed for its two largest customers due to delays in the implementation or reduced scope of a number of marketing initiatives in the first six months of 2009. The segment was also affected by a decrease in revenue of approximately $2.3 million in our Vital Issues in Medicine business unit which closed in 2009.

PC Services did not record any revenue in 2009, compared with negative revenue of $1.0 million in 2008. This pertained to a non-refundable upfront payment we made to Novartis as per the terms of our promotion agreement.

Cost of services

Cost of services for the year ended December 31, 2009 was $55.8 million, or 45.8% less than the cost of services of $103.1 million for the year ended December 31, 2008. Sales Services' cost of services decreased for the year ended December 31, 2009 versus the comparable prior year period primarily due to a reduction in the average sales representative headcount and related costs correlating to an overall reduction in the number and size of our sales force engagements. Marketing Services' cost of services decreased $3.3 million for the year ended December 31, 2009 versus the comparable prior year period due to the decline in revenue attributable to the overall continued softness in the market for these types of services. PC Services' cost of services was a credit of $2.5 million for the year ended December 31, 2009 due to the reversal of the excess amount of our 2008 contract loss accrual. PC Services had cost of services of $22.6 million for the year ended December 31, 2008, including $10.3 million that was recorded in the fourth quarter of 2008 related to the accrued contract loss. See Note 12, Product Commercialization Contract, to our consolidated financial statements included in this Annual Report on Form 10-K for additional details.

Gross profit

The overall increase in gross profit percentage from 2.0% for the year ended December 31, 2008 to 30.5% for the year ended December 31, 2009 was primarily the result of the impact of our product commercialization contract with Novartis. The year ended December 31, 2009 benefited from the reversal of the excess contract loss accrual of approximately $2.5 million associated with the settlement of our promotional agreement within PC Services. The year ended December 31, 2008 had negative gross profit of approximately $23.6 million associated with the promotion agreement, including $10.3 million related to the contract loss accrual mentioned above.

Sales Services' gross profit percentages were 21.4% and 20.5% for the years ended December 31, 2009 and 2008, respectively. The 2009 increase in gross profit was attributable to an increase in gross profit percentage within the Shared Sales Teams business unit due to: lower fuel and mileage reimbursement costs; lower insurance costs; and certain operating efficiencies within our Shared Sales Teams.

Gross profit percentage for the Marketing Services increased to 51.4% for the year ended December 31, 2009 from 44.3% for the year ended December 31, 2008. This increase was driven by improved margins at Pharmakon which had increases of approximately five percentage points, as well as closing our lower-margin Vital Issues in Medicine business unit during the quarter ended September 30, 2009. The Pharmakon margin improvement was driven primarily by a change in its product mix on a year-over-year basis.

(Note: Compensation and Other selling, general and administrative (other SG&A) expense amounts for each segment include allocated corporate overhead.)

Compensation expense (in thousands)

	Year Ended December 31,	Sales Services	% of sales	Marketing Services	% of sales	PC Services	% of sales	Total	% of sales
	2009	14,462	19.7%	3,234	26.4%	293	-	$ 17,989	22.4%
	2008	13,791	15.4%	3,273	19.7%	1,379	-	18,443	17.5%
Change		$ 671		$ (39)		$ (1,086)		$ (454)	

The decrease in compensation expense for the year ended December 31, 2009 was primarily the result of 2008 costs of approximately $0.5 million related to replacing our former chief executive officer not recurring in 2009. As a percentage of revenue, compensation expense for the year ended December 31, 2009 increased to 22.4% as compared to 17.5% for the year ended December 31, 2008. This percentage increase was primarily due to the decrease in revenue in 2009.

The increase in Sales Services was primarily attributable to greater recruiting and hiring costs during the year ended December 31, 2009. Marketing Services' compensation expense was comparable in both periods. PC Services' compensation expense decreased for the year ended December 31, 2009 as compared to the prior year period as a result of the April 2009 termination of our promotion agreement within PC Services.

Other selling, general and administrative expenses (in thousands)

Year Ended December 31,	Sales Services	% of sales		Marketing Services		% of sales		PC Services		% of sales	Total	% of sales	
2009	14,328	19.6	%	2,443		19.9	%	$ 173		-	$ 16,944	21.1	%
2008	12,370	13.8	%	2,531		15.3	%	1,202		-	16,103	15.3	%
Change	$ 1,958			$ (88	)			$ (1,029	)		$ 841		

Total other selling, general and administrative expenses increased by approximately $0.8 million, or 5.2%, for the year ended December 31, 2009. This increase was primarily due to higher consulting costs, partially offset by lower facility and depreciation costs. As a percentage of revenue, other selling, general and administrative expenses increased to 21.1% in 2009 from 15.3% in 2008. This percentage increase can be attributed to lower revenue in 2009. The increase in the Sales Services segment of $2.0 million was primarily due to the redistribution of corporate costs that were allocated to PC Services in 2008. Marketing services was essentially flat on a year-over-year basis.

Executive severance

For the year ended December 31, 2009, we did not incur executive severance costs. In the year ended December 31, 2008, we incurred approximately $0.9 million in executive severance costs that related to the departure of our chief executive officer.

Facilities realignment

For the year ended December 31, 2009, Sales Services incurred charges of approximately $4.7 million related to office space at our Saddle River facility and approximately $1.9 million related to the impairment of fixed assets associated with the office space. For the year ended December 31, 2008, we had no facilities realignment charges.

Operating loss

There was an operating loss of $35.1 million and $33.3 million during the years ended December 31, 2009 and 2008, respectively. The operating loss in 2009 was primarily attributable to the asset impairment charges of $18.1 million and the facilities realignment charges of $6.6 million discussed above. The operating loss in 2008 is primarily attributable to the $26.3 million in negative revenue and expenses associated with our promotional program within PC Services in 2008. Excluding the impact of the asset impairment and facilities realignment charges, both the 2009 and 2008 operating results were negatively impacted by declining revenues over relatively flat operating expenses.

Other income, net

Other income, net for the years ended December 31, 2009 and 2008 was approximately $0.2 million and $2.8 million, respectively, and consisted primarily of interest income. The decrease in interest income for the year ended December 31, 2009 was primarily due to lower interest rates and lower average cash balances for that year.

Provision for income taxes

We recorded a benefit for income taxes of $6.8 million in 2009 and a provision for income taxes of $0.9 million in 2008. Our overall effective tax rate resulted in a benefit of 19.6% and a provision of 2.9% 2009 and 2008, respectively. The tax benefit for 2009 was primarily attributable to the ability to carry back federal net operating losses to additional tax years under the *Worker, Homeownership, and Business Assistance Act*, (the Act) passed in November 2009. Prior to the passing of the Act, we had established a full valuation allowance against our net operating losses. In connection with the impairment of goodwill at the Pharmakon business unit during 2009, the deferred tax liability at December 31, 2008 reversed and resulted in a 2009 tax benefit of approximately $1.4 million.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2010, we had cash and cash equivalents and short-term investments of approximately $62.9 million and working capital of $37.3 million, compared to cash and cash equivalents and short-term investments of approximately $72.6 million and working capital of approximately $71.6 million at December 31, 2009. As of

December 31, 2010 and 2009, we had no outstanding commercial debt.

During the year ended December 31, 2010 net cash provided by operating activities was $16.4 million and there was $16.0 million used by operating activities for the year ended December 31, 2009. The main components of cash provided by operating activities for the year ended December 31, 2010 were an increase in liabilities of $12.6 million, non-cash items of $4.1 million, a reduction in accounts receivable of $2.1 million, and the reduction in income tax receivable of $3.3 million. This was partially offset by a net loss of $6.8 million. The main components of cash used in operating activities during the year ended December 31, 2009 was a net loss of $33.6 million, a reduction in the accrued contract loss of $10.0 million and a $3.3 million increase in income tax receivable. This was partially offset by a reduction in accounts receivable of $3.9 million and non-cash items of $23.6 million.

As of December 31, 2010, we had $3.4 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 on contracts in progress are earned and billed within a few months of the period they are originally recognized. As of December 31, 2010, we had approximately $13.4 million of unearned contract revenue. Unearned contract revenue represents amounts billed to customers for services that have not been performed. These amounts are recorded as revenue in the periods when earned.

For the year ended December 31, 2010, net cash used in investing activities was approximately $26.0 million as compared to net cash used in investing activities of $1.6 million during the year ended December 31, 2009. For the year ended December 31, 2010, we acquired Group DCA for $23.9 million and had capital expenditures, primarily for computer equipment and software, of $2.1 million.

For each of the years ended December 31, 2010 and 2009, net cash used in financing activities was approximately $0.1 million. This represents shares that were delivered back to us and included in treasury stock for the payment of taxes resulting from the vesting of restricted stock.

We had standby letters of credit of approximately $5.4 million and $5.7 million at December 31, 2010 and 2009, respectively, as collateral for our existing insurance policies and our facility leases. Our standby letters of credit automatically renew every year unless cancelled in writing by us with consent of the beneficiary, generally not less than 60 days before the expiry date.

We recorded facility realignment charges totaling approximately $2.0 million and $6.6 million during the years ended December 31, 2010 and 2009, respectively, for costs related to excess leased office space at our Saddle River, New Jersey facility. We currently have secured subleases through the remainder of the lease term for approximately 37,000 square feet out of approximately 84,000 square feet at our Saddle River location. We are currently seeking to sublease the remaining space in Saddle River, New Jersey. The recognition of these charges requires certain sublease assumptions and estimates and judgments regarding lease termination costs and other exit costs when these actions take place. Actual results may vary from these estimates.

Effective September 30, 2010, we closed our TVG business unit and exited all remaining utilized space in Dresher, Pennsylvania. As a result, we recorded charges of approximately $0.3 million for facility realignment and $0.6 million for non-cash asset impairment on furniture and leasehold improvements, which have been recorded in discontinued operations for the year ended December 31, 2010. As of December 31, 2010, we had approximately 19,000 square feet of unoccupied office space available for sublet in Dresher, Pennsylvania. In the first quarter of 2011, we entered into two sublease agreements under which we sublet substantially all of this remaining space.

A rollforward of the activity for the facility realignment accrual is as follows (in thousands):

Balance as of December 31, 2008	$	559
Accretion		37
Adjustments		6,099
Payments		(442)
Balance as of December 31, 2009	$	6,253
Accretion		147
Adjustments		2,311
Payments		(2,409)
Balance as of December 31, 2010	$	6,301

Charges for facility lease obligations relate to real estate lease contracts where we have exited certain space and are required to make payments over the remaining lease term (January 2016 for the Saddle River, New Jersey facility and November 2016 for the Dresher, Pennsylvania facility). All lease termination amounts are shown net of projected sublease income.

We made payments (net) to purchase all issued and outstanding membership interests of Group DCA on November 3, 2010 of approximately $23.9 million, of which $1.3 million was held in escrow. As of December 31, 2010, $1.3 million is still held in escrow, and will be paid out no later than at the end of 18 months from the date of acquisition. The members of Group DCA can also earn up to $30 million in specified contingent earn out payments from the date of acquisition through December 31, 2012. These payouts are based on Group DCA's achievement of revenue and gross profit metrics and range up to: $5.0 million in the period ended December 31, 2010; and $12.5 million in each of the years ending December 31, 2011 and 2012. The metrics for payments relating to the period ended December 31, 2010 were not achieved.

Our revenue and profitability depend to a great extent on our relationships with a limited number of large pharmaceutical companies. Our three largest customers in 2010 accounted for approximately 49.7 %, 16.3% and 11.0%, respectively, of our revenue. We believe that we will continue to experience a high degree of customer concentration and that the loss or a significant reduction of business from any of our major customers, or a decrease in demand for our services, could have a material adverse effect on our business, financial condition and results of operations. Our Shared Sales Teams' services to a significant customer are seasonal in nature, occurring primarily in the winter season.

The majority of our operating expenses are personnel-related costs such as employee compensation and benefits as well as the cost of infrastructure to support our operations, including facility space and equipment. In 2009 we instituted a number of cost-saving initiatives, including a reduction in employee headcount. If we are unable to achieve revenue growth in the future or fail to adjust our cost infrastructure to the appropriate level to support our revenues, our business, financial condition and results of operations could be materially and adversely affected.

Going Forward

Our primary sources of liquidity are cash generated from our operations and available cash and cash equivalents. These sources of liquidity are needed to fund our working capital requirements, contractual obligations and estimated capital expenditures of approximately $2.0 million in 2011. We expect our working capital requirements to increase as a result of new customer contracts generally providing for longer than historical payment terms.

We continue to right-size our facilities and corporate structure on a go-forward basis. We recorded facility realignment charges totaling approximately $2.0 million and $6.6 million during the years ended December 31, 2010 and 2009, respectively, for costs related to excess leased office space at our Saddle River, New Jersey facility. During the third quarter of 2009, management committed to a cost savings initiative to exit our three-floor Saddle River, New Jersey facility and relocate our corporate headquarters to a smaller, strategically located office space in Parsippany, New Jersey. In November 2009, we signed a seven and one-half year lease for approximately 23,000 square feet of office space in Parsippany, New Jersey commencing on or about January 1, 2010. The minimum lease payments associated with this lease total $3.6 million.

We believe that our existing cash balances and expected cash flows generated from operations will be sufficient to meet our operating requirements beyond the next 12 months. However, we may require alternative forms of financing to achieve our longer-term strategic plans.

Contractual Obligations

We have committed cash outflow related to operating lease agreements and other contractual obligations. The following table summarizes our contractual obligations and commercial commitments as of December 31, 2010 (in thousands):

	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years
Contractual obligations [(1)]	$ 366	$ 274	$ 48	$ 34	$ 10
Operating lease obligations					
Minimum lease payments	23,447	4,226	8,696	8,532	1,993
Less minimum sublease rentals [(2)]	(8,220)	(1,262)	(3,047)	(3,224)	(687)
Net minimum lease payments	15,227	2,964	5,649	5,308	1,306
Total	$ 15,593	$ 3,238	$ 5,697	$ 5,342	$ 1,316

(1) Amounts represent contractual obligations related to data center hosting, security system, and various office equipment arrangements.

(2) In November 2009, the Company signed an agreement to extend the existing sublease of approximately 16,000 square feet of the first floor at the Company's former corporate headquarters facility in Saddle River, New Jersey through the remainder of the lease. In July 2007, the Company signed an agreement to sublease approximately 20,000 square feet of the second floor at the former corporate headquarters. These sublease terms are through the remainder of the lease, which is approximately five years, and will provide for approximately $4.8 million in lease payments over that period. The Company has sublet substantially all of the space at the Dresher, Pennsylvania facility under various subleases. These subleases will provide for aggregated lease payments of approximately $3.4 million over the remaining lease periods.

As a result of the net operating loss carryback claims which have been filed or are expected to be filed by us, and the impact of those claims on the relevant statute of limitations, it is not practicable to predict the amount or timing of the impact of uncertain tax liabilities in the table above and, therefore, these liabilities have been excluded from the table above.

Off-Balance Sheet Arrangements

As of December 31, 2010, we had no off-balance sheet arrangements.

Selected Quarterly Financial Information (unaudited)

The following tables set forth selected quarterly financial information for the years ended December 31, 2010 and 2009:

	For the Quarters ended			
	Mar. 31	Jun. 30	Sept. 30	Dec. 31
2010 Quarters:	(in thousands except per share data)			
Revenues, net	$ 31,132	$ 32,849	$ 35,972	$ 44,700
Gross profit	6,484	7,775	8,483	9,461
Operating (loss) income [1]	(1,517)	(636)	420	(2,574)
(Loss) income from continuing operations	(1,518)	(696)	407	(2,774)
(Loss) income from discontinued operations, net of tax	(181)	(194)	(2,081)	223
Net loss	(1,699)	(890)	(1,674)	(2,551)
(Loss) income per share:				
Basic				
Continuing operations	$ (0.11)	$ (0.05)	$ 0.03	$ (0.19)
Discontinued operations	(0.01)	(0.01)	(0.15)	0.01
	$ (0.12)	$ (0.06)	$ (0.12)	$ (0.18)
Diluted				
Continuing operations	$ (0.11)	$ (0.05)	$ 0.03	$ (0.19)
Discontinued operations	(0.01)	(0.01)	(0.14)	0.01
	$ (0.12)	$ (0.06)	$ (0.11)	$ (0.18)
Weighted average number of shares:				
Basic	14,258	14,289	14,325	14,349
Diluted	14,258	14,289	14,661	14,349

	For the Quarters ended			
	Mar. 31	Jun. 30	Sept. 30	Dec. 31
2009 Quarters:	(in thousands except per share data)			
Revenues, net	$ 22,438	$ 15,230	$ 19,643	$ 23,072
Gross profit	4,556	6,490	6,348	7,147
Operating loss [2]	(4,380)	(2,031)	(3,476)	(25,232)
Loss from continuing operations	(4,514)	(2,182)	(3,452)	(17,920)
Loss from discontinued operations, net of tax	(1,201)	(2,653)	(1,110)	(527)
Net loss	(5,715)	(4,835)	(4,562)	(18,447)
Loss per share:				
Basic				
Continuing operations	$ (0.32)	$ (0.15)	$ (0.24)	$ (1.26)
Discontinued operations	(0.08)	(0.19)	(0.08)	(0.04)
	$ (0.40)	$ (0.34)	$ (0.32)	$ (1.30)
Diluted				
Continuing operations	$ (0.32)	$ (0.15)	$ (0.24)	$ (1.26)
Discontinued operations	(0.08)	(0.19)	(0.08)	(0.04)
	$ (0.40)	$ (0.34)	$ (0.32)	$ (1.30)
Weighted average number of shares:				
Basic	14,223	14,210	14,216	14,227
Diluted	14,223	14,210	14,216	14,227

Note: Quarterly- and year-to-date computations of per share amounts are made independently. Therefore, the sum of per share amounts for the quarters may not equal per share amounts for the year.

[1] The quarters ended June 30, 2010 and December 31, 2010 include facilities realignment charges of $0.6 million and $1.4 million, respectively.

(2) The quarter ended September 30, 2009 includes facilities realignment charges of $1.2 million. The quarter ended December 31, 2009 includes facilities realignment costs of $5.4 million and goodwill and intangible asset impairment charges of $18.1 million.

Our results of operations have varied, and are expected to continue to vary, from quarter to quarter. These fluctuations result from a number of factors including, among other things, seasonality of the products we promote and the timing of commencement, completion or cancellation of major contracts. In the future, our revenue may also fluctuate as a result of a number of additional factors, including the types of products we market and sell, delays or costs associated with acquisitions, government regulatory initiatives and conditions in the healthcare industry generally. Revenue, generally, is recognized as services are performed. Program costs, other than training costs, are expensed as incurred. As a result, we may incur substantial expenses associated with staffing a new detailing program during the first two to three months of a contract without recognizing any revenue under that contract. This could have an adverse impact on our operating results for the quarters in which those expenses are incurred. Revenue related to performance incentives is recognized in the period when the performance based parameters are achieved and payment is assured. A significant portion of this revenue could be recognized in the first and fourth quarters of a year.

EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Standard Updates

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-06, “Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements” (ASU 2010-06). This update requires the following disclosures: (1) the different classes of assets and liabilities measured at fair value; (2) the valuation techniques and inputs used; (3) a gross presentation of activity within the Level 3 rollforward, presenting separately information about purchases, sales, issuances, and settlements; and (4) details of significant transfers in and out of Level 1 and Level 2 measurements and the reasons for the transfers. ASU 2010-06 was effective for interim and annual reporting periods beginning after December 15, 2009. The adoption of ASU 2010-06 has been incorporated into the footnote disclosures within these financial statements.

Accounting Standard Updates Not Yet Effective

In October 2009, the FASB issued Update No. 2009-13, “Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force” (ASU 2009-13). ASU 2009-13 updates the existing multiple-element revenue arrangements guidance currently included under Accounting Standards Codification 605-25 (ASC 605-25). The revised guidance eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting and eliminates the residual method to allocate arrangement consideration. In addition, the updated guidance also expands the disclosure requirements for revenue recognition. ASU 2009-13 is effective for us beginning January 1, 2011 and will be adopted by us as of this date on a prospective basis. We do not believe that this accounting standards update will have a material impact on our financial statements.

ITEM 7A. 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 December 31, 2010, 2009 and 2008, 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, high-grade bank obligations, investment-grade corporate bonds, certain money market funds of investment grade debt instruments such as obligations of the U.S. Treasury and U.S. Federal Government Agencies, municipal bonds and commercial paper.

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 December 31, 2010 were composed of the instruments described in the preceding paragraph. 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 relative near term maturity.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and the financial statement schedule specified by this Item 8, together with the report thereon of Ernst & Young LLP, are presented following Item 15 of this report.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

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-K. 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.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management, with the participation of our chief executive officer and chief financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2010. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework.

The assessment of and conclusion on the effectiveness of internal control over financial reporting by PDI's management did not include internal control of Group DCA, which is included in our 2010 consolidated financial statements and constitutes 28% of total net assets as of December 31, 2010 and 0.5% of revenue and 30% of net loss for the year then ended. This acquisition was concluded in November 2010 and a complete integration and analysis of the internal controls relating to the acquired businesses was not practicable for purposes of inclusion in our assessment. We will continue to evaluate the impact of the acquisition of these businesses on our system of internal control over financial reporting. We have excluded this business from our assessment of the effectiveness of internal control over financial reporting as of December 31, 2010.

Our management has concluded that, excluding Group DCA, our internal control over financial reporting is effective based on these criteria as of December 31, 2010.

Changes in Internal Control over Financial Reporting

Except as described above under "*Management's Annual Report on Internal Control over Financial Reporting"* with respect to the Group DCA acquisition, there were no other changes in our internal control over financial reporting during the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

On December 21, 2010, the Compensation Committee of the Board approved the grant of the following cash and equity-based awards to certain executive officers in recognition of their contributions to the Company's performance during 2010 (collectively, the "2010 Special Bonuses"). The equity component of the 2010 Special Bonuses consists of shares of restricted stock granted pursuant to the Company's 2004 Stock Award and Incentive Plan; the restricted stock awards vest in three equal annual installments beginning on the date of grant.

	Cash Bonus	Equity Awards (1)	Total 2010 Special Bonus
Nancy S. Lurker *CEO*	$100,000	$100,000	$200,000
Jeffrey S. Smith *EVP, CFO and Treasurer*	$50,000	$50,000	$100,000
David Kerr *SVP, Business Development*	$25,000	$25,000	$50,000
Richard Micali *SVP, Sales Services*	$25,000	$25,000	$50,000

(1) The amounts presented in this column represent the aggregate grant-date fair value of the restricted stock awards calculated in accordance with FASB ASC Topic 718.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to directors and executive officers of the registrant that is responsive to Item 10 of this Form 10-K will be included in our Proxy Statement in connection with our 2011 annual meeting of stockholders and such information is incorporated by reference herein.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation that is responsive to Item 11 of this Form 10-K will be included in our Proxy Statement in connection with our 2011 annual meeting of stockholders and such information is incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information relating to security ownership of certain beneficial owners and management that is responsive to Item 12 of this Form 10-K will be included in our Proxy Statement in connection with our 2011 annual meeting of stockholders and such information is incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information relating to certain relationships and related transactions that is responsive to Item 13 of this Form 10-K will be included in our Proxy Statement in connection with our 2011 annual meeting of stockholders and such information is incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information relating to principal accounting fees and services that is responsive to Item 14 of this Form 10-K will be included in our Proxy Statement in connection with our 2011 annual meeting of stockholders and such information is incorporated by reference herein.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Form 10-K:

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

(2) Financial Statement Schedule

Schedule II: Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

(3) Exhibits

Exhibit No.	Description
3.1	Certificate of Incorporation of PDI, Inc. (1)
3.2	By-Laws of PDI, Inc. (1)
3.3	Certificate of Amendment of Certificate of Incorporation of PDI, Inc. (3)
4.1	Specimen Certificate Representing the Common Stock (1)
10.1*	1998 Stock Option Plan (1)
10.2*	2000 Omnibus Incentive Compensation Plan (2)
10.3*	Executive Deferred Compensation Plan (15)
10.4*	2004 Stock Award and Incentive Plan (4)
10.5*	Form of Restricted Stock Unit Agreement for Employees (13)
10.6*	Form of Stock Appreciation Rights Agreement for Employees (13)
10.7*	Form of Restricted Stock Unit Agreement for Directors (13)
10.8*	Form of Restricted Share Agreement (15)
10.9*	Employment Separation Agreement between the Company and Nancy Lurker (9)
10.10*	Amended and Restated Employment Agreement between the Company and Jeffrey Smith (10)
10.11*	Employment Separation Agreement between the Company and David Kerr (15)
10.12*	Employment Separation Agreement between the Company and Rich Micali (14)
10.13*	Employment Separation Agreement between the Company and Howard Drazner (14)
10.14	Saddle River Executive Centre Lease (5)
10.15	Saddle River Executive Centre 2005 Sublease (5)
10.16	Saddle River Executive Centre 2007 Sublease (8)

Exhibit No.	Description
10.17	First Amendment to Saddle River Executive Centre 2005 Sublease (12)
10.18	Morris Corporate Center Lease (11)
10.19	Stock Appreciation Rights Agreement for David Kerr (16)
10.20.1†	Amended and Restated Master Services Agreement, dated September 23, 2009, between the Company and Pfizer Inc. (18)
10.20.2†	Amended and Restated Task Order No. 1 to the Master Services Agreement, effective January 1, 2010, between the Company and Pfizer Inc. (18)
10.20.3†	Amendment No. 1 to Task Order No. 1, effective February 1, 2010, between the Company and Pfizer Inc. (18)
10.20.4†	Amendment No. 2 to Task Order No. 1, effective June 28, 2010, between the Company and Pfizer Inc. (18)
10.20.5†	Amendment No. 3 to Task Order No. 1, effective October 1, 2010, between the Company and Pfizer Inc. (18)
10.21	Consulting Agreement, dated July 1, 2010, between the Company and John P. Dugan (17)
10.22	Membership Interest Purchase Agreement, dated November 3, 2010, between the Company, Group DCA, LLC, JD & RL, Inc., Robert O. Likoff and Jack Davis, filed herewith
10.23*	Robert Likoff Employment Agreement, filed herewith
10.24*	Jack Davis Employment Agreement, filed herewith
10.25	Group DCA Lease in Parsippany, NJ, filed herewith
10.26*	Stock Appreciation Rights for Nancy Lurker, filed herewith
10.27*	New Hire Chief Executive Officer Term Sheet, filed herewith
21.1	Subsidiaries of the Registrant, filed herewith
23.1	Consent of Ernst & Young LLP, filed herewith
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith

Exhibit No.	Description
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

* Denotes compensatory plan, compensation arrangement or management contract.

† Portions of this Exhibit were omitted and filed separately with the Secretary of the SEC pursuant to an order for confidential treatment from the SEC.

(1) Filed as an exhibit to our Registration Statement on Form S-1 (File No 333-46321), filed with the SEC on May 19, 1998 and incorporated herein by reference.

(2) Filed as an exhibit to our definitive proxy statement dated May 10, 2000, filed with the SEC on May 11, 2000 and incorporated herein by reference.

(3) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2001, filed with the SEC on March 13, 2002 and incorporated herein by reference.

(4) Filed as an exhibit to our definitive proxy statement dated April 28, 2004, filed with the SEC on April 28, 2004 and incorporated herein by reference.

(5) Filed as an exhibit to our Form 10-K for the year ended December 31, 2005, filed with the SEC on March 17, 2006 and incorporated herein by reference.

(6) Filed as an exhibit to our Form 10-Q for the quarter ended June 30, 2006, filed with the SEC on August 9, 2006 and incorporated herein by reference.

(7) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2006, filed with the SEC on March 16, 2007 and incorporated herein by reference.

(8) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on March 13, 2008 and incorporated herein by reference.

(9) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on November 18, 2008 and incorporated herein by reference.

(10) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on January 7, 2009 and incorporated herein by reference.

(11) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, filed with the SEC on November 5, 2009 and incorporated herein by reference.

(12) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on December 4, 2009 and incorporated herein by reference.

(13) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2008, filed with the SEC on March 13, 2009 and incorporated herein by reference.

(14) Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on April 7, 2009 and incorporated herein by reference.

(15) Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC on March 8, 2010 and incorporated herein by reference.

(16) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed with the SEC on May 6, 2010 and incorporated herein by reference

(17) Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the SEC on August 4, 2010 and incorporated herein by reference

(18) Filed as an exhibit to our Amended Annual Report on Form 10-K/A for the year ended December 31, 2009, filed with the SEC on January 28, 2011 and incorporated herein by reference

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 22nd day of March, 2011.

PDI, INC.
/s/ Nancy Lurker
Nancy Lurker
Chief Executive Officer

POWER OF ATTORNEY

PDI, Inc., a Delaware Corporation, and each person whose signature appears below constitutes and appoints each of Nancy Lurker and Jeffrey E. Smith, and either of them, such person's true and lawful attorney-in-fact, with full power of substitution and resubstitution, for such person and in such person's name, place and stead, in any and all capacities, to sign on such person's behalf, individually and in each capacity stated below, any and all amendments to this Annual Report on Form 10-K and other documents in connection therewith, and to file the same and all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, thereby ratifying and confirming all that said attorneys-in-fact, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Form 10-K has been signed by the following persons on behalf of the Registrant and in the capacities indicated and on the 22nd day of March, 2011.

Signature	Title
/s/ Gerald Belle Gerald Belle	Chairman of the Board of Directors
/s/ Nancy Lurker Nancy Lurker	Chief Executive Officer and Director (principal executive officer)
/s/ Jeffrey E. Smith Jeffrey E. Smith	Chief Financial Officer and Treasurer (principal accounting and financial officer)
/s/ Jan Martens Vecsi Jan Martens Vecsi	Director
/s/ Frank Ryan Frank Ryan	Director
/s/ John Federspiel John Federspiel	Director
/s/ Stephen J. Sullivan Stephen J. Sullivan	Director
/s/ Jack E. Stover Jack E. Stover	Director
/s/ Veronica Lubatkin Veronica Lubatkin	Director

PDI, Inc.
Index to Consolidated Financial Statements
and Financial Statement Schedules

	Page
Report of Independent Registered Public Accounting Firm	F-2
Financial Statements	
Consolidated Balance Sheets at December 31, 2010 and 2009	F-3
Consolidated Statements of Operations for the years ended December 31, 2010, 2009 and 2008	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2010, 2009 and 2008	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008	F-6
Notes to Consolidated Financial Statements	F-7
Schedule II. Valuation and Qualifying Accounts	F-33

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of PDI, Inc.:

We have audited the accompanying consolidated balance sheets of PDI, Inc. as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PDI, Inc. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in the relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Ernst &Young LLP

MetroPark, New Jersey
March 22, 2011

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

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62,711	$ 72,463
Short-term investments	147	164
Accounts receivable, net	11,057	11,858
Unbilled costs and accrued profits on contracts in progress	3,363	3,483
Income tax refund receivable	-	3,298
Other current assets	3,374	5,245
Total current assets	80,652	96,511
Property and equipment, net	4,047	3,530
Goodwill	23,876	5,068
Other intangible assets, net	10,393	2,542
Other long-term assets	5,421	2,125
Total assets	$ 124,389	$ 109,776
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,266	$ 1,994
Unearned contract revenue	13,417	6,793
Accrued salary and bonus	10,664	6,071
Other accrued expenses	15,981	10,022
Total current liabilities	43,328	24,880
Long-term liabilities	11,548	10,006
Total liabilities	54,876	34,886
Commitments and contingencies (Note 11)		
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; 15,463,995 and 15,308,160 shares issued, respectively; 14,390,788 and 14,242,715 shares outstanding, respectively	155	153
Additional paid-in capital	124,787	123,295
Accumulated deficit	(41,817)	(35,003)
Accumulated other comprehensive income	8	3
Treasury stock, at cost (1,073,207 and 1,065,445 shares, respectively)	(13,620)	(13,558)
Total stockholders' equity	69,513	74,890
Total liabilities and stockholders' equity	$ 124,389	$ 109,776

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

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

	For The Years Ended December 31, 2010	2009	2008
Revenue, net	$ 144,652	$ 80,384	$ 105,233
Cost of services	112,448	55,844	103,126
Gross profit	32,204	24,540	2,107
Operating expenses:			
Compensation expense	18,569	17,989	18,443
Other selling, general and administrative expenses	15,941	16,944	16,103
Asset Impairment	-	18,118	23
Executive severance	-	-	858
Facilities realignment	1,999	6,609	-
Total operating expenses	36,509	59,660	35,427
Operating loss	(4,305)	(35,120)	(33,320)
Other income, net	138	208	2,839
Loss from continuing operations before income tax	(4,167)	(34,912)	(30,481)
Provision (benefit) for income tax	414	(6,838)	871
Loss from continuing operations	(4,581)	(28,074)	(31,352)
Loss from discontinued operations, net of tax	(2,233)	(5,486)	(3,109)
Net loss	$ (6,814)	$ (33,560)	$ (34,461)
Basic loss per share of common stock:			
From continuing operations	$ (0.32)	$ (1.97)	$ (2.20)
From discontinued operations	(0.16)	(0.39)	(0.22)
Net loss per basic share of common stock	$ (0.48)	$ (2.36)	$ (2.42)
Diluted loss per share of common stock:			
From continuing operations	$ (0.32)	$ (1.97)	$ (2.20)
From discontinued operations	(0.16)	(0.39)	(0.22)
Net loss per basic share of common stock	$ (0.48)	$ (2.36)	$ (2.42)
Weighted average number of common shares and common share equivalents outstanding:			
Basic	14,306	14,219	14,240
Diluted	14,306	14,219	14,240

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

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

	For The Years Ended December 31,					
	2010		2009		2008	
	Shares	Amount	Shares	Amount	Shares	Amount
Common stock:						
Balance at January 1	15,308	$ 153	15,273	$ 153	15,223	$ 152
Common stock issued	116	1	62	-	64	1
SARs exercised	3	-				
Restricted stock issued	38	1	-	-	122	1
Restricted stock forfeited	(1)	-	(27)	-	(136)	(1)
Balance at December 31	15,464	155	15,308	153	15,273	153
Treasury stock:						
Balance at January 1	1,065	(13,558)	1,049	(13,495)	1,039	(13,433)
Treasury stock purchased	8	(62)	16	(63)	10	(62)
Balance at December 31	1,073	(13,620)	1,065	(13,558)	1,049	(13,495)
Additional paid-in capital:						
Balance at January 1		123,295		121,908		120,422
Common stock issued		(1)		-		299
Restricted stock issued		(1)		-		(1)
Restricted stock forfeited		-		-		(7)
Stock-based compensation expense		1,494		1,387		1,195
Balance at December 31		124,787		123,295		121,908
(Accumulated deficit)retained earnings:						
Balance at January 1		(35,003)		(1,443)		33,018
Net loss		(6,814)		(33,560)		(34,461)
Balance at December 31		(41,817)		(35,003)		(1,443)
Accumulated other comprehensive (loss) income:						
Balance at January 1		3		(16)		30
Reclassification of realized loss (gain), net of tax		3		8		(17)
Unrealized holding (loss)/gain, net of tax		2		11		(29)
Balance at December 31		8		3		(16)
Total stockholders' equity		69,513		74,890		107,107
Comprehensive loss:						
Net loss		$ (6,814)		$ (33,560)		$ (34,461)
Reclassification of realized gain, net of tax		3		8		(17)
Unrealized holding gain, net of tax		2		11		(29)
Total comprehensive loss		$ (6,809)		$ (33,541)		$ (34,507)

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

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

	For The Years Ended December 31,		
	2010	2009	2008
Cash Flows From Operating Activities			
Net loss from operations	$ (6,814)	$ (33,560)	$ (34,461)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, amortization and accretion	1,976	2,838	4,613
Deferred income taxes, net	5	(1,443)	331
(Recovery of) provision for bad debt, net	30	30	31
Stock-based compensation	1,494	1,387	1,487
Asset impairment	-	18,118	
Non-cash facilities realignment	575	2,584	75
Other (gains), losses and expenses, net	16	38	(15)
Other changes in assets and liabilities:			
Decrease in accounts receivable	2,095	3,928	6,965
Decrease (increase) in unbilled costs	711	(1,014)	1,012
Decrease (increase) in income tax receivable	3,298	(3,298)	-
Decrease in other current assets	327	558	554
Decrease in other long-term assets	-	-	1,023
Increase (decrease) in accounts payable	522	(304)	(494)
Increase (decrease) in unearned contract revenue	2,625	2,490	(4,781)
Increase (decrease) in accrued salaries and bonus	4,512	431	(1,496)
(Decrease) increase in accrued contract loss	-	(10,021)	10,021
Increase (decrease) in accrued liabilities	5,142	(107)	(829)
(Decrease) increase in long-term liabilities	(162)	1,373	(27)
Net cash provided by (used in) operating activities	16,352	(15,972)	(15,991)
Cash Flows From Investing Activities			
Purchase of held-to-maturity investments	-	(5,546)	(15,050)
Proceeds from maturities of held-to-maturity investments	-	5,700	22,391
Cash paid for acquisition, net of cash acquired	(23,912)	-	-
Purchase of property and equipment	(2,130)	(1,730)	(399)
Net cash (used in) provided by investing activities	(26,042)	(1,576)	6,942
Cash Flows From Financing Activities			
Cash paid for repurchase of restricted shares	(62)	(63)	(62)
Net cash used in financing activities	(62)	(63)	(62)
Net decrease in cash and cash equivalents	(9,752)	(17,611)	(9,111)
Cash and cash equivalents – beginning	72,463	90,074	99,185
Cash and cash equivalents – ending	$ 62,711	$ 72,463	$ 90,074
Cash paid for interest	$ -	$ -	$ -
Cash paid for taxes	$ 86	$ 267	$ 211

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

1. Nature of Business and Significant Accounting Policies

Nature of Business

PDI, Inc. together with its wholly-owned subsidiaries (PDI or the Company) is an integrated multichannel outsource promotional services company serving the pharmaceutical, biopharmaceutical and healthcare industries. On November 3, 2010, the Company acquired 100% of the membership interest in Group DCA, a privately held interactive digital communications company serving the pharmaceutical, biotechnology and healthcare industries. See Note 3, Acquisition, and Note 20, Segment Information, for further information.

Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of PDI, Inc. and its wholly-owned subsidiaries: Group DCA, LLC (Group DCA), ProtoCall, Inc., InServe Support Solutions (Pharmakon), PDI Investment Company, Inc., and TVG, Inc. (TVG) (presented as discontinued operations). All significant intercompany balances and transactions have been eliminated in consolidation.

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, loss contract provisions, valuation allowances related to deferred income taxes, self-insurance loss accruals, allowances for doubtful accounts and notes, income tax accruals, acquisition accounting, asset impairments and facilities realignment accruals. The Company periodically reviews these matters and reflects changes in estimates as appropriate. Actual results could materially differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include unrestricted cash accounts, money market investments and highly liquid investment instruments with original maturity of three months or less at the date of purchase.

Receivables and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews a customer’s credit history before extending credit. The Company records a provision for estimated losses based upon the inability of its customers to make required payments using historical experience and periodically adjusts these provisions to reflect actual experience. Additionally, the Company will establish a specific allowance for doubtful accounts when it becomes aware of a specific customer’s inability or unwillingness to meet its financial obligations (e.g., bankruptcy filing). There was no allowance for doubtful accounts as of December 31, 2010 and 2009. The Company operates predominately in the pharmaceutical industry and to a great extent its revenue is dependent on a limited number of large pharmaceutical companies. The Company also partners with emerging pharmaceutical customers, some of whom may have limited financial resources. A general downturn in the pharmaceutical industry or adverse material event to one or more of the Company’s emerging pharmaceutical customers could result in higher than expected customer defaults and additional allowances may be required.

Unbilled Costs and Accrued Profits

In general, contractual provisions, including predetermined payment schedules or submission of appropriate billing detail, establish the prerequisites for billings. Unbilled costs and accrued profits arise when services have been rendered and payment is assured but customers have not been billed. These amounts are classified as a current asset.

Unearned Contract Revenue

Normally, in the case of detailing and e-detailing contracts, the customers agree to pay the Company a portion of the fee due under a contract in advance of performance of services because of large recruiting and employee development costs associated with the initial phase of a contract performance and effort required in the development of interactive digital communications. The excess of amounts billed over revenue recognized represents unearned contract revenue, which is classified as a current liability.

Loans and Investments in Privately Held Entities

From time-to-time, the Company makes investments in and/or loans to privately-held companies. The Company determines whether the fair values of any investments in privately held entities have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considers any such decline to be other than temporary (based on various factors, including historical financial results, and the overall health of the investee's industry), a write-down to estimated fair value is recorded. On a quarterly basis, the Company reviews outstanding loans receivable to determine if a provision for doubtful notes is necessary. These reviews include discussions with senior management of the investee, and evaluations of, among other things, the investee's progress against its business plan, its product development activities and customer base, industry market conditions, historical and projected financial performance, expected cash needs and recent funding events. The Company records interest income on the impaired loans; however, that amount is fully reserved if the investee is not making its interest payments. Subsequent cash receipts on the outstanding interest are applied against the outstanding interest receivable balance and the corresponding allowance. The Company's assessments of value are subjective given that the investees may be at an early stage of development and rely regularly on their investors for cash infusions. As of December 31, 2010 and 2009, the Company had a loan receivable balance of $0.5 million which was fully reserved.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation and amortization is recognized on a straight-line basis, using the estimated useful lives of: seven to ten years for furniture and fixtures; two to five years for office and computer equipment; and leasehold improvements are amortized over the shorter of the estimated service lives or the terms of the related leases. Repairs and maintenance are charged to expense as incurred. Upon disposition, the asset and related accumulated depreciation are removed from the related accounts and any gains or losses are reflected in operations.

Software Costs

It is the Company's policy to capitalize certain costs incurred in connection with developing or obtaining internal-use software. Capitalized software costs are included in property and equipment on the consolidated balance sheet and amortized over the software's useful life, generally three to seven years. Software costs that do not meet capitalization criteria are expensed immediately.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and cash equivalents and investments in marketable securities. The Company maintains deposits in federally insured financial institutions. The Company also holds investments in Treasury money market funds that maintain an average portfolio maturity less than 90 days and, under the temporary guarantee program for money market funds, are insured by the United States Treasury. Deposits held with financial institutions may exceed the amount of insurance provided on such deposits; however, management believes the Company is not exposed to significant credit risk due to the financial position of the financial institutions in which those deposits are held and the nature of the investments.

Goodwill

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

The Company tests goodwill and indefinite lived intangible assets for impairment at least annually (as of December 31) and whenever events or circumstances change that indicate impairment may have occurred. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others: a significant decline in our expected future cash flows; a sustained, significant decline in our stock price and market capitalization; a significant adverse change in legal factors or in the business climate of the pharmaceutical industry; unanticipated competition; and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of goodwill, and indefinite lived intangible assets and our consolidated financial results.

The Company tests goodwill for impairment at the business (reporting) unit level, which is one level below its operating segments. Goodwill has been assigned to the reporting units to which the value of the goodwill relates. The Company currently has six reporting units, two of which, Pharmakon and Group DCA, have goodwill. The Company tested goodwill by estimating the fair value of the reporting unit using both the Discounted Cash Flow (DCF) and Guideline Public Company (GPC) models. The key assumptions used in the DCF model to determine the highest and best use of estimated future cash flows include revenue growth rates and profit margins based on internal forecasts, terminal value and a market participant's weighted-average cost of capital used to discount future cash flows to their present value. The key assumptions used in the GPC model include revenue and earnings before interest, taxes, depreciation and amortization (EBITDA) multiples of entities with comparable size, nature of business, country of operations, portfolio of products and services and economic characteristics, with a focus on public companies within the marketing and advertising industries. While the Company uses available information to prepare estimates and to perform impairment evaluations, actual results could differ significantly from these estimates or related projections, resulting in impairment related to recorded goodwill balances. See Note 4, Fair Value Measurements, and Note 7, Goodwill and Other Intangible Assets, for further information.

Long-Lived Assets

The Company reviews the recoverability of long-lived assets and finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value of the asset to its fair value measured by future discounted cash flows. This analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary. In addition, future events impacting cash flows for existing assets could render a write-down or write-off necessary that was not previously required. For a discussion of impairment related to finite-lived intangible assets, see Note 7, Goodwill and Other Intangible Assets.

During the year ended December 31, 2009, the Company recorded non-cash charges of approximately $2.6 million for the impairment of certain furniture, leasehold improvements and office equipment due to the relocation of the Company's headquarters and the consolidation of certain operations. See Note 15, Facilities Realignment, for additional information. During the year ended December 31, 2010, the Company recorded non-cash charges of approximately $0.6 million for the impairment of certain furniture and leasehold improvements as a result of exiting the remaining space in Dresher, Pennsylvania. This charge has been recorded in discontinued operations. See Note 17, Facilities Realignment, and Note 21, Discontinued Operations, for additional information.

Self-Insurance Accruals

The Company is self-insured for benefits paid under employee healthcare programs. The Company's liability for healthcare claims is estimated using an underwriting determination which is based on the current year's average lag days between when a claim is incurred and when it is paid. The Company maintains stop-loss coverage with third-party insurers to limit its total exposure on all of these programs. Periodically, the Company evaluates the level of insurance coverage and adjusts insurance levels based on risk tolerance and premium expense. Management reviews the self-insurance accruals on a quarterly basis. Actual results may vary from these estimates, resulting in an adjustment in the period of the change in estimate. Prior to October 1, 2008, the Company was also self-insured for certain losses for claims filed and claims incurred but not reported relating to workers' compensation and automobile-related liabilities for Company-leased cars. Beginning October 1, 2008, the Company became fully-insured through an outside carrier for these losses. The Company's liability for claims filed and claims incurred but not reported prior to October 1, 2008 is estimated on an actuarial undiscounted basis supplied by our insurance brokers and insurers using individual case-based

valuations and statistical analysis. These estimates are based upon judgment and historical experience. However, the final cost of many of these claims may not be known for five years or more after filing of the claim. At December 31, 2010 and 2009, self-insurance accruals totaled $0.9 million and $1.0 million, respectively, and are included in other accrued expenses on the balance sheet.

Contingencies

In the normal course of business, the Company is subject to various contingencies. Loss contingencies are recorded in the consolidated financial statements when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated, or otherwise disclosed. The Company is currently involved in certain legal proceedings and, as required, the Company has accrued its estimate of the probable costs for the resolution of these claims. These estimates are developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Predicting the outcome of claims and litigation, and estimating related costs and exposures, involves substantial uncertainties that could cause actual costs to vary materially from estimates.

Revenue and Cost of Services

The Company recognizes revenue from services rendered when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists; services have been rendered; the selling price is fixed or determinable; and collectability is reasonably assured. Many of the product detailing contracts allow for additional periodic incentive fees to be earned if certain performance benchmarks have been attained.

Sales Services

Revenue under pharmaceutical detailing contracts generally is based on the number of physician details made or the number of sales representatives utilized. With respect to risk-based contracts, all or a portion of revenues earned are based on contractually defined percentages of product revenues or the market value of prescriptions written and filled in a given period. These 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 customer for any reason upon 30 to 180 days' notice. Certain contracts provide for termination payments to the Company if the customer terminates the agreement without cause. Typically, however, these penalties only partially offset the revenue the Company could have earned under the contract or the costs the Company may incur as a result of its termination.

Revenue earned from incentive fees is recognized in the period earned and when we are reasonably assured that payment will be made. Under performance based contracts, revenue is recognized when the performance based parameters are achieved. Many contracts also stipulate penalties if agreed upon performance benchmarks have not been met. Revenue is recognized net of any potential penalties until the performance criteria relating to the penalties have been achieved. Commissions based revenue is recognized when performance is completed.

The Company maintains continuing relationships with its Sales Services customers which may lead to multiple ongoing contracts between the two parties. In situations where the Company enters into multiple contracts with one customer at or near the same time, the Company evaluates the various factors involved in negotiating the arrangements in order to determine if the contracts were negotiated as a package and should be accounted for as a single agreement.

The loss or termination of large pharmaceutical detailing contracts could have a material adverse effect on the Company's business, financial condition and results of operations. Historically, the Company has derived a significant portion of its service revenue from a limited number of customers. Concentration of business in the pharmaceutical industry is common and the industry continues to consolidate. As a result, the Company is likely to continue to experience significant customer concentration in future periods. For the year ended December 31, 2010, the Company's three largest customers, each of whom individually represented 10% or more of its service revenue, together accounted for approximately 77.0% of its service revenue. For the years ended December 31, 2009 and 2008, the Company's two and three largest customers, respectively, each of whom individually represented 10% or more of its service revenue, together accounted for approximately 61.7%, and 54.7% of its service revenue, respectively. See Note 15, Significant Customers, for additional information.

Cost of services consists primarily of the costs associated with executing product detailing programs, performance based contracts or other sales and marketing services identified in the contract and includes personnel costs and other direct costs, as well as the initial direct costs associated with staffing a product detailing program. Personnel costs, which constitute the largest portion of cost of services, include all labor

related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the sales representatives, sales managers and professional staff that are directly responsible for executing a particular program. Initial direct program costs are those costs associated with initiating a product detailing program, such as recruiting, hiring, and training the sales representatives who staff a particular program. Other direct costs include, but are not limited to, facility rental fees, honoraria and travel expenses, sample expenses and other promotional expenses. All personnel costs, initial direct program costs and other direct costs, other than training costs, are expensed as incurred.

Reimbursable out-of-pocket expenses include those relating to travel and other similar costs, for which the Company is reimbursed at cost by its customers. Reimbursements received for out-of-pocket expenses incurred are characterized as revenue and an identical amount is included as cost of services in the consolidated statements of operations. For the years ended December 31, 2010, 2009, and 2008, reimbursable out-of-pocket expenses were $21.3 million, $8.2 million and $12.6 million, respectively.

Training costs include the costs of training the sales representatives and managers on a particular product detailing program so that they are qualified to properly perform the services specified in the related contract. For the majority of the Company's contracts, training costs are reimbursable out-of-pocket expenses. For contracts where the Company is responsible for training costs, these costs are deferred and amortized on a straight-line basis over the shorter of the life of the contract to which they relate or 12 months.

Marketing Services

Revenue under marketing service contracts are generally based on a series of deliverable services associated with the design and execution of interactive promotional programs or marketing research/advisory programs. The 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 the Company's Pharmakon and Group DCA business units, and the loss or termination of one or more large master service agreements could have a material adverse effect on the Company's business and results of operations.

Revenue from certain promotional contracts that include more than one service offering is accounted for as multiple-element arrangements. For these contracts, the deliverable elements are divided into separate units of accounting provided the following criteria are met: the price is fixed and determinable; the delivered elements have stand-alone value to the customer; there is objective and reliable evidence of the fair value of the undelivered elements; and there is no right of return or refund. The contract revenue is then allocated to the separate units of accounting. Revenue and cost of services are recognized for each unit of accounting separately as the related services are rendered and costs are incurred, respectively.

Interactive digital contracts contain two phases: the content development phase and the delivery phase. Revenue related to interactive digital contracts is generally recognized ratably over the delivery phase(s) of the contract which are generally between eight and twelve months long.

The Company maintains continuing relationships with its Marketing Services customers which may lead to multiple ongoing contracts between the two parties. In situations where the Company enters into multiple contracts with one customer at or near the same time, the Company evaluates the various factors involved in negotiating the arrangements in order to determine if the contracts were negotiated together and should be accounted for as a single agreement.

Cost of services consists primarily of the costs associated with executing e-detailing programs or other sales and marketing services identified in the contract and includes personnel costs and other direct costs. Personnel costs, which constitute the largest portion of cost of services, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the professional staff that are directly responsible for executing a particular program. Other direct costs include, but are not limited to, freelance costs, email broadcasting fees, cue card and webkey production fees and other promotional expenses. All personnel costs and direct program costs, other than direct and incremental costs incurred for the production of physical products, are expensed as incurred. Direct and incremental costs for the production of physical products related to customer contracts are deferred and recognized ratably with the associated contract revenue.

Contract Loss Provisions

Provisions for losses to be incurred in connection with contract performance are recognized in full in the period in which it is determined that a loss will result from performance of the contractual arrangement. The Company recognized a contract loss related to its existing product commercialization agreement in 2008. At December

31, 2010 and 2009, the Company had no accrued contract losses. See Note 12, Product Commercialization Contract, for further information.

Stock-Based Compensation

The compensation cost associated with the granting of stock-based awards is based on the grant date fair value of the stock award. The Company recognizes the compensation cost, net of estimated forfeitures, over the shorter of the vesting period or the period from the grant date to the date when retirement eligibility is achieved. Forfeitures are initially estimated based on historical information and subsequently updated over the life of the awards to ultimately reflect actual forfeitures. As a result, changes in forfeiture activity can influence the amount of stock compensation cost recognized from period to period.

The Company primarily uses the Black-Scholes option pricing model to determine the fair value of stock options and stock-based stock appreciation rights (SARs). The determination of the fair value of stock-based payment awards is made on the date of grant and is affected by the Company's stock price as well as assumptions made regarding a number of complex and subjective variables. These assumptions include: expected stock price volatility over the term of the awards; actual and projected employee stock option exercise behaviors; the risk-free interest rate; and expected dividend yield. These assumptions are more fully described in Note 14, Stock-Based Compensation, for further information. The fair value of restricted stock units (RSUs) and restricted shares is equal to the closing stock price on the date of grant.

Treasury Stock

Treasury stock purchases are accounted for under the cost method whereby the entire cost of the acquired stock is recorded as treasury stock. Upon reissuance of shares, the Company records any difference between the weighted-average cost of such shares and any proceeds received as an adjustment to additional paid-in capital.

Rent Expense

Minimum rental expenses are recognized over the term of the lease. The Company recognizes minimum rent starting when possession of the property is taken from the landlord, which may include a construction period prior to occupancy. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts payable under the lease as a deferred rent liability. The Company may also receive tenant allowances including cash or rent abatements, which are reflected in other accrued expenses and long-term liabilities on the consolidated balance sheet. These allowances are amortized as a reduction of rent expense over the term of the lease. Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based upon use of utilities and the landlord's operating expenses. These amounts are excluded from minimum rent and are included in the determination of total rent expense when it is probable that the expense has been incurred and the amount is reasonably estimable.

Income taxes

Income taxes are based on income for financial reporting purposes calculated using the Company's expected annual effective rate and reflect a current tax liability or asset for the estimated taxes payable or recoverable on the current year tax return and expected annual changes in deferred taxes. Any interest or penalties on income tax are recognized as a component of income tax expense.

The Company accounts for income taxes using the asset and liability method. This method requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of the Company's assets and liabilities based on enacted tax laws and rates. Deferred tax expense (benefit) is the result of changes in the deferred tax asset and liability. A valuation allowance is established, when necessary, to reduce the deferred income tax assets when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

The Company operates in multiple tax jurisdictions and pays or provides for the payment of taxes in each jurisdiction where it conducts business and is subject to taxation. The breadth of the Company's operations and the complexity of the tax law require assessments of uncertainties and judgments in estimating the ultimate taxes the Company will pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of proposed assessments arising from federal and state audits. Uncertain tax positions are recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that a position taken or expected to be taken in a tax return would be sustained upon examination by tax authorities that have full knowledge of all relevant

information. A recognized tax position is then measured as the largest amount of benefit that is greater than fifty percent likely to be realized upon ultimate settlement. The Company adjusts accruals for unrecognized tax benefits as facts and circumstances change, such as the progress of a tax audit. The Company believes that any potential audit adjustments will not have a material adverse effect on its financial condition or liquidity. However, any adjustments made may be material to the Company's consolidated results of operations or cash flows for a reporting period.

Significant judgment is also required in evaluating the need for and magnitude of appropriate valuation allowances against deferred tax assets. Deferred tax assets are regularly reviewed for recoverability. The Company currently has significant deferred tax assets resulting from net operating loss carryforwards and deductible temporary differences, which should reduce taxable income in future periods. The realization of these assets is dependent on generating future taxable income.

Earnings per Share

Basic earnings per common share are computed by dividing net income by the weighted average number of share outstanding during the year including any unvested share-based payment awards that contain nonforfeitable rights to dividends. Diluted earnings per common share are computed by dividing net income by the sum of the weighted average number of shares outstanding and dilutive common shares under the treasury method. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid), are participating securities and are included in the computation of earnings per share pursuant to the two-class method.

Comprehensive Income

Comprehensive income includes net income and the net unrealized gains and losses on investment securities, net of tax. Other comprehensive income is net of reclassification adjustments to adjust for items currently included in net income, such as realized gains and losses on investment securities.

Subsequent Events

See Note 14, Stock Based Compensation, and Note 23, Subsequent Events, for details related to subsequent events the Company has identified for disclosure.

Reclassifications

The Company reclassified certain prior period financial statement balances to conform to the current year presentation. See Note 21, Discontinued Operations, for further information.

2. Recent Accounting Standards

Recently Adopted Accounting Standard Updates

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements" (ASU 2010-06). This update requires the following disclosures: (1) the different classes of assets and liabilities measured at fair value; (2) the valuation techniques and inputs used; (3) a gross presentation of activity within the Level 3 roll forward, presenting separately information about purchases, sales, issuances, and settlements; and (4) details of significant transfers in and out of Level 1 and Level 2 measurements and the reasons for the transfers. ASU 2010-06 was effective for interim and annual reporting periods beginning after December 15, 2009. The adoption of ASU 2010-06 has been incorporated into the footnote disclosures within these financial statements.

Accounting Standard Updates Not Yet Effective

In October 2009, the FASB issued Accounting Standards Update No. 2009-13, "Multiple-Deliverable Revenue Arrangements—a consensus of the FASB Emerging Issues Task Force" (ASU 2009-13). ASU 2009-13 updates the existing multiple-element revenue arrangements guidance currently included under Accounting Standards Codification 605-25 (ASC 605-25). The revised guidance eliminates the need for objective and reliable evidence of the fair value for the undelivered element in order for a delivered item to be treated as a separate unit of accounting and eliminates the residual method to allocate arrangement consideration. In addition, the updated guidance also expands the disclosure requirements for revenue recognition. ASU 2009-13 is effective for the Company beginning January 1, 2011 and will be adopted by the Company as of this date on a prospective basis. The Company does not believe that this accounting standards update will have a material impact on its financial statements.

3. Acquisition

On November 3, 2010, the Company acquired 100% of the membership interest in Group DCA, a privately held interactive digital communications company serving the pharmaceutical, biotechnology and healthcare industries. The primary reason for the acquisition of Group DCA was to leverage the strength of its Internet, multimedia, tablet PC, dimensional direct mail and proprietary software, DIAGRAMtm, to deliver non-personal selling solutions that accommodate the schedules of healthcare providers. Group DCA's proprietary software also yields meaningful response data that allows clients the opportunity to better understand the needs and opinions of their audiences and, in turn, the opportunity to market to their audiences more effectively. With the combination of PDI's traditional outsourced personal promotional services and Group DCA's e-detailing, patient education communications and other digital communications, the Company expects to be even better positioned to offer customers increased insight and greater engagement, resulting in integrated information and more impactful messages being delivered to health care providers across multiple communication channels.

The acquisition has been accounted for as a purchase, subject to the provisions of Accounting Standards Codification 805-10-50 (ASC 805-10-50), and has been treated as an asset acquisition for tax purposes. The Company paid cash (net) of approximately $23.9 million, of which $1.3 million was deposited into an escrow account. As of December 31, 2010, $1.3 million is still held in the escrow account and will be paid out at the end of 18 months from the date of acquisition. The final purchase price is subject to working capital adjustment in accordance with the purchase agreement. The purchase agreement also provides for the members of Group DCA to earn up to an additional $30 million from the date of acquisition through December 31, 2012 (contingent earn-out fee). These payouts are based on Group DCA's achievement of revenue and gross profit metrics and range up to: $5.0 million in the period ended December 31, 2010; and $12.5 million in each of the years ending December 31, 2011 and 2012. Up to $2.5 million of the $12.5 million in each of the years ending December 31, 2011 and 2012 are related to certain integration activities and will be expensed as incurred. The metrics for payments related to the period ended December 31, 2010 were not achieved.

In connection with the transaction, the Company has recorded $18.8 million in goodwill, all of which is deductible for tax purposes, and $8.4 million in other identifiable intangible assets as of December 31, 2010. The identified finite-lived intangible assets, the healthcare provider database and technology, have a weighted average amortization period of 7.4 years. The tradename, which has an indefinite useful life, is not amortized. See Note 7, Goodwill and Other Intangible Assets, for additional information. The Company also recorded $4.0 million, the estimated fair value of deferred revenue, using a cost build-up approach. The cost build-up approach determines fair value by estimating the costs relating to fulfilling the obligations plus a normal profit margin of a market participant, less an estimated selling effort.

The Company determined the acquisition date fair value of the contingent consideration of $1.6 million based on a probability-weighted income approach derived from revenue estimates and a probability assessment with respect to the likelihood of achieving the various earn-out criteria. The fair value measurement is based on significant subjective assumptions and inputs not observable in the market and thus represents a Level 3 fair value measurement. Future revisions to these assumptions could materially change the estimate of the fair value of the contingent consideration and therefore materially affect the Company's future financial results. See Note 4, Fair Value Measurements, for further information. There was no change in the fair value of the contingent consideration during the period ended December 31, 2010. Going forward, the Company will estimate the change in the fair value of the contingent consideration as of each reporting period and recognize the change in fair value in the statement of operations. In addition, the Company recorded an indemnification asset and assumed a liability of approximately $0.9 million related to an ongoing sales tax assessment related to transactions that occurred prior to the acquisition date. The actual outcome of the assessment will likely be different than the amount recorded.

The Company incurred approximately $1.7 million in costs directly related to the acquisition within other selling, general and administrative expenses on the statement of operations during the year ended December 31, 2010. As a result of the transaction, the Company realized approximately $0.7 million of revenue and an operating loss of approximately $2.1 million during the year ended December 31, 2010.

The following unaudited pro forma consolidated results of operations for the years ended December 31, 2010 and 2009 assume that the Company had acquired 100% of the membership interests in Group DCA as of the beginning of the period presented. The pro forma results include estimates and assumptions which management believes are reasonable. However, pro forma results are not necessarily indicative of the results that would have occurred if the acquisition had been consummated as of the dates indicated, nor are they necessarily indicative of future operating results.

	(unaudited) Year ended December 31,	
	2010	**2009**
Revenue	$ 156,218	$ 96,366
Net loss	$ (11,512)	$ (35,962)
Loss per share	$ (0.80)	$ (2.53)

The major classes of assets and liabilities of Group DCA that have been included in the Condensed Consolidated Balance Sheet on the date of acquisition are as follows:

Current assets	$ 3,963
Goodwill	18,808
Intangibles	8,363
Other non-current assets	1,023
Total assets	$ 32,157
Unearned revenue	$ 3,999
Other current liabilities	2,245
Contingent earn-out	1,557
Total liabilities	$ 7,801

The preliminary allocation of the purchase price was based upon a valuation for which the estimates and assumptions are subject to change within the measurement period (up to one year from the acquisition date). The final allocation price could differ materially from the preliminary allocation. Any subsequent changes to the purchase price allocation that result in material changes to the Company's consolidated financial results will be adjusted accordingly.

4. Fair Value Measurements

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

Level 1: Valuations for assets and liabilities traded in active markets from readily available pricing sources for market transactions involving identical assets or liabilities.
Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.
Level 3: Valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The

Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

A description of the valuation methodologies used for the Company's financial instruments measured on a recurring basis at fair value, including the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

The fair value of marketable securities is valued using market prices in active markets (level 1). As of December 31, 2010, the Company did not have any marketable securities in less active markets (level 2) or without observable market values that would require a high level of judgment to determine fair value (level 3).

The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:

	As of December 31, 2010		Fair Value Measurements as of December 31, 2010		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents:					
Cash	$ 15,869	$ 15,869	$ 15,869	$ -	$ -
Money market funds	46,842	46,842	46,842	-	-
	$ 62,711	$ 62,711	$ 62,711	$ -	$ -
Marketable securities:					
Money market funds	$ 76	$ 76	$ 76	$ -	$ -
Mutual funds	71	71	71	-	-
U.S. Treasury securities	4,093	4,093	4,093	-	-
Government agency securities	1,181	1,181	1,181	-	-
	$ 5,421	$ 5,421	$ 5,421	$ -	$ -
Liabilities:					
Contingent consideration	$ 1,557	$ 1,557	$ -	$ -	$ 1,557

In connection with the November 3, 2010, acquisition of Group DCA the Company recorded $1.6 million of contingent consideration. The Company determined the fair value of the contingent consideration based on a probability-weighted income approach derived from revenue estimates and a probability assessment with respect to the likelihood of achieving the various earn-out criteria. The fair value measurement is based on significant inputs not observable in the market and thus represents a Level 3 measurement. There was no change in the fair value of the contingent consideration during the period ended December 31, 2010.

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

As of December 31, 2009, the Company concluded that the carrying amounts of the Pharmakon finite-lived intangible assets may not be recoverable from the sum of future undiscounted cash flows. As a result, customer relationships and corporate tradename were written down to their fair value of approximately $2.5 million, resulting in an impairment charge of approximately $9.6 million included in asset impairment in the consolidated statements of operations for the year ended December 31, 2009. Additionally, as of December 31, 2009, the Company determined that the Pharmakon goodwill was impaired and wrote the goodwill down to its implied fair value of approximately $5.1 million, resulting in an impairment charge of approximately $8.5 million included in asset impairment in the consolidated statements of operations for the year ended December 31, 2009. These impairment charges were derived using level 3 valuation inputs, which require a high level of judgment to determine fair value. See Note 7, Goodwill and Other Intangible Assets, for additional information.

5. Investments in Marketable Securities

Available-for-sale securities are carried at fair value with the unrealized holding gains or losses, net of tax, included as a component of accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses on available-for-sale securities are computed based upon specific identification and included in other income (expense), net in the consolidated statement of operations. Declines in value judged to be other

than-temporary on available-for-sale securities are recorded as realized in other income (expense), net in the consolidated statement of operations and the cost basis of the security is reduced. The fair values for marketable equity securities are based on quoted market prices. Held-to-maturity investments are stated at amortized cost which approximates fair value. Interest income is accrued as earned. Realized gains and losses on held-to-maturity investments are computed based upon specific identification and included in interest income, net in the consolidated statement of operations. The Company does not have any investments classified as trading.

Available-for-sale securities consist of assets in a rabbi trust associated with the Company's deferred compensation plan. At December 31, 2010 and 2009, the carrying value of available-for-sale securities was approximately $147,000 and $164,000, respectively, which are included in short-term investments. The available-for-sale securities at December 31, 2010 and 2009 consisted of approximately $76,000 and $90,000, respectively, in money market accounts, and approximately $71,000 and $74,000, respectively, in mutual funds. At December 31, 2010 accumulated other comprehensive income included gross unrealized holding gains of approximately $10,000 and no gross unrealized holding losses. At December 31, 2009 accumulated other comprehensive income included approximately $6,000 gross unrealized holding gains and no gross unrealized holding losses. During the year ended December 31, 2010, other income, net included no gross realized losses and $1,000 of net realized gains. During the year ended December 31, 2009, other income, net included gross realized losses of approximately $15,000 and $1,000 of net realized gains.

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 are maintained in separate accounts to support the Company's letters-of-credit. These investments are categorized as held-to-maturity because the Company's management has the intent and ability to hold these securities to maturity. The Company had standby letters-of-credit of approximately $5.4 million and $5.7 million at December 31, 2010 and 2009, respectively, as collateral for its existing insurance policies and facility leases. At December 31, 2010, approximately $0.1 million and $5.3 million of held-to-maturity investments were included in other current assets and other long-term assets, respectively. At December 31, 2009, approximately $3.6 million and $2.1 million of held-to-maturity investments were included in other current assets and other long-term assets, respectively.

At December 31, 2010 and 2009, held-to-maturity investments included:

		Maturing			Maturing	
	December 31, 2010	within 1 year	after 1 year through 3 years	December 31, 2009	within 1 year	after 1 year through 3 years
Cash/money market funds	$ 80	$ 80	$ -	$ 112	$ 112	$ -
US Treasury securities	4,093	-	4,093	2,814	1,911	903
Government agency securities	1,181	-	1,181	2,782	1,635	1,147
Total	$ 5,354	$ 80	$ 5,274	$ 5,708	$ 3,658	$ 2,050

6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2010 and 2009:

	December 31,	
	2010	**2009**
Furniture and fixtures	$ 3,638	$ 3,673
Office equipment	1,273	1,228
Computer equipment	7,525	5,902
Computer software	9,347	9,058
Leasehold improvements	7,166	6,903
	28,949	26,764
Less accumulated depreciation	(24,902)	(23,234)
	$ 4,047	$ 3,530

Depreciation expense was approximately $1.3 million, $1.5 million and $3.3 million, for the years ended

December 31, 2010, 2009 and 2008, respectively. Included in depreciation expense is amortization expense for capitalized computer software costs of approximately $0.2 million, $0.1 million and $0.9 million, for the years ended December 31, 2010, 2009 and 2008, respectively. As of December 31, 2010 an 2009, the unamortized balance of capitalized computer software was $1.1 million and $0.4 million, respectively.

During the year ended December 31, 2009, the Company recorded a non-cash charge of approximately $1.9 million for furniture, leasehold improvements and office equipment related to the vacated space in Saddle River, New Jersey and approximately $0.7 million in discontinued operations for furniture and leasehold improvements related to the Dresher, Pennsylvania facility. During the year ended December 31, 2010, the Company recorded a non-cash charge of approximately $0.6 million for furniture and leasehold improvements in discontinued operations related to the Dresher, Pennsylvania facility.

7. Goodwill and Other Intangible Assets

Goodwill and indefinite and finite-lived intangible assets recorded as of December 31, 2010 are attributable to the 2010 acquisition of Group DCA and the 2004 acquisition of Pharmakon. Goodwill and finite-lived intangible assets recorded as of December 31, 2009 are attributable to the 2004 acquisition of Pharmakon. As of December 31, 2010, the carrying amount of goodwill for the Group DCA and Pharmakon business (reporting) units was $18.8 million and $5.1 million, respectively. As of December 31, 2009, the carrying amount of goodwill for the Pharmakon reporting unit was $5.1 million.

Goodwill

During the Company's annual goodwill impairment test performed as of December 31, 2009, management determined that the fair value of the Pharmakon reporting unit was below its carrying value including goodwill, and accordingly, the Company calculated and recognized an $8.5 million impairment charge during the fourth quarter of 2009, which was recorded within asset impairment in the consolidated statement of operations and reduced the then $13.6 million goodwill balance to $5.1 million. As of the date of this impairment charge, the implied fair value of the Pharmakon goodwill was equal to its carrying value at December 31, 2009. The Company had not recorded an impairment charge of Pharmakon's goodwill prior to December 31, 2009.

During the Company's annual goodwill impairment test performed as of December 31, 2010, management determined that the fair value of the Pharmakon reporting unit exceeded its carrying value including goodwill, and thus concluded that the Pharmakon goodwill was not considered impaired. As of December 31, 2010, Pharmakon's fair value exceeded its carrying value by approximately $2.1 million or 20.3%. If, in future periods a reporting unit's projected long-term sales growth rate, profit margins, or terminal rate change adversely, or the assumed weighted-average cost of capital is considerably higher, future testing may indicate impairment of the goodwill balances in these reporting units and, as a result, require an adjustment to reduce or write off the carrying value of the reporting unit's goodwill.

Finite-lived Intangible Assets

Group DCA

In 2010 the Company recorded approximately $8.4 million in other intangible assets related to its acquisition of Group DCA. This balance was comprised of technology of $4.1 million, the Healthcare Professionals database of $2.2 million and the corporate tradename of $2.1 million. See Note 3, Acquisitions, for further information. During the year ended December 31, 2010, management did not identify any indicators of impairment related to the finite-lived intangible assets of Group DCA.

Pharmakon

During the Company's annual budgeting process that was performed in the fourth quarter of 2009 and, based on the evaluation of historic, current, budgeted and forecasted operating results, the Company observed indications that the carrying amount of the Company's finite-lived intangible assets, customer relationships and corporate tradename, may not be recoverable from the sum of future undiscounted cash flows. Accordingly, the Company calculated and recognized during the fourth quarter of 2009 impairment charges of $0.8 million for the corporate tradename and $8.8 million for the customer relationships. The impairment charges were calculated as the amount by which the carrying value of each asset exceeded its fair value and were recorded within asset impairment in the consolidated statement of operations.

The fair value of the corporate tradename, with the assistance of third-party valuation analysts, was determined using the "Relief from Royalty Method" (RFRM), a variation of the "Income Approach" to valuing tradenames. The RFRM is used to estimate the cost savings that accrue to the owner of an intangible asset who would

otherwise have to pay royalties or license fees on revenues earned through the use of the asset. The royalty rate is based on empirical, market-derived royalty rates for guideline intangible assets when available. The royalty rate is applied to the projected revenue over the expected remaining life of the intangible asset to estimate the royalty savings. The net after-tax royalty savings are calculated for each year in the remaining economic life of the intangible asset and discounted to present value. Additionally, as part of the analysis, the operating income of Pharmakon was benchmarked to determine a range of royalty rates that would be reasonable based on a profit-split methodology. The profit-split methodology is based upon assumptions that the total amount of royalties paid for licensable intellectual property should approximate in order to determine a reasonable royalty rate to estimate the fair value of the corporate tradename. As of December 31, 2010, the remaining amortizable life of the corporate tradename was six years.

The fair value of the customer relationship was determined using the "Excess Earnings Method" a variation of the "Income Approach" to valuing customer relationships. This method reflects the present value of the operating cash flows generated by existing customer relationships after taking into account the cost to realize the revenue, and an appropriate discount rate to reflect the time value and risk associated with the invested capital. The valuation analysis for the customer relationships was based on the reporting unit's revenue projections with consideration given to: an estimated attrition rate; the value and required rate of return for other contributory assets of the reporting unit; and the benefit of tax amortization of the customer relationships. As of December 31, 2010, the remaining amortizable life of the customer relationships was six years.

		As of December 31, 2010			As of December 31, 2009		
	Life (Years)	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Pharmakon							
Customer relationships	7	$ 1,751	$ 250	$ 1,501	$ 1,751	$ -	$ 1,751
Corporate tradename	7	791	113	678	791	-	791
Group DCA							
Technology	6	4,097	113	3,984	-	-	-
Healthcare professional database	10	2,203	36	2,167	-	-	-
Corporate tradename	NA	2,063	-	2,063	-	-	-
Total		$ 10,905	$ 512	$ 10,393	$ 2,542	$ -	$ 2,542

Amortization expense related to continuing operations was approximately $0.5 million for the year ended December 31, 2010 and approximately $1.3 million for each of the years ended December 31, 2009 and 2008. Estimated amortization expense for the next five years is as follows:

2011	2012	2013	2014	2015
$ 1,266	$ 1,266	$ 1,266	$ 1,266	$ 1,266

8. Retirement Plans

The Company offers an employee 401(k) saving plan. Under the PDI, Inc. 401(k) Plan, employees may contribute up to 25% of their pre-tax compensation. Effective January 1, 2004, the Company makes a safe harbor non-elective contribution equal to 100% of the first 3% of the participant's contributed base salary plus 50% of the participant's base salary contributed exceeding 3% but not more than 5%. Participants are not allowed to invest any of their 401(k) funds in the Company's common stock. The Company's total contribution expense from continuing operations related to the 401(k) plan for the years ended December 31, 2010, 2009 and 2008 was approximately $0.7 million, $0.6 million, and $0.7 million, respectively

9. Deferred Compensation Arrangements

Beginning in 2000, the Company established a deferred compensation arrangement whereby a portion of certain employees' salaries is withheld and placed in a rabbi trust. The plan permits the participants to diversify these assets through a variety of investment options. Members of the Company's Board of Directors also have the opportunity to defer their compensation through this arrangement. The Company includes the net assets of the trust in its financial statements. The deferred compensation obligation has been classified as a current liability and the net assets in the trust are classified as available-for-sale securities and are included in short-term investments.

10. Long-Term Liabilities

Long-term liabilities consisted of the following as of December 31, 2010 and 2009:

	December 31, 2010	2009
Rent payable	$ 2,374	$ 2,458
Uncertain tax positions	4,088	3,920
Restructuring	3,435	3,628
Contingent earnout fee	1,557	-
Other	94	-
	$ 11,548	$ 10,006

See Note 3, Acquisition, and Note 4, Fair Value Measurements, for additional information related to the Group DCA contingent earnout fee above.

11. Commitments and Contingencies

The Company leases facilities, automobiles and certain equipment under agreements classified as operating leases, which expire at various dates through 2017. Substantially all of the property leases provide for increases based upon use of utilities and landlord's operating expenses as well as pre-defined rent escalations. Total expense under these agreements for the years ended December 31, 2010, 2009 and 2008 was approximately $4.3 million, $4.0 million, and $4.9 million, respectively, of which $3.5 million, $2.2 million and $2.9 million, respectively, related to automobiles leased for use by employees for a maximum lease term of one year from the date of delivery with the option to renew.

As of December 31, 2010, contractual obligations with terms exceeding one year and estimated minimum future rental payments required by non-cancelable operating leases with initial or remaining lease terms exceeding one year are as follows:

	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years
Contractual obligations (1)	$ 366	$ 274	$ 48	$ 34	$ 10
Operating lease obligations					
Minimum lease payments	23,447	4,226	8,696	8,532	1,993
Less minimum sublease rentals (2)	(8,220)	(1,262)	(3,047)	(3,224)	(687)
Net minimum lease payments	15,227	2,964	5,649	5,308	1,306
Total	$ 15,593	$ 3,238	$ 5,697	$ 5,342	$ 1,316

(1) Amounts represent contractual obligations related to software license contracts, data center hosting, and outsourcing contracts for software system support.

(2) In November 2009, the Company signed an agreement to extend the existing sublease of approximately 16,000 square feet of the first floor at the Company's former corporate headquarters facility in Saddle River, New Jersey through the remainder of the lease. In July 2007, the Company signed an agreement to sublease approximately 20,000 square feet of the second floor at the former corporate headquarters. These sublease terms are through the remainder of the lease, which is approximately five years, and will provide for approximately $4.8 million in lease payments over that period. The Company has sublet substantially all of the space at the Dresher, Pennsylvania facility under various subleases. These subleases will provide for aggregated lease payments of approximately $3.4 million over the remaining lease periods.

Letters of Credit

As of December 31, 2010, the Company has $5.4 million in letters of credit outstanding as required by its existing insurance policies and its facility leases.

Litigation

Due to the nature of the businesses in which the Company is engaged, such as product detailing and in the past, the distribution of products, it 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 customers (the scope of which may vary from customer to customer, and the performance of which is not secured) and insurance. The Company could, however, also be held liable for errors and omissions of its employees in connection with the services it performs that are outside the scope of any indemnity or insurance policy. The Company could be materially adversely affected if it were required to pay damages or incur defense costs in connection with a claim that is outside the scope of an indemnification agreement; if the indemnity, although applicable, is not performed in accordance with its terms; or if the Company's liability exceeds the amount of applicable insurance or indemnity.

12. Product Commercialization Contract

On April 11, 2008, the Company announced the signing of a promotion agreement with Novartis Pharmaceuticals Corporation (Novartis). Pursuant to the agreement, the Company had the co-exclusive right to promote on behalf of Novartis the pharmaceutical product Elidel® (pimecrolimus) Cream 1% (Product) to physicians in the United States.

At December 31, 2008, the Company accrued a contract loss of approximately $10.3 million, representing the anticipated future loss that the Company expected to incur to fulfill its contractual obligations under this product commercialization agreement through February 2010, the earliest termination date for this contract. The loss contract provision for this agreement included the cost of the sales force needed to deliver the contracted number of sales calls.

On April 22, 2009, the Company and Novartis mutually agreed to terminate this promotion agreement. In connection with the termination, the Company entered into an amendment to a then existing fee for service sales force agreement (the Sales Force Agreement) with Novartis relating to another Novartis branded product, whereby the Company agreed to provide Novartis a credit of approximately $5 million to be applied to the services provided by the Company under the Sales Force Agreement through the scheduled December 31, 2009 agreement expiration date. Under the amendment to the Sales Force Agreement, the Company provided Novartis with an additional credit of $250,000 against services that the Company performed for Novartis during 2010. As a result of the promotion agreement termination and the execution of the Sales Force Agreement amendment, the Company recognized a benefit in the second quarter of 2009 of approximately $2.5 million from the reversal of the excess portion of the contract loss accrual that had been recognized in 2008.

At December 31, 2010, the Company had no further obligations outstanding to Novartis under the Sales Force Agreement, as amended.

13. Preferred Stock

The Board is authorized to issue, from time-to-time, up to 5,000,000 shares of preferred stock in one or more series. The Board is authorized to fix the rights and designation of each series, including dividend rights and rates, conversion rights, voting rights, redemption terms and prices, liquidation preferences and the number of shares of each series. As of December 31, 2010 and 2009, there were no issued and outstanding shares of preferred stock.

14. Stock-Based Compensation

The Company's stock-incentive program is a long-term retention program that is intended to attract, retain and provide incentives for talented employees, officers and directors, and to align stockholder and employee interests. The Company considers its stock-incentive program critical to its operations and productivity. Currently, the Company grants options, SARs and restricted shares from the PDI, Inc. 2004 Stock Award and Incentive Plan (the 2004 Plan), which is described below.

The Company primarily uses the Black-Scholes option pricing model to determine the fair value of stock options and SARs. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of complex and subjective variables. These variables include the Company's expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and

expected dividends. Expected volatility is based on historical volatility. As there is no trading volume for the Company's options, implied volatility is not representative of the Company's current volatility so the historical volatility is determined to be more indicative of the Company's expected future stock performance. The expected life is determined using the safe-harbor method. The Company expects to use this simplified method for valuing employee SARs grants until more detailed information about exercise behavior becomes available over time. The Company bases the risk-free interest rate on U.S. Treasury zero-coupon issues with remaining terms similar to the expected term on the options or SARs. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option valuation model. The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting option forfeitures and records stock-based compensation expense only for those awards that are expected to vest. The Company recognizes compensation cost, net of estimated forfeitures, arising from the issuance of stock options and SARs on a straight-line basis over the vesting period of the grant.

The estimated compensation cost associated with the granting of restricted stock and restricted stock units 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, arising from the issuance of restricted stock and restricted stock units on a straight-line basis over the shorter of the vesting period or the period from the grant date to the date when retirement eligibility is achieved.

The following table provides the weighted average assumptions used in determining the fair value of the non-performance based SARs granted during the years ended December 31, 2010, 2009, and 2008 respectively:

	2010	2009	2008
Risk-free interest rate	1.28%	1.38%	2.25%
Expected life	3.5 years	3.5 years	3.5 years
Expected volatility	51.27%	44.99%	41.31%

Stock Incentive Plan

In June 2004, the Board and stockholders approved the 2004 Plan. The 2004 Plan replaced the 1998 Stock Option Plan (the 1998 Plan) and the 2000 Omnibus Incentive Compensation Plan (the 2000 Plan). The 2004 Plan reserved an additional 893,916 shares for new awards and combined the remaining shares available under the 1998 Plan and 2000 Plan. The maximum number of shares that can be granted under the 2004 Plan is approximately 2.9 million shares. Eligible participants under the 2004 Plan include officers and other employees of the Company, members of the Board and outside consultants, as specified under the 2004 Plan and designated by the Compensation and Management Development Committee of the Board (Compensation Committee). Unless earlier terminated by action of the Board, the 2004 Plan will remain in effect until such time as no stock remains available for delivery under the 2004 Plan and the Company has no further rights or obligations under the 2004 Plan with respect to outstanding awards thereunder. No participant may be granted more than the annual limit of 400,000 shares plus the amount of the participant's unused annual limit relating to share-based awards as of the close of the previous year, subject to adjustment for splits and other extraordinary corporate events.

Historically, stock options were generally granted with an exercise price equal to the market value of the common stock on the date of grant, expired 10 years from the date they are granted, and generally vested over a two-year period for members of the Board of Directors and a three-year period for employees. Upon exercise, new shares are issued by the Company. The Company has not issued stock options since 2005. SARs are generally granted with a grant price equal to the market value of the common stock on the date of grant, vest one-third each year on the anniversary of the date of grant and expire five years from the date of grant. The restricted shares and restricted stock units generally have vesting periods that range from eighteen months to three years and are subject to accelerated vesting and forfeiture under certain circumstances.

In November 2008, the Company's chief executive officer was granted 140,000 restricted stock units and 280,000 performance contingent SARs. The restricted stock units will vest into shares of the Company's common stock, in five equal installments, with the initial 20% of the units vesting immediately on the grant date and an additional 20% of the units vesting on each anniversary of the grant date over a four year period. The performance contingent SARs have an exercise price of $4.28, a seven year term to expiration, and a weighted-average fair value of $0.86. The fair value estimate of the performance contingent SARs was calculated using a Monte Carlo Simulation model. The performance contingent SARs are subject to the same time-based vesting schedule as the restricted stock units, but will not vest unless and until certain additional, performance-based

conditions are satisfied: (1) with respect to the initial 94,000 performance contingent SARs, the closing price of the Company's common stock is at least $10.00 per share for 60 consecutive trading days anytime within five years from the grant date; (2) with respect to the next 93,000 performance contingent SARs, the closing price of the Company's common stock is at least $15.00 per share for 60 consecutive trading days anytime within five years from the grant date; and (3) with respect to the final 93,000 performance contingent SARs, the closing price of the Company's common stock is at least $20.00 per share for 60 consecutive trading days anytime within five years from the grant date. Vesting of the performance contingent SARs granted to the CEO is contingent upon achievement of certain stock prices; these stock prices represent premiums in excess of 25% to the closing stock price of the Company's common stock on the date of grant. As of December 31, 2010, none of the performance contingent SARs had vested. During the first quarter of 2011, the Company, with the approval of the Company's Compensation Committee, modified the performance-based vesting conditions of all performance contingent SARS. The modified terms of the grant change the "60 consecutive trading days" disclosed above to "an average of 60 consecutive trading days". The modification of these terms will have a financial impact in the first quarter of 2011 and going forward until the performance contingent SARs vest, which the Company is in the process of quantifying.

The weighted-average fair value of non-performance based SARs granted during the years ended December 31, 2010, 2009 and 2008 was estimated to be $2.09, $1.99 and $2.54, respectively. There were 17,942 SARs exercised in 2010 with a weighted-average grant price of $7.62. There were no exercises of options or SARs during the years ended December 31, 2009 and 2008. Historically, shares issued upon the exercise of options have been new shares and have not come from treasury shares.

As of December 31, 2010, there was $2.0 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested SARs and restricted stock that are expected to be recognized over a weighted-average period of approximately 2.1 years.

The impact of stock options, SARs, performance shares, RSUs and restricted stock on net loss and cash flow for the years ended December 31, 2010, 2009 and 2008 is as follows:

	2010	2009	2008
Stock options and SARs	$ 255	$ 252	$ 260
Common stock awards	-	-	300
Performance awards	80	78	9
RSUs and restricted stock	1,159	1,057	918
Total stock-based compensation expense	$ 1,494	$ 1,387	$ 1,487

A summary of stock option and SARs activity for the year ended December 31, 2010 and changes during the year then ended is presented below:

	Shares	Average Grant Price	Remaining Contractual Period (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2010	784,112	$ 11.26	4.41	$ 192
Granted	267,724	5.45	4.22	1,363
Exercised	(17,942)	7.62		137
Forfeited or expired	(96,628)	22.36		
Outstanding at December 31, 2010	937,266	8.53	3.79	3,867
Exercisable at December 31, 2010	288,793	16.53	2.43	252
Vested and expected to vest	913,645	8.60	3.80	3,754

A summary of the status of the Company's nonvested SARs for the year ended December 31, 2010 and changes during the year ended December 31, 2010 is presented below:

	Shares	Weighted- Average Grant Date Fair Value
Nonvested at January 1, 2010	463,725	$ 1.33
Granted	267,724	2.09
Vested	(67,513)	2.52
Forfeited	(15,463)	1.93
Nonvested at December 31, 2010	648,473	$ 1.51

The aggregate fair value of SARs vested during the years ended December 31, 2010, 2009 and 2008 was $0.2 million, $0.3 million and $0.4 million, respectively. The weighted-average grant date fair value of SARs vested during the years ended December 31, 2009 and 2008 was $2.32 and $3.19, respectively.

A summary of the Company's nonvested shares of restricted stock and restricted stock units for the year ended December 31, 2010 and changes during the year then ended is presented below:

	Shares	Weighted-Average Grant Date Fair Value	Average Remaining Vesting Period (in years)	Aggregate Intrinsic Value
Nonvested at January 1, 2010	440,575	$ 4.87	2.28	$ 2,124
Granted	249,349	7.40	2.37	2,628
Vested	(146,438)	6.02		
Forfeited	(38,167)	4.00		
Nonvested at December 31, 2010	505,319	$ 5.85	1.87	$ 5,326

The aggregate fair value of restricted stock and restricted stock units vested during the years ended December 31, 2010, 2009 and 2008 was $0.9 million, $1.1 million and $0.9 million, respectively. The weighted-average grant date fair value of restricted stock and restricted stock units vested during the years ended December 31, 2009 and 2008 was $8.32 and $11.15, respectively.

15. Significant Customers

During the years ended December 31, 2010, 2009 and 2008, the Company had several significant customers for which it provided services under specific contractual arrangements. The following sets forth the net revenue generated by customers who accounted for more than 10% of the Company's revenue during each of the periods presented.

Customer	Years Ended December 31, 2010	2009	2008
A	$ 71,825	$ 35,739	$ 31,697
B	$ 23,631	$ 13,891	$ 15,178
C	$ -	$ -	$ 10,695
D	$ 15,919	$ -	$ -

The Company recorded revenue in its Sales Services segment from Customers A through D during the periods that they were considered a significant customer as presented above. The Company recorded revenue in its Marketing Services segment from Customer A in 2010 and 2009.

For the years ended December 31, 2010 and 2008, the Company's three largest customers, each representing 10% or more of its revenue, accounted for, in the aggregate, approximately 77.0% and 54.7%, respectively, of its revenue. For the year ended December 31, 2009, the Company's two largest customers, each representing 10% or more of its revenue, accounted for, in the aggregate, approximately 61.7% of its revenue. At December 31, 2010 and 2009, the Company's three and two largest customers represented 75% and 53.5%, respectively, of the aggregate of its outstanding accounts receivable and unbilled services.

16. Executive Severance

On June 20, 2008, the Company announced the retirement of its former chief executive officer and board member and recorded approximately $0.9 million of compensation expense. There were no executive severance charges for the years ended December 31, 2010 and 2009 in continuing operations.

17. Facilities Realignment

Saddle River, New Jersey Facility

The Company relocated its corporate headquarters from its Saddle River, New Jersey facility to a smaller office located in Parsippany, New Jersey in December 2009. Due to the relocation, the Company recorded a facility realignment charge of approximately $3.9 million in December 2009 and a non-cash impairment charge of approximately $1.5 million related to furniture, leasehold improvements and office equipment in the office space. Effective September 1, 2009, the Company extended the sublease for the first floor of its Saddle River, New Jersey facility through the remainder of the facility lease term. The sublease is expected to provide approximately $2.3 million in sublease income through January 2016, but will not fully offset the Company's lease obligations for this space. As a result, the Company recorded a $0.8 million facility realignment charge in the third quarter of 2009. The Company also recorded non-cash impairment charge of approximately $0.4 million related to furniture and leasehold improvements in the office space. In 2007, the Company entered into a sublease for the second floor of its Saddle River, New Jersey facility through the end of the facility's lease term, January 2016. This sublease will not fully offset the Company's lease obligations for this space; therefore, the Company recorded a $1.0 million charge for facility realignment and related asset impairment for furniture and leasehold improvements in the office space.

Due to continued adverse conditions in the real estate market in 2010, the Company adjusted its assumptions regarding its ability to sublease unoccupied space on the third floor of the Saddle River, New Jersey facility resulting in realignment charges of approximately $2.0 million ($0.14 per basic and diluted share) during the year ended December 31, 2010. The Company is currently seeking to sublease the approximate 47,000 square feet of remaining space in Saddle River, New Jersey.

Dresher, Pennsylvania Facility

During the year ended December 31, 2009, the Company continued to right size its operations in Dresher, Pennsylvania and recorded facility realignment charges of $1.4 million and non-cash impairments of furniture and leasehold improvements of $0.7 million. During 2010 the Company discontinued the operations of its TVG business unit and exited the remaining portion of space at the facility, thus recording additional restructuring charges of $0.3 million for facility realignment and $0.6 million for non-cash asset impairment on furniture and leasehold improvements in discontinued operations for the year ended December 31, 2010. See Note 21, Discontinued Operations, for further information regarding the discontinued operations of TVG.

In the first quarter of 2011, the Company entered into two separate agreements to sublease substantially all of the remaining space in Dresher, Pennsylvania. These subleases have lease terms that expire on November 30, 2016 in connection with the underlying facility lease. A summary of the significant components of the facility realignment charges for the years ended December 31, 2008, 2009 and 2010 by segment is as follows:

	Sales Services	Discontinued Operations	Total
2008:			
Facility lease obligations	$ -	$ 75	$ 75
Total facility realignment charge	$ -	$ 75	$ 75
2009:			
Facility lease obligations	$ 4,674	$ 1,374	$ 6,048
Asset impairments	1,881	703	2,584
Related charges	54	48	102
Total facility realignment charge	$ 6,609	$ 2,125	$ 8,734
2010:			
Facility lease obligations	$ 1,999	$ 314	$ 2,313
Asset impairments	-	575	575
Related charges	-	16	16
Total facility realignment charge	$ 1,999	$ 905	$ 2,904

(1) The asset impairments resulted in charges to the accumulated depreciation balance

The following table presents a reconciliation of the restructuring charges in 2009 and 2010 to the balances as of December 31, 2010 and 2009, which is included in other accrued expenses ($2.9 million and $2.6 million, respectively) and in long-term liabilities ($3.4 million and $3.6 million, respectively):

	Sales Services	Marketing Services	Total
Balance as of December 31, 2008	$ 192	$ 367	$ 559
Accretion	12	25	37
Adjustments	4,694	1,405	6,099
Payments	(168)	(274)	(442)
Balance as of December 31, 2009	4,730	1,523	6,253
Accretion	113	34	147
Adjustments	1,999	312	2,311
Payments	(1,813)	(596)	(2,409)
Balance as of December 31, 2010	$ 5,029	$ 1,272	$ 6,301

18. Income Taxes

The provision for or benefit from income taxes on continuing operations for the years ended December 31, 2010, 2009 and 2008 is comprised of the following:

	2010	**2009**	**2008**
Current:			
Federal	$ 34	$ (2,220)	$ 278
State	296	191	263
Total current	330	(2,029)	541
Deferred:			
Federal	71	(4,685)	313
State	13	(125)	17
Total deferred	84	(4,809)	330
Provision for income taxes	$ 414	$ (6,838)	$ 871

The Company performs an analysis each year to determine whether the expected future income will more likely than not be sufficient to realize the 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 of this analysis, the Company continues to maintain a full valuation allowance against its federal and state net deferred tax assets at December 31, 2010 as the Company believes that it is more likely than not that these assets will not be realized.

In connection with the Worker, Homeownership, and Business Assistance Act ("Act"), passed in November 2009, the Company was able to carry back net operating losses incurred during the December 31, 2008 tax year to the 2003 and 2004 tax years. This carry back resulted in a benefit of approximately $3.3 million related to 2008 net operating losses for which a valuation allowance had been previously established at December 31, 2009, the Company had a valuation allowance of approximately $35.6 million and $34.2 million, respectively, related to the Company's net deferred tax assets. The tax effects of significant items comprising the Company's deferred tax assets and (liabilities) as of December 31, 2010 and 2009 are as follows:

	2010	2009
Current deferred tax assets (liabilities) included in other current assets:		
Allowances and reserves	$ 1,992	$ 1,401
Compensation	3,148	2,390
Valuation allowance on deferred tax assets	(5,140)	(3,791)
	-	-
Noncurrent deferred tax assets (liabilities) included in other long-term assets:		
State net operating loss carryforwards	3,888	4,318
Federal net operating loss carryforwards	15,067	13,848
State taxes	1,134	1,087
Self insurance and other reserves	1,321	1,388
Property, plant and equipment	2,406	2,318
Intangible assets	5,279	5,529
Other reserves - restructuring	1,292	1,899
Valuation allowance on deferred tax assets	(30,471)	(30,387)
	(84)	-
Net deferred tax liability	$ (84)	$ -

The noncurrent net deferred tax liability as of December 31, 2010 relates to tax amortization of the tax basis in goodwill associated with the Group DCA acquisition. The Company determined that this deferred tax liability would not be realizable for an indeterminate time in the future and consequently should not be included in net deferred tax assets for purposes of calculating the valuation allowance in any period. In connection with the impairment of goodwill at the Pharmakon business unit during 2009, the deferred tax liability associated with Pharmakon at December 31, 2008 reversed and resulted in a tax benefit of approximately $1.4 million in 2009.

Federal tax attribute carryforwards at December 31, 2010, consist primarily of approximately $15 million of federal net operating losses. In addition, the Company has approximately $3.9 million of state net operating losses carryforwards. The utilization of the federal carryforwards as an available offset to future taxable income is subject to limitations under federal income tax laws. If the federal net operating losses are not utilized, they begin to expire in 2027, and if the current state net operating losses are not utilized they begin to expire in 2011.

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

	2010	2009	2008
Federal statutory rate	35.0%	35.0%	35.0%
State income tax rate, net of Federal tax benefit	(2.8%)	0.1%	(1.9%)
Meals and entertainment	(2.5%)	(0.1%)	(0.1%)
Valuation allowance	(35.5%)	(25.5%)	(34.1%)
Goodwill impairment	0.0%	4.1%	0.0%
Other non-deductible	(0.1%)	0.0%	(1.0%)
Net change in Federal and state reserves	(4.0%)	6.0%	(0.8%)
Effective tax rate	(9.9%)	19.6%	(2.9%)

The following table summarizes the change in uncertain tax benefit reserves for the three years ended December 31, 2010 (in thousands):

	Unrecognized Tax Benefits
Balance of unrecognized benefits as of January 1, 2008	$ 3,953
Additions for tax positions related to the current year	-
Additions for tax positions of prior years	-
Reductions for tax positions of prior years	(17)
Balance as of December 31, 2009	$ 3,936
Additions for tax positions related to the current year	-
Additions for tax positions of prior years	-
Reductions for tax positions of prior years	-
Balance as of December 31, 2010	$ 3,936

As of December 31, 2010 and 2009, the total amount of gross unrecognized tax benefits was $3.9 million in both periods. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of December 31, 2010 and 2009 were $1.7 million, respectively in both periods. Also included in the balance of unrecognized tax benefits at December 31, 2010 and 2009 was $2.2 million of tax benefits that, if recognized, would result in an increase to deferred tax assets and a corresponding decrease to the valuation allowance against deferred tax assets.

The Company recognized interest and penalties of $0.2 million, $0.2 million and $0.5 million related to uncertain tax positions in income tax expense during the years ended December 31, 2010, 2009 and 2008, respectively. At December 31, 2010 and 2009, accrued interest and penalties, net were $2.4 million and $2.3 million, respectively.

During 2009 the Company recorded a reduction to its net unrecognized tax benefits of approximately $2.3 million. This reduction was primarily related to the Act which would allow the Company to utilize its existing NOLs if these uncertain benefits resulted in additional taxable income.

The Company and its subsidiaries file a U.S. Federal consolidated income tax return and consolidated and separate income tax returns in numerous state and local tax jurisdictions. The following tax years remain subject to examination as of December 31, 2010:

Jurisdiction	Tax Years
Federal	2003-2010
State and Local	2003-2010

As of December 31, 2010, an examination by the Internal Revenue Service of the 2008 net operating loss carry back to the 2003 to 2005 tax years is in Joint Committee review and not considered effectively settled in accordance with ASC 740. The Company anticipates conclusion of the audit during 2011. Upon effective settlement of the audit, the result may be a reduction of the liability for uncertain tax positions of approximately $2.4 million that will be recorded within the next 12 months. Approximately $0.2 million of which would be recorded as an income tax benefit and $2.2 million that would be recorded as an increase to deferred tax assets and a corresponding increase to the valuation allowance against deferred tax assets.

19. Historical Basic and Diluted Net Loss per Share

A reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the years ended December 31, 2010, 2009 and 2008 is as follows:

	Years Ended December 31,		
	2010	2009	2008
Basic weighted average number of common shares	14,306	14,219	14,240
Potential dilutive effect of stock-based awards	-	-	-
Diluted weighted average number of common shares	14,306	14,219	14,240

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

	Years Ended December 31,		
	2010	2009	2008
Options	176,670	236,355	304,531
Stock-settled stock appreciation rights (SARs)	455,596	242,757	212,846
Restricted stock units (RSUs)	469,449	410,712	203,304
Performance contingent SARs	305,000	305,000	280,000
	1,406,715	1,194,824	1,000,681

20. Segment Information

The accounting policies followed by the segments are described in Note 1, Nature of Business and Significant Accounting Policies. Corporate charges are allocated to each of the reporting segments on the basis of total salary expense. Corporate charges include corporate headquarter costs and certain depreciation expenses. Certain corporate capital expenditures have not been allocated from Sales Services to the other reporting segments since it is impracticable to do so.

The Company reports under the following three segments:

Sales Services segment – includes the Company's Dedicated Sales Teams, Shared Sales Teams and EngageCE, the Company's new clinical educators business unit. This segment provides services through personal promotion with healthcare providers and uses teams to deliver services to a wide base; they have similar long-term average gross margins, contract terms, types of customers and regulatory environments and therefore the business units have been aggregated into one reporting segment.

Marketing Services segment – includes the Company's Pharmakon, Group DCA and PDI Voice (Voice) business units. This segment provides services though non-personal promotion with healthcare providers and is project driven. The units comprising this segment have a large number of smaller contracts, share similar gross margins, have similar customers, and have low barriers to entry for competition and therefore the business units have been aggregated into one reporting segment. The offerings within this segment include peer-to-peer, interactive digital and telephonic communications with healthcare providers. Formerly this segment included TVG, whose operations were discontinued in 2010.

PC Services segment – includes revenues and expenses associated with the Company's licensing and co-promotion of pharmaceutical products. In 2008, this segment consisted of our now terminated promotional agreement with Novartis which was terminated in April 2009. Any business opportunities are reviewed by the chief executive officer and other members of senior management. Although the Company is not currently a party to any product commercialization agreements, it continues to evaluate potential opportunities within this segment on a very selective and opportunistic basis to the extent it is able to mitigate risks relating to the investment of resources.

	Sales Services	Marketing Services	PC Services	Eliminations	Consolidated
For the year ended December 31, 2010:					
Revenue	$ 133,307	$ 11,345	$ -	$ -	$ 144,652
Operating loss	$ (1,010)	$ (3,295)	$ -	$ -	$ (4,305)
Capital expenditures	$ 2,027	$ 103	$ -	$ -	$ 2,130
Depreciation expense	$ 1,113	$ 108	$ -	$ -	$ 1,221
Total assets	$ 74,923	$ 49,466	$ -	$ -	$ 124,389
For the year ended December 31, 2009:					
Revenue	$ 73,233	$ 12,260	$ -	$ (5,109)	$ 80,384
Operating (loss) income	$ (19,238)	$ (17,961)	$ 2,031	$ 48	$ (35,120)
Capital expenditures	$ 2,148	$ 241	$ -	$ -	$ 2,389
Depreciation expense	$ 1,174	$ 131	$ 11	$ -	$ 1,316
Total assets	$ 94,714	$ 15,062	$ -	$ -	$ 109,776
For the year ended December 31, 2008:					
Revenue	$ 89,656	$ 16,577	$ (1,000)	$ -	$ 105,233
Operating (loss) income	$ (8,523)	$ 1,474	$ (26,271)	$ -	$ (33,320)
Capital expenditures	$ 339	$ 60	$ -	$ -	$ 399
Depreciation expense	$ 2,558	$ 158	$ 207	$ -	$ 2,923
Total assets	$ 112,469	$ 36,567	$ -	$ -	$ 149,036

21. Discontinued Operations

On July 19, 2010, the Board approved closing the TVG business unit. The Company notified employees and issued a press release announcing this decision on July 20, 2010. The decision to take this action resulted from an extensive evaluation of the TVG business in the context of the Company's strategy, which is to focus on outsourced promotional services targeted to healthcare providers, as well as TVG's consistently declining revenues over recent years and the shrinking market in which TVG operates. The Company completed the closure of the TVG operations during the quarter ended September 30, 2010, including the completion of all active customer contracts. The financial statements reflect the presentation of TVG as a discontinued operation in all periods presented. A summary of the exit and disposal costs recognized within Loss from Discontinued Operations in the Condensed Consolidated Statements of Operations for the year ended December 31, 2010 are as follows:

Non-cash charges	
Asset impairments (1)	$ 575
Cash charges	
Lease-related charges	327
Severance charges	879
Other charges	6
Total charges	$ 1,787

(1) Asset impairments represent unamortized leasehold improvements and furniture that were written off as of September 30, 2010.

A rollforward of the liabilities recognized in the Condensed Consolidated Balance Sheet as of December 31, 2010 is as follows:

Accrued liability as of December 31, 2009	$	-
Add: Costs incurred, excluding non-cash charges		1,462
Less: Cash payments		(1,446)
Accrued liability as of December 31, 2010 (1)	$	16

(1) Accrued liability at December 31, 2010 consists of approximately $16,000 of employee related charges recorded as a current liability within other accrued expenses.

The table below presents the significant components of TVG's results included in Loss from Discontinued Operations in the Condensed Consolidated Statements of Operations for the years ending December 31, 2010, 2009, and 2008, respectively.

	For the Years Ended December 31,					
	2010		2009		2008	
Revenue, net	$	3,232	$	4,487	$	7,295
Loss from discontinued operations, before income tax		(2,229)		(5,482)		(3,105)
Income tax expense		4		4		4
Loss from discontinued operations, net of tax	$	(2,233)	$	(5,486)	$	(3,109)

The major classes of assets and liabilities included in the Condensed Consolidated Balance Sheets for TVG as of December 31, 2010 and December 31, 2009 are as follows:

	December 31,			
	2010		**2009**	
Current assets	$	277	$	812
Non-current assets		300		972
Total assets	$	577	$	1,784
Current liabilities	$	816	$	1,494
Non-current liabilities		1,560		1,925
Total liabilities	$	2,376	$	3,419

22. Related Party Transactions

John P. Dugan

The Company entered into a consulting agreement (the "Agreement") with its founder and former Chairman of the Board, John P. Dugan. Mr. Dugan, who retired from the Board effective June 3, 2010, is the Company's largest stockholder beneficially owning approximately 34% of the outstanding common stock of PDI as of December 31, 2010.

The Agreement was executed on August 2, 2010 with an effective date of July 1, 2010, and shall continue for a period of thirty-six months. Pursuant to the Agreement, Mr. Dugan will serve as a consultant to the Company and provide consulting services to PDI including, but not limited to, corporate strategy, communications and other general advice (the "Services") upon request of the Company's Chief Executive Officer or the Board for a consulting fee of $12,500 per month over the term of the Agreement. The Agreement is terminable by the Company upon thirty days prior written notice to Mr. Dugan, and terminable by Mr. Dugan upon ten days prior written notice to the Company. The Agreement also contains certain confidentiality clauses as well as a non-compete clause that continues for a period of two years after the termination of the Agreement. Mr. Dugan was paid $75,000 for the year ended December 31, 2010 in his role as a consultant.

iLights

In connection with the November 3, 2010 acquisition of Group DCA, the Company assumed a relationship between the founding principals of Group DCA and iLights, a provider of manufacturer-sponsored online healthcare publishing to pharmaceutical companies. Two of the four founding members of iLights, who were also the principals of Group DCA, are now members of PDI's executive committee and own 50% of the interest in iLights. Group DCA provides content development services to iLights. As of the date of acquisition and December 31, 2010, there was no formal service agreement between Group DCA and iLights; however the Company is in the process of negotiating an agreement. Transactions between Group DCA and iLights since the date of acquisition are not significant to the consolidated financial statements.

23. SUBSEQUENT EVENTS:

Leases

In February 2011, the Company entered into two separate agreements to sublease space totaling approximately 18,500 square feet in Dresher, Pennsylvania. The first agreement, for approximately 9,000 square feet, commenced immediately and expires on November 30, 2016, the expiration date of the underlying facility lease. The second agreement, for approximately 9,500 square feet, begins July 1, 2011 and also expires on November 30, 2016. The Company adjusted its restructuring reserve recorded within discontinued operations in the consolidated statements of operations accordingly. The Company has now sublet substantially all of the space in Dresher, Pennsylvania.

PDI, INC.
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

Description	Balance at Beginning of Period	Additions Charged to Operations	(1) Deductions Other	Balance at end of Period
2008				
Allowance for doubtful accounts	$ -	$ -	$ -	$ -
Allowance for doubtful notes	$ 655,845	$ 30,500	$ -	$ 686,345
Tax valuation allowance	$ 11,744,803	$ -	$ 13,811,001	$ 25,555,804
Accrued sales returns	$ 230,859	$ -	$ -	$ 230,859
2009				
Allowance for doubtful accounts	$ -	$ -	$ -	$ -
Allowance for doubtful notes	$ 686,345	$ 30,417	$ -	$ 716,762
Tax valuation allowance	$ 25,555,804	$ -	$ 8,621,675	$ 34,177,479
Accrued sales returns	$ 230,859	$ -	$ -	$ 230,859
2010				
Allowance for doubtful accounts	$ -	$ -	$ -	$ -
Allowance for doubtful notes	$ 716,762	$ 30,333	$ -	$ 747,095
Tax valuation allowance	$ 34,177,479	$ -	$ 1,439,734	$ 35,617,213
Accrued sales returns	$ 230,859	$ -	$ (230,859)	$ -

(1) Includes payments and actual write offs, as well as changes in estimates in the reserves and the impact of acquisitions.

EXHIBIT INDEX

Exhibit No.	Description
10.22	Membership Interest Purchase Agreement, dated November 3, 2010, between the Company, Group DCA, LLC, JD & RL, Inc., Robert O. Likoff and Jack Davis
10.23*	Robert Likoff Employment Agreement
10.24*	Jack Davis Employment Agreement
10.25	Group DCA Lease in Parsippany, NJ
10.26*	Stock Appreciation Rights Agreement for Nancy Lurker
10.27*	New Hire Chief Executive Officer Term Sheet
21.1	Subsidiaries of the Registrant
23.1	Consent of Ernst & Young LLP
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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
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

* Denotes compensatory plan, compensation arrangement or management contract.

EXECUTION COPY

MEMBERSHIP INTEREST PURCHASE AGREEMENT

BY AND AMONG

GROUP DCA, LLC,

JD & RL, INC.,

ROBERT O. LIKOFF,

JACK DAVIS,

THE SELLER REPRESENTATIVE

AND

PDI, INC.

November 3, 2010

TABLE OF CONTENTS

ARTICLE I DEFINITIONS 1

1.1 General. 1

1.2 Definitions. 1

1.3 Interpretation. 12

1.4 Financial Calculations. 12

ARTICLE II SALE AND PURCHASE OF UNITS 12

2.1 Sale and Purchase of Units. 12

2.2 Purchase Price. 12

2.3 Payment of Purchase Price. 13

2.4 Purchase Price Adjustment. 14

2.5 Earnout Payments. 15

ARTICLE III REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY 26

3.1 Organization, Qualification and Corporate Power; Authorization of Transaction. 26

3.2 Capitalization. 26

3.3 Noncontravention. 27

3.4 Subsidiaries. 27

3.5 Title to Assets. 27

3.6 Accounts Receivable. 28

3.7 Financial Statements. 28

3.8 Events Subsequent to Most Recent Financial Statements. 28

3.9 Undisclosed Liabilities. 30

3.10 Legal Compliance. 30

3.11 Permits. 30

3.12 Tax Matters. 30

3.13 Real Property. 32

3.14 Intellectual Property. 32

3.15 Contracts. 35

3.16 Powers of Attorney. 36

3.17 Insurance. 36

3.18 Litigation. 37

3.19 Illegal Payments. 37
3.20 No Agency Action or Enforcement. 37

3.21 [Intentionally omitted.] 38

3.22 Data Breaches. 38

3.23 [Intentionally omitted.] 38

3.24 Employees. 38

3.25 Employee Benefits. 38

3.26 Environmental Matters. 41

3.27 Certain Business Relationships with the Company. 41

3.28 Customers. 41

3.29 Product Warranties and Liabilities. 41

3.30 Bank Accounts. 41

3.31 Brokers' Fees. 42

3.32 Disclosure. 42

ARTICLE IV INDIVIDUAL REPRESENTATIONS AND WARRANTIES OF SELLER, LIKOFF AND DAVIS 42

4.1 Organization of Seller. 42

4.2 Authorization of Transaction. 42

4.3 Noncontravention. 43

4.4 Units. 43

ARTICLE V REPRESENTATIONS AND WARRANTIES OF PURCHASER 43

5.1 Organization of Purchaser. 43

5.2 Authorization of Transaction. 43

5.3 Noncontravention. 43

5.4 Brokers' Fees. 44

5.5 Investment Representation. 44

5.6 Financial Resources. 44

5.7 No Other Representations or Warranties. 44

ARTICLE VI [INTENTIONALLY OMITTED] 45

ARTICLE VII POST-CLOSING COVENANTS 45

7.1 Post-Closing Further Assurances. 45

7.2 Employee Matters. 45

7.3 Directors', Managers' and Officers' etc. Indemnification. 46
7.4 Litigation Support. 48
7.5 Tax Matters. 48
7.6 Termination of Certain Agreements. 51
7.7 Key Employees. 51
7.8 iLights, LLC. 51
7.9 Restrictive Covenants. 52
7.10 Post-Closing Operational Covenants During the Earnout Period. 54
7.11 Retention of Business Records. 55
7.12 Seller Representative. 55
7.13 Forecast Revisions. 56
7.14 Tax Escrow. 56
ARTICLE VIII CONDITIONS PRECEDENT TO OBLIGATIONS OF COMPANY AND SELLER 57
8.1 No Adverse Proceeding. 57
8.2 Release of Credit Supports. 57
8.3 Deliveries. 57
ARTICLE IX CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER 57
9.1 No Adverse Proceeding. 57
9.2 Consents. 58
9.3 No Material Adverse Effect. 58
9.4 Fairness Opinion. 58
9.5 Deliveries. 58
ARTICLE X CLOSING 58
10.1 Time and Place. 58
10.2 Closing Transactions. 58
10.3 Deliveries by Seller. 58
10.4 Deliveries by Purchaser. 59
ARTICLE XI INDEMNIFICATION 60
11.1 Indemnification by Seller, Likoff and Davis. 60
11.2 Additional Indemnification by Seller, Likoff and Davis. 60
11.3 Indemnification by Purchaser. 61

11.4 Survival. 62
11.5 Procedure for Indemnification. 62
11.6 Exclusive Remedy. 63
11.7 Effect of Insurance. 64
11.8 Effect of Tax Benefits. 64
11.9 Duty to Mitigate. 64
11.10 Additional Provisions Regarding Indemnity. 64
11.11 Disbursements from Escrow Account. 65
11.12 Indemnity Payments. 65
11.13 Mutual Release. 66
ARTICLE XII INTENTIONALLY OMITTED 66
ARTICLE XIII MISCELLANEOUS PROVISIONS 66
13.1 Notices. 66
13.2 Assignment. 68
13.3 Benefit of the Agreement. 68
13.4 Headings. 68
13.5 Entire Agreement. 68
13.6 Amendments and Waivers. 68
13.7 Counterparts. 69
13.8 Severability. 69
13.9 Governing Law; Venue; Waiver of Jury Trial. 69
13.10 Expenses. 70
13.11 Purchaser Form 8-K. 70

EXHIBITS:

Exhibit A	Form of Escrow Agreement

SCHEDULES:

Schedule 1	Notice Addresses
Schedule 1.4	Financial Calculations
Schedule 2.5(e)	2011 Revenue Growth Rate and 2011 Gross Profit Growth Rate
Schedule 2.5(f)	2012 Revenue Growth Rate and 2012 Gross Profit Growth Rate
Schedule 3.1	Company Managers and Officers
Schedule 3.2	Capitalization
Schedule 3.3	Company Noncontravention
Schedule 3.4	Subsidiaries
Schedule 3.5	Liens
Schedule 3.7	Financial Statements Exceptions
Schedule 3.8	Events Subsequent to Most Recent Financial Statements
Schedule 3.9	Undisclosed Liabilities
Schedule 3.12	Tax Matters
Schedule 3.13	Leased Real Property
Schedule 3.14(a)	Intellectual Property (Company Products)
Schedule 3.14(b)	Intellectual Property (Non-Infringement)
Schedule 3.14(c)	Owned Intellectual Property
Schedule 3.14(d)	Third Party Intellectual Property
Schedule 3.14(e)	Licenses and Other Agreements
Schedule 3.14(i)	Publicly Available Software
Schedule 3.15	Contracts
Schedule 3.16	Powers of Attorney
Schedule 3.17	Insurance
Schedule 3.18	Litigation
Schedule 3.25(a)	Employee Benefits
Schedule 3.25(e)	Acceleration of Employee Payments, Compensation or Benefits
Schedule 3.26	Environmental Matters
Schedule 3.27	Certain Business Relationships
Schedule 3.28	Material Customers
Schedule 3.29	Product Warranties and Liabilities
Schedule 3.30	Bank Accounts
Schedule 4.1	Seller Directors and Officers
Schedule 4.3	Seller, Likoff and Davis Noncontravention
Schedule 5.4	Brokers' Fees
Schedule 7.5(h)	Purchase Price Allocation
Schedule 7.6	Agreements to be Terminated
Schedule 7.7	Key Employees
Schedule 8.2	Credit Supports to be Released
Schedule 9.2	Required Consents
Schedule 10.3(j)	Deliveries by Seller (Liens)

MEMBERSHIP INTEREST PURCHASE AGREEMENT

THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (this "Agreement") is entered into as of November 3, 2010 by and among Group DCA, LLC, a Delaware limited liability company (the "Company"); JD & RL, Inc., a Delaware corporation ("Seller"); Robert O. Likoff, ("Likoff"), individually and as the Seller Representative (as defined below); Jack Davis, individually ("Davis"); and PDI, Inc., a Delaware corporation ("Purchaser").

RECITALS

A. Seller owns all of the issued and outstanding Membership Interests (as defined below) of the Company (collectively, the "Units").

B. Seller desires to sell and transfer all of the Units to Purchaser, and Purchaser desires to purchase and acquire from Seller all of the Units, for the Purchase Price and on the terms and subject to the conditions set forth in this Agreement.

NOW THEREFORE, in consideration of the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, and intending to be legally bound, the Parties hereby agree as follows:

ARTICLE I

DEFINITIONS

1.1 General.

Each term defined in the first paragraph of this Agreement and in the Recitals shall have the meaning set forth above whenever used herein, unless otherwise expressly provided or unless the context clearly requires otherwise.

1.2 Definitions.

As used herein, the following terms shall have the meanings ascribed to them in this Section 1.2:

"2010 Contingency Payment" has the meaning set forth in Section 2.5(a).

"2010 Targeted Gross Profit" has the meaning set forth in Section 2.5(e)(i).

"2010 Targeted Revenue" has the meaning set forth in Section 2.5(e)(i).

"2011 Actual Revenue" has the meaning set forth in Section 2.5(e)(i).

"2011 Actual Gross Profit" has the meaning set forth in Section 2.5(e)(i).

"2011 Contingency Payment" has the meaning set forth in Section 2.5(a).

"2011 Gross Profit Component" has the meaning set forth in Section 2.5(e)(iii).

"2011 Gross Profit Growth Rate" has the meaning set forth in Section 2.5(e)(i).

"2011 Integration Payment" has the meaning set forth in Section 2.5(g)(ii).

"2011 Revenue Component" has the meaning set forth in Section 2.5(e)(ii).

"2011 Revenue Growth Rate" has the meaning set forth in Section 2.5(e)(i).

"2011 Targeted Gross Profit" has the meaning set forth in Section 2.5(f)(i).

"2011 Targeted Revenue" has the meaning set forth in Section 2.5(f)(i).

"2012 Actual Gross Profit" has the meaning set forth in Section 2.5(f)(i).

"2012 Actual Revenue" has the meaning set forth in Section 2.5(f)(i).

"2012 Contingency Payment" has the meaning set forth in Section 2.5(a).

"2012 Gross Profit Component" has the meaning set forth in Section 2.5(f)(iii).

"2012 Gross Profit Growth Rate" has the meaning set forth in Section 2.5(f)(i).

"2012 Integration Payment" has the meaning set forth in Section 2.5(g)(iii).

"2012 Revenue Component" has the meaning set forth in Section 2.5(f)(ii).

"2012 Revenue Growth Rate" has the meaning set forth in Section 2.5(f)(i).

"Acceleration Event" has the meaning set forth in Section 2.5(h)(ii).

"Accounting Arbitrator" has the meaning set forth in Section 2.4(b).

"Accredited Investor" has the meaning set forth in Regulation D promulgated under the Securities Act.

"Affiliate" means, as to any Person, any other Person that directly, or indirectly through one of more intermediaries, controls or is controlled by or is under common control with such Person at any time during the period for which the determination of affiliation is being made. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlled by" and "under common control with"), as used with respect to any Person, means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person whether through the ownership of voting securities, by contract or otherwise.

"Agreed to Court" has the meaning set forth in Section 13.9(b).

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

"Anti-kickback Statute" shall mean 42 U.S.C. §1320a-7b(b).

"Audited Financial Statements" has the meaning set forth in Section 3.7(a).

"Business Confidential Information" has the meaning set forth in Section 7.9(c).

"Business Day" means any day other than a Saturday or Sunday, or a day on which banking institutions located in New York, New York or San Francisco, California are authorized or obligated by Law or executive Order to close.

"Buyer" has the meaning set forth in Section 2.5(j)(2).

"Cap" has the meaning set forth in Section 11.2(b).

"Carryforward Tax Benefit" has the meaning set forth in Section 11.8.

"Change of Control" means, with respect to any Person, the occurrence of any of the following events: (a) any consolidation or merger of such Person or any transaction resulting in any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) (other than Purchaser, in the case of the Company) becoming the "beneficial owner" (as defined in Rule 13d-3 under such Act), directly or indirectly, of securities representing more than 50% of the combined voting power of the Person's then outstanding securities; (b) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the assets of such Person; (c) the adoption of any plan or proposal for the liquidation or dissolution of such Person; or (d) any other transaction similar to any of those described in the immediately preceding clauses (a) through (c).

"Change of Control Purchase Price" has the meaning set forth in Section 2.5(j)(2).

"Claims" means all losses, damages, costs and expenses (including reasonable attorneys' fees and expenses); provided, however, "Claims" shall not include any punitive, indirect and consequential damages (other than punitive, indirect and consequential damages payable by an Indemnified Party to a Third Party).

"Closing" has the meaning set forth in Section 10.1.

"Closing Date" has the meaning set forth in Section 10.1.

"Closing Date Debt Obligation Amount" has the meaning set forth in Section 2.3(b)(i).

"Closing Date Debt Obligations" means, as of the Closing Date, all Indebtedness owing by the Company or any of its Subsidiaries.

"Closing Working Capital" means an amount equal to the Working Capital of the Company determined as of the opening of business on the Closing Date, as determined in accordance with Section 2.4.

"COBRA" means the requirements of Part 6 of Subtitle B of Title I of ERISA and Code Section 4980B.

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

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

"Company 401(k) Plan" has the meaning set forth in Section 7.2(b).

"Company Benefit Plan" has the meaning set forth in Section 3.25(a).

"Company Employee" has the meaning set forth in Section 7.2(a).

"Company Expenses" has the meaning set forth in Section 2.3(b)(ii).

"Company Indemnified Party" or "Company Indemnified Parties" has the meaning set forth in Section 7.3(b).

"Company Intellectual Property" has the meaning set forth in Section 3.14(c).

"Company Products" has the meaning set forth in Section 3.14(a).

"Company Representations" has the meaning set forth in the initial sentence of ARTICLE III.

"Confidential Information" has the meaning set forth in Section 3.14(h).

"Contingency Payments" has the meaning set forth in Section 2.5(a).

"Contract Amount" has the meaning set forth in Section 2.5(g).

"Cost of Goods" means, with respect to any period, all direct costs relating to the sale of goods or the performance of services, calculated in accordance with Section 1.4.

"Current Tax Benefit" has the meaning set forth in Section 11.8.

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

"Determined Amount" shall mean an amount equal to the amount of Pre-Closing S&U Taxes reasonably determined by Purchaser and Seller Representative (or, in the event they cannot agree, as reasonably determined by the Accounting Arbitrator) to be the amount that is reasonably likely to be paid to a state taxing authority in respect of an asserted liability referenced in Section 2.5(k) (each such asserted liability to have a Determined Amount).

"Determination Date" has the meaning set forth in Section 2.5(b).

"Earnout Amounts" means Revenue or Gross Profit or Qualified Revenue.

"Earnout Period" has the meaning set forth in Section 7.10(a).

"Employee Benefit Plan" means any "employee benefit plan" (as such term is defined in ERISA Section 3(3)) and any other material employee benefit plan, program, practice or arrangement of any kind, whether or not subject to ERISA.

"Employee Pension Benefit Plan" has the meaning set forth in ERISA Section 3(2).

"Employee Welfare Benefit Plan" has the meaning set forth in ERISA Section 3(1).

"Environmental Laws" means any Law relating to the environment or health and safety, including pertaining to (a) treatment, storage, disposal, generation, transportation, manufacture, processing, use, distribution or handling of Hazardous Materials; (b) air, water and noise pollution; (c) groundwater and soil contamination; (d) the release or threatened release into the environment of Hazardous Materials; and (e) the protection of natural resources, wild life, marine sanctuaries and wetlands, including all endangered and threatened species.

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

"ERISA Affiliate" means each entity that is treated as a single employer with the Company or its Subsidiaries for purposes of Code Sections 414(b) or (c).

"Escrow Account" means the account established by the Escrow Agent pursuant to the Escrow Agreement.

"Escrow Agent" means Wells Fargo Bank, National Association, in its capacity as escrow agent under the Escrow Agreement, or such other Person acting in such capacity that is reasonably acceptable to both Seller and Purchaser.

"Escrow Agreement" means the Escrow Agreement among Purchaser, Seller, Likoff, Davis and the Escrow Agent, in substantially the form of Exhibit A attached hereto.

"Escrow Amount" means $1,250,000, to be held by the Escrow Agent in the Escrow Account in accordance with the terms of the Escrow Agreement.

"Estimated Closing Working Capital" has the meaning set forth in Section 2.3(a).

"Estimated Contingency Payment" has the meaning set forth in Section 2.5(c).

"Estimated Preliminary Base Purchase Price" has the meaning set forth in Section 2.3(c).

"Fiduciary" has the meaning set forth in ERISA Section 3(21).

"Financial Statements" has the meaning set forth in Section 3.7(a).

"GAAP" means United States generally accepted accounting principles.

"Governmental Authority" means any governmental, regulatory or administrative body, agency or authority (including taxing and self-regulatory authorities), instrumentalities, commissions, boards or bodies having jurisdiction, any court or judicial authority, any arbitrator or any other public authority, whether foreign, federal, state, county or local.

"Gross Profit" means, with respect to any period, Revenue less Cost of Goods.

"Gross Profit Margin" means, with respect to any period, the percentage obtained by dividing Gross Profit by Revenue.

"Hazardous Materials" means any chemicals, pollutants or contaminants defined or regulated by any Environmental Law, hazardous substances (as such term is defined under the Comprehensive Environmental Response, Compensation and Liability Act or any other Environmental Law), solid wastes and hazardous wastes (as such terms are defined under the Resource Conservation and Recovery Act or any other Environmental Law), toxic materials, oil or petroleum and petroleum products or byproducts or constituents thereof, asbestos, or any other material subject to regulation under any Environmental Law.

"HCPs" has the meaning set forth in Section 7.9(a).

"Historical Manner of Determination" has the meaning set forth in Section 1.4.

"iLights" has the meaning set forth in Section 7.8.

"Indebtedness" means (a) all indebtedness for borrowed money or for the deferred purchase price of property or services (including reimbursement and all other obligations with respect to surety bonds, letters of credit and bankers' acceptances, whether or not matured), including the current portion of such indebtedness, (b) all obligations evidenced by notes, bonds, debentures or similar instruments, (c) all indebtedness for or on account of capitalized leases, (d) all indebtedness of another Person secured by a Lien against the assets of the Company or any of its Subsidiaries, (e) all indebtedness under any currency or interest rate swap, hedging instrument or similar arrangement, (f) all obligations for principal, interest, premiums, penalties, fees, expenses and breakage costs with respect to any of the obligations described in clauses (a) through (e), and (g) all obligations of the types described in clauses (a) through (f) above of any other Person, the payment of which is guaranteed, directly or indirectly, by the Company or any of its Subsidiaries.

"Indemnified Party" has the meaning set forth in Section 11.5(a).

"Indemnifying Party" has the meaning set forth in Section 11.5(a).

"Individual Representations" has the meaning set forth in the initial sentence of ARTICLE IV.

"Individual Threshold" has the meaning set forth in Section 11.2(b).

"Insurance Policies" has the meaning set forth in Section 3.17.

"Integrated Activities" has the meaning set forth in Section 2.5(g)(i).

"Integration Payments" has the meaning set forth in Section 2.5(g)(iii).

"Integration Threshold" has the meaning set forth in Section 2.5(g)(ii).

“Intellectual Property” means all of the following in any jurisdiction throughout the world: (a) all inventions (whether patentable or unpatentable and whether or not reduced to practice), all improvements thereto and all patents, patent applications and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions and reexaminations thereof, (b) all trademarks, service marks, trade dress, logos, slogans, trade names, corporate names, Internet domain names and rights in telephone numbers, together with all translations, adaptations, derivations and combinations thereof and including all goodwill associated therewith and all applications, registrations and renewals in connection therewith, (c) all copyrightable works, all copyrights and all applications, registrations and renewals in connection therewith, (d) all mask works and all applications, registrations and renewals in connection therewith, (e) all trade secrets and confidential business information (including ideas, research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical and non-technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information and business and marketing plans and proposals), (f) all computer software (including source code, executable code, data, databases and related documentation), (g) all material advertising and promotional materials, (h) all other proprietary rights and (i) all copies and tangible embodiments thereof (in whatever form or medium).

“Inventions” has the meaning set forth in Section 7.9(d).

“Key Employee Agreements” has the meaning set forth in Section 7.7.

“Key Employees” has the meaning set forth in Section 7.7.

“L&D Intellectual Property Rights” has the meaning set forth in Section 7.9(d).

“Law” means any law, statute, regulation, rule, ordinance, requirement, announcement, published guidance, administrative pronouncement or other binding action or requirement of a Governmental Authority, including the Health Insurance Portability and Accountability Act of 1996; the American Recovery and Reinvestment Act of 2009; the Federal Food, Drug and Cosmetic Act and Prescription Drug Marketing Act and implementing regulations, including 21 C.F.R. Parts 200-203, 205; the Anti-Kickback Statute; the Federal Trade Commission Act, 15 U.S.C. §§ 41-58; and binding actions by the United States Food and Drug Administration, the Federal Trade Commission, the United States Department of Health and Human Services or other Governmental Authorities.

“Leased Real Property” means all leasehold or subleasehold estates and other rights to use or occupy any land, buildings, structures, improvements, fixtures or other interest in real property held by the Company or any of its Subsidiaries.

“Leases” means all leases, subleases, licenses, concessions and other agreements (written or oral), including all amendments, extensions, renewals, guaranties and other agreements with respect thereto, pursuant to which the Company or any of its Subsidiaries holds any Leased Real Property.

“Lien” means any mortgage, pledge, lien, encumbrance, charge, condition, security interest, easement, encroachment, servitude, deed of trust, right of first offer or first refusal, or

any other restriction or covenant with respect to, voting (in the case of any security or equity interest), receipt of income or exercise of any other attribute of ownership.

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

"Material Adverse Effect" or "Material Adverse Change" means any circumstance, condition, event or change that, individually or in the aggregate, has or is reasonably likely to have a material adverse effect upon the business, assets, condition (financial or otherwise), operating results or operations, cash flow or prospects of the Company and its Subsidiaries, taken as a whole, or on the ability of any Party to perform its obligations hereunder in all material respects, but shall exclude any circumstance, condition, event or change relating to or arising from (a) securities or financial markets; (b) changes in Law; (c) economic, regulatory or political conditions in the industries or markets in which the Company and its Subsidiaries operate, including commodity and raw material markets or prices; (d) the entry into, announcement or performance of this Agreement; and/or (e) national or international political conditions, including hostilities, war (whether or not declared), national emergency or terrorist attack.

"Material Customers" has the meaning set forth in Section 3.28.

"Membership Interests" means the limited liability company membership interests of the Company.

"Most Recent Financial Statements" has the meaning set forth in Section 3.7(a).

"Multiemployer Plan" has the meaning set forth in ERISA Section 3(37).

"Option Holders" means each holder of options to purchase equity interests of the Company.

"Order" means any decree, order, judgment, writ, award, injunction, stipulation or consent of or by a Governmental Authority.

"Ordinary Course of Business" means the ordinary course of the Company's and its Subsidiaries' business consistent with past custom and practice.

"Organizational Documents" means (a) the articles or certificate of incorporation and bylaws of a corporation; (b) the partnership agreement and any statement of partnership of a general partnership; (c) the limited partnership agreement and the certificate of limited partnership of a limited partnership; (d) the certificate of formation, operating agreement or comparable documents of a limited liability company; and (e) any amendment to any of the foregoing.

"Other Affiliates" means all of the Purchaser's Affiliates other than the Company and its Subsidiaries.

"Party" or "Parties" means the Company, Seller, Likoff, Davis and Purchaser.

"Permit" or "Permits" has the meaning set forth in Section 3.11.

"Permitted Business Activities" has the meaning set forth in Section 7.9(a).

"Permitted Liens" means (a) Liens for Taxes or other charges, assessments or levies by any Governmental Authority, provided that such Taxes, charges, assessments or levies are not yet due, (b) deposits, Liens or pledges to secure payments of workmen's compensation, unemployment and other similar insurance, (c) mechanics', workmen's, materialmen's, repairmen's, warehousemen's, vendors', landlords' or carriers' liens, or (d) other Liens that do not materially detract from the value or otherwise interfere with the current use of any of the Company's or its Subsidiaries' properties or otherwise impair the Company's or any of its Subsidiaries' operation of its business.

"Person" means an individual, partnership, limited liability company, corporation, association, joint stock company, trust, joint venture, unincorporated organization, other business entity or Governmental Authority.

"PowerXposure" means PowerXposure, L.L.C., a New Jersey limited liability company.

"Pre-Closing Tax Returns" has the meaning set forth in Section 7.5(a).

"Pre-Closing Income Tax Returns" has the meaning set forth in Section 7.5(a).

"Pre-Closing S&U Taxes" shall mean sales and use Taxes with respect to the Company and the Company's Subsidiaries with respect to taxable periods or portions thereof ending on or before the Closing Date.

"Preliminary Purchase Price" has the meaning set forth in Section 2.2(a).

"Procedural Claim" has the meaning set forth in Section 13.9(b).

"Prohibited Transaction" has the meaning set forth in ERISA Section 406 and Code Section 4975.

"Publicly Available Software" has the meaning set forth in Section 3.14(i).

"Purchase Price" has the meaning set forth in Section 2.2.

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

"Purchaser 401(k) Plan" has the meaning set forth in Section 7.2(b).

"Purchaser Indemnified Parties" has the meaning set forth in Section 11.1.

"Purchaser Plans" has the meaning set forth in Section 7.2(c).

"Qualified Revenue" has the meaning set forth in Section 2.5(g)(i).

"Real Property Leases" has the meaning set forth in Section 3.13.

"Registrations" has the meaning set forth in Section 3.20(b).

“Representatives” means a given Person’s current or former officers, directors, managers, employees, members, advisors, consultants, agents or representatives.

“Required Consents” has the meaning set forth in Section 9.2.

“Restricted Business” has the meaning set forth in Section 7.9(a).

“Restriction Period” has the meaning set forth in Section 7.9(a).

“Revenue” means, with respect to any period, income from the sale of goods or the performance of services, calculated in accordance with Section 1.4, but excluding Qualified Revenue. Revenue sources include, but are not limited to, digital programs, patient programs and multichannel programs.

“Securities Act” means the Securities Act of 1933, as amended.

“Seller” has the meaning set forth in the first paragraph of this Agreement.

“Seller Indemnified Parties” has the meaning set forth in Section 11.3.

“Seller’s Knowledge” means the actual knowledge, together with the knowledge that would have been obtained after reasonable inquiry performed in conjunction with or following a complete review of the representations and warranties set forth in ARTICLE III of this Agreement, of Likoff, Davis and DeLisle Callender, and solely with respect to Section 3.14 and Section 3.22, Ron Scalici.

“Seller Representative” has the meaning set forth in Section 7.12(a).

“Statement of Closing Working Capital” has the meaning set forth in Section 2.4(a).

“Stockholders” means the stockholders of Seller.

“Straddle Period” has the meaning set forth in Section 7.5(b).

“Straddle Period Tax Returns” has the meaning set forth in Section 7.5(b).

“Subsidiary” means, as to any Person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such is at the time owned by such Person and/or one or more Subsidiaries of such Person, and (b) any limited liability company, partnership, limited partnership, joint venture, unincorporated association or other entity in which such Person and/or one or more Subsidiaries of such Person has more than a 50% equity interest or has the power or authority, through ownership of voting securities, by contract or otherwise, to exercise control over the business affairs of the entity. The term “Subsidiary” shall include all Subsidiaries of such Subsidiary.

“Target Adjustment Event” has the meaning set forth in Section 2.5(i)(ii).

“Target Closing Working Capital” means an amount equal to $1,500,000.00.

"Tax" means any federal, state, local or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, ad valorem, alternative or add-on minimum, estimated or other tax, or other assessment, duty, fee, or levy in the nature of a tax, together with any interest, penalties, additions to tax and additional amounts with respect thereto, whether disputed or not.

"Tax Escrow Account" shall mean the escrow account into which the Tax Escrow Amount is deposited.

"Tax Escrow Agreement" shall mean the agreement governing the Tax Escrow Account.

"Tax Escrow Amount" shall mean $100,000.

"Tax Return" means any return, declaration, report, claim for refund or information return or statement relating to Taxes filed (or required to be filed) with the applicable Governmental Authority, including any schedule or attachment thereto and including any amendment thereof.

"Third Party" means any Person that is not a Party or an Affiliate of a Party.

"Third Party Intellectual Property" has the meaning set forth in Section 3.14(d).

"Threshold" has the meaning set forth in Section 11.2(b).

"Units" has the meaning set forth in the recitals.

"Voluntary Disclosure Process" means any program, process or procedure of voluntary disclosure with a state taxing authority.

"Working Capital" means, as at the applicable date, (a) the total current assets of the Company and its Subsidiaries, less (b) the total current liabilities of the Company and its Subsidiaries (other than any liability required to be terminated at the Closing and any distributions payable to stockholders of the Company) and less (c) deferred lease liabilities of the Company and its Subsidiaries. The specific line items used to calculate Working Capital shall be determined in the manner historically calculated and reported by the Company and its Subsidiaries in their consolidated internal financial statements prior to the Closing. Working Capital shall include without limitation, (i) cash, (ii) accounts receivable, (iii) prepaid expenses, (iv) deferred costs, (v) advance billings, (vi) accounts payable and accrued expenses, and (vii) unearned revenue; but shall exclude balances on the books of the Company. for accounts receivable from, and advances and loans to, employees, stockholders and Affiliates of the Company, leases (other than as set forth above) and other deposits, provided that (A) no deduction shall be taken in calculating Working Capital with respect to the separation of two employees immediately prior to Closing, and (B) with respect to the Company's principal office, the deduction for Working Capital shall be limited to $50,000. With respect to the loan from the Company to Likoff, the Estimated Closing Working Capital reflects repayment at or prior to the Closing by Likoff to the Company of amounts due by him with respect to such loan.

Interpretation.

Unless otherwise expressly provided or unless the context requires otherwise: (a) all references in this Agreement to Articles, Sections, Schedules and Exhibits shall mean and refer to Articles, Sections, Schedules and Exhibits of this Agreement; (b) all references to statutes and related regulations shall include all amendments of the same and any successor or replacement statutes and regulations; (c) words using the singular or plural number also shall include the plural and singular number, respectively; (d) references to "hereof", "herein", "hereby" and similar terms shall refer to this entire Agreement (including the Schedules and Exhibits hereto); (e) references to any Person shall be deemed to mean and include the successors and permitted assigns of such Person (or, in the case of a Governmental Authority, Persons succeeding to the relevant functions of such Person); (f) the term "including" shall be deemed to mean "including, without limitation"; (g) words of any gender or neuter include each other gender and neuter; and (h) whenever this Agreement refers to a number of days, such number shall refer to calendar days, unless such reference is specifically to "Business Days."

1.1 Financial Calculations.

Without limiting the other provisions of this Agreement, Revenue and Cost of Goods shall be calculated consistent with the examples set forth on Schedule 1.4, which substantially reflects the manner in which Revenue and Cost of Goods were historically calculated and reported by the Company and its Subsidiaries in their consolidated internal financial statements prior to the Closing (the "Historical Manner of Determination"). With respect to any line of business of the Company or its Subsidiaries not included on Schedule 1.4 (including with respect to any line of business in which the Company or its Subsidiaries is not engaged as of the Closing Date), Revenue and Cost of Goods shall be calculated in a manner that would be consistent with the Historical Manner of Determination; and Purchaser and Seller shall act in good faith to determine such calculations.

ARTICLE II

SALE AND PURCHASE OF UNITS

2.1 Sale and Purchase of Units.

Subject to the terms and conditions of this Agreement and in reliance upon the representations, warranties, covenants and agreements made in this Agreement by Seller, Likoff and Davis, at the Closing, Purchaser shall purchase from Seller, and Seller shall sell, transfer and deliver to Purchaser, free and clear of all Liens, the Units.

2.2 Purchase Price.

Purchaser shall pay Seller an aggregate amount (the "Purchase Price") equal to:

(a) Twenty Five Million Three Hundred Thousand Dollars ($25,300,000) (the "Preliminary Purchase Price");

(b) (i) plus the amount, if any, by which the Closing Working Capital is

(c) greater than the Target Closing Working Capital, or (ii) minus the amount, if any, by which the Target Closing Working Capital is greater than the Closing Working Capital; and

(d) plus any amounts owed to Seller pursuant to Section 2.5 of this Agreement.

2.3 Payment of Purchase Price.

(a) Prior to the Closing, Seller shall notify Purchaser in writing of its good faith estimate of the Closing Working Capital, such estimate to be approved by Purchaser, which approval shall not be unreasonably withheld, delayed or conditioned (the "Estimated Closing Working Capital"), together with all reasonable supporting documentation. Seller and Purchaser shall cooperate in good faith to agree upon the calculation of the Estimated Closing Working Capital.

(b) Prior to the Closing, Seller shall provide to Purchaser:

(i) a schedule setting forth the amount of the Closing Date Debt Obligations (the "Closing Date Debt Obligation Amount"), together with all pay-off letters (which shall include, subject to payment by the Company of the pay-off amounts set forth therein, a full and complete release of the Company and its Subsidiaries from any obligation to pay any Closing Date Debt Obligations and wire transfer instructions) related thereto; and

(ii) a schedule of the unpaid fees, expenses, payments to holders of options to purchase equity interests of the Company, and other amounts that have been, are or will be paid or payable, by the Company or its Subsidiaries in connection with the preparation, negotiation or execution of this Agreement, or the consummation of the transactions contemplated hereby ("Company Expenses").

(c) The term "Estimated Preliminary Base Purchase Price" shall mean and be an amount equal to the Preliminary Purchase Price (i) plus the amount, if any, by which the Estimated Closing Working Capital is greater than the Target Closing Working Capital, or (ii) minus the amount, if any, by which the Target Closing Working Capital is greater than the Estimated Closing Working Capital.

(d) At the Closing, the Estimated Preliminary Base Purchase Price shall be paid by Purchaser by wire transfer of immediately available funds, or retained by Purchaser in the case of (v) below, as follows:

(i) on behalf of the Company and its Subsidiaries, to an account or accounts designated in writing by Seller, an amount, in the aggregate, equal to the Closing Date Debt Obligation Amount, which amount shall be used to repay the Closing Date Debt Obligations in full;

(ii) on behalf of the Company and its Subsidiaries, to an account or

(iii) accounts designated in writing by Seller, the amount of Company Expenses, which amount shall be used to pay such Company Expenses in full, subject to applicable withholding, if any;

(iv) to the Escrow Account, an amount equal to the Escrow Amount;

(v) to an account or accounts designated in writing by Seller, the amount of the Estimated Preliminary Base Purchase Price that remains after the amounts are paid pursuant to clauses (i) through (iii) above, which amount shall be used to pay the Stockholders; and

(vi) retained by Purchaser, an amount equal to the Tax Escrow Amount which shall be deposited into the Tax Escrow Account pursuant to Section 7.14.

(e) Within three (3) Business Days after the determination of the Closing Working Capital pursuant to Section 2.4:

(i) if the Closing Working Capital is greater than the Estimated Closing Working Capital, Purchaser shall pay to Seller an amount equal to the difference between the Closing Working Capital and the Estimated Closing Working Capital by wire transfer of immediately available funds to an account designated in writing by Seller; or

(ii) if the Closing Working Capital is less than the Estimated Closing Working Capital, Seller shall pay to Purchaser an amount equal to the difference between the Estimated Closing Working Capital and the Closing Working Capital in the form of immediately available funds by wire transfer to an account designated in writing by Purchaser.

2.4 Purchase Price Adjustment.

(a) Within sixty (60) days after the Closing Date, Purchaser shall prepare and deliver to Seller a statement of the Closing Working Capital (the "Statement of Closing Working Capital") together with all supporting documentation. The Statement of Closing Working Capital shall be based upon the books and records of the Company and its Subsidiaries and shall be prepared in accordance with the definitions of Working Capital and Closing Working Capital set forth in ARTICLE I and in accordance with the methodology used in the calculation of the Estimated Closing Working Capital.

(b) The Statement of Closing Working Capital shall be final and binding on the Parties unless Seller shall, within thirty (30) days following the delivery of such Statement, deliver to Purchaser written notice of disagreement with such Statement. If Seller shall raise any objections within the aforesaid thirty (30) day period, then Seller and Purchaser shall attempt to resolve the disputed matters. If Seller and Purchaser are unable to resolve all disagreements within thirty (30) days of receipt by Purchaser of a written notice of disagreement, or such longer period as may be agreed by Purchaser and Seller, then, within thirty (30) days thereafter, Seller and Purchaser jointly shall select Deloitte or any other arbiter from a nationally recognized independent public accounting

(c) firm that is not the independent auditor of Purchaser, the Company, Seller or any of their respective Affiliates; if Purchaser and Seller are unable to select an arbiter within such time period, the American Arbitration Association shall make such selection (the Person so selected shall be referred to herein as the "Accounting Arbitrator"). The Accounting Arbitrator so selected will consider only those items and amounts set forth in such Statement as to which Purchaser and Seller have disagreed within the time periods and on the terms specified above and must resolve the matter in accordance with the terms and provisions of this Agreement. In submitting a dispute to the Accounting Arbitrator, each of the Purchaser and Seller shall concurrently furnish, at its own expense, to the Accounting Arbitrator and the other Party such documents and information as the Accounting Arbitrator may request. Each of Purchaser and Seller may also furnish to the Accounting Arbitrator such other information and documents as it deems relevant, with copies of such submission and all such documents and information being concurrently given to the other Party. The Accounting Arbitrator shall issue a detailed written report that sets forth the resolution of all items in dispute and that contains a final Statement of Closing Working Capital. Such report shall be final and binding upon Purchaser and Seller. The fees and expenses of the Accounting Arbitrator incurred in connection with the determination of the disputed items by the Accounting Arbitrator shall be borne by (i) Purchaser if the Accounting Arbitrator's determination of the disputed items shall vary from Purchaser's determination of the disputed items by more than the difference between Seller's determination of the disputed items and the Accounting Arbitrator's determination of the disputed items or (ii) Seller if the Accounting Arbitrator's determination of the disputed items shall vary from Seller's determination of the disputed items by more than the difference between Purchaser's determination of the disputed items and the Accounting Arbitrator's determination of the disputed items. The fees and expenses of the Accounting Arbitrator incurred in connection with the determination of the disputed items by the Accounting Arbitrator shall be borne equally by Purchaser and Seller if the Accounting Arbitrator's determination of the disputed items shall vary from Seller's determination of the disputed items by an amount equal to the difference between Purchaser's determination of the disputed items and the Accounting Arbitrator's determination of the disputed items. Purchaser and Seller shall cooperate fully with the Accounting Arbitrator and respond on a timely basis to all requests for information or access to documents or personnel made by the Accounting Arbitrator or by other Parties hereto, all with the intent to fairly and in good faith resolve all disputes relating to the Statement of Closing Working Capital as promptly as reasonably practicable.

2.5 Earnout Payments.

(a) In addition to the other amounts owed by Purchaser to Seller pursuant to this Agreement, Purchaser shall pay to Seller a payment for each of the calendar years ended December 31, 2010 (the "2010 Contingency Payment"), December 31, 2011 (the "2011 Contingency Payment"), and December 31, 2012 (the "2012 Contingency Payment" and, collectively with the 2010 Contingency Payment and the 2011 Contingency Payment, the "Contingency Payments") if such Contingency Payments are due pursuant to the terms hereof. All Contingency Payments shall be calculated in accordance with the Historical Manner of Determination.

(b) On each March 31 following each of the calendar years ended December 31, 2010, December 31, 2011 and December 31, 2012 (each a "Determination Date"), Purchaser shall deliver to Seller (i) a complete copy of the consolidated audited financial statements of Purchaser for the most recently completed calendar year, (ii) a written statement setting forth the applicable Contingency Payment due for such calendar year, (iii) a written detailed calculation of the applicable Contingency Payment pursuant to the terms of this Section 2.5 (including a detailed calculation of Purchaser's determination of Revenue and Gross Profit for the applicable calendar year) and (iv) with the exception of the 2010 Contingency Payment which shall be paid pursuant to Section 2.5(c) below, a payment, if any, in the amount of the applicable Contingency Payment reflected in such calculation. The statements, calculations and determinations delivered by Purchaser pursuant to the previous sentence shall be final and binding on the Parties unless Seller shall, within thirty (30) days following the delivery of such items, deliver to Purchaser written notice of disagreement with any such items. Such disagreement shall be resolved pursuant to the dispute resolution procedures set forth in Section 2.4. In the event the disagreement is arbitrated, the report of the Accounting Arbitrator shall be final and binding upon Purchaser and Seller. All Contingency Payments and the Estimated Contingency Payment (as defined below) shall be paid in cash by wire transfer of immediately available funds to an account designated in writing by Seller.

(c) On December 31, 2010, Purchaser shall deliver to Seller (i) a statement setting forth its good faith estimate of the Contingency Payment for the calendar year concluded on such date (the "Estimated Contingency Payment"); (ii) a detailed calculation of the Estimated Contingency Payment pursuant to the terms of this Section 2.5 (including a detailed calculation of Purchaser's determination of estimated Revenue and Gross Profit for the applicable period); and (iii) a payment in the amount of such Estimated Contingency Payment, if any. On the Determination Date for the calendar year ended December 31, 2010, (i) if the Contingency Payment is greater than the Estimated Contingency Payment, Purchaser shall pay to Seller an amount equal to the difference between the Contingency Payment and the Estimated Contingency Payment; or (ii) if the Contingency Payment is less than the Estimated Contingency Payment, Seller shall pay to Purchaser an amount equal to the difference between the Estimated Contingency Payment and the Contingency Payment by wire transfer of immediately available funds to an account designated in writing by Purchaser.

(d) 2010 Contingency Payment. The 2010 Contingency Payment shall include both a Revenue component and a Gross Profit component, as follows:

(i) *Revenue Component*. If the Company, for the year ended December 31, 2010: (A) achieves at least $21,500,000 of Revenue, then a payment of $500,000 shall be paid to Seller and (B) achieves Revenue greater than $21,500,000, an additional payment to Seller in an amount of up to $2,000,000 shall scale on a pro-rated basis upon achievement of Revenue between $21,500,000 and $23,500,000, such that the total payment possible under this Section 2.5(d)(i) shall be capped at $2,500,000. Notwithstanding the preceding, no payments shall be made under this Section 2.5(d)(i) unless the Company's Gross Profit for the year ended December 31, 2010 is at least $15,000,000.

(ii) *Gross Profit Component*. If the Company, for the year ended December 31, 2010: (A) achieves at least $15,000,000 of Gross Profit, then a payment of $500,000 shall be paid to Seller and (B) achieves Gross Profit greater than $15,000,000, an additional payment to Seller in an amount of up to $2,000,000 shall scale on a pro-rated basis upon achievement of Gross Profit between $15,000,000 and $16,700,000, such that the total payment possible under this Section 2.5(d)(ii) shall be capped at $2,500,000. Notwithstanding the preceding, no payments shall be made under this Section 2.5(d)(ii) unless the Company's Revenue for the year ended December 31, 2010, is at least $21,500,000.

(iii) For the avoidance of doubt, the 2010 Contingency Payment shall include amounts under both Section 2.5(d)(i) and Section 2.5(d)(ii).

(e) 2011 Contingency Payment. The 2011 Contingency Payment shall be equal to the 2011 Revenue Component plus the 2011 Gross Profit Component (as such terms are defined below); provided, however, that the 2011 Contingency Payment shall be automatically equal to zero if the Gross Profit Margin for the year ending December 31, 2011 is less than 65%.

(i) *Definitions*. As used herein: "2010 Targeted Revenue" means $23,500,000; "2010 Targeted Gross Profit" means $16,700,000; "2011 Actual Revenue" means the Revenue for the year ending December 31, 2011; "2011 Revenue Growth Rate" means (x) 2011 Actual Revenue divided by (y) 2010 Targeted Revenue, minus (z) 1.00; "2011 Actual Gross Profit" means the Gross Profit for the year ending December 31, 2011; and "2011 Gross Profit Growth Rate" means (x) 2011 Actual Gross Profit divided by (y) 2010 Targeted Gross Profit, minus (z) 1.00.

(ii) *2011 Revenue Component*. The "2011 Revenue Component" shall be equal to, for any 2011 Revenue Growth Rate of at least 10%, (x) the cumulative total of all Revenue Earned Amounts (as such term is used on Schedule 2.5(e) hereto) for all respective Revenue Growth %'s (as such term is used on Schedule 2.5(e) hereto) at or less than the 2011 Revenue Growth Rate, plus (y) the pro rata portion of the next greater Revenue Earned Amount based on the level of Revenue growth achieved towards such greater Revenue Earned Amount.

Example: By way of illustration, if 2011 Actual Revenue equals $32,665,000, then 2011 Revenue Growth Rate equals 39% (that is, $32,665,000 divided by $23,500,000, minus 1.00), and 2011 Revenue Component equals $6,200,000, which is calculated as follows: (x) $5,000,000 (that is, the sum of all Revenue Earned Amounts for all respective Revenue Growth %'s from 10% to 35% inclusive), plus (y) $1,200,000 (that is, 80% of the next greater Revenue Earned Amount of $1,500,000, based achieving 80% of the Revenue Growth % between 35% and 40%).

2011 Gross Profit Component. The "2011 Gross Profit Component" shall be equal to, for any 2011 Gross Profit Growth Rate of at least 10%, (x) the cumulative total of all Gross Profit Earned Amounts (as such term is used on Schedule 2.5(e) hereto) for all respective Gross Profit Growth %'s (as such term is used on Schedule 2.5(e) hereto) at or less than the 2011 Gross Profit Growth Rate, plus (y) the pro rata portion of the next greater Gross Profit Earned Amount based on the level of Gross Profit growth achieved towards such greater Gross Profit Earned Amount.

(iii) *Additional Provisions.* The total amount of the 2011 Contingency Payment shall not exceed $20,000,000. The 2011 Contingency Payment shall be payable on the Determination Date; provided, however, that if the 2011 Contingency Payment is greater than $10,000,000, then 50% of such excess shall be payable on the Determination Date and the remaining 50% of such excess shall be deferred and paid on the date the 2012 Contingency Payment, if any, is due; provided, further, however, that such deferred portion shall be forfeited if either (x) 2012 Actual Revenue is less than 2011 Actual Revenue or (y) 2012 Actual Gross Profit is less than 2011 Actual Gross Profit.

(f) 2012 Contingency Payment. The 2012 Contingency Payment shall be equal to the 2012 Revenue Component plus the 2012 Gross Profit Component (as such terms are defined below); provided, however, that the 2012 Contingency Payment shall be automatically equal to zero if the Gross Profit Margin for the year ending December 31, 2012 is less than 65%.

(i) *Definitions*. As used herein: "2011 Targeted Revenue" means $25,850,000; "2011 Targeted Gross Profit" means $18,370,000; "2012 Actual Revenue" means the Revenue for the year ending December 31, 2012; "2012 Revenue Growth Rate" means (x) 2012 Actual Revenue divided by (y) 2011 Targeted Revenue, minus (z) 1.00; "2012 Actual Gross Profit" means the Gross Profit for the year ending December 31, 2012; and "2012 Gross Profit Growth Rate" means (x) 2012 Actual Gross Profit divided by (y) 2011 Targeted Gross Profit, minus (z) 1.00.

(ii) *2012 Revenue Component*. The "2012 Revenue Component" shall be equal to, for any 2012 Revenue Growth Rate of at least 10%, (x) the cumulative total of all Revenue Earned Amounts (as such term is used on Schedule 2.5(f) hereto) for all respective Revenue Growth %'s (as such term is used on Schedule 2.5(f) hereto) at or less than the 2012 Revenue Growth Rate, plus (y) the pro rata portion of the next greater Revenue Earned Amount based on the level of Revenue growth achieved towards such greater Revenue Earned Amount.

Example: By way of illustration, if 2012 Actual Revenue equals $39,292,000, then 2012 Revenue Growth Rate equals 52% (that is, $39,292,000 divided by $25,850,000, minus 1.00), and 2012 Revenue Component equals $5,400,000, which is calculated as follows: (x)

$4,000,000 (that is, the sum of all Revenue Earned Amounts for all respective Revenue Growth %'s from 10% to 45% inclusive), plus (y) $1,400,000 (that is, 70% of the next greater Revenue Earned Amount of $2,000,000, based achieving 70% of the Revenue Growth % between 45% and 55%).

(iii) *2012 Gross Profit Component.* The "2012 Gross Profit Component" shall be equal to, for any 2012 Gross Profit Growth Rate of at least 10%, (x) the cumulative total of all Gross Profit Earned Amounts (as such term is used on Schedule 2.5(f) hereto) for all respective Gross Profit Growth %'s (as such term is used on Schedule 2.5(f) hereto) at or less than the 2012 Gross Profit Growth Rate, plus (y) the pro rata portion of the next greater Gross Profit Earned Amount based on the level of Gross Profit growth achieved towards such greater Gross Profit Earned Amount.

(iv) *Additional Provisions.* The total amount of the 2012 Contingency Payment shall not exceed $20,000,000, and aggregate amount of the sum of the 2011 Contingency Payment and the 2012 Contingency Payment shall not exceed $20,000,000.

(g) Integration Payments. Notwithstanding any of the other provisions in this Agreement to the contrary, in addition to the Contingency Payments and regardless of whether any Contingency Payments are ever paid or payable pursuant to this Agreement, Purchaser shall pay to Seller the Integration Payments (as defined below) based on the integration of the Company's and Purchaser's sales and marketing activities, pursuant to the following terms and conditions:

(i) *Definitions*. As used herein:

"Integrated Activities" means the Company cooperating in good faith with Purchaser in engaging in joint marketing and sales initiatives, including, without limitation: (i) making introductions of Purchaser to the Company's customers and prospects; (ii) making recommendations to the Company's customers and prospects as to Purchaser's products and services or otherwise referring such customers or prospects to Purchaser; (iii) making joint sales calls with Purchaser on customers and prospects of the Company or of Purchaser; and (iv) otherwise providing material assistance or support to Purchaser in its sales and marketing activities, including participating in trainings, seminars, receptions and other special events; in each case to the extent reasonable, practical, feasible and in a manner that does not unreasonably interfere with the conduct of the Company's business, and, where applicable, upon Purchaser's written request. In the event that any customer or prospective customer requests an in-person sales call or sales meeting related to any product or service of the Company or any of its Subsidiaries, Purchaser shall provide Likoff or Davis with notice of such request and shall permit the Company to attend such sales call or sales meeting.

"Qualified Revenue" means revenue derived from the goods and services of Purchaser or the Company from such customers or prospects of Purchaser or the Company who were contacted in connection with, or who were otherwise the object or recipient of, the Integrated Activities, calculated as follows:

(A) If the Company engages in Integrated Activities which results in a signed contract pursuant to which the customer agrees to purchase the Company's products or services, Seller shall have the option to designate the amount payable pursuant to such contract (the "Contract Amount") for the then current year and any renewal period as either (x) Qualified Revenue to be used in the calculation of the Integration Payment for such year, if any, in accordance with this Section 2.5(g) or (y) as Revenue to be used in the calculation of the Contingency Payment for such year. Seller shall make this designation at any time during the calendar year during which such contract is signed. If the Contract Amount is designated as Qualified Revenue, then the Company's Qualified Revenue for such year shall be credited with the full Contract Amount. If the Contract Amount is designated as Revenue, then any calculation of Revenue related to the Contract Amount shall be performed in accordance with Section 1.4. For the avoidance of doubt, the Company shall not get any credit pursuant to this clause (A) for the purchase of Purchaser's products or services.

(B) If (x) the Company engages in Integrated Activities which results in a signed contract pursuant to which the customer agrees to purchase Purchaser's products or services, or (y) Purchaser's Chief Executive Officer determines (which determination shall be made in good faith) that a customer or prospective customer entered into a signed contract to purchase Purchaser's products or services as a result of the material contribution of the Company, but, in the case of (x) or (y) above, such Integrated Activities do not result in a signed contract pursuant to which the customer agrees to purchase the Company's products or services, then, with respect to any such signed contract pursuant to which the customer agrees to purchase Purchaser's products or services, the Company's Qualified Revenue will be credited the lesser of (1) ten percent (10%) of the amount payable pursuant to such contract committed in the first year of the contract and (2) $1,000,000. If the contract is a multiyear contract that continues into a subsequent year or years, or if the contract is renewed for a subsequent year or years, then the Company's Qualified Revenue will be credited the lesser of (1) ten (10%) of the amount payable pursuant to such contract committed in such subsequent year or years of the contract and (2) $1,000,000 for each such subsequent year.

(C) If the Company engages in Integrated Activities which results in a signed contract pursuant to which the customer agrees to purchase both Company's products or services and Purchaser's products or services,

Seller shall have the option to designate the amount payable pursuant to such contract with respect to the Company's products and services for the then current year and any renewal period as either (x) Qualified Revenue to be used in the calculation of the Integration Payment for such year, if any, in accordance with this Section 2.5(g) or (y) as Revenue to be used in the calculation of the Contingency Payment for such year, in each case on the same basis and in addition to the Qualified Revenue or Revenue calculated in accordance with clause (A) above.

(D) If the Company engages in Integrated Activities which results in a signed contract pursuant to which the customer agrees to purchase both Company's products or services and Purchaser's products or services, and the Seller shall have exercised its option to designate the amounts payable with respect to the purchase of the Company's products and services as Qualifying Revenue in accordance with clause (C) above, and Purchaser has achieved new business revenue of at least $55,000,000 for its fiscal year in which such contract is signed, then, with respect to any such signed contract, Qualifying Revenue will be credited with both (x) one hundred fifty percent (150%) of the amount of such Qualifying Revenue (rather than one hundred percent (100%) of the amount thereof as described in clause (C) above), for the purchase of the Company's products and services committed in the first year of such contract and (y) the lesser of (1) ten percent (10%) of the amounts payable under such contract for the purchase of Purchaser's products and services committed in the first year of the contract and (2) $1,000,000. If the contract is a multiyear contract that continues into a subsequent year or years, or if the contract is renewed for a subsequent year or years, and the Seller shall have exercised its option to designate the amount payable with respect to the purchase of the Company's products and services as Qualifying Revenue as provided in clause (C) above, and Purchaser has achieved new business revenue of at least $55,000,000 in any such subsequent year, then Qualifying Revenue will be credited with both (a) one hundred fifty percent (150%) of the amount of such Qualifying Revenue (rather than one hundred percent (100%) of the amount thereof as described in clause (C) above) committed in such subsequent year of the contract for the purchase of the Company's products and services and (b) the lesser of (1) ten percent (10%) of the amount payable under such contract committed in such subsequent year of the contract for the purchase of Purchaser's products and services and (2) $1,000,000 for each such subsequent year.

(ii) *2011 Integration Payment*. Seller shall be entitled to receive an amount equal to up to $2,500,000 (the "2011 Integration Payment") if (x) the Company participates and engages in good faith in the Integrated Activities during 2011 and (y) the Company achieves Qualified Revenue for the year ending December 31, 2011. Seller shall be eligible to receive the full $2,500,000 if the Qualified Revenue for such year is equal to or exceeds $5,000,000 (the "Integration Threshold"), provided, however, that in the event that the Company

(iii) fails to achieve the Integration Threshold, Seller shall be entitled to receive a 2011 Integration Payment equal to 50% of the Qualified Revenue achieved during the year ending December 31, 2011. Purchaser shall pay to Seller, on or before April 15, 2012, the 2011 Integration Payment by wire transfer of immediately available funds to an account designated in writing by Seller.

(iv) *2012 Integration Payment*. Seller shall be entitled to receive an amount equal to up to $2,500,000 (the "2012 Integration Payment" and together with the 2011 Integration Payment, the "Integration Payments"), if (x) the Company participates and engages in good faith in the Integrated Activities during 2012 and (y) the Company achieves Qualified Revenue for the year ending December 31, 2012. Seller shall be eligible to receive the full $2,500,000 if the Qualified Revenue for such year is equal to or exceeds the Integration Threshold, provided, however, that in the event that the Company fails to achieve the Integration Threshold, Seller shall be entitled to receive a 2012 Integration Payment equal to 50% of the Qualified Revenue achieved during the year ending December 31, 2012. Purchaser shall pay to Seller, on or before April 15, 2013, the 2012 Integration Payment by wire transfer of immediately available funds to an account designated in writing by Seller.

(v) *Additional Provisions*. In the event there is a disagreement with respect to the calculations or determinations made pursuant to this Section 2.5(g), such disagreement shall be resolved pursuant to the dispute resolution procedures set forth in Section 2.4. In the event the disagreement is arbitrated, the report of the Accounting Arbitrator shall be final and binding upon Purchaser and Seller.

(h) Acceleration.

(i) If an Acceleration Event occurs prior to January 1, 2013, Purchaser shall pay to Seller an amount equal to the sum of (i) the maximum possible amount of the 2010 Contingency Payment if the Acceleration Event occurred prior to January 1, 2011, plus (ii) the maximum possible amounts of the 2011 Contingency Payment and the Integration Payment for 2011 if the Acceleration Event occurred prior to January 1, 2012, plus (iii) the maximum possible amounts of the 2012 Contingency Payment and the Integration Payment for 2012 if the Acceleration Event occurred prior to January 1, 2013; provided, that in no event shall the amount paid pursuant to this subpart (h) exceed $30,000,000. If an Acceleration Event occurs prior to January 1, 2011, Purchaser shall pay to Seller $5,000,000 on December 31, 2010, $12,500,000 on March 31, 2012, and $12,500,000 on March 31, 2013. If the Acceleration Event occurs on or after January 1, 2011 but prior to January 1, 2012, Purchaser shall pay to Seller $12,500,000 on March 31, 2012 and $12,500,000 on March 31, 2013. If the Acceleration Event occurs on or after January 1, 2012 but prior to January 1, 2013, Purchaser shall pay to Seller on March 31, 2013 an amount equal to the difference between $22,500,000 and the amount of the 2011 Contingency Payment.

(ii) Each of the following shall constitute an "Acceleration Event":

(1) failure by Purchaser or the Company to pay any undisputed amount when due under this Agreement or the Key Employee Agreement with Likoff or Davis, and such failure is not cured within thirty (30) days after Purchaser's receipt of written notice from Likoff or Davis, as the case may be, of such failure;

(2) default in the payment when due of any obligation of Purchaser for borrowed money in excess of $10,000,000, either at maturity or if the effect of such default is to accelerate the maturity of such obligation, and such default is not cured within the applicable cure period; or a final non-appealable judgment is rendered against Purchaser that exceeds $10,000,000 and such judgment is not satisfied within sixty (60) days or in accordance with the terms of the judgment, whichever is longer;

(3) Purchaser applies for, consents to, or acquiesces in the appointment of a trustee, receiver or other custodian for Purchaser or a substantial part of Purchaser's property, or makes a general assignment for the benefit of creditors; or in the absence of such application, consent or acquiescence, a trustee, receiver or other custodian is appointed for Purchaser, or for a substantial part of Purchaser's property and is not discharged or dismissed within ninety (90) days;

(4) any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against Purchaser, which proceeding is not dismissed within ninety (90) days;

(5) termination by the Company of the employment of either Likoff or Davis without Cause (as such term is used in their respective Key Employee Agreements) or resignation by Likoff or Davis for Good Reason (as such term is used in their respective Key Employee Agreements with the Company);

(6) except in the case of a Change of Control of the Company (which is covered by Section 2.5(j)(2)), the Company is no longer a wholly-owned Subsidiary of Purchaser and as a business unit that is separate from any other business unit of Purchaser; each of the Company's Subsidiaries is no longer a wholly-owned Subsidiary of the Company; except¸ in any of the cases described above in this clause (6), if and to the extent approved in advance in writing by Seller; or

(7) a material violation by Purchaser of the covenant set forth in Section 7.10(b).

(i) Adjustment of Targets.

(i) If a Target Adjustment Event occurs prior to January 1, 2013, and such Target Adjustment Event could reasonably be expected to result in a reduction (other than a *de minimis* reduction) in any of the Earnout Amounts, then there shall be a corresponding reduction in the Revenue and Gross Profit target levels set forth in this Section 2.5, such reduced target levels to be determined in

(ii) accordance with the dispute resolution procedures set forth in Section 2.4. In the event the matter is arbitrated, the report of the Accounting Arbitrator shall be final and binding upon Purchaser and Seller.

(iii) Each of the following shall constitute a "Target Adjustment Event":

(1) cessation of the employment of either Likoff or Davis on account of his death or Total Disability (as such term is defined in his respective Key Employee Agreement);

(2) failure to comply in all material respects with all Laws and Orders applicable to the operation of the Company and its Subsidiaries or to maintain all material Permits necessary for the operation of the Company and its Subsidiaries; provided, that such failure was not caused by either Likoff's or Davis' negligence, recklessness, mismanagement or willful misconduct;

(3) failure to assure that the Company and its Subsidiaries have adequate capital to operate their business in accordance with the strategic plans and operating budgets for the Company approved by the Chief Executive Officer of Purchaser; provided, that such failure occurs at a time when the Company has achieved sixty percent (60%) or more of the forecasted Revenue of the Company as set forth in the forecasts provided pursuant to Section 7.13 for the immediately preceding four (4) fiscal quarters;

(4) the imposition on Likoff and Davis of material additional administrative, corporate or other responsibilities or commitments which are reasonably likely to interfere with the ability to earn Contingency Payments and that are inconsistent with the responsibilities or commitments imposed on a regular basis upon the senior executives of Purchaser; or

(5) a material violation by Purchaser of the covenant set forth in Section 7.10(a).

(j) Special Provisions:

(1) If Purchaser proposes to change, add or eliminate any material service or product line of the Company or any of its Subsidiaries, it shall provide Seller with prior written notice thereof. If, within ten (10) days after receipt of such notice, Seller notifies Purchaser in writing that it has determined that such change, addition or elimination is reasonably likely to result in a reduction (other than a *de minimus* reduction) in the Earnout Amounts, and Purchaser then implements such change, addition or elimination, then such action of Purchaser shall constitute (a) an Acceleration Event if it involves a change to or elimination of the DIAGRAM™ software or the HCP database, or (b) a Target Adjustment Event if it involves a change, addition or elimination of any other material service or product line of the Company or any of its Subsidiaries. If Seller does not provide such notice within such period, Seller will be deemed to have waived its rights under this provision with respect to such change, addition or elimination.

(2) Purchaser shall provide Seller with at least twenty (20) days' written notice prior to the consummation by the Purchaser of a Change of Control of the Company. Such notice shall include a description of the transaction, the identity of the buyer (the "Buyer") and an itemization of the aggregate net purchase price payable by the Buyer to Purchaser and/or its stockholders or Affiliates in connection therewith (the "Change of Control Purchase Price"). If Seller has not consented in writing to such Change of Control prior to the consummation thereof, then, upon the occurrence of the Change of Control: (A) an Acceleration Event shall be deemed to have occurred, and Purchaser shall pay Seller an amount equal to the lesser of (x) the maximum amounts set forth in Section 2.5(h)(i), and (y) the excess of the Change of Control Purchase Price over the sum of (i) any amounts invested by Purchaser in the Company in excess of the applicable budgeted investment amount plus (ii) $25,000,000, and (B) a Target Adjustment Event shall be deemed to have occurred with respect to any remaining amounts set forth in Section 2.5(h)(i) which are not paid pursuant to part (A) above.

(3) If the Company engages in Integrated Activities which results in a signed contract pursuant to which the customer agrees to purchase the products or services of both the Company and Purchaser and there is no specified allocation of the amounts payable pursuant to such contract between the Company's products or services and Purchaser's products and services, then the Company and Purchaser shall make a good faith effort to agree on the allocation and if there is a disagreement, such disagreement shall be resolved pursuant to the dispute resolution procedures set forth in Section 2.4. In the event the disagreement is arbitrated, the report of the Accounting Arbitrator shall be final and binding upon Purchaser and Seller.

(4) In the event that Seller believes that Purchaser has taken any action that would give rise to a Target Adjustment Event pursuant to Section 2.5(ii)(2), (3), (4) or (5) above, prior to any reduction in the Revenue and Gross Profit target levels set forth in this Section 2.5, Seller shall provide written notice to Purchaser describing such action(s), and Seller and Purchaser shall have sixty (60) days following delivery of such notice to discuss and make mutually reasonable efforts to amicably resolve the issues set forth in such notice so as to provide Purchaser with an opportunity to avoid or mitigate such action(s) resulting in a Target Adjustment Event.

(k) Pre-Closing S&U Taxes Set-off. Notwithstanding anything to the contrary in this Agreement, in the event that a state taxing authority asserts liability for Pre-Closing S&U Taxes, Purchaser may set-off and withhold against any payment to be made to Seller pursuant to this Section 2.5, the Determined Amount; provided, however, that (1) no such set-off or withholding shall be made until the sum of all Determined Amounts exceeds $100,000, in which event the sum of all Determined Amounts shall be set-off and withheld unless the amount available in the Escrow Account to satisfy such amounts exceeds such sum, in which case no such set-off or withholding shall be made until the amount available in the Escrow Account to satisfy such amounts is less than such sum, in which case such set-off and withholding shall be made in its entirety, and (2) any such set-off or withheld amounts shall be placed in an escrow account, to be governed by an agreement negotiated in good faith by Purchaser and Seller, which shall survive until all claims for liability for Pre-Closing S&U Taxes referenced in this Section 2.5(k) are finally settled.

(l) Deferred Working Capital Adjustment. In consideration of the limitation with respect to the deduction relating to the Company's office lease set forth in the definition of Working Capital, the parties agree that $50,000 shall be deducted from each of the 2011 Contingency Payment and the 2012 Contingency Payment, provided that (i) if the 2011 Contingency Payment does not become due hereunder, then Seller shall pay $50,000 to PDI on March 31, 2012, and (ii) if the 2012 Contingency Payment does not become due hereunder, then Seller shall pay $50,000 to PDI on March 31, 2013.

ARTICLE III

REPRESENTATIONS AND WARRANTIES REGARDING THE COMPANY

Each of Seller, Likoff and Davis hereby jointly and severally represents and warrants to Purchaser as follows (the "Company Representations"):

3.1 Organization, Qualification and Corporate Power; Authorization of Transaction.

(a) The Company is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware. The Subsidiaries are limited liability companies duly formed, validly existing and in good standing under the laws of the State of Delaware. The Company and its Subsidiaries are duly authorized to conduct business and are in good standing under the laws of each jurisdiction where such qualification is required, except where the failure to be so qualified would not result in a Material Adverse Effect. The Company and its Subsidiaries have the full limited liability company power and authority necessary to carry on their businesses and to own and use the properties owned and used by them. Schedule 3.1 sets forth a correct and complete list of the managers and officers of each of the Company and its Subsidiaries. Seller has made available to Purchaser true, complete and accurate copies of the Organizational Documents of the Company and its Subsidiaries in effect as of the date hereof. The minute books, unit certificate books and unit transfer ledgers of the Company and its Subsidiaries, as applicable, previously made available to Purchaser accurately reflect in all material respects all corporate and limited liability company actions taken by the stockholders, members, boards of directors (and any committees thereof), managers or comparable bodies of the Company and its Subsidiaries.

(b) The Company has the limited liability company power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly executed and delivered by the Company and constitutes the valid and legally binding obligation of the Company, enforceable in accordance with its terms and conditions except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally and except as such enforceability of this Agreement is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

3.2 Capitalization.

3.3 Schedule 3.2 sets forth a correct and complete list of the Company's issued and outstanding Units and its Subsidiaries' issued and outstanding limited liability company units. All of the issued and outstanding Units and limited liability company units have been and are duly authorized, validly issued, fully paid and nonassessable and held of record as set forth in Schedule 3.2. Except as set forth in Schedule 3.2, there are no outstanding or authorized equity interests of any kind or nature, including, any options, warrants, purchase rights, subscription rights, conversion rights, exchange rights or other contracts or commitments that would require the Company to issue, sell or otherwise cause to become outstanding any equity interests. Except as set forth in Schedule 3.2, there are no outstanding or authorized stock appreciation, phantom stock or similar rights with respect to the Company. Except as set forth in Schedule 3.2, there are no voting trusts, proxies or other agreements or understandings with respect to the voting of the Units. All stock options were granted at an exercise price at least equal to the fair market value (within the meaning of Section 409A of the Code) of a share on the date of grant, and no stock option has been repriced, extended or amended since the date of its grant.

3.4 Noncontravention.

Except as set forth in Schedule 3.3, neither the execution and the delivery of this Agreement, nor the performance by the Company and its Subsidiaries of their obligations hereunder, will (i) violate any provision of the Organizational Documents of the Company and its Subsidiaries, (ii) violate any Laws to which the Company and its Subsidiaries are subject, (iii) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which the Company or its Subsidiaries are a party or by which the Company or its Subsidiaries are bound or to which its assets are subject, (iv) result in the imposition of any Lien upon any of the assets of the Company or its Subsidiaries or (v) result in any revocation, cancellation, nonrenewal or suspension of any material Permits. Except as set forth in Schedule 3.3, no Order of or filing with, or notification to or consent, approval, authorization, or permit from any Governmental Authority is required on the part of Seller in connection with the execution, delivery or performance by Seller of this Agreement or the consummation of the transactions contemplated hereby.

3.5 Subsidiaries.

All of the Subsidiaries of the Company are listed in Schedule 3.4, and all such Subsidiaries are wholly-owned by the Company. Except as set forth in Schedule 3.4, the Company does not own or control, directly or indirectly, any corporation, limited liability company, partnership, trust or other business association, or any outstanding capital stock of, or other equity interests in, any Person.

3.6 Title to Assets.

The Company and its Subsidiaries have good title to, or a valid leasehold interest in, the tangible assets that they use regularly in the conduct of their businesses free and clear of all Liens, other than Permitted Liens or as disclosed in Schedule 3.5. All of the material personal property owned by the Company or its Subsidiaries is in good operating condition and repair,

normal wear and tear excepted, and none of such personal property currently requires any maintenance other than usual and customary scheduled maintenance.

3.7 Accounts Receivable.

The accounts receivable of the Company and its Subsidiaries (i) were acquired by the Company and its Subsidiaries from bona fide sales of goods and services in the Ordinary Course of Business to Persons that are not Affiliates of the Company or its Subsidiaries, and (ii) to Seller's Knowledge, are collectible in full, subject to the allowance for doubtful accounts set forth therein, and are not subject to any setoff or counterclaim, except for customer rebates, cooperative advertising allowances and similar items accrued in the Company's financial statements in the Ordinary Course of Business.

3.8 Financial Statements.

(a) Seller has provided to Purchaser the following financial statements of the Company and its Subsidiaries: (i) audited financial statements for the fiscal year ended December 31, 2009, including a balance sheet, statement of income, cash flow and shareholders' equity (the "Audited Financial Statements"); and (ii) unaudited financial statements for the nine (9) month period ended September 30, 2010 (the "Most Recent Financial Statements" and, collectively with the Audited Financial Statements, the "Financial Statements"). Except as set forth on Schedule 3.7, the Financial Statements (including the footnotes thereto) have been prepared from the books and records of the Company and its Subsidiaries in accordance with GAAP applied on a consistent basis throughout the periods covered thereby and present fairly in all material respects the financial position of the Company and its Subsidiaries as of such dates and the results of operations and cash flows of the Company and its Subsidiaries for such periods.

(b) Except as set forth on Schedule 3.7, the Company and each of its Subsidiaries maintain a system of internal accounting controls sufficient to provide, in all material respects, assurance that: (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. To Seller's Knowledge, as of the date of the Most Recent Financial Statements, there were, and since the date of the Most Recent Financial Statements there have been, (x) no weakness or significant deficiencies in the Company's or any of its Subsidiaries' internal control over financial reporting (whether or not remediated), and (y) no changes in the Company's or any of its Subsidiaries' internal control over financial reporting that have affected, or are reasonably likely to affect, the Company's or any of its Subsidiaries' internal control over financial reporting, that, in each case of (x) and (y), would have a Material Adverse Effect.

3.9 Events Subsequent to Most Recent Financial Statements.

3.10 Except as set forth in Schedule 3.8, since the date of the Most Recent Financial Statements:

(a) the Company and its Subsidiaries have not sold, leased, licensed, transferred, or assigned any of its assets, other than inventory or supplies sold or used in the Ordinary Course of Business;

(b) the Company and its Subsidiaries have not entered into, modified in any material respect or terminated any agreement, contract, lease or license either involving payment or receipt of more than $100,000;

(c) the Company and its Subsidiaries have not materially delayed or postponed the payment of accounts payable and other liabilities outside the Ordinary Course of Business;

(d) there have been no changes made or authorized by the Board of Managers (or comparable Person or body) of the Company or any of its Subsidiaries in the Organizational Documents of the Company or any of its Subsidiaries, as the case may be;

(e) the Company has not issued, sold, redeemed, repurchased or otherwise disposed of any of its securities, or granted any options, warrants, or other rights to purchase or obtain (including upon conversion, exchange, or exercise) any of its securities;

(f) the Company has not issued, declared or paid any dividend or other distribution (whether in cash, stock or property) on its securities or any membership interests in any of its Subsidiaries;

(g) the Subsidiaries have not issued, sold, or otherwise disposed of any of their membership interests;

(h) the Company and its Subsidiaries have not made any loan to, or entered into any other material transaction or agreement with, any of its current or former stockholders, members, directors, managers, officers, employees or consultants (or any Affiliate of any thereof);

(i) the Company and its Subsidiaries have not incurred any capital expenditure, obligation or other liability in connection therewith that is more than ten percent (10%) in excess of the 2010 budget of the Company and its Subsidiaries, a true, correct, and complete copy of which has been provided to Purchaser;

(j) the Company and its Subsidiaries have not made any change in employment terms, compensation or benefits for any of its current or former directors, managers, officers, employees or consultants;

(k) neither the Company nor any of its Subsidiaries has adopted or established any new Employee Benefit Plan or amended in any respect any existing Employee Benefit Plan, or entered into any collective bargaining agreement or similar labor

(l) agreement;

(m) the Company and its Subsidiaries have not committed to do any of the foregoing;

(n) none of Seller, the Company or any of its Subsidiaries has (x) made, changed or revoked an election with respect to Taxes, (y) changed its method of accounting or Tax accounting, or (z) entered into any agreement or arrangement with respect to Taxes;

(o) the Company and its Subsidiaries have conducted their business in the Ordinary Course of Business; and

(p) there has been no Material Adverse Change.

3.11 Undisclosed Liabilities.

Except as set forth in Schedule 3.9, (a) the Company and its Subsidiaries do not have any material liability (whether known or unknown, whether asserted or unasserted, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated and whether due or to become due, including any liability for Taxes) which is required under GAAP to be set forth on the face of the balance sheet included in the Most Recent Financial Statements but is not so set forth, and (b) since the date of the Most Recent Financial Statements, the Company has not incurred any material liability other than in the Ordinary Course of Business.

3.12 Legal Compliance.

With respect to the five (5) year period immediately preceding the Closing Date: (a) to Seller's Knowledge, the Company and its Subsidiaries have complied in all material respects with all applicable Laws; (b) to Seller's Knowledge, no facts or circumstances exist or are reasonably likely to have occurred upon which a claim of material non-compliance with any such Laws would reasonably be made; and (c) no action, suit, proceeding, hearing, investigation, charge, complaint, claim, demand or notice has been received in writing by the Company or its Subsidiaries, or filed or commenced against the Company or its Subsidiaries, alleging any failure to so comply.

3.13 Permits.

The Company and its Subsidiaries have rights to all licenses, franchises, permits, consents, authorizations, registrations, certifications, clearances and other approvals issued by any Governmental Authority (individually, a "Permit" and, collectively, Permits") required for the conduct of the business of the Company and its Subsidiaries as now being conducted and as currently contemplated to be conducted, except where the absence of such Permits is not reasonably likely to have a Material Adverse Effect, and all such Permits are in full force and effect.

3.14 Tax Matters.

3.15 Except as provided in Schedule 3.12:

(a) Seller, the Company and the Company's Subsidiaries have duly and timely filed all material Tax Returns required to have been filed and all such Tax Returns were true, correct, and complete in all material respects.

(b) All Taxes owed (whether or not shown on any Tax Return) by Seller, the Company and the Company's Subsidiaries have been timely paid. Seller, the Company and the Company's Subsidiaries have withheld and timely paid all Taxes required to have been withheld and paid and have complied in all material respects with all information reporting and backup withholding requirements.

(c) None of the Seller, the Company or any of the Company's Subsidiaries is subject to a waiver of any statute of limitations in respect of Taxes or any extension of time with respect to a Tax assessment or deficiency. There is no power of attorney granted by Seller, the Company or any of the Company's Subsidiaries with respect to any Taxes currently in force.

(d) No federal, state, local or foreign Tax audits, actions, disputes, claims or proceedings are presently pending with respect to Seller, the Company or the Company's Subsidiaries with respect to Taxes or, to Seller's Knowledge, are threatened or proposed.

(e) Seller is not (and has never been) a "United States real property holding corporation" within the meaning of Code Section 897(c).

(f) No claim has been made in writing by an authority that Seller, the Company or any of the Company's Subsidiaries may be subject to taxation by a jurisdiction where any of them does not file Tax Returns. There are no Liens on any of the assets of Seller, the Company or the Company's Subsidiaries with respect to Taxes other than Permitted Liens.

(g) None of Seller, the Company or any of the Company's Subsidiaries has engaged in any transaction that is, or is substantially similar to, any "listed transaction" or "reportable transaction" within the meaning of Treasury Regulation Section 1.6011-4.

(h) None of Seller, the Company or any of the Company's Subsidiaries is subject to a private ruling or agreement with a tax authority (other than a determination letter with respect to a qualified employee benefit plan), or party to a tax sharing or allocation agreement. None of Seller, the Company or any of the Company's Subsidiaries has liability for Taxes of another Person (i) as transferee or successor, (ii) by contract, or (iii) by operation of Law. None of Seller, the Company or any of the Company's Subsidiaries is a party to any joint venture, partnership or arrangement treated as a partnership for federal income Tax purposes.

(i) At all times during its existence until becoming a Subsidiary of Seller, the Company had a valid S election in effect and was properly treated as an S corporation for federal, New Jersey and New York State income Tax purposes. At all times during its existence, Seller has had a valid S election in effect and been properly treated as an S

(j) corporation for federal, New Jersey and New York State income Tax purposes. At the time of the Closing, the Company will be properly treated as a disregarded entity within the meaning of Treas. Reg. Section 301.7701 et seq. for income Tax purposes. At all times since their inception, the Company's Subsidiaries have been properly treated as disregarded entities within the meaning of Treas. Reg. Section 301.7701 et. seq. for income Tax purposes. None of Seller, the Company or any of the Company's Subsidiaries have any built-in gain within the meaning of Section 1374 of the Code. To Seller's Knowledge, at all times since its inception, PowerXposure has properly been treated as a partnership for federal income Tax purposes.

3.16 Real Property.

The Company and its Subsidiaries do not own any real property. Schedule 3.13 sets forth the address of the Leased Real Property and all Leases, subleases or occupancy agreements pursuant to which the Company or any of its Subsidiaries leases, subleases, uses or occupies the Leased Real Property (including all modifications and amendments thereto) applicable thereto (the "Real Property Leases"). Each Real Property Lease, a true, correct, and complete copy of which has been made available to Purchaser, is a legal, valid and binding obligation, enforceable in accordance with its terms, of the Company or its Subsidiaries, as applicable, and, to Seller's Knowledge, of the other parties thereto, in each case except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally and except as such enforceability is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law). Neither the Company nor any of its Subsidiaries is in default in any material respect under, nor has it received any written notice of default in any material respect under, any of the Real Property Leases.

3.17 Intellectual Property.

(a) Schedule 3.14(a) contains a complete and accurate list (by name) of all software and technology products and service offerings of the Company and its Subsidiaries that are currently sold, licensed, distributed or offered as a service or for which Company or any of its Subsidiaries has any contractual support or maintenance obligations, and all software and technology products or service offerings of the Company and its Subsidiaries that are currently under development (as such are denoted in Schedule 3.14(a)) (collectively, the "Company Products"). All other software and firmware products or service offerings that are currently under development by the Company or any of its Subsidiaries are set forth in Schedule 3.14(a).

(b) To Seller's Knowledge, the use, development, marketing, licensing, sale, offer for sale or other disposition of Company Products and Company Intellectual Property does not interfere with, infringe upon, misappropriate or violate any Intellectual Property rights of Third Parties and, except as set forth in Schedule 3.14(b), the Company and its Subsidiaries have not received any written charge, complaint, claim, demand or notice alleging any such interference, infringement, misappropriation or violation (including any claim that the Company or its Subsidiaries must license or refrain from using any Intellectual Property rights of any Third Party), except where such allegations,

(c) if true, would not have a Material Adverse Effect. To Seller's Knowledge, no Third Party is interfering with, infringing upon, misappropriating or violating any Intellectual Property rights of the Company and its Subsidiaries, except where such interference, infringement, misappropriation or violation would not have a Material Adverse Effect.

(d) Schedule 3.14(c) sets forth a correct and complete description of (i) all patents, patent applications, trademarks (whether or not registered), registered domain names, registered copyrights and copyright applications included in the Intellectual Property owned (as opposed to licensed) by the Company or any of its Subsidiaries ("Company Intellectual Property"). With respect to each item of Company Intellectual Property and all Company Products:

(i) the Company and its Subsidiaries possess all right, title and interest in and to the item, free and clear of any Lien (other than Permitted Liens);

(ii) to Seller's Knowledge, the item is not subject to any outstanding Order; and

(iii) no action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand is pending or, to Seller's Knowledge, is threatened that challenges the legality, validity, enforceability, use or ownership of the item.

(e) Schedule 3.14(d) identifies each item of Intellectual Property that any Third Party owns and that the Company or its Subsidiaries use pursuant to license, sublicense, agreement or permission ("Third Party Intellectual Property"). With respect to each item of Third Party Intellectual Property:

(i) the license, sublicense, agreement or permission covering the item is legal, valid, binding, enforceable and in full force and effect against the Company and, to Seller's Knowledge, each other party thereto;

(ii) neither the Company nor, to Seller's Knowledge, any Third Party to the license, sublicense, agreement or permission is in breach or default and, to Seller's Knowledge, no event has occurred which with notice or lapse of time would constitute a breach or default or permit termination, modification or acceleration thereunder, except where any such breach or default would not have a Material Adverse Effect;

(iii) neither the Company nor, to Seller's Knowledge, any Third Party to the license, sublicense, agreement or permission has repudiated any provision thereof; and

(iv) the Company and its Subsidiaries have not received written notice that any party to the license, sublicense, agreement or permission intends to cancel, not renew or terminate the license, sublicense, agreement or permission or to exercise or not exercise an option thereunder, except where such events would not have a Material Adverse Effect.

(v) Schedule 3.14(e) identifies all material licenses and other agreements as to which the Company or a Subsidiary is a party and pursuant to which any Person is authorized to use any Company Intellectual Property or Company Products.

(f) Neither the Company nor any of its Subsidiaries will be as a result of the execution and delivery of this Agreement or the performance of its obligations under this Agreement, in breach of any license or other agreement relating to the Company Intellectual Property, Company Products or any Third Party Intellectual Property.

(g) The Company and its Subsidiaries have secured valid written assignments from all consultants and employees who contributed to the creation or development of Company Intellectual Property and Company Products of the rights to such contributions that the Company or any of its Subsidiaries does not already own by operation of law.

(h) To Seller's Knowledge, the Company and its Subsidiaries have taken all reasonably necessary steps to protect and preserve the confidentiality of all confidential Company Intellectual Property and Company Products not otherwise protected by patents, trademarks, copyrights or applications with respect to any of the foregoing ("Confidential Information"). To Seller's Knowledge, no employee, officer, consultant or advisor of Company or any of its Subsidiaries is in violation of any term of any employment contract or any other contract or agreement, or any restrictive covenant, relating to the right to use confidential information of others as it relates to the Company. To Seller's Knowledge, all use, disclosure or appropriation of Confidential Information owned by the Company or any of its Subsidiaries by or to a Third Party has been pursuant to the terms of a written agreement between the Company or such Subsidiary and such Third Party.

(i) Schedule 3.14(i) identifies all Publicly Available Software and all licenses governing any Publicly Available used in, or used to develop or derive, any Company Products or Company Intellectual Property. Company is in compliance with the terms of all licenses governing Publicly Available Software used in, or used to develop or derive, any Company Products or Company Intellectual Property. No Company Products or Company Intellectual Property use, were developed using, or incorporate, any Publicly Available Software (in whole or in part) in a manner that requires, as a condition of use, modification, and/or distribution of such Publicly Available Software, the Company or any of its Subsidiaries to: (i) disclose or distribute to any third party any object code or closed source code for proprietary software owned by the Company or any of its Subsidiaries; (ii) permit any third party to make derivative works based upon any object code or closed source code for proprietary software owned by the Company or any of its Subsidiaries; or (iii) permit any third party to redistribute any object code or closed source code for proprietary software owned by the Company or any of its Subsidiaries at no or minimal charge. As used herein, "Publicly Available Software" means: (i) any software that contains, or is derived in any manner (in whole or in part) from, any software that is distributed as free software, open source software (including for example, without limitation, Linux or Apache), or pursuant to similar licensing and distribution models; or (ii) any software that requires as a condition of use, modification, and/or

(j) distribution of such software that such software or other software incorporated into, derived from, or distributed with such software (A) be disclosed or distributed in source code form, (B) be licensed for the purpose of making derivative works, or (C) be redistributable at no or minimal charge.

3.18 Contracts.

Schedule 3.15 sets forth a true and complete list of the following contracts, commitments and other agreements to which the Company or any of its Subsidiaries are a party or by which it or its assets is bound:

(a) any agreement (or group of related agreements) for the lease of personal property to or from any Person providing for lease payments in excess of $75,000 per annum;

(b) any agreement (or group of related agreements) for the purchase or sale of supplies, products or other personal property or for the furnishing or receipt of services which involve consideration in excess of $75,000;

(c) any agreement for the formation or governance of a partnership or joint venture;

(d) any agreement (or group of related agreements) under which the Company or any of its Subsidiaries have created, incurred, assumed or guaranteed any Indebtedness or under which the Company or any of its Subsidiaries have imposed a Lien on any of its assets, tangible or intangible;

(e) any agreement containing non-competition, non-solicitation or exclusivity provisions granted by the Company or any of its Subsidiaries in favor of a third party;

(f) any profit sharing, stock option, stock purchase, stock appreciation, deferred compensation, severance or other plan or arrangement for the benefit of the Company's or its Subsidiaries' current or former directors, managers, officers, employees and consultants;

(g) any employment, consulting or severance agreement between any individual and the Company or any of its Subsidiaries, and any non-compete, confidentiality, trade secrets or similar agreement with or by employees or consultants of the Company or any of its Subsidiaries;

(h) any collective bargaining agreement or similar labor agreement;

(i) any agreement under which the Company or its Subsidiaries have made an advance or loan to any other Person;

(j) any agreement under which the Company or any of its Subsidiaries is, or may become, obligated to indemnify or contribute to the liabilities of another Person;

(k) any other agreement (or group of related agreements) the performance of which involves consideration to be paid or received by the Company or any of its Subsidiaries in excess of $75,000;

(l) any agreement with Seller or any Affiliate thereof;

(m) any agreement with any Governmental Authority;

(n) any agreement concerning the sale or acquisition of a business or a portion thereof or assets relating thereto; and

(o) each other Contract not otherwise covered by clauses (a) through (n), the loss of which or breach of which would result in a Material Adverse Effect.

With respect to each agreement set forth in Schedule 3.15: (i) the agreement is legal, valid, binding, enforceable and in full force and effect against the Company or any of its Subsidiaries and, to Seller's Knowledge, each other party thereto; (ii) neither the Company or any of its Subsidiaries nor, to Seller's Knowledge, any other party, is in material breach or default and, to Seller's Knowledge, no event has occurred which with notice or lapse of time would constitute a material breach or default or permit termination, modification or acceleration, under the agreement; (iii) to Seller's Knowledge, no party has repudiated any provision of the agreement; (iv) neither the Company nor any of its Subsidiaries has received written notice that any party to the agreement intends to cancel, not renew or terminate the agreement or to exercise or not exercise any option under the agreement; and (v) to Seller's Knowledge, the agreement will not be terminated or cancelled, or the Company's or its Subsidiaries' rights thereunder diminished or impaired, or the Company's or any of its Subsidiaries' obligations thereunder increased, as a result of the sale of the Units contemplated by this Agreement.

3.19 Powers of Attorney.

Except as set forth in Schedule 3.16, there are no outstanding powers of attorney granted by the Company or its Subsidiaries.

3.20 Insurance.

A complete list of all insurance policies (the "Insurance Policies") held by the Company and its Subsidiaries covering any of its properties or assets is contained in Schedule 3.17. Correct and complete copies of all Insurance Policies have been delivered to and/or made available to Purchaser for copying and inspection. No insurance company has denied any claim made under any Insurance Policy held by the Company or any of its Subsidiaries during the last three (3) years. There are no reservations of rights under any Insurance Policy held by the Company or any of its Subsidiaries under which any currently unresolved claims have been made. All such insurance coverage is in full force and effect and no written notice of cancellation, non-renewal, termination, premium increase or change in coverage has been received by the Company or any Subsidiary with respect thereto. All premiums and other amounts due on such policies have been paid, and the Company and its Subsidiaries have complied in all material respects with the provisions of such policies. The insurance held by the Company and its Subsidiaries meets the requirements of applicable Law and the contracts of the

Company and its Subsidiaries, and no material insurance is subject to cancellation as a result of the consummation of the transactions contemplated by this Agreement.

3.21 Litigation.

Schedule 3.18 sets forth each instance in which the Company or its Subsidiaries, the assets of the Company or its Subsidiaries, or any manager, officer, employee or agent of the Company or its Subsidiaries in their capacities as such (i) are subject to any outstanding Order, or (ii) are a party or, to Seller's Knowledge, is threatened to be made a party to any claim, action, suit, proceeding, hearing or investigation of, in or before any court or quasi-judicial or administrative agency of any federal, state, local or foreign jurisdiction or before any arbitrator. To Seller's Knowledge, no circumstances exist that would reasonably be expected to give rise to any litigation against Company, its Subsidiaries or their managers, officers employees or agents, which litigation would have a Material Adverse Effect.

3.22 Illegal Payments.

To Seller's Knowledge, neither the Company, nor its Subsidiaries or any officer, manager, employee or agent of the Company or its Subsidiaries (or member, representatives or other Persons acting on the express, implied or apparent authority of such entities), has offered, paid, solicited or received any remuneration (including any kickback, bribe or rebate) as such terms are defined in the Anti-kickback Statute, directly or indirectly, overtly or covertly, in cash or in kind, for the referral of an individual for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part under a Federal health care program, including Medicare or Medicaid, or for the purchasing, leasing, ordering, or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service, or item for which payment may be made in whole or in part under a federal health care program, including Medicare or Medicaid, in any such case which would be a violation of Law.

3.23 No Agency Action or Enforcement.

(a) None of the Company, its Subsidiaries or any officer, manager, employee or agent of the Company or its Subsidiaries (or members, representatives or other Persons acting on the express, implied or apparent authority of such entities), is currently, or has been within the last six (6) years, with respect to any state or federal Governmental Authority or program (including Medicare, Medicaid, or any other state or Federal health care program): (i) to Seller's Knowledge, the subject of any audit, inquiry, or investigation; (ii) disbarred or prohibited from participating in any such state or federal program; (iii) party to any corporate integrity agreement, consent decree, judgment, order, or settlement with a Governmental Authority that, in the case of (i), (ii) and (iii), (A) requires, or would reasonably be expected to require, the payment of any material amount of money by the Company or its Subsidiaries to any Governmental Authority, program, or fiscal intermediary, or (B) requires or prohibits any activity by the Company or its Subsidiaries.

(b) All licenses, Permits, certificates, registrations, authorizations, approvals and accreditations ("Registrations") applicable to the Company or its Subsidiaries or their

(c) respective officers, managers, employees and agents, to the extent necessary for the conduct of the business of the Company or its Subsidiaries as currently conducted or as contemplated to be conducted: (i) have been obtained and are in effect; (ii) are valid and in good standing in each jurisdiction in which such Registrations are required; and (iii) have not been subject to revocation or forfeiture by any state, Federal or private entity.

3.24 [Intentionally omitted.]

3.25 Data Breaches.

To Seller's Knowledge, neither the Company nor its Subsidiaries have had any data breaches or security incidents, either actual or suspected, relating to personally identifiable information (as defined in the Health Insurance Portability and Accountability Act of 1996).

3.26 [Intentionally omitted.]

3.27 Employees.

Neither the Company nor any of its Subsidiaries is a party to or bound by any collective bargaining agreement, nor, to Seller's Knowledge, has the Company nor any of its Subsidiaries experienced any union organization efforts, strike or material grievance, claim of unfair labor practices or other collective bargaining dispute within the past three (3) years. Neither the Company nor any of its Subsidiaries has committed any material unfair labor practice. To Seller's Knowledge, there is no organizational effort presently being made or threatened by or on behalf of any labor union with respect to employees of the Company or its Subsidiaries. The Company and its Subsidiaries are in compliance, and have complied, in all material respects with all applicable Laws relating to the employment of their respective employees, including those relating to wages, hours, collective bargaining, unemployment insurance, workers' compensation, family and medical leave, disability, equal employment discrimination and the withholding of taxes, and record-keeping related to the foregoing. The Company and its Subsidiaries have properly paid their respective employees and withheld all amounts required by Law or agreement to be withheld by it from wages, salaries and other payments to its employees and is not liable for any arrears of wages, overtime, or any taxes, penalties or other compensation with respect to its employees or independent contractors. The Company and its Subsidiaries have properly treated all independent contractors who have rendered services to the Company or any of its Subsidiaries as non-employees for all federal, state local and foreign tax purposes, as well as all ERISA and employee benefits purposes. To Seller's Knowledge, there has been no determination by any Governmental Authority that any independent contractor is an employee of the Company or any of its Subsidiaries, and no individuals retained by the Company or any of its Subsidiaries as independent contractors would be reclassified by the any Governmental Authority as an employee for any purpose.

3.28 Employee Benefits.

(a) Schedule 3.25(a) lists each Employee Benefit Plan that the Company and its Subsidiaries maintain, or to which the Company or its Subsidiaries contribute or have any obligation to contribute, or under which the Company or its Subsidiaries have any

(b) direct or indirect liability, contingent or otherwise (each such Employee Benefit Plan, a "Company Benefit Plan").

(i) Each Company Benefit Plan (and each related trust, insurance contract or fund) has been established, maintained, funded and administered in all material respects in accordance with the terms of such Company Benefit Plan and complies in form and in operation with the applicable requirements of ERISA, the Code and other applicable Laws. No individual who has performed services for the Company or any of its Subsidiaries has been excluded from participation in any Company Benefit Plan in violation of applicable Laws.

(ii) With respect to each Company Benefit Plan, the Company has provided to Purchaser, to the extent applicable: (A) the most recent documents constituting the Company Benefit Plan and all amendments thereto; (B) any related trust agreement or other funding instrument; (C) the most recent IRS determination letter; (D) the most recent summary plan description; (E) for the most recent year (x) Forms 5500 and attached schedules, (y) audited financial statements and (z) actuarial valuation reports; and (F) for the last three (3) years, all correspondence with any Governmental Authority regarding the operation or administration of any Company Benefit Plan. All required reports, returns, notices and descriptions (including annual reports (IRS Form 5500), summary annual reports and summary plan descriptions) have been timely filed and/or distributed in accordance with the applicable requirements of ERISA and the Code with respect to each Company Benefit Plan, except as set forth on Schedule 3.25(a). The requirements of COBRA have been met with respect to each Company Benefit Plan which is an Employee Welfare Benefit Plan subject to COBRA.

(iii) All contributions (including all employer contributions and employee salary reduction contributions) and premium payments that are due have been timely made to each Plan Company Benefit Plan, and all contributions or premium payments for any period ending on or prior to the Closing which are not yet due will, on or prior to the Closing, have been paid or accrued on the Company's financial statements in accordance with GAAP.

(iv) Each Company Benefit Plan which is intended to meet the requirements of a "qualified plan" under Code Section 401(a) either has received a favorable determination or opinion letter from the Internal Revenue Service to the effect that such Company Benefit Plan meets the requirements of Code Section 401(a) and that its related trust is exempt from taxation under Section 501(a) of the Code, and, to Seller's Knowledge, there are no facts or circumstances that would reasonably be expected to cause the loss of such qualification.

(c) With respect to each Company Benefit Plan (and any Employee Pension Benefit Plan that the Company, its Subsidiaries or any ERISA Affiliate) (x) maintains or has maintained during the prior six (6) years, (y) to which any of them contributes or has

(d) been required to contribute during the prior six (6) years or (z) has or had any liability with respect to during the prior six (6) years:

(i) No such Company Benefit Plan or Employee Pension Benefit Plan is a defined benefit plan (as defined in ERISA Section 3(35)) or is a plan subject to Section 412 of the Code or Section 302 of ERISA.

(ii) There have been no Prohibited Transactions with respect to any such Company Benefit Plan or Employee Pension Benefit Plan. To Seller's Knowledge, no Fiduciary has any liability for breach of fiduciary duty or any other failure to act or comply in connection with the administration or investment of the assets of any such Company Benefit Plan. No action, suit, proceeding, hearing or investigation with respect to such Company Benefit Plan or Employee Pension Benefit Plan (other than routine claims for benefits) is pending or, to Seller's Knowledge, threatened.

(e) No Company Benefit Plan is a Multiemployer Plan. Neither the Company, its Subsidiaries nor any ERISA Affiliate have (i) at any time during the last six (6) years, contributed to or been obligated to contribute to any Multiemployer Plan or (ii) incurred any withdrawal liability to a Multiemployer Plan that has not been satisfied in full.

(f) Neither the Company, its Subsidiaries nor any ERISA Affiliate has any liability or potential liability with respect to any medical, health or life insurance or other welfare-type benefits for current or future retired or terminated employees of the Company or any of its Subsidiaries (or any spouse or other dependent thereof) other than in accordance with COBRA or applicable state continuation coverage law and at the expense of the employee or former employee.

(g) Except as set forth on Schedule 3.25(e), neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement would (either alone or in combination with another event) result in (i) any payment, compensation or benefit becoming due, or increase in the amount of any payment, compensation or benefit due, by the Company or any of its Subsidiaries to any current or former employee of the Company or its Subsidiaries; (ii) the acceleration of the time of payment or vesting or result in any funding of compensation or benefits; or (iii) the payment of any amount that would, individually or in combination with any other such payment, constitute an "excess parachute payment," as defined in Section 280G(b)(1) of the Code.

(h) Each Employee Benefit Plan providing for deferred compensation that constitutes a "nonqualified deferred compensation plan" (as defined in Section 409A(d)(1) of the Code and applicable regulations) for any service provider to either the Company, any of its Subsidiaries or any ERISA Affiliate (i) complies with the requirements of Section 409A of the Code and the regulations promulgated thereunder or (ii) is exempt from compliance under the "grandfather" provisions of IRS Notice 2005-1 and applicable regulations and has not been "materially modified" (within the meaning of

(i) Treas. Reg. Section 1.409A-6(a)(4)) since October 3, 2004.

3.29 Environmental Matters.

Except as set forth in Schedule 3.26, the Company and its Subsidiaries are in compliance with all applicable Environmental Laws, except where any such noncompliance would not have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries has received any written notice regarding any violation of Environmental Laws or any liabilities relating to the Company and its Subsidiaries arising under Environmental Laws. There has been no disposal, release or threatened release of substances by or on behalf of the Company or any of its Subsidiaries on, under, in, from or around the Leased Real Property, or otherwise related to the operation of the business of the Company and its Subsidiaries, that has subjected or would subject the Company or any of its Subsidiaries to material liability under any Environmental Law.

3.30 Certain Business Relationships with the Company.

Except as set forth in Schedule 3.27, neither Seller nor any of its Affiliates, nor any Stockholder, member of the immediate family of any Stockholder, or manager or officer of the Company or its Subsidiaries have been a party to any contract with the Company or its Subsidiaries within the past twelve (12) months, and neither Seller nor any of its Affiliates own any material asset, tangible or intangible, which is used in the business of the Company or its Subsidiaries. Except as set forth on Schedule 3.27, there is no indebtedness owing by any Stockholder, member of the immediate family of any Stockholder, or manager or officer of the Company or its Subsidiaries.

3.31 Customers.

Schedule 3.28 sets forth the ten (10) largest customers of the Company and its Subsidiaries, based on net revenues for the one-year period ended June 30, 2010 (the "Material Customers"). To Seller's Knowledge, since December 31, 2009, except as set forth in Schedule 3.28: (i) there has not been any materially adverse change in the business relationship, and there has been no material dispute, between the Company and its Subsidiaries and any Material Customer; (ii) no Material Customer has terminated, materially altered, or notified the Company or its Subsidiaries of any intention to terminate or materially alter its relationship with the Company or its Subsidiaries, and to Seller's Knowledge, no fact or circumstance exists that would reasonably be expected to give rise to any termination or material alteration of a relationship with a Material Customer; and (iii) to Seller's Knowledge, no Material Customer is the subject of any bankruptcy proceeding.

3.32 Product Warranties and Liabilities.

Schedule 3.29 sets forth a description of all material claims made by any Person during the last three (3) years for (a) any injury to persons or damage to property or (b) any breach of warranty (whether express or by operation of law), in each case arising out of or otherwise in connection with the business of the Company or any Subsidiary.

3.33 Bank Accounts.

3.34 Schedule 3.30 contains a true, complete and accurate list of the names and locations of all banks and other financial institutions and depositories at which Company and its Subsidiaries maintain accounts of any type or safe deposit boxes, the name of the bank or other financial institution or depository, the account number of each such account, the number of each such safe deposit box and the current authorized signatory or signatories on each such account or safe deposit box.

3.35 Brokers' Fees.

Other than fees payable to PetskyPrunier (for which Seller shall be responsible), the Company and its Subsidiaries do not have any liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the sale of Units contemplated by this Agreement.

3.36 Disclosure.

No representation or warranty by the Company or its Subsidiaries in this Agreement, and no exhibit, document, statement, certificate or schedule furnished to Purchaser pursuant hereto or in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements or facts contained herein or therein not misleading or necessary to provide Purchaser with proper information as to the business and the assets of the Company and its Subsidiaries.

ARTICLE IV

INDIVIDUAL REPRESENTATIONS AND WARRANTIES OF SELLER,

LIKOFF AND DAVIS

Each of Seller, Likoff and Davis hereby severally, and not jointly, represents and warrants to Purchaser, solely as to itself or himself, as follows (the "Individual Representations").

4.1 Organization of Seller.

Seller is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware. Schedule 4.1 sets forth a correct and complete list of the directors and officers of Seller.

4.2 Authorization of Transaction.

Such Party has the power and authority, or legal capacity, to execute and deliver this Agreement and to perform its or his obligations hereunder. This Agreement has been duly executed and delivered by such Party and constitutes the valid and legally binding obligation of such Party, enforceable in accordance with its terms and conditions except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally and except as such enforceability of this Agreement is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Noncontravention.

Except as set forth in Schedule 4.3, neither the execution and the delivery of this Agreement by such Party, nor the performance by such Party of its or his obligations hereunder, will (a) violate any Law or Order to which such Party is subject, (b) if such Party is an entity, any provision of its governing documents, or (c) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which such Party is a party or by which such Party is bound or to which any of such Party's assets is subject. No Order of or filing with, or notification to or consent, approval, authorization, or permit from any Governmental Authority is required on the part of such Party in connection with the execution, delivery or performance by Purchaser of this Agreement or the consummation of the transactions contemplated hereby.

4.3 Units.

Seller holds of record and owns beneficially the Units and has good, marketable and valid title to the Units, free and clear of any Liens, other than Permitted Liens. Seller is not a party to any option, warrant, purchase right or other contract or commitment that could require Seller to sell, transfer or otherwise dispose of any Units, other than this Agreement. Seller is not a party to any voting trust, proxy or other agreement or understanding with respect to the voting of any Units. Upon the consummation of the transactions contemplated by this Agreement in accordance with the terms hereof, Purchaser will acquire good, marketable and valid title to the Units, free and clear of all Liens, other than Permitted Liens.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

5.1 Organization of Purchaser.

Purchaser is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.

5.2 Authorization of Transaction.

Purchaser has the full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement has been duly executed and delivered by Purchaser and constitutes the valid and legally binding obligation of Purchaser, enforceable against it in accordance with its terms and conditions except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally and except as such enforceability of this Agreement is subject to the application of general principles of equity (regardless of whether considered in a proceeding in equity or at law). The execution, delivery and performance of this Agreement and all other agreements contemplated hereby have been duly authorized by Purchaser.

5.3 Noncontravention.

5.4 Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will (a) violate any Law or Order to which Purchaser is subject or any provision of its charter, bylaws or other governing documents or (b) conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which Purchaser is a party or by which it is bound or to which any of its assets is subject. No Order of or filing with, or notification to or consent, approval, authorization, or permit from any Governmental Authority is required on the part of Purchaser in connection with the execution, delivery or performance by Purchaser of this Agreement or the consummation of the transactions contemplated hereby.

5.5 Brokers' Fees.

Except as set forth on Schedule 5.4, Purchaser has no liability or obligation to pay any fees or commissions to any broker, finder or agent with respect to the transactions contemplated by this Agreement.

5.6 Investment Representation.

Purchaser is aware that the Units are not registered under the Securities Act. Purchaser is an Accredited Investor and possesses such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investments hereunder. Purchaser is acquiring the Units from Seller for its own account, for investment purposes only, and not with a view to the distribution thereof. Purchaser agrees that the Units will not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act, except pursuant to a valid exemption from registration under the Securities Act.

5.7 Financial Resources.

Purchaser has the financial resources to consummate the transactions contemplated by this Agreement, including the timely payment of the Estimated Preliminary Base Purchase Price and the other Purchase Price, and, if debt financing is necessary for Purchaser to obtain such financial resources, has delivered to Seller on or prior to the date of this Agreement a correct and complete copy of each debt commitment letter evidencing such debt financing to the satisfaction of Seller.

5.8 No Other Representations or Warranties.

Purchaser hereby acknowledges and agrees that the representations and warranties of the Company, Seller, Likoff and Davis contained in ARTICLE III and ARTICLE IV are the sole and exclusive representations and warranties of the Company, Seller, Likoff or Davis in connection with the transactions contemplated by this Agreement and that none of Seller, the Company or its Representatives, any Affiliates of the Company or any Representative of any such Affiliate, Likoff or Davis makes or has made any other express or implied representation or warranty regarding the Company or its business or the Units, nor has any such Person made any representation regarding the accuracy or completeness of information provided to Purchaser or its Affiliates or Representatives.

[INTENTIONALLY OMITTED]

ARTICLE VI

POST-CLOSING COVENANTS

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

6.1 Post-Closing Further Assurances.

The Parties agree that from and after the Closing Date each of them shall, and shall cause their respective Affiliates to, execute and deliver such further instruments of conveyance and transfer and take such other action as may reasonably be requested by any Party hereto to carry out the purposes and intents hereof. Seller shall cooperate with Purchaser to provide Purchaser with any additional information Purchaser may reasonably require in connection with Purchaser's filing obligations under Securities and Exchange Commission rules and regulations. Without limiting the generality of the foregoing, promptly following the Closing Date, Seller shall engage an auditor, to be approved by Purchaser, such approval not to be unreasonably withheld, delayed or conditioned, to prepare an audit of the financial statements of the Company and its Subsidiaries for the fiscal year ended December 31, 2008, including a balance sheet, statement of income, cash flow and shareholders' equity, which shall be delivered to Purchaser no later than sixty (60) days after the Closing Date, and Purchaser shall be responsible for the payment of all fees incurred in connection with such audit.

6.2 Employee Matters.

(a) Unless Seller otherwise consents in writing, Purchaser shall cause the Company and each of its Subsidiaries to offer continued employment to all the employees of the Company and each of its Subsidiaries, as the case may be (each, a "Company Employee"), on terms that are substantially similar to the terms pursuant to which such employees are employed by the Company or a Subsidiary, as the case may be, immediately prior to the Closing Date.

(b) During the period beginning on the Closing Date and ending on December 31, 2010, Purchaser shall use commercially reasonable efforts to cause the Company to continue to maintain the Company Benefit Plans which were maintained by the Company immediately prior to the Closing Date, and in any event shall provide for benefits that are substantially similar in the aggregate to the benefits provided under the Company Benefit Plans maintained by the Company immediately prior to the Closing Date; provided, that, effective no later than the date prior to the Closing Date, the Company shall take any and all actions necessary to terminate the Group DCA, Inc. Retirement Plan (the "Company 401(k) Plan"); provided, further, that notwithstanding the foregoing, the actions described in the preceding proviso may be contingent upon the occurrence of the Closing. The Company shall take all actions necessary to permit each Company Employee to effect a "direct rollover" (within the meaning of Section 401(a)(31) of the Code) of his or her

(c) account balances under the Company 401(k) Plan, if such rollover is elected in accordance with applicable Law by such Company Employee. Beginning on the Closing Date, Purchaser shall permit each Company Employee, during his or her employment, who continues employment with the Company or any of its Subsidiaries following the Closing to participate in the Employee Benefit Plan sponsored by Purchaser that is intended to qualify as a qualified cash or deferred arrangement under Section 401(k) of the Code ("Purchaser 401(k) Plan"). Purchaser agrees to cause the Purchaser 401(k) Plan to accept a direct rollover from the Company 401(k) Plan to the Purchaser 401(k) Plan if such rollover is elected in accordance with applicable Law and the terms of the Company 401(k) Plan by such Company Employee. Purchaser has provided Seller with a complete copy of the most recent determination or opinion letter for the Purchaser 401(k) Plan. Except to the extent otherwise provided in any of the Key Employee Agreements, during the period beginning on the Closing Date and ending on the one-year anniversary of the Closing Date, Purchaser shall not terminate or amend the Purchaser 401(k) Plan in any way unless such termination or amendment impacts the employees of the Company and Purchaser equally.

(d) Those Company Employees actively employed by the Company or any of its Subsidiaries as of January 1, 2011 who continue their employment with the Company or any of its Subsidiaries from and after such date shall be eligible to participate in those Employee Benefit Plans sponsored by Purchaser (the "Purchaser Plans") in which similarly situated employees of Purchaser or its Subsidiaries participate, to the same extent that similarly situated employees of Purchaser or its Subsidiaries participate; except that, with respect to the Purchaser 401(k) Plan, such eligibility shall begin as of the Closing Date. Purchaser will credit, or will cause to be credited, each such Company Employee with service with the Company or its applicable Subsidiary for purposes of eligibility and vesting under the Purchaser Plans; provided, further, that no service will be recognized to the extent such credit would result in duplication of benefits for the same period of service.

(e) No provisions of this Section 7.2 shall create any rights or interest, except as among the Parties to this Agreement, and no former, present or future employees of any such Party or its Affiliates (or any dependents of such individuals) will be treated as third-party beneficiaries in or under the provisions of this Agreement, except as set forth in Section 7.3. Nothing in this Agreement shall be construed as requiring Purchaser or any of its Subsidiaries to employ any employee of the Company or its Subsidiaries for any length of time following the Closing Date or to continue or maintain any Employee Benefit Plan. Nothing in this Agreement shall be construed as an amendment to any Company Benefit Plan or any Employee Benefit Plan of Purchaser or its Subsidiaries.

6.3 Directors', Managers' and Officers' etc. Indemnification.

(a) [Intentionally Omitted.]

(b) For a period of six (6) years after the Closing Date, Purchaser shall cause the Company and each of its Subsidiaries, to the fullest extent permitted under Law, to indemnify and hold harmless each present and former Representative of the Company

(c) and each of its Subsidiaries (each a "Company Indemnified Party" and collectively, the "Company Indemnified Parties") from and against all costs and expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages, liabilities and settlement amounts paid in connection with any claim, action, suit, proceeding or investigation (whether arising before or after the Closing Date), whether civil, administrative, criminal or investigative, arising out of or pertaining to any action or omission in their capacities as Representatives, in each case occurring at or before the Closing Date (including the transactions contemplated by this Agreement), in each case, to the fullest extent permitted under the Company's and each of its Subsidiaries' Organizational Documents or any applicable contract or agreement as in effect on the date hereof or, if greater, to the fullest extent permitted by Law. Without limiting the foregoing, in the event of any such claim, action, suit, proceeding or investigation, (i) Purchaser shall cause the Company to pay the reasonable fees and expenses of the Company Indemnified Parties (including reasonable fees and expenses of counsel selected by any Company Indemnified Party, which counsel shall be reasonably satisfactory to Purchaser) promptly after statements therefor are received and (ii) Purchaser and the Company shall cooperate in the defense of any such matter; provided, however, that neither Purchaser nor the Company shall be liable for any settlement effected without its written consent (which consent shall not be unreasonably withheld or delayed).

(d) For a period of six (6) years after the Closing Date, Purchaser shall, to the extent permitted by Law, cause the Organizational Documents of the Company and each of its Subsidiaries to continue to include indemnification provisions substantially similar to those included in such Organizational Documents as of the date hereof for the benefit of all Company Indemnified Parties prior to the Closing Date. In the event that any claim or claims for indemnification are asserted or made within such six (6) year period, all rights to indemnification in respect of any such claim or claims shall continue until the disposition of any and all such claims.

(e) Purchaser shall, or shall cause the Company or its appropriate Affiliate, as applicable, to maintain directors', officers' and managers' liability or similar insurance in respect of acts or omissions of any Company Indemnified Party that is a director, officer or manager of the Company or any of their respective Affiliates with the same types and amounts of coverage as in effect for the directors, officers and managers of Purchaser generally.

(f) In the event Purchaser, the Company or any of its Subsidiaries or any of the successors or assigns of any of the foregoing (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity in such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then, and in each case, proper provision shall be made so that the successors and assigns of Purchaser, the Company or its Subsidiaries, as applicable, honor the indemnification and other obligations set forth in this Section 7.3.

(g) Each Company Indemnified Party shall have rights as a third-party beneficiary under this Section 7.3 as separate contractual rights for his or its benefit, and

(h) such rights shall be enforceable by such Company Indemnified Party, his or its heirs and personal representatives, successors and assigns and shall be binding on Purchaser, the Company or any of its Subsidiaries and their Affiliates, successors and assigns.

6.4 Litigation Support.

In the event that and for so long as any Party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand against a Third Party in connection with (a) any transaction contemplated under this Agreement or (b) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act or transaction on or prior to the Closing Date involving the Company or any of its Subsidiaries, each of the other Parties will cooperate with such Party and such Party's counsel in the contest or defense, make reasonably available their personnel and provide such testimony and reasonable access to their books and records as shall be necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending Party (unless the contesting or defending Party is entitled to indemnification therefor under ARTICLE XI).

6.5 Tax Matters.

(a) Except as otherwise provided in this Section 7.5(a), Purchaser shall cause the Company and the Company's Subsidiaries to prepare and file all Tax Returns of the Company and the Company's Subsidiaries for taxable periods ending on or prior to the Closing Date ("Pre-Closing Tax Returns") that have not been filed by the Closing Date. Such Tax Returns shall be prepared in a manner consistent with procedures and practices of the Company and the Company's Subsidiaries as in existence as of the date hereof unless otherwise required by Law. Purchaser shall provide any such Pre-Closing Tax Return to Seller for review and comment at least twenty (20) days prior to the date such Tax Return is filed. Purchaser shall incorporate any reasonable comments provided by Seller with respect to any such Pre-Closing Tax Return (comments supported by substantial authority within the meaning of Code Section 6662(d)(2)(B)(i) shall be considered reasonable for such purpose). Purchaser shall pay or cause to be paid all Taxes shown on Pre-Closing Tax Returns. No later than five (5) Business Days prior to the filing of any Pre-Closing Tax Return, Seller shall pay to Purchaser, in immediately available funds, the amount of Taxes shown on the Pre-Closing Tax Returns to the extent such amount has not been taken into account in calculating Closing Working Capital. The parties agree that Taxes with respect to Pre-Closing Tax Returns shall conclusively be deemed an indemnification obligation pursuant to ARTICLE XI and shall not be subject to any limitations contained in ARTICLE XI. Notwithstanding anything in this Section 7.5(a) to the contrary, Seller shall cause to be prepared and timely filed all income Tax Returns of the Company and the Company's Subsidiaries for all taxable periods ending on or prior to the Closing Date ("Pre-Closing Income Tax Returns") that have not been filed by the Closing Date. Such Pre-Closing Income Tax Returns shall be prepared in a manner consistent with procedures and practices of the Company and the Company's Subsidiaries as in existence on the date hereof. Seller shall provide any such Pre-Closing Income Tax Return to Purchaser for review and comment at least twenty

(b) (20) days prior to the date such Tax Return is filed. Seller shall incorporate any reasonable comments provided by Purchaser with respect to any such Pre-Closing Income Tax Return (comments supported by substantial authority within the meaning of Code Section 6662(d)(2)(B)(i) shall be considered reasonable for such purpose). Seller shall pay and cause to be paid all Taxes shown on such Pre-Closing Income Tax Return.

(c) Purchaser shall cause the Company and the Company's Subsidiaries to prepare and file all Tax Returns of the Company and the Company's Subsidiaries for taxable periods beginning on or before and ending after the Closing Date (each, a "Straddle Period"). Such Tax Returns for a Straddle Period ("Straddle Period Tax Returns") shall be prepared in a manner consistent with procedures and practices of the Company and the Company's Subsidiaries as in existence as of the date hereof unless otherwise required by Law. Purchaser shall provide any such Straddle Period Tax Return to Seller for review and comment at least twenty (20) days prior to the date such Tax Return is filed. Purchaser shall incorporate any reasonable comments provided by Seller with respect to any such Straddle Period Tax Return (comments supported by substantial authority within the meaning of Code Section 6662(d)(2)(B)(i) shall be considered reasonable for such purpose). Purchaser shall pay or cause to be paid all Taxes shown on Straddle Period Tax Returns. No later than five (5) Business Days prior to the filing of any Straddle Period Tax Return, Seller shall pay to Purchaser, in immediately available funds, an amount equal to the portion of the Taxes shown on the Straddle Period Tax Returns which relates to the portion of the Straddle Period ending on the Closing Date to the extent such amount has not been taken into account in calculating Closing Working Capital. The Parties agree that Taxes with respect to Straddle Period Tax Returns relating to the portion of the Straddle Period ending on the Closing Date shall conclusively be deemed an indemnification obligation pursuant to ARTICLE XI and shall not be subject to any limitations contained in ARTICLE XI.

(d) The Parties shall, and shall cause each of their Affiliates to, provide to the other such cooperation and information as may reasonably be requested in connection with the preparation and filing of any Tax Return, any audit or other examination by any taxing authority, or any judicial or administrative proceedings relating to Taxes. Such cooperation and information shall include providing copies of all relevant portions of relevant Tax Returns, and making employees available on a mutually convenient basis to provide additional information or an explanation of material provided hereunder. The Party requesting cooperation and information hereunder shall reimburse the assisting Party for reasonable out-of-pocket expenses incurred in providing cooperation and information. Each party will retain all Tax Returns, schedules, work papers, and all material records and other documents relating to Tax matters of the Company and the Company's Subsidiaries for the Tax period first ending after the Closing Date and for all prior Tax periods until the later of either (i) the expiration of the applicable statute of limitations (and, to the extent notice is provided with respect thereto, any extensions thereof) for the Tax periods to which the Tax Returns and other documents relate or (ii) eight (8) years following the due date (without extension) for such Tax Returns.

(e) All federal, state, local, foreign and other transfer, sales, use, real property

(f) transfer, recording, documentary, stamp, registration, stock transfer or similar Taxes and fees applicable to, imposed upon or arising out of the purchase and sale of the Units shall be borne equally by Seller and Purchaser, and Seller and/or Purchaser, as applicable shall file all necessary documentation and Tax Returns with respect thereto.

(g) Except as required by applicable Law, none of Purchaser or its Affiliates shall amend a Tax Return of the Company or any Company Subsidiary with respect to a taxable period ending on or before the Closing Date without the consent of the Seller Representative, which consent shall not be unreasonably withheld, conditioned or delayed.

(h) All (1) refunds (plus interest thereon) of Taxes of the Company and the Company's Subsidiaries with respect to taxable periods or portions thereof ending on or before the Closing Date received by Purchaser or the Company after the Closing Date, and (2) amounts credited against Taxes of the Company and the Company's Subsidiaries for taxable periods or portions thereof beginning after the Closing Date attributable to Taxes of the Company and the Company's Subsidiaries paid on or prior to the Closing Date, net of any Taxes and costs, shall be property of Seller and shall be paid to Seller promptly upon receipt or benefit of crediting by Purchaser or the Company but only to the extent the Tax with respect to which the refund is received or credit is applied was economically borne by Davis or Likoff or any of the stockholders of the Company by virtue of being paid by the Company or a Company Subsidiary prior to the Closing Date or taken into account in calculating the Closing Working Capital.

(i) If the Company or any of the Company's Subsidiaries is permitted but not required under Tax Law to treat the Closing Date as the last day of a taxable period, then the parties shall treat that day as the last day of a taxable period. In the case of any Taxes that are imposed on a periodic basis and are payable for a Straddle Period, the portion of such Tax which relates to the portion of the Straddle Period ending on the Closing Date shall (i) in the case of any Taxes, other than Taxes based upon or related to income or receipts or expenses (e.g., payroll Tax), be deemed to be the amount of such Tax for the entire taxable period multiplied by a fraction the numerator of which is the number of days in the taxable period ending on the Closing Date and the denominator of which is the number of days in the entire taxable period, and (ii) in the case of any Tax based upon or related to income or receipts or expenses, be deemed equal to the amount which would be payable if the relevant taxable period ended as of the end of the Closing Date.

(j) The Parties agree that the purchase and sale of the Units shall be treated for federal income Tax purposes as the purchase and sale of the assets of the Company and the Company's Subsidiaries. The Parties agree to allocate the Purchase Price (and any liabilities required by Law to be so allocated) among the assets of the Company and the Company's Subsidiaries and the restrictive covenants set forth in Section 7.9 in accordance with Tax Law pursuant to the principles set forth in Schedule 7.5(h). Except as required by Law, the Parties shall not take any position inconsistent with such allocation on any Tax Return or in any judicial or administrative proceeding.

(k) Notwithstanding anything else in this Agreement, following the Closing

(l) Date, Purchaser shall cause the Company and the Company's Subsidiaries to determine for which states they should undertake Voluntary Disclosure Processes with respect to Pre-Closing S&U Taxes and the amount of such Taxes to be paid. Purchaser, the Company and the Company's Subsidiaries shall consult with Seller Representative on such determinations. If Seller Representative disagrees with any such determination (as to whether a Voluntary Disclosure Process should be undertaken with respect to a particular state with respect to Pre-Closing S&U Taxes or the amount of any such Taxes to be paid), and Seller Representative has substantial authority (within the meaning of Section 6662(d)(2)(B)(i) of the Code) for its position, Purchaser, the Company and the Company's Subsidiaries shall adopt such position (with respect to whether a Voluntary Disclosure Process should be undertaken with respect to a particular state with respect to Pre-Closing S&U Taxes or the amount of any such Taxes to be paid). If Purchaser does not agree that Seller Representative has substantial authority for a particular position, such disagreement shall be submitted to Olivier & Associates (unless Purchaser and Seller Representative mutually agree otherwise) or, if such firm is not able to take such engagement, LECG LLC (unless Purchaser and Seller Representative mutually agree otherwise), or if such firm is not able to take such engagement, another firm to be mutually agreed upon by Purchaser and Seller Representative (the "S&U Arbitrator"). The S&U Arbitrator shall promptly decide the amount of Pre-Closing S&U Taxes, if any, to be paid with respect to the applicable Voluntary Disclosure Process (or whether such Voluntary Disclosure Process should be undertaken at all); provided, that the amount of such Taxes shall not be greater than the larger of the amounts asserted by Purchaser or Seller Representative (as the case may be) to be payable, or less than the smaller of the amounts asserted by Purchaser or Seller Representative (as the case may be) to be payable. The decision of the S&U Arbitrator shall be final and binding on the parties, and the Purchaser, on the one hand, and Sellers, on the other hand, shall each bear 50% of the costs and fees of the S&U Arbitrator.

6.6 Termination of Certain Agreements.

The Company and/or Seller, as applicable, shall cause the agreements set forth in Schedule 7.6 to be terminated as of the Closing Date.

6.7 Key Employees.

Key Employee Agreements. At the Closing, the Company and each of the employees listed on Schedule 7.7 (collectively, the "Key Employees") shall enter into written agreements in form and substance mutually agreed to by Purchaser and the applicable Key Employee (collectively, the "Key Employee Agreements").

6.8 iLights, LLC.

Purchaser hereby acknowledges and agrees that Likoff and Davis are members of iLights, LLC, a New Jersey limited liability company ("iLights"). Purchaser further acknowledges and agrees that (i) iLights is not a Subsidiary of the Company, (ii) none of the stock, assets or business of iLights is subject to the terms of this Agreement, and (iii) this Agreement is not intended to, and shall not be construed to, transfer any rights, title or interest in or to the stock,

assets or business of iLights to Purchaser. Within sixty (60) days following the Closing, the Company shall negotiate an arrangement with respect to iLights subject to the reasonable approval of Purchaser. In the event that such arrangement is not finalized and executed within such period, then if Purchaser provides the Company with ten (10) days' prior written notice that Purchaser desires that the Company cease supporting iLights, then the Company will cease providing such support.

6.9 Restrictive Covenants.

(a) For a period of five (5) years after the Closing Date (the "Restriction Period"), except in connection with their employment with Purchaser or any of its Subsidiaries and subject to the *proviso* below, none of Seller, Likoff or Davis shall, directly or indirectly, own, manage, engage in, operate, control, work for, consult with, render services for, maintain any interest in (proprietary, financial or otherwise) or participate in the ownership, management, operation or control of, any of the following businesses, anywhere in the world, whether in corporate, proprietorship or partnership form or otherwise a business that competes with the businesses conducted by the Company or any of its Subsidiaries or proposed to be conducted pursuant to a strategic or business plan approved by the Chief Executive Officer of Purchaser, including (i) a business that is involved in digital-related products in the areas of patient education tools or programs, patient discount programs and online patient compliance tools or programs in the pharmaceutical or biotechnology field, and (ii) a business engaged in e-detailing to any HCP (relating to any product) (collectively, the "Restricted Business"). Notwithstanding the foregoing, the restrictions contained in this Section 7.9(a) shall not restrict:

(i) the acquisition by Seller, Likoff and/or Davis, directly or indirectly, of less than 2% of the outstanding capital stock of any publicly traded company engaged in the Restricted Business,

(ii) the right of Likoff and/or Davis to, directly or indirectly (including to own, manage, engage in, operate, control, work for, consult with, render services for, maintain any interest in (proprietary, financial or otherwise) or participate in the ownership, management, operation or control of, any business, whether in corporate, proprietorship or partnership form or otherwise), engaged in Permitted Business Activities, or

(iii) the right of Likoff or Davis, as the case may be, in the event that he ceases to be employed by Purchaser or any of its Subsidiaries during the Restriction Period, to (A) engage in any Restricted Business that is not being conducted by Purchaser or any of its Subsidiaries or proposed to be conducted pursuant to a strategic or business plan adopted by the board of directors or managers of Purchaser or any of its Subsidiaries or the Chief Executive Officer of Purchaser, as the case may be, on the date that such employment ceases, or (B) work for, consult with or render services to any entity that engages in the Restricted Business; provided, that the Restricted Business is not a material portion of such entity's business and Likoff and/or Davis, as the case may be,

(iv) does not work for, consult with or render services to that portion of such entity's business that engages in the Restricted Business.

"Permitted Business Activities" shall mean the delivery to prescribing physicians, physician assistants, nurse practitioners, hospitals, health institutions, pharmacies or other health care providers (collectively, "HCPs") of medical and/or scientific relevant articles selected by an editorial board led by recognized medical physicians or scientists. For the avoidance of doubt, iLights engages in Permitted Business Activities and none of Likoff nor Davis shall be restricted pursuant to this Section 7.9(a) with respect to iLights.

(b) During the Restriction Period, none of Seller, Likoff nor Davis nor any of their Affiliates shall, directly or indirectly: (i) cause, solicit, induce or encourage any employees of Purchaser or any of its Subsidiaries to leave such employment, or hire, employ or otherwise engage any such individual, unless such individual has not been employed by Purchaser or any of its Subsidiaries for a period of one (1) year; or (ii) cause, induce or encourage any material actual or prospective client, supplier or independent contractor of Purchaser or any of its Subsidiaries (including any existing or former customer of Purchaser or any of its Subsidiaries and any Person that becomes a client or customer of Purchaser or any of its Subsidiaries after the Closing) or any other Person who has a material business relationship with Purchaser or any of its Subsidiaries, to terminate or modify any such actual or prospective relationship.

(c) From and after the Closing, none of Seller, Likoff nor Davis nor any of their Affiliates shall, directly or indirectly, disclose, reveal, divulge or communicate to any Person other than authorized officers, directors and employees of Purchaser or its Subsidiaries or use or otherwise exploit for its or his own benefit or for the benefit of anyone other than Purchaser or its Subsidiaries, any Business Confidential Information (as defined below). Seller, Likoff and Davis and their Affiliates shall not have any obligation to keep confidential any Business Confidential Information if and to the extent disclosure thereof is specifically required by Law; provided, however, that in the event disclosure is required by Law, Seller shall, to the extent reasonably possible, provide Purchaser with prompt notice of such requirement prior to making any disclosure so that Purchaser may seek an appropriate protective order. For purposes of this Section 7.9, "Business Confidential Information" means any financial information, proprietary information with respect to Purchaser or any of its Subsidiaries, including methods of operation, customer lists, products, prices, fees, costs, technology, inventions, trade secrets, know-how, software, marketing methods, plans, personnel, suppliers, competitors, markets or other specialized information. "Business Confidential Information" does not include, and there shall be no obligation hereunder with respect to, information that (i) is generally available to the public on the date of this Agreement, or (ii) becomes generally available to the public other than as a result of a disclosure not otherwise permissible hereunder.

(d) Likoff and Davis each hereby assign to the Company all of their respective right, title and interest in and to any and all inventions, original works of authorship, developments, concepts, improvements or trade secrets which relate in any manner to the Company's business or proposed business, whether or not patentable or registrable under

(e) patent, copyright or similar laws, which each may have solely or jointly conceived or developed or reduced to practice, or caused to be conceived or developed or reduced to practice, at any time prior to the Closing Date (collectively referred to as "Inventions"), including any and all intellectual property rights inherent in the Inventions and appurtenant thereto including, without limitation, all patent rights, copyrights, trademark rights and trade secret rights (collectively referred to as "L&D Intellectual Property Rights"). Likoff and Davis each agree to reasonably assist the Company in every proper way to secure the Company's rights in the Inventions and any L&D Intellectual Property Rights related thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company the sole and exclusive right, title and interest in and to such Inventions and any L&D Intellectual Property Rights relating thereto. Purchaser shall pay Likoff and Davis for any such assistance, other than for the execution of documents, at a mutually agreed upon reasonable rate. Likoff and Davis further agree that their obligations to execute or cause to be executed, when it is in their power to do so, any such instrument or papers shall continue in perpetuity. If the Company is unable because of the mental or physical incapacity of either Likoff or Davis or for any other reason to secure the signature of either Likoff or Davis to apply for or to pursue any application for any United States or foreign Intellectual Property Right covering Inventions assigned to the Company as above, in each case after Purchaser has provided Likoff or Davis, as the case may be, with written request for such signature and Likoff or Davis, as the case may be, has not responded to such request within twenty (20) days, then Likoff and Davis hereby irrevocably designate and appoint Company and its duly authorized officers and agents as his agent and attorney in fact, to act for and in his behalf and stead solely to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent, or copyright, trademark or other registrations thereon with the same legal force and effect as if executed by him.

(f) The covenants and undertakings contained in this Section 7.9 relate to matters which are of a special, unique and extraordinary character, and a violation of any of the terms of this Section 7.9 may cause irreparable injury to Purchaser, the amount of which would be impossible to estimate or determine. Accordingly, the remedy at law for any breach of this Section 7.9 may be inadequate. Therefore, Purchaser will be entitled to seek injunctive or other equitable relief from any court of competent jurisdiction in the event of any breach of this Section 7.9 without the necessity of proving actual damage or posting any bond. Notwithstanding anything herein to the contrary, the rights and remedies provided by this Section 7.9 are cumulative and in addition to any other rights and remedies which Purchaser may have hereunder or at law or in equity.

(g) The Parties agree that, if any court of competent jurisdiction determines that a specified time period, a specified geographical area, a specified business limitation or any other relevant feature of this Section 7.9 is unreasonable, arbitrary or against public policy, then a lesser period of time, geographical area, business limitation or other relevant feature which is determined by such court to be reasonable, not arbitrary and not

(h) against public policy may be enforced against the applicable Party.

6.10 Post-Closing Operational Covenants During the Earnout Period.

(a) At all times during the period from the Closing Date through and including December 31, 2012 (the "Earnout Period"), Purchaser shall not, and shall cause the Company and its Subsidiaries not to, take any action that, at the time made, could reasonably be expected to result in a material reduction in the Earnout Amounts (including, for example and without limitation, actions which constitute a diversion to Purchaser or any of its Affiliates of business or business opportunities from the Company, reassigning revenue from the Company, taking any such action with respect to the day-to-day operations of the business (e.g., with respect to staffing) at any time when the Company has achieved at least sixty percent (60%) of the forecasted Revenue of the Company as set forth in the forecasts provided pursuant to Section 7.13 for the immediately preceding four (4) fiscal quarters; or mixing the business or assets of the Company with the businesses or assets of any other Subsidiaries or business units of Purchaser or its Affiliates; except if and to the extent approved in advance in writing by Seller); provided, however, that the restrictions contained in this Section 7.10(a) shall not restrict (i) actions determined by Purchaser in good faith to be required to be taken to comply with any Law, (ii) actions taken to cut selling, general and administrative costs (SG&A) if the Company has not achieved sixty percent (60%) or more of the forecasted Revenue of the Company as set forth in the forecasts provided pursuant to Section 7.13 for the immediately preceding four (4) fiscal quarters, or (iii) actions which prohibit the Company from spending any amount in excess of the amount set forth in the operating budget for the Company, which budget has been approved by the Chief Executive Officer of Purchaser for such year.

(b) Subject in all events to Section 2.5(j)(2) above, in the event that, during the Earnout Period, a Change of Control occurs with respect to the Company, Purchaser shall require any such successor to Purchaser's interest to assume this Agreement and to agree expressly to perform this Agreement in the same manner and to the same extent as Purchaser would be required to perform it in the absence of a succession.

6.11 Retention of Business Records.

For a period of five years after the Closing Date, Purchaser shall, and shall cause the Company and its Subsidiaries to retain the accounting, financial and other books and records of the Company and its Subsidiaries relating to periods prior to the Closing and the Earnout Period. During the Earnout Period, Purchaser shall, and shall cause the Company and its Subsidiaries to, upon reasonable notice, afford Seller and/or its agents reasonable access (including the right to make, at Seller's expense, photocopies), during normal business hours, to such books and records, as necessary for Seller to review information related to the calculation of the Earnout Amounts.

6.12 Seller Representative.

(a) From and after the Closing Date, Likoff, as the representative of Seller,

(b) the Stockholders and any successors-in-interest to the foregoing, or in the event that Likoff becomes incapacitated, then such Person who may be appointed by Seller or the successors-in interest to the foregoing, in a written notice delivered to Purchaser, shall act as the representative of Seller, the Stockholders and any successors-in-interest to the foregoing (the "Seller Representative") and shall be authorized to act on behalf of any or all of the foregoing and to take any and all actions required or permitted to be taken by Seller, the Stockholders or the Seller Representative under this Agreement and any other document referred to herein, including without limitation any actions with respect to (i) Sections 2.4 and 2.5 and (ii) claims for indemnification pursuant to ARTICLE XI. In all matters relating to Sections 2.4, 2.5 and ARTICLE XI, Seller Representative shall be the only party entitled to assert the rights of Seller.

(c) Seller, the Stockholders and any successors-in-interest to the foregoing shall be bound by all actions or inactions taken by the Seller Representative in his or her capacity thereof. The Seller Representative shall promptly, and in any event within ten (10) Business Days, provide written notice to Seller, the Stockholders and any successors-in-interest to the foregoing, as the case may be, of any action taken on behalf of them by the Seller Representative pursuant to the authority delegated to the Seller Representative under this Section 7.12. The Seller Representative may consult with legal counsel, independent public accountants and other experts selected by him or it, the reasonable fees and expenses of which advisors shall be borne by Seller or *pro rata* by the Stockholders.

(d) Seller and the Stockholders agree that Purchaser and its Affiliates, the Company, the Subsidiaries and each of their respective officers, directors, managers, employees and Affiliates, may rely on the statements and agreements of the Seller Representative in the performance of the duties and discretions delegated to the Seller Representative hereunder.

6.13 Forecast Revisions.

Within thirty (30) days after the Closing Date, Seller will deliver to Purchaser a revision to the forecasts previously provided to Purchaser for the fiscal years ending December 31, 2011 and December 31, 2012 which shall include only the following changes: (a) for the fiscal year ending December 31, 2011, increase in IT expenditures of $838,000 and a corresponding reduction of other Selling, General & Administrative expenses that, in aggregate, sum to $838,000; (b) for the fiscal year ending December 31, 2012, increase in IT expenditures of $812,000 and a corresponding reduction of other Selling, General & Administrative expenses that, in aggregate, sum to $812,000; and (c) an income statement summary providing on a quarterly basis the same level of detail as provided in the annual forecasts.

6.14 Tax Escrow.

As soon as practicable following the Closing Date, Purchaser shall deposit the Tax Escrow Amount in the Tax Escrow Account. The Tax Escrow Account shall be governed by the Tax Escrow Agreement. Purchaser and Seller shall negotiate in good faith the terms and conditions of the Tax Escrow Agreement, which shall include (1) that the Tax Escrow Amount

shall be used solely to pay liabilities related to Pre-Closing S&U Taxes, and (2) that upon the earlier of (x) three years from the date of the Tax Escrow Agreement and (y) filing with the taxing authority in the State of New Jersey pursuant to a Voluntary Disclosure Process in such state with respect to Pre-Closing S&U Taxes (and payment of the Taxes payable pursuant to the applicable Tax Returns made in connection with such Voluntary Disclosure Process), any amounts remaining in the Tax Escrow Account shall be released to Seller; provided, however, if at such time there exist any claims for Pre-Closing S&U Taxes in the State of New Jersey, the amount in the Tax Escrow Account shall be released only to the extent in excess of the sum of the amounts of such claims with the remainder, if any, released upon satisfaction of all such claims.

ARTICLE VII

CONDITIONS PRECEDENT TO OBLIGATIONS OF COMPANY AND SELLER

The obligations of the Company and Seller to consummate the transactions contemplated hereunder are subject to the completion, satisfaction or, at Seller's option, waiver, on or prior to the Closing Date, of the following conditions:

7.1 No Adverse Proceeding.

No action or proceeding before a court or any other Governmental Authority shall have been instituted or threatened to restrain or prohibit any of the transactions contemplated by this Agreement.

7.2 Release of Credit Supports.

Seller shall have received one or more deeds of release or similar documents in form reasonably satisfactory to Seller to release Seller and any of its stockholders or their respective Affiliates from any and all liabilities or obligations under or otherwise terminate any pledges, Liens, guarantees, letters of credit or other similar credit support documents that provide credit support to the Company or its Subsidiaries from Seller or any of its members or their respective Affiliates (other than the Company and its Subsidiaries), which are listed on Schedule 8.2.

7.3 Deliveries.

Purchaser shall have delivered to Seller those items required to be so delivered pursuant to Section 10.4.

ARTICLE VIII

CONDITIONS PRECEDENT TO OBLIGATIONS OF PURCHASER

The obligations of Purchaser to consummate the transactions contemplated hereunder are subject to the completion, satisfaction or, at its option, waiver, on or prior to the Closing Date, of the following conditions.

8.1 No Adverse Proceeding.

8.2 No action or proceeding before a court or any other Governmental Authority shall have been instituted or threatened to restrain or prohibit any of the transactions contemplated by this Agreement.

8.3 Consents.

Each notice to, consent of and filing with any Governmental Authority or other Person set forth in Schedule 9.2 (the "Required Consents") shall have been obtained and/or made by Seller or the Company.

8.4 No Material Adverse Effect.

No event shall have occurred since the date of the Most Recent Financial Statements, and be continuing on the Closing Date, that has a Material Adverse Effect.

8.5 Fairness Opinion.

Purchaser shall have received, at Purchaser's expense, the written opinion of BMO Capital Markets Corp., dated the date hereof, to the effect that, as of such date, the Purchase Price is fair to Purchaser from a financial point of view.

8.6 Deliveries.

Seller shall have delivered to Purchaser those items required to be delivered by Seller to Purchaser at the Closing pursuant to Section 10.3.

ARTICLE IX

CLOSING

9.1 Time and Place.

The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Sills Cummis & Gross P.C., One Riverfront Plaza, Newark, New Jersey 07102, commencing at 5:00 p.m. local time on November 3, 2010, subject to the prior satisfaction or waiver of all conditions set forth in ARTICLE VIII and ARTICLE IX (other than conditions with respect to actions the respective Parties to this Agreement will take at the Closing itself) (the "Closing Date").

9.2 Closing Transactions.

All documents and other instruments required to be delivered at the Closing shall be regarded as having been delivered simultaneously, and no document or other instrument shall be regarded as having been delivered until all have been delivered. The "Closing" shall be deemed to occur as of the opening of the Company's business on the Closing Date.

9.3 Deliveries by Seller.

At the Closing, Seller shall deliver or cause to be delivered to Purchaser the following items:

(a) certificates representing the Units together with any documentation required to effect the transfer of the Units to Purchaser; provided, that if any such

(b) certificate is lost, mutilated, stolen or otherwise missing, Seller shall deliver to Purchaser an express indemnity in a form reasonably satisfactory to Purchaser;

(c) a certificate of the secretary of the Company, in a form reasonably satisfactory to Purchaser, regarding the Company's Organizational Documents, all manager and member resolutions relating to the transactions contemplated by this Agreement and the incumbency of the Company's officers;

(d) a copy of the Organizational Documents of each of the Company's Subsidiaries, certified by a senior officer of each entity;

(e) good standing certificates of the Company and each of its Subsidiaries as of a recent date from its state of formation and each jurisdiction in which it is qualified to do business as a foreign entity, certified by the appropriate office of such jurisdiction;

(f) the Required Consents;

(g) the statutory books of the Company and each of its Subsidiaries, together with their respective Organizational Documents;

(h) signature page to each of the Key Employee Agreements, duly signed by the applicable Key Employee and the Company;

(i) signature page to the Escrow Agreement, duly executed by Seller, Likoff, Davis and the Escrow Agent;

(j) written resignation of each manager of the Company and each of its Subsidiaries whose resignation as of the Closing Date has been requested in writing by Purchaser;

(k) pay-off letters and final invoices and/or releases, or, at Purchaser's option, assignments, necessary to terminate, release or assign, as the case may be, all Liens set forth on Schedule 10.3(j);

(l) letter agreements (including full releases), in form and substance reasonably satisfactory to Purchaser, which have been duly executed by each Option Holder, effecting the forfeiture of all of the Option Holders' options to purchase equity interests of the Company in exchange for the payment set forth in such letter agreements;

(m) a certificate, in form and substance reasonably satisfactory to Purchaser, that Seller is not a foreign person within the meaning of Section 1445 of the Code; and

(n) such other documents as Purchaser may reasonably request to demonstrate satisfaction of the conditions and compliance with the agreements set forth in this Agreement.

9.4 Deliveries by Purchaser.

9.5 At the Closing, Purchaser shall deliver to Seller the following items:

(a) the Estimated Preliminary Base Purchase Price in accordance with Section 2.3;

(b) a certificate of the secretary of Purchaser, in a form reasonably satisfactory to Seller, regarding Purchaser's certificate of incorporation and bylaws, all board resolutions relating to the transactions contemplated by this Agreement and the incumbency of Purchaser's officers;

(c) signature page to the Escrow Agreement, duly executed by Purchaser and the Escrow Agent; and

(d) such other documents as Seller may reasonably request to demonstrate satisfaction of the conditions and compliance with the agreements set forth in this Agreement.

ARTICLE X

INDEMNIFICATION

10.1 Indemnification by Seller, Likoff and Davis.

From and after the Closing Date, each of Seller, Likoff and Davis, severally and not jointly, shall indemnify and hold harmless Purchaser and its Representatives and Affiliates (collectively, the "Purchaser Indemnified Parties") from and against any and all Claims suffered, sustained, incurred or paid by the Purchaser Indemnified Parties in connection with, resulting from or arising out of any breach of any Individual Representation of such Party; provided, however, that the aggregate amount of the liability of Seller, Likoff and Davis pursuant to this Section 11.1 shall not exceed the Preliminary Purchase Price. The indemnification provided in this Section 11.1 shall survive indefinitely. Indemnification payments to be made pursuant to this Section 11.1 shall be made first, from the Escrow Account, and then, with respect to Claims in excess of the amount remaining in the Escrow Account, by Seller, Likoff and Davis, severally.

10.2 Additional Indemnification by Seller, Likoff and Davis.

(a) From and after the Closing Date, Seller, Likoff and Davis, jointly and severally, shall indemnify and hold harmless the Purchaser Indemnified Parties from and against any and all Claims suffered, sustained, incurred or paid by the Purchaser Indemnified Parties in connection with, resulting from or arising out of any of the following:

(i) any breach of any Company Representation;

(ii) any Taxes imposed on relating to (w) Seller, (x) the Company, any of the Company's Subsidiaries or PowerXposure with respect to any taxable period or portion thereof ending on or before the Closing Date, (y) the Company or any of the Company's Subsidiaries as transferee or successor or by contract, or

(iii) (z) another Person for which the Company or any of the Company's Subsidiaries is liable pursuant to Law;

(iv) any nonfulfillment of any covenant or agreement on the part of Seller set forth in this Agreement;

(v) the amount of any Closing Date Debt Obligation in excess of the Closing Date Debt Obligation Amount paid at Closing;

(vi) the amount of any Company Expenses (whether incurred prior to or after the Closing) in excess of the amount of Company Expenses paid at Closing;

(vii) noncompliance with any Law or judgments, fines, penalties (civil or criminal), investigations, audits, subpoenas, settlements, corporate integrity agreements or civil investigative demands, whether civil, regulatory, administrative or criminal resulting from such noncompliance or allegation thereof, relating to the business of the Company or any of its Subsidiaries as such business was conducted on or prior to the Closing Date;

(viii) any allegations that the business of the Company or any of its Subsidiaries as such business was conducted on or prior to the Closing Date violates, misappropriates or infringes any third party rights in connection with the Cue Card Program; or

(ix) any Claims related to treatment of options to purchase equity interests in the Company with respect to any period or periods on or before the Closing, including with respect to the Dot Com Advisors, Inc. 2000 Option Plan or any option agreement related thereto.

(b) None of Seller, Likoff or Davis shall have any liability under Section 11.2(a)(i) unless and until the amount of the aggregate indemnification obligations exceeds $200,000 (the "Threshold"), whereupon Seller, Likoff and Davis shall, jointly and severally, indemnify, defend and hold harmless the Purchaser Indemnified Parties for the amount of all Claims under Section 11.2(a)(i); provided, that (i) no individual Claim under Section 11.2(a)(i) shall be included toward the achievement of the Threshold unless the amount of such Claim exceeds $10,000 (the "Individual Threshold"), and (ii) the aggregate amount of the liability of Seller, Likoff and Davis under Section 11.2(a)(i) shall not exceed 50% of the Preliminary Purchase Price (the "Cap"); provided, further, that the Threshold and the Cap shall not be applicable to Claims for indemnification pursuant to Section 11.2(a)(i) solely with respect to breaches of representations and warranties set forth in Section 3.1, Section 3.2, Section 3.4, Section 3.12 and Section 3.31 and the Individual Threshold shall not be applicable to Claims for indemnification pursuant to Section 11.2(a)(i) solely with respect to breaches of representations and warranties set forth in Section 3.12.

(c) Indemnification payments to be made pursuant to this Section 11.2 shall be made first, from the Escrow Account, and then, with respect to Claims in excess of the

(d) amount remaining in the Escrow Account, by Seller, Likoff and Davis, jointly and severally.

10.3 Indemnification by Purchaser.

Purchaser shall indemnify, defend and hold harmless Seller, Likoff and Davis and each of their Representatives and Affiliates (collectively, the "Seller Indemnified Parties") from and against all Claims suffered, sustained, incurred or paid by the Seller Indemnified Parties in connection with, resulting from or arising out of any of the following:

(i) any breach of any representation or warranty of Purchaser set forth in this Agreement;

(ii) any nonfulfillment of any covenant or agreement on the part of Purchaser set forth in this Agreement; or

(iii) any Claims arising from a breach by the Company, following the Closing, of any obligations of the Company pursuant to the Equipment Lease Agreement dated June 26, 2007 between the Company and General Electric Capital Corporation as long as Likoff's personal guaranty of such agreement remains in full force and effect.

10.4 Survival.

The representations and warranties set forth in ARTICLE III (except Section 3.1, Section 3.2, Section 3.4, Section 3.10, Section 3.12, Section 3.14, Section 3.25 and Section 3.31), and ARTICLE V (except Section 5.4) shall survive the Closing for a period of eighteen (18) months after the Closing Date and shall thereafter terminate and be of no further force or effect. The representations and warranties set forth in Section 3.10 and Section 3.14 shall survive the Closing for a period of three (3) years after the Closing Date and shall thereafter terminate and be of no further force or effect. The covenants set forth in ARTICLE VII shall survive the Closing in accordance with their terms. The representations and warranties set forth in Section 3.1, Section 3.2, Section 3.4, Section 3.31, Section 5.4 and ARTICLE IV (the Individual Representations) shall survive indefinitely. The representations and warranties set forth in Sections 3.12 and 3.25 shall survive until thirty (30) days following the expiration of the applicable statute of limitations (as extended). The indemnification obligations with respect to (a) Section 11.2(a)(i) shall survive until the expiration of the applicable Company Representations, (b) Sections 11.2(a)(ii), (iii), (iv) and (v) shall survive indefinitely, and (c) Sections 11.2(a)(vi), 11.2(a)(vii) and 11.2(a)(viii) shall survive until the third anniversary of the Closing Date. Notwithstanding the above, any representation, warranty, covenant or obligation as to which a Claim (including a contingent Claim) shall have been asserted during the applicable survival period shall continue in effect with respect to such Claim until such Claim shall have been finally resolved or settled.

10.5 Procedure for Indemnification.

(a) In the event any of the Purchaser Indemnified Parties or the Seller Indemnified Parties intends to seek indemnification pursuant to the provisions of Section

(b) 11.1, 11.2 or 11.3 (the "Indemnified Party"), the Indemnified Party shall promptly give notice hereunder to the other party (the "Indemnifying Party") of any Claim or legal proceeding for which recovery or other action may be sought by the Indemnified Party because of the indemnification provided for in Section 11.1, 11.2 or 11.3 hereof, and, if such indemnity shall arise from the Claim of a Third Party, the Indemnified Party shall permit the Indemnifying Party, at his or its sole cost and expense and upon written notice to the Indemnified Party within thirty (30) days after the Indemnifying Party's receipt of written notice of the Claim, to assume the defense of any such Claim or legal proceeding if the Indemnifying Party acknowledges in writing his or its indemnification obligations with respect to such Claim. If the Indemnifying Party assumes the defense of any such Claim or legal proceeding, the Indemnifying Party shall select counsel reasonably acceptable to the Indemnified Party to conduct the defense of such Claim or legal proceeding and shall take all steps reasonably necessary in the defense or settlement thereof. The Indemnifying Party shall obtain the prior written consent of the Indemnified Party (which shall not be unreasonably withheld or delayed) before entering into any settlement of such Claim if the settlement does not release the Indemnified Party from all liabilities and obligations with respect to such Claim (and, in the case of Claims related to Taxes, there could reasonably be anticipated a future Claim based on similar issues or principles) or if the settlement imposes injunctive or other equitable relief against the Indemnified Party. The Indemnified Party shall be entitled to participate in (but not control) the defense of any such action, with his or its own counsel and at his or its sole cost and expense. Notwithstanding the foregoing, the right to indemnification hereunder shall not be affected by any failure of the Indemnified Party to give such notice (or by delay by the Indemnified Party in giving such notice) unless, and then only to the extent that, the rights and remedies of the Indemnifying Party shall have been prejudiced as a result of the failure to give, or delay in giving, such notice.

(c) If the Indemnifying Party does not assume the defense of any such Claim of a Third Party or legal proceeding resulting therefrom in accordance with the terms of this Section 11.5, the Indemnified Party may defend against such Claim or legal proceeding in such manner as it reasonably deems appropriate. The Indemnified Party may not settle such claim or litigation without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed.

(d) Each Party shall cooperate in good faith and in all respects with each Indemnifying Party and its Representatives (including its counsel) in the investigation, negotiation, settlement, trial and/or defense of any Claim or legal proceeding (and any appeal arising therefrom). The Parties shall cooperate with each other in any notifications to and information requests of any insurers.

10.6 Exclusive Remedy.

Except for claims based on fraud and claims for injunctive relief, and except as otherwise set forth inSections 2.4 or 2.5, the Parties agree that the exclusive remedy of the Parties for any Claims based upon, arising out of or otherwise in respect of this Agreement (including, without limitation, the matters set forth in this ARTICLE XI) or the transactions contemplated to occur at Closing are the indemnification or reimbursement obligations of the Parties set forth in this

ARTICLE XI. No Representative of any Person, or its respective Affiliates, shall be personally liable for any Claim under this Agreement, except as specifically agreed to by said Representative or as set forth in this Agreement.

10.7 Effect of Insurance.

The amount of any Claims for which Seller, Likoff and Davis are required to indemnify the Purchaser Indemnified Parties pursuant to this Agreement shall be reduced by any amount actually received by the Company, any of its Subsidiaries or the Purchaser Indemnified Parties with respect thereto under any Third Party insurance coverage or from any other party alleged to be responsible therefor (after giving effect to any expenditures to obtain such amounts and any applicable deductible or retention and resulting retrospective premium adjustment). If a Purchaser Indemnified Party makes a claim for indemnification pursuant to this Agreement, such Purchaser Indemnified Party shall use commercially reasonable efforts to collect any amounts available under such insurance coverage and from such other party alleged to have responsibility. If a Purchaser Indemnified Party receives an amount under insurance coverage or from such other party for Claims at any time subsequent to any indemnification provided by Seller, Likoff and/or Davis pursuant to this Agreement, then such Purchaser Indemnified Party shall promptly reimburse Seller, Likoff and/or Davis, as the case may be, for any payment made by Seller, Likoff and/or Davis to such Purchaser Indemnified Party in connection with providing such indemnification up to such amount received by the Purchaser Indemnified Party, but net of any expenses incurred by such Purchaser Indemnified Party in collecting such amount (after giving effect to any expenditures to obtain such amounts and any applicable deductible or retention and resulting retrospective premium adjustment).

10.8 Effect of Tax Benefits.

Any Claim for which indemnification is to be provided under this ARTICLE XI shall be reduced to the extent the Indemnified Party (or any of its Affiliates) actually realizes for the year in which the Claim arose (a "Current Tax Benefit") (and for the immediately succeeding two (2) years (a "Carryforward Tax Benefit") for federal, state and local income Tax purposes any reduction in federal, state and local income Tax resulting directly from the loss or deduction attributable to the Claim, treating such loss or deduction as the last item to offset income in any such year; provided, however, that to the extent a Claim does not result in a Current Tax Benefit but may result in a Carryforward Tax Benefit, the indemnification pursuant to this ARTICLE XI shall be paid without any reduction due to this Section 11.8 and, if and when such Carryforward Tax Benefit is realized, such amount shall be paid to the party providing the indemnification.

10.9 Duty to Mitigate.

Nothing in this Agreement shall in any way restrict or limit the general obligation at law of an Indemnified Party to mitigate any Claims that it may suffer or incur by reason of the breach by an Indemnifying Party of any representation, warranty or covenant hereunder.

10.10 Additional Provisions Regarding Indemnity.

(a) The Parties hereby acknowledge and agree that solely for purposes of determining the amount of any Claim with respect to a breach of any representation and

(b) warranty contained in this Agreement (and not for purposes of determining the existence of a breach) pursuant to this ARTICLE XI, any and all "materiality," "Material Adverse Effect," and similar qualifiers shall be disregarded.

(c) Solely to the extent that there are no remaining funds in the Escrow Account, Purchaser shall have the right to offset any Contingency Payment against any amount solely to the extent agreed to in writing by the Seller Representative or finally determined by a court of competent jurisdiction to be owed by Seller, Likoff or Davis to a Purchaser Indemnified Party under this ARTICLE XI.

(d) The representations, warranties, agreements, covenants and obligations of Seller, Likoff and Davis, and the rights and remedies that may be exercised by the Purchaser Indemnified Parties, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or knowledge of, any of the Purchaser Indemnified Parties or any of their Representatives (other than the information disclosed in the Schedules). The rights of the Purchaser Indemnified Parties to indemnification under ARTICLE XI shall not be limited or otherwise affected by any actions taken by Purchaser or its Affiliates in order to comply with Law.

10.11 Disbursements from Escrow Account.

If Purchaser and the Seller agree in writing that any Purchaser Indemnified Party shall be entitled to recover any amounts from the Escrow Account pursuant to this Agreement and funds then remain on deposit in the Escrow Account, Purchaser and the Seller Representative shall promptly provide a joint written instruction to the Escrow Agent to deliver such amounts to Purchaser (or any Person designated by Purchaser). If, following the eighteen (18) month anniversary of the Closing Date, there are any funds remaining in the Escrow Account, then Seller shall be entitled to receive such funds, and Purchaser and the Seller Representative shall provide a joint written instruction to the Escrow Agent to deliver, by wire transfer of immediately available funds to an account designated in writing by the Seller Representative; provided, however, that if prior to the eighteen (18) month anniversary of the Closing Date, the Seller Representative has received one or more notices which set forth indemnification claims under ARTICLE XI of this Agreement for Claims that are unresolved on the eighteen (18) month anniversary of the Closing Date, then an amount equal to the lesser of (i) the amount of the aggregate Claims set forth in, and reasonably expected to be incurred in connection with, each such unresolved indemnification claim, and (ii) the amount remaining in the Escrow Account, shall continue to be held by the Escrow Agent in the Escrow Account to pay such claims and any other amounts associated therewith that are payable pursuant to ARTICLE XI of this Agreement; and provided further, from time to time promptly after final resolution of each such indemnification claim, the Seller Representative and Purchaser will authorize the Escrow Agent to disburse all amounts remaining in the Escrow Account in the same manner as described above, subject to the condition that if at such time there remains unresolved any indemnification claim, an amount equal to the lesser of (i) the amount of the aggregate Claims set forth in, and reasonably expected to be incurred in connection with, each such indemnification claim, and (ii) the amount remaining in the Escrow Account shall be maintained in the Escrow Account.

10.12 Indemnity Payments.

10.13 Except as otherwise required by Law, the Parties shall treat any indemnification payment made hereunder as an adjustment to the Purchase Price. For the avoidance of doubt, the Parties shall have no right to indemnification to the extent that any such amounts were included in the Closing Working Capital, as finally determined in accordance with Section 2.4.

10.14 Mutual Release.

(a) From and after the Closing Date, Purchaser, the Company and each of their Affiliates hereby release each current and former stockholder and Representative of the Company and each of its Subsidiaries from and against all Losses (including any consequential, special, punitive, exemplary or similar Losses), obligations and responsibilities for any and all actions or failures to take action prior to the Closing Date, except to the extent that any such any action or failure to take action involved willful misconduct, fraud or criminal activity; provided, that the foregoing shall not affect any rights of or be deemed to constitute a waiver or release of any obligation of the Stockholders under this Agreement (including the provisions of ARTICLE XI). The provisions of this paragraph are intended to be for the benefit of and shall be enforceable by such current or former stockholders and Representatives and their respective heirs, legal representatives, successors and assigns.

(b) The Stockholders shall have no claims or rights to contribution or indemnity from Purchaser, the Company and each of its Subsidiaries (i) with respect to any amounts paid to Purchaser or the Company pursuant to Section 2.4 or ARTICLE XI, or (ii) by reason of the fact that such Stockholder was a controlling person, director, employee or representative of the Company or any of its Subsidiaries, or was serving as such for another Person at the request of Purchaser or the Company or any of its Subsidiaries, with respect to any claim brought by a Purchaser Indemnified Party against any Stockholder relating to this Agreement or any of the transactions contemplated herein; provided, that the foregoing shall not be deemed to constitute a waiver or release by any Person of (i) any rights to indemnification from the Company pursuant to the provisions of Delaware law, the Organizational Documents of the Company or any of its Subsidiaries, or director, officer or other fiduciary liability insurance, in his or her capacity as an officer, director, manager or other Representative of the Company or any of its Subsidiaries, or (ii) any other rights of such Person pursuant to this Agreement or any agreement, document or instrument entered into in connection herewith.

ARTICLE XI

INTENTIONALLY OMITTED

ARTICLE XII

MISCELLANEOUS PROVISIONS

12.1 Notices.

All notices, requests, demands, claims and other communications hereunder will be in writing. Any notice, request, demand, claim or other communication hereunder shall be deemed duly given (a) when delivered personally to the recipient, (b) one (1) Business Day after being

sent to the recipient by reputable overnight courier service (charges prepaid), (c) one (1) Business Day after being sent to the recipient by facsimile transmission or electronic mail or (d) four (4) Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to the Company prior to the Closing:

Group DCA, LLC

800 Lanidex Plaza

Parsippany, New Jersey 07054

Attention: Mr. Rob Likoff

Telephone: (973) 746-7777

Facsimile: (973) 746-3574

with a simultaneous copy to:

Sills Cummis & Gross P.C.

One Riverfront Plaza

Newark, New Jersey 07102

Attention: Ira A. Rosenberg, Esq.

Telephone: (973) 643-5082

Facsimile: (973) 643-6500

If to Seller, Likoff or Davis or the Seller Representative:

To his or its address set forth under his name on

Schedule 1 attached hereto.

with a simultaneous copy to:

Sills Cummis & Gross P.C.

One Riverfront Plaza

Newark, New Jersey 07102

Attention: Ira A. Rosenberg, Esq.

Telephone: (973) 643-5082

Facsimile: (973) 643-6500

If to Purchaser or, after the Closing, to the Company:

PDI, Inc.

Morris Corporate Center 1, Building A

300 Interpace Parkway

Parsippany, NJ 07054

Attention: Chief Executive Officer

Telephone: (862) 207-7800

Facsimile: (862) 207-7899

With a simultaneous copy to:

Pepper Hamilton LLP

3000 Two Logan Square

Eighteenth and Arch Streets

Philadelphia, PA 19103

Attention: Steven J. Abrams

Telephone: (215) 981-4241

Facsimile: (215) 981-4750

Any party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other parties notice in the manner herein set forth.

12.2 Assignment.

No Party may assign or transfer either this Agreement or any or all of its rights or obligations under this Agreement without the prior written approval of all the other Parties; provided, however, that upon notice to Seller and without releasing Purchaser from any of its obligations hereunder except to the extent actually performed or satisfied by the assignee, (a) Purchaser may assign or delegate any or all of its rights or obligations under this Agreement after the Closing Date to (i) any Person who acquires all of Purchaser's business, or (ii) one or more of Purchaser's Affiliates, and (b) Seller may assign any or all of its rights (but not its obligations) hereunder to its stockholders or to a trust (or similar agreement) for their benefit.

12.3 Benefit of the Agreement.

This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. Except as otherwise specifically set forth in this Agreement, this Agreement shall not be construed so as to confer any right or benefit upon any Person, other than the Parties hereto, the Persons to whom indemnification is provided pursuant to ARTICLE XI and Section 7.3 and their respective successors and permitted assigns.

12.4 Headings.

The headings used in this Agreement are for convenience of reference only and shall not be deemed to limit, characterize or in any way affect the interpretation of any provision of this Agreement.

12.5 Entire Agreement.

This Agreement, including the schedules and exhibits attached hereto, the Schedules and the other documents referred to herein, constitutes the entire agreement and understanding of the Parties with respect to the subject matter hereof, and no other representations, promises, agreements or understandings regarding the subject matter hereof shall be of any force or effect unless in writing, executed by the Party to be bound thereby and dated on or after the date hereof.

12.6 Amendments and Waivers.

12.7 No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by Purchaser and the Seller Representative. No waiver by any Party of any provision of this Agreement or any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the Party making such waiver, nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

12.8 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.9 Severability.

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

12.10 Governing Law; Venue; Waiver of Jury Trial.

(a) This Agreement shall be governed by and interpreted in accordance with the laws of the State of New Jersey without giving effect to principles of conflicts of law.

(b) Each Party hereby irrevocably submits to the exclusive jurisdiction of any federal or state court located within the State of New Jersey ("Agreed to Court") for the sole purpose of any proceeding between any two or more Parties relating to this Agreement in whole or in part. Each Party hereby agrees not to commence any proceeding relating to this Agreement other than before an Agreed to Court except to the extent otherwise set forth in this Section 13.9. "Procedural Claim" means a claim that (i) such Party is not subject personally to the jurisdiction of the Agreed to Courts, (ii) such Party's property is exempt or immune from attachment or execution, (iii) any such proceeding brought in an Agreed to Court should be dismissed on grounds of forum non conveniens, should be transferred or removed to any court other than an Agreed to Court, or should be stayed by reason of the pendency of some other proceeding in any court other than an Agreed to Court, or (iv) this Agreement or the subject matter hereof may not be enforced in or by an Agreed to Court.

(c) Each Party hereby waives to the extent not prohibited by applicable Law, and agrees not to assert by way of defense or otherwise in any proceeding relating to this Agreement, any Procedural Claim.

(d) Notwithstanding Sections 13.9(b) and (c), a Party may commence any proceeding in a court other than an Agreed to Court (i) for the purpose of enforcing an Order issued by an Agreed to Court, (ii) to seek injunctive relief to enjoin a breach of this Agreement, or (iii) if an Agreed to Court concludes it does not have jurisdiction (subject

(e) matter jurisdiction, personal jurisdiction or otherwise).

(f) EACH PARTY HEREBY WAIVES TRIAL BY JURY WITH RESPECT TO ANY MATTER RELATING TO THIS AGREEMENT.

12.11 Expenses.

Except as otherwise expressly provided herein, each Party hereto shall pay all of its or his own costs and expenses incurred or to be incurred in negotiating and preparing this Agreement and in closing and carrying out the transactions contemplated by this Agreement, except that Seller shall pay all such costs and expenses of Likoff and Davis. Notwithstanding the foregoing, Seller shall be liable for, and shall promptly pay when due or reimburse the Company for, any cost or expense incurred by the Company prior to the Closing in connection with the transactions contemplated by this Agreement.

12.12 Purchaser Form 8-K.

Prior to filing its current report on Form 8-K (or any amendment thereto) announcing the execution of this Agreement, Purchaser shall provide Seller with reasonable opportunity to review and comment on the report, and shall consider Seller’s comments thereto in good faith.

[signature page follows]

The parties hereto have executed this Membership Interest Agreement as of the date first written above.

GROUP DCA, LLC

By: /s/ Jack Davis

Name: Jack Davis

Title: Co-CEO

PDI, INC.

By: /s/ Nancy Lurker

Name: Nancy Lurker

Title: Chief Executive Officer

JD & RL, INC.

By:/s/ Jack Davis

Name: Jack Davis

Title: Co-CEO

/s/ Jack Davis

Jack Davis

/s/ Robert Likoff

Robert O. Likoff

SELLER REPRESENTATIVE:

/s/ Robert Likoff

Robert O. Likoff

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is dated as of November 3, 2010 (the "Effective Date"), by and between Group DCA, LLC (the "Company"), and Rob Likoff ("Executive"), pursuant to which the aforementioned parties agree:

1. Employment; Position; Compensation.

a. Term of Employment. In connection with the transactions contemplated by that certain Membership Interest Purchase Agreement by and among the Company, PDI, Inc., a Delaware corporation ("PDI"), and certain other parties thereto, dated as of the date hereof (the "Purchase Agreement"), pursuant to which, among other things, PDI is acquiring all of the membership interests of the Company, and contingent upon Executive's execution of the Company's Proprietary Information Agreement, the Company shall employ Executive pursuant to the terms and conditions set out in this Agreement. Subject to the provisions of Sections 2 and 3 of this Agreement, Executive shall be employed by the Company for the period commencing on the Effective Date and ending on March 31, 2013 (the "Term").

b. Position. During the Term, Executive shall serve as the co-chief executive officer of the Company. Executive shall have the authority and duties commensurate with such position, as shall be determined from time to time by the Chief Executive Officer of PDI. Executive shall report to the Chief Executive Officer of PDI. Executive shall serve on the Executive Committee of PDI. During the Term, and excluding any periods of vacation and sick leave to which the Executive may be entitled, Executive will devote Executive's full business time and attention to the performance of Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise that would conflict or materially interfere with the performance of such services either directly or indirectly, without the prior written consent of the Chief Executive Officer of PDI; provided, however, that notwithstanding the foregoing, during the Term, it shall not be a violation of this Agreement for Executive to engage in any of the following activities: (A) serve on boards, committees or similar bodies of charitable or nonprofit organizations; (B) fulfill limited teaching, speaking and writing engagements; (C) continue to serve as an officer, director and member of iLights, LLC; and/or (D) Executive's management of personal investments that do not require the Executive's active participation in the management or the operation of such investments; in each case, so long as such activities do not, individually or in the aggregate, conflict or materially interfere with the performance of the Executive's duties and responsibilities under this Agreement, and subject to the prior consent and approval of the Chief Executive Officer of PDI in the case of the activities described in (A) and (B), which consent and approval shall not be unreasonably withheld or conditioned.

c. Compensation and Benefits.

i. Base Salary. During the Term, the Company shall pay Executive a base salary at the annual rate of $350,000, payable in regular installments in accordance with the Company's usual payment practices, but no less often than monthly. Executive shall be entitled to such increases in Executive's base salary, if any, as may be determined annually in the sole discretion of the Chief Executive Officer of PDI. Executive's annual

ii. base salary shall not be reduced (including after any increase in accordance herewith) and such annual base salary, as in effect from time to time, is hereinafter referred to as the "Base Salary."

iii. Annual Bonus. For each full fiscal year beginning and ending during the Term, Executive will be eligible for an annual incentive bonus of up to 50% of his annual Base Salary ("Annual Bonus") for the applicable fiscal year, if specified corporate and personal performance goals are met for that year. The Annual Bonus for each such fiscal year shall be earned and paid pursuant to the terms and conditions of PDI's Short-Term Incentive Plan, as approved by the Compensation and Management Development Committee (the "Compensation Committee") of the Board of Directors of PDI (the "Board") and in effect from time to time. For each fiscal year during the Term, other than the 2010 fiscal year, the Annual Bonus shall be prorated for any partial fiscal year. The corporate and performance goals relevant under this Section 1(c)(ii) and the amount of Annual Bonus payable for any particular fiscal year will be determined by the Compensation Committee and/or the Board, in its sole discretion, and will be communicated to Executive. The Annual Bonus earned by Executive for any fiscal year shall be paid at the time annual bonuses are paid to other senior executives of the Company, but in no event later than the March 15th following the completion of the applicable fiscal year, but will only be paid if Executive remains continuously employed with the Company through such payment date. Notwithstanding the foregoing sentence, it shall not be a breach of this Section 1(c)(ii) if payment of the Annual Bonus is made later in such year to the extent financial results are not available by March 15th, so long as payment is made by payroll no later than December 31 of such year.

iv. Equity Awards. During the Term, Executive shall be eligible to receive annual equity-based awards pursuant to PDI's 2004 Stock Award and Incentive Plan ("Plan") and/or pursuant to the terms and conditions of PDI's Long-Term Incentive Plan, as approved by the Compensation Committee, or pursuant to such other equity incentive plan of PDI, as each may be in effect from time to time.

v. Benefits. During the Term, Executive shall be entitled to participate in all employee benefit programs of the Company maintained for the benefit of employees of the Company on a basis which is no less favorable than is provided generally to other U.S. executive officers of the Company, which benefits shall include without limitation medical/prescription, dental and vision coverage, 401(k) and matching benefits, and life/AD&D coverage. The Company shall provide life insurance to Executive with a face amount of no less than twelve months of Base Salary, and Executive shall be entitled to designate the beneficiary or beneficiaries thereof.

vi. Car Allowance. During the Term, the Company shall provide Executive with a car allowance in the amount of $15,000 per year, as may be adjusted (upward and not downward) from time to time consistent with adjustments applicable to other senior executives of the Company. Such car allowance shall be paid in advance to Executive in equal monthly installments.

vii. Vacation. During the Term, Executive shall be entitled to paid time off in accordance with the Company's policies for its U.S. executive officers, but in no event less than 20 days per year (as prorated for partial years). Executive shall, in addition, be entitled to paid holidays on such days recognized in accordance with the Company's policies.

viii. Financial Planning Allowance. During the Term, the Company shall provide Executive with a financial planning allowance in the amount of $10,000 per year, provided claims for such reimbursement (accompanied by appropriate supporting documentation) are submitted to the Company.

ix. Long-Term Disability Insurance Allowance. During the Term, the Company shall reimburse Executive in the amount of up to $5,000 per year for premiums in connection with Executive's long-term disability insurance policy.

x. Business Expenses. During the Term, reasonable business expenses incurred by Executive in the performance of Executive's duties hereunder shall be reimbursed by the Company in accordance with Company policies, provided claims for such reimbursement (accompanied by appropriate supporting documentation) are submitted to the Company.

2. Compensation and Benefits Payable Upon Involuntary Termination without Cause or Resignation for Good Reason.

a. Triggering Event. In further consideration for Executive's employment, Executive will receive the compensation and benefits set forth in Section 2(b) if, during the Term, (x) Executive's employment is terminated involuntarily by the Company at any time for reasons other than death, Total Disability or Cause or (y) Executive resigns from employment for Good Reason (each, a "Triggering Event"); provided, that as of the 30th day following his termination date, Executive has executed the Agreement and General Release in substantially the form attached to this Agreement (the "Release"); provided, further, that the Release does not release Executive's rights and benefits as vested under ERISA or wage and hour laws of New Jersey, any applicable revocation period has expired and Executive has not revoked the Release during such revocation period. For the avoidance of doubt, a Triggering Event shall include the termination of Executive's employment by the Company without Cause at any time before March 31, 2013.

b. Compensation and Benefits. Following the occurrence of a Triggering Event, and provided that the requirements of Section 2(a) are fulfilled, the Company will provide the following compensation and benefits to Executive:

i. Subject to Section 8(b), no later than 30 days following the occurrence of a Triggering Event, the Company will pay Executive a lump sum payment equal to (A) the aggregate amount of Base Salary that would have been payable to Executive during the period beginning on the termination date and ending on March 31, 2013, had Executive remained in the employ of the Company during such period, and (B) an amount equal to the average of the actual amounts paid to Executive as an Annual Bonus

ii. and under any other Company-sponsored cash-based incentive or other bonus plan in which Executive participates with respect to the last three (3) fiscal years of Executive's participation in such plan prior to the date of termination of Executive's employment with the Company (but in the event Executive's employment terminates prior to the completion of the first fiscal year in which Executive is eligible to participate in PDI's annual bonus plan, then this Section 2(b)(i) will be calculated by reference to Executive's Annual Bonus target amount instead of the actual amount paid to Executive as an Annual Bonus), multiplied by the number of full and partial years remaining in the Term, had Executive remained in the employ of the Company at any specified time after December 31 of the year for which such bonus relates. For the avoidance of doubt, Base Salary shall exclude incentives, bonuses and other compensation.

iii. The Company will reimburse Executive for the cost of the premiums for COBRA group health continuation coverage under the Company's group health plan paid by Executive for coverage during the period beginning following Executive's termination date and ending on the earlier of either: (A) March 31, 2013; or (B) the date on which Executive becomes eligible for other group health coverage, provided that no reimbursement shall be paid unless and until Executive submits proof of payment acceptable to the Company within 30 days after Executive incurs such expense. Any reimbursements of the COBRA premium that are taxable to the Executive shall be made on or before the last day of the year following the year in which the COBRA premium was incurred.

3. Compensation and Benefits Payable Upon Change of Control.

a. Change of Control. In further consideration for Executive's employment, Executive will receive the compensation and benefits set forth in Section 3(b) if, during the Term, Executive's employment is terminated in connection with a Change of Control (as defined below) as set forth in Section 3(b) below; provided, that as of the 30th day following his termination date, Executive has executed the Release; provided, further, that the Release does not release Executive's rights and benefits as vested under ERISA or wage and hour laws of New Jersey, any applicable revocation period has expired and Executive has not revoked the Release during such revocation period.

b. Compensation and Benefits. If Executive's employment with the Company is terminated at any time (A) during the six month period immediately preceding or (B) within the one (1) year after the consummation of a Change of Control, in either case by the Company without Cause or by the Executive for Good Reason, and provided that the requirements of Section 3(a) are fulfilled, the Company will provide the following compensation and benefits to Executive:

i. Subject to Section 8(b), no later than 30 days following the occurrence of a Change of Control, the Company will pay Executive a lump sum payment equal to the greater of (x) the aggregate amount payable calculated under Section 2(b)(i) and (y) 12 months of Base Salary; and

ii. The Company will reimburse Executive for the cost of the premiums for COBRA group health continuation coverage under the Company's group health plan

iii. paid by Executive for coverage during the period beginning following Executive's termination date and ending on the earlier of either: (A) March 31, 2013 or the twelve month anniversary of the date of termination of Executive's employment, whichever is later; or (B) the date on which Executive becomes eligible for other group health coverage, provided that no reimbursement shall be paid unless and until Executive submits proof of payment acceptable to the Company within 30 days after Executive incurs such expense. Any reimbursements of the COBRA premium that are taxable to the Executive shall be made on or before the last day of the year following the year in which the COBRA premium was incurred.

4. Other Compensation and Benefits.

a. Except as may be provided under this Agreement, any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements of the Company shall be determined and paid in accordance with the terms of such plans, policies and arrangements, and Executive shall have no right to receive any other compensation or benefits, or to participate in any other plan or arrangement, following the termination of Executive's employment by either party for any reason.

b. Notwithstanding any provision contained herein to the contrary, in the event of any termination of employment (including the termination of the Term), the Company shall pay Executive (x) his earned, but unpaid, Base Salary within ten (10) days of Executive's termination date, (y) his earned but unpaid Annual Bonus for the fiscal year immediately preceding the fiscal in which the termination date occurs and (z) any other benefits (including unused vacation time) earned or accrued hereunder through the termination date, and the Company shall reimburse Executive for any accrued, but unpaid, reasonable business expenses earned or accrued as of the date of termination. Executive shall submit documentation of any business expenses within ninety (90) days of his termination date and any reimbursements of such expenses that are taxable to the Executive shall be made on or before the last day of the year following the year in which the expense was incurred.

5. Withholding. All amounts otherwise payable under this Agreement shall be subject to customary withholding and other employment taxes, and shall be subject to such other withholding as may be required in accordance with the terms of this Agreement or applicable law.

6. Proprietary Information Agreement. During the Term, Executive shall be bound by the terms, conditions and obligations of the Company's Proprietary Information Agreement. In the event Executive's employment with the Company is terminated by either party for any reason, Executive shall continue to be bound by such Proprietary Information Agreement for the periods set forth therein (a copy of which is attached to this Agreement).

7. Definitions.

a. Cause shall mean: (i) the intentional or willful failure of Executive to substantially perform the duties of Executive's employment as required under this Agreement; (ii) the failure by Executive to comply with the reasonable instructions of the Chief Executive

b. Officer of PDI; provided such instructions are consistent with Executive's title, duties and responsibilities; (iii) a material breach by Executive of any of the terms or conditions of this Agreement or the Proprietary Information Agreement; (iv) the failure by Executive to adhere in any material respect to any of the Company's documented policies and procedures, including but not limited to, policies concerning insider trading or sexual harassment, provided copies of such policies and/or procedures, as applicable, have been previously furnished to Executive; (v) Executive's conviction of a felony (including the entry of a nolo contendere plea in connection with a felony); (vi) any documented act of material dishonesty or fraud by Executive in connection with his employment hereunder; or (vii) Executive engages in an act or series of acts constituting misconduct resulting in a misstatement of the Company's financial statements due to material non-compliance with any financial reporting requirement within the meaning of Section 304 of The Sarbanes-Oxley Act of 2002; provided, however, that in the event the Company desires to terminate Executive's employment pursuant to clauses (i), (ii), (iii), (iv) or (vi) hereof, the Company shall first give Executive written notice of such intent, a detailed and specific description of the reasons and basis therefor, and, if such behavior is susceptible to cure, thirty (30) days to remedy or cure such perceived breaches or deficiencies; provided, however, that with respect only to such breaches with respect to which it is not possible to cure within such thirty (30) day period, so long as Executive is diligently using his best efforts to cure such breaches or deficiencies within such period and thereafter, such cure period shall be automatically extended for an additional period of time (not to exceed sixty (60) days) to enable Executive to cure such breaches or deficiencies; provided, further, that Executive continues to diligently use his best efforts to cure such breaches or deficiencies.

c. Good Reason. Executive's termination of employment with the Company shall be for Good Reason if (i) Executive notifies the Company in writing that one of the Good Reason Events (as defined below) has occurred, which notice shall be provided within ninety (90) days after he first becomes aware of the occurrence of such Good Reason Event, (ii) the Company fails to cure such Good Reason Event within thirty (30) days after receipt of the written notice from Executive, and (iii) Executive resigns employment within thirty (30) days following expiration of such cure period; provided, however, that with respect only to such breaches with respect to which it is not possible to cure within such thirty (30) day period, so long as the Company is diligently using its best efforts to cure such breaches or deficiencies within such period and thereafter, such cure period shall be automatically extended for an additional period of time (not to exceed sixty (60) days) to enable the Company to cure such breaches or deficiencies. For purposes of this Agreement, a "Good Reason Event" shall mean any of the following which occur without Executive's consent:

i. The failure by the Company to pay Executive any material amount of Executive's Base Salary when due, or any Annual Bonus which Executive has earned and to which Executive has become entitled, or any material amount of Executive's compensation deferred under any plan, agreement or arrangement of or with the Company that is currently due and payable;

ii. Any material reduction in Executive's Base Salary**;** provided that a reduction consistent with reductions made to the annual base salaries for all senior executives, including the Chief Executive Officer of PDI, of no more than 15% shall not constitute a Good Reason Event;

iii. The relocation of Executive's principal place of employment to a location more than fifty (50) miles from Executive's current principal place of employment, except for travel required in connection with the Executive's performance of his assigned duties pursuant to this Agreement;

iv. A material diminution of Executive's duties and responsibilities, other than any diminution relating to a reorganization of the Company's finance, information technology (which does not include the creative function operations), or human resources functions;

v. An intentional, material reduction by the Company of Executive's aggregate target percentage under any short-term and/or long-term incentive plans**;** provided that a reduction proportionate with reductions made to the aggregate target percentage under any short-term and/or long-term incentive plans for all senior executives, including the Chief Executive Officer of PDI, shall not constitute a Good Reason Event; or

vi. A material breach of this Agreement by the Company.

d. <u>Code</u> shall mean the Internal Revenue Code of 1986, as amended.

e. <u>Change of Control</u> shall mean the first to occur of the following:

i. any merger by the Company or PDI into another corporation or corporations which results in the stockholders of the Company or PDI immediately prior to such transaction owning less than 51% of the surviving corporation;

ii. any acquisition (by purchase, lease or otherwise) of all or substantially all of the assets of the Company or PDI by any person, corporation or other entity or group thereof acting jointly;

iii. the acquisition of beneficial ownership of voting securities of the Company or PDI (defined as common stock of the Company or PDI, as the case may be, or any securities having voting rights that the Company or PDI, as the case may be, may issue in the future) or rights to acquire voting securities of the Company or PDI (defined as including, without limitation, securities that are convertible into voting securities of the Company or PDI, respectively, and rights, options, warrants and other agreements or arrangements to acquire such voting securities) by any person, corporation or other entity or group thereof acting jointly, in such amount or amounts as would permit such person, corporation or other entity or group thereof acting jointly to elect a majority of the members of the Board of Directors of the Company or PDI, as then constituted; or

iv. the acquisition of beneficial ownership, directly or indirectly, of voting securities and rights to acquire voting securities having voting power equal to 51% or more of the combined voting power of the Company's or PDI's then outstanding voting securities by any person, corporation or other entity or group thereof acting jointly.

Notwithstanding the preceding sentence, any transaction that involves a mere change in identity, form or place of organization within the meaning of Section 368(a)(1)(F) of the Code, or a

transaction of similar effect, shall not constitute a Change of Control, and a "Change of Control" shall not include any sale of less than a majority of PDI's or the Company's outstanding equity and/or issuance of debt by PDI or the Company primarily for the purposes of raising capital and/or working capital funds. For the avoidance of doubt, the transactions contemplated by the Purchase Agreement shall not constitute a Change of Control.

f. Total Disability shall mean physical or mental impairments that preclude Executive from performing the duties of the job as determined jointly by medical experts and the Chief Executive Officer of PDI in good faith based upon credible medical evidence subject to review and dispute by Executive in good faith based upon Executive's medical experts.

8. Section 409A of the Code.

a. All payments to be made upon a termination of employment under this Agreement will only be made upon a "separation from service" under Section 409A of the Code. To the maximum extent permitted under Section 409A of the Code and its corresponding regulations, the cash severance benefits payable under this Agreement are intended to meet the requirements of the short-term deferral exemption under Section 409A of the Code and the "separation pay exception" under Treas. Reg. §1.409A-1(b)(9)(iii). For purposes of the application of Treas. Reg. § 1.409A-1(b)(4)(or any successor provision), each payment in a series of payments to the Executive will be deemed a separate payment. Notwithstanding anything herein to the contrary, to the extent any expense, reimbursement or in-kind benefit provided to Executive constitutes a "deferral of compensation" within the meaning of Section 409A of the Code (i) the amount of expenses eligible for reimbursement or in-kind benefits provided to Executive during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Executive in any other calendar year, and (ii) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

b. Notwithstanding anything herein to the contrary, if at the time of Executive's termination of employment with the Company, Executive is a "specified employee" within the meaning of Code Section 409A and the regulations promulgated thereunder, then the Company shall delay the commencement of payments to be made on termination of employment (without any reduction) by a period of six (6) months after Executive's termination of employment. Any payments that would have been paid during such six (6) month period but for the provisions of the preceding sentence shall be paid in a lump sum to Executive six (6) months and one (1) day after Executive's termination of employment. The 6-month payment delay requirement of this Section 8(b) shall apply only to the extent that the payments under Sections 2(b) or 3(b) are otherwise subject to Code Section 409A. With respect to payments or benefits under this Agreement that are subject to Code Section 409A, whether Executive has had a termination of employment shall be determined in accordance with Code Section 409A and applicable guidance issued thereunder.

9. Integration; Amendment. This Agreement and the Proprietary Information Agreement constitute the entire agreement between the parties hereto with respect to the matters set forth herein and supersede and render of no force and effect all prior understandings and agreements between the parties with respect to the matters set forth herein. No amendments or additions to

10. such agreements shall be binding unless in writing and signed by both parties; provided, however, that this Agreement may be unilaterally amended by the Company where necessary to ensure any benefits payable hereunder are either excepted from Code Section 409A or otherwise comply with Code Section 409A.

11. Governing Law; Headings. This Agreement and its construction, performance and enforceability shall be governed by, and construed in accordance with, the laws of the State of New Jersey, without regard to its conflicts of law provisions. Headings and titles herein are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

12. Jurisdiction. Except as otherwise provided for herein, each of the parties: (a) irrevocably submits to the exclusive jurisdiction of any state court sitting in New Jersey or federal court sitting in New Jersey in any action or proceeding arising out of or relating to this Agreement; (b) agrees that all claims in respect of the action or proceeding may be heard and determined in any such court; (c) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court; and (d) waives any right such party may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or proceedings so brought and waives any bond, surety or other security that might be required of any other party with respect thereto. Any party may make service on another party by sending or delivering a copy of the process to the party to be served at the address set forth above or such updated address as may be provided to the other party. Nothing in this Section 11, however, shall affect the right of any party to serve legal process in any other manner permitted by law.

[Signature page follows]

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

EXECUTIVE:

/s/ Rob Likoff
ROB LIKOFF

GROUP DCA, LLC

By: /s/ Jack Davis
Title: Co-Chief Executive Officer

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is dated as of November 3, 2010 (the "Effective Date"), by and between Group DCA, LLC (the "Company"), and Jack Davis ("Executive"), pursuant to which the aforementioned parties agree:

1. Employment; Position; Compensation.

a. Term of Employment. In connection with the transactions contemplated by that certain Membership Interest Purchase Agreement by and among the Company, PDI, Inc., a Delaware corporation ("PDI"), and certain other parties thereto, dated as of the date hereof (the "Purchase Agreement"), pursuant to which, among other things, PDI is acquiring all of the membership interests of the Company, and contingent upon Executive's execution of the Company's Proprietary Information Agreement, the Company shall employ Executive pursuant to the terms and conditions set out in this Agreement. Subject to the provisions of Sections 2 and 3 of this Agreement, Executive shall be employed by the Company for the period commencing on the Effective Date and ending on March 31, 2013 (the "Term").

b. Position. During the Term, Executive shall serve as the co-chief executive officer of the Company. Executive shall have the authority and duties commensurate with such position, as shall be determined from time to time by the Chief Executive Officer of PDI. Executive shall report to the Chief Executive Officer of PDI. Executive shall serve on the Executive Committee of PDI. During the Term, and excluding any periods of vacation and sick leave to which the Executive may be entitled, Executive will devote Executive's full business time and attention to the performance of Executive's duties hereunder and will not engage in any other business, profession or occupation for compensation or otherwise that would conflict or materially interfere with the performance of such services either directly or indirectly, without the prior written consent of the Chief Executive Officer of PDI; provided, however, that notwithstanding the foregoing, during the Term, it shall not be a violation of this Agreement for Executive to engage in any of the following activities: (A) serve on boards, committees or similar bodies of charitable or nonprofit organizations; (B) fulfill limited teaching, speaking and writing engagements; (C) continue to serve as an officer, director and member of iLights, LLC; and/or (D) Executive's management of personal investments that do not require the Executive's active participation in the management or the operation of such investments; in each case, so long as such activities do not, individually or in the aggregate, conflict or materially interfere with the performance of the Executive's duties and responsibilities under this Agreement, and subject to the prior consent and approval of the Chief Executive Officer of PDI in the case of the activities described in (A) and (B), which consent and approval shall not be unreasonably withheld or conditioned. For the avoidance of doubt, notwithstanding the forgoing, Executive shall be permitted to serve as a member of the board of directors of Leukemia & Lymphoma Society, a not-for-profit organization.

c. Compensation and Benefits.

i. Base Salary. During the Term, the Company shall pay Executive a base salary at the annual rate of $350,000, payable in regular installments in accordance with the Company's usual payment practices, but no less often than monthly. Executive

ii. shall be entitled to such increases in Executive's base salary, if any, as may be determined annually in the sole discretion of the Chief Executive Officer of PDI. Executive's annual base salary shall not be reduced (including after any increase in accordance herewith) and such annual base salary, as in effect from time to time, is hereinafter referred to as the "Base Salary."

iii. Annual Bonus. For each full fiscal year beginning and ending during the Term, Executive will be eligible for an annual incentive bonus of up to 50% of his annual Base Salary ("Annual Bonus") for the applicable fiscal year, if specified corporate and personal performance goals are met for that year. The Annual Bonus for each such fiscal year shall be earned and paid pursuant to the terms and conditions of PDI's Short-Term Incentive Plan, as approved by the Compensation and Management Development Committee (the "Compensation Committee") of the Board of Directors of PDI (the "Board") and in effect from time to time. For each fiscal year during the Term, other than the 2010 fiscal year, the Annual Bonus shall be prorated for any partial fiscal year. The corporate and performance goals relevant under this Section 1(c)(ii) and the amount of Annual Bonus payable for any particular fiscal year will be determined by the Compensation Committee and/or the Board, in its sole discretion, and will be communicated to Executive. The Annual Bonus earned by Executive for any fiscal year shall be paid at the time annual bonuses are paid to other senior executives of the Company, but in no event later than the March 15th following the completion of the applicable fiscal year, but will only be paid if Executive remains continuously employed with the Company through such payment date. Notwithstanding the foregoing sentence, it shall not be a breach of this Section 1(c)(ii) if payment of the Annual Bonus is made later in such year to the extent financial results are not available by March 15th, so long as payment is made by payroll no later than December 31 of such year.

iv. Equity Awards. During the Term, Executive shall be eligible to receive annual equity-based awards pursuant to PDI's 2004 Stock Award and Incentive Plan ("Plan") and/or pursuant to the terms and conditions of PDI's Long-Term Incentive Plan, as approved by the Compensation Committee, or pursuant to such other equity incentive plan of PDI, as each may be in effect from time to time.

v. Benefits. During the Term, Executive shall be entitled to participate in all employee benefit programs of the Company maintained for the benefit of employees of the Company on a basis which is no less favorable than is provided generally to other U.S. executive officers of the Company, which benefits shall include without limitation medical/prescription, dental and vision coverage, 401(k) and matching benefits, and life/AD&D coverage. The Company shall provide life insurance to Executive with a face amount of no less than twelve months of Base Salary, and Executive shall be entitled to designate the beneficiary or beneficiaries thereof.

vi. Car Allowance. During the Term, the Company shall provide Executive with a car allowance in the amount of $15,000 per year, as may be adjusted (upward and not downward) from time to time consistent with adjustments applicable to other senior executives of the Company. Such car allowance shall be paid in advance to Executive in equal monthly installments.

vii. Vacation. During the Term, Executive shall be entitled to paid time off in accordance with the Company's policies for its U.S. executive officers, but in no event less than 20 days per year (as prorated for partial years). Executive shall, in addition, be entitled to paid holidays on such days recognized in accordance with the Company's policies.

viii. Financial Planning Allowance. During the Term, the Company shall provide Executive with a financial planning allowance in the amount of $10,000 per year, provided claims for such reimbursement (accompanied by appropriate supporting documentation) are submitted to the Company.

ix. Long-Term Disability Insurance Allowance. During the Term, the Company shall reimburse Executive in the amount of up to $5,000 per year for premiums in connection with Executive's long-term disability insurance policy.

x. Business Expenses. During the Term, reasonable business expenses incurred by Executive in the performance of Executive's duties hereunder shall be reimbursed by the Company in accordance with Company policies, provided claims for such reimbursement (accompanied by appropriate supporting documentation) are submitted to the Company.

2. Compensation and Benefits Payable Upon Involuntary Termination without Cause or Resignation for Good Reason.

a. Triggering Event. In further consideration for Executive's employment, Executive will receive the compensation and benefits set forth in Section 2(b) if, during the Term, (x) Executive's employment is terminated involuntarily by the Company at any time for reasons other than death, Total Disability or Cause or (y) Executive resigns from employment for Good Reason (each, a "Triggering Event"); provided, that as of the 30th day following his termination date, Executive has executed the Agreement and General Release in substantially the form attached to this Agreement (the "Release"); provided, further, that the Release does not release Executive's rights and benefits as vested under ERISA or wage and hour laws of New Jersey, any applicable revocation period has expired and Executive has not revoked the Release during such revocation period. For the avoidance of doubt, a Triggering Event shall include the termination of Executive's employment by the Company without Cause at any time before March 31, 2013.

b. Compensation and Benefits. Following the occurrence of a Triggering Event, and provided that the requirements of Section 2(a) are fulfilled, the Company will provide the following compensation and benefits to Executive:

i. Subject to Section 8(b), no later than 30 days following the occurrence of a Triggering Event, the Company will pay Executive a lump sum payment equal to (A) the aggregate amount of Base Salary that would have been payable to Executive during the period beginning on the termination date and ending on March 31, 2013, had Executive remained in the employ of the Company during such period, and (B) an amount equal to the average of the actual amounts paid to Executive as an Annual Bonus

ii. and under any other Company-sponsored cash-based incentive or other bonus plan in which Executive participates with respect to the last three (3) fiscal years of Executive's participation in such plan prior to the date of termination of Executive's employment with the Company (but in the event Executive's employment terminates prior to the completion of the first fiscal year in which Executive is eligible to participate in PDI's annual bonus plan, then this Section 2(b)(i) will be calculated by reference to Executive's Annual Bonus target amount instead of the actual amount paid to Executive as an Annual Bonus), multiplied by the number of full and partial years remaining in the Term, had Executive remained in the employ of the Company at any specified time after December 31 of the year for which such bonus relates. For the avoidance of doubt, Base Salary shall exclude incentives, bonuses and other compensation.

iii. The Company will reimburse Executive for the cost of the premiums for COBRA group health continuation coverage under the Company's group health plan paid by Executive for coverage during the period beginning following Executive's termination date and ending on the earlier of either: (A) March 31, 2013; or (B) the date on which Executive becomes eligible for other group health coverage, provided that no reimbursement shall be paid unless and until Executive submits proof of payment acceptable to the Company within 30 days after Executive incurs such expense. Any reimbursements of the COBRA premium that are taxable to the Executive shall be made on or before the last day of the year following the year in which the COBRA premium was incurred.

3. Compensation and Benefits Payable Upon Change of Control.

a. Change of Control. In further consideration for Executive's employment, Executive will receive the compensation and benefits set forth in Section 3(b) if, during the Term, Executive's employment is terminated in connection with a Change of Control (as defined below) as set forth in Section 3(b) below; provided, that as of the 30th day following his termination date, Executive has executed the Release; provided, further, that the Release does not release Executive's rights and benefits as vested under ERISA or wage and hour laws of New Jersey, any applicable revocation period has expired and Executive has not revoked the Release during such revocation period.

b. Compensation and Benefits. If Executive's employment with the Company is terminated at any time (A) during the six month period immediately preceding or (B) within the one (1) year after the consummation of a Change of Control, in either case by the Company without Cause or by the Executive for Good Reason, and provided that the requirements of Section 3(a) are fulfilled, the Company will provide the following compensation and benefits to Executive:

i. Subject to Section 8(b), no later than 30 days following the occurrence of a Change of Control, the Company will pay Executive a lump sum payment equal to the greater of (x) the aggregate amount payable calculated under Section 2(b)(i) and (y) 12 months of Base Salary; and

ii. The Company will reimburse Executive for the cost of the premiums for COBRA group health continuation coverage under the Company's group health plan

iii. paid by Executive for coverage during the period beginning following Executive's termination date and ending on the earlier of either: (A) March 31, 2013 or the twelve month anniversary of the date of termination of Executive's employment, whichever is later; or (B) the date on which Executive becomes eligible for other group health coverage, provided that no reimbursement shall be paid unless and until Executive submits proof of payment acceptable to the Company within 30 days after Executive incurs such expense. Any reimbursements of the COBRA premium that are taxable to the Executive shall be made on or before the last day of the year following the year in which the COBRA premium was incurred.

4. Other Compensation and Benefits.

a. Except as may be provided under this Agreement, any benefits to which Executive may be entitled pursuant to the plans, policies and arrangements of the Company shall be determined and paid in accordance with the terms of such plans, policies and arrangements, and Executive shall have no right to receive any other compensation or benefits, or to participate in any other plan or arrangement, following the termination of Executive's employment by either party for any reason.

b. Notwithstanding any provision contained herein to the contrary, in the event of any termination of employment (including the termination of the Term), the Company shall pay Executive (x) his earned, but unpaid, Base Salary within ten (10) days of Executive's termination date, (y) his earned but unpaid Annual Bonus for the fiscal year immediately preceding the fiscal in which the termination date occurs and (z) any other benefits (including unused vacation time) earned or accrued hereunder through the termination date, and the Company shall reimburse Executive for any accrued, but unpaid, reasonable business expenses earned or accrued as of the date of termination. Executive shall submit documentation of any business expenses within ninety (90) days of his termination date and any reimbursements of such expenses that are taxable to the Executive shall be made on or before the last day of the year following the year in which the expense was incurred.

5. Withholding. All amounts otherwise payable under this Agreement shall be subject to customary withholding and other employment taxes, and shall be subject to such other withholding as may be required in accordance with the terms of this Agreement or applicable law.

6. Proprietary Information Agreement. During the Term, Executive shall be bound by the terms, conditions and obligations of the Company's Proprietary Information Agreement. In the event Executive's employment with the Company is terminated by either party for any reason, Executive shall continue to be bound by such Proprietary Information Agreement for the periods set forth therein (a copy of which is attached to this Agreement).

7. Definitions.

a. Cause shall mean: (i) the intentional or willful failure of Executive to substantially perform the duties of Executive's employment as required under this Agreement; (ii) the failure by Executive to comply with the reasonable instructions of the Chief Executive

b. Officer of PDI; provided such instructions are consistent with Executive’s title, duties and responsibilities; (iii) a material breach by Executive of any of the terms or conditions of this Agreement or the Proprietary Information Agreement; (iv) the failure by Executive to adhere in any material respect to any of the Company’s documented policies and procedures, including but not limited to, policies concerning insider trading or sexual harassment, provided copies of such policies and/or procedures, as applicable, have been previously furnished to Executive; (v) Executive's conviction of a felony (including the entry of a nolo contendere plea in connection with a felony); (vi) any documented act of material dishonesty or fraud by Executive in connection with his employment hereunder; or (vii) Executive engages in an act or series of acts constituting misconduct resulting in a misstatement of the Company’s financial statements due to material non-compliance with any financial reporting requirement within the meaning of Section 304 of The Sarbanes-Oxley Act of 2002; provided, however, that in the event the Company desires to terminate Executive’s employment pursuant to clauses (i), (ii), (iii), (iv) or (vi) hereof, the Company shall first give Executive written notice of such intent, a detailed and specific description of the reasons and basis therefor, and, if such behavior is susceptible to cure, thirty (30) days to remedy or cure such perceived breaches or deficiencies; provided, however, that with respect only to such breaches with respect to which it is not possible to cure within such thirty (30) day period, so long as Executive is diligently using his best efforts to cure such breaches or deficiencies within such period and thereafter, such cure period shall be automatically extended for an additional period of time (not to exceed sixty (60) days) to enable Executive to cure such breaches or deficiencies; provided, further, that Executive continues to diligently use his best efforts to cure such breaches or deficiencies.

c. Good Reason. Executive’s termination of employment with the Company shall be for Good Reason if (i) Executive notifies the Company in writing that one of the Good Reason Events (as defined below) has occurred, which notice shall be provided within ninety (90) days after he first becomes aware of the occurrence of such Good Reason Event, (ii) the Company fails to cure such Good Reason Event within thirty (30) days after receipt of the written notice from Executive, and (iii) Executive resigns employment within thirty (30) days following expiration of such cure period; provided, however, that with respect only to such breaches with respect to which it is not possible to cure within such thirty (30) day period, so long as the Company is diligently using its best efforts to cure such breaches or deficiencies within such period and thereafter, such cure period shall be automatically extended for an additional period of time (not to exceed sixty (60) days) to enable the Company to cure such breaches or deficiencies. For purposes of this Agreement, a “Good Reason Event” shall mean any of the following which occur without Executive’s consent:

i. The failure by the Company to pay Executive any material amount of Executive’s Base Salary when due, or any Annual Bonus which Executive has earned and to which Executive has become entitled, or any material amount of Executive’s compensation deferred under any plan, agreement or arrangement of or with the Company that is currently due and payable;

ii. Any material reduction in Executive’s Base Salary**;** provided that a reduction consistent with reductions made to the annual base salaries for all senior executives, including the Chief Executive Officer of PDI, of no more than 15% shall not constitute a Good Reason Event;

iii. The relocation of Executive's principal place of employment to a location more than fifty (50) miles from Executive's current principal place of employment, except for travel required in connection with the Executive's performance of his assigned duties pursuant to this Agreement;

iv. A material diminution of Executive's duties and responsibilities, other than any diminution relating to a reorganization of the Company's finance, information technology (which does not include the creative function operations), or human resources functions;

v. An intentional, material reduction by the Company of Executive's aggregate target percentage under any short-term and/or long-term incentive plans**;** provided that a reduction proportionate with reductions made to the aggregate target percentage under any short-term and/or long-term incentive plans for all senior executives, including the Chief Executive Officer of PDI, shall not constitute a Good Reason Event; or

vi. A material breach of this Agreement by the Company.

d. Code shall mean the Internal Revenue Code of 1986, as amended.

e. Change of Control shall mean the first to occur of the following:

i. any merger by the Company or PDI into another corporation or corporations which results in the stockholders of the Company or PDI immediately prior to such transaction owning less than 51% of the surviving corporation;

ii. any acquisition (by purchase, lease or otherwise) of all or substantially all of the assets of the Company or PDI by any person, corporation or other entity or group thereof acting jointly;

iii. the acquisition of beneficial ownership of voting securities of the Company or PDI (defined as common stock of the Company or PDI, as the case may be, or any securities having voting rights that the Company or PDI, as the case may be, may issue in the future) or rights to acquire voting securities of the Company or PDI (defined as including, without limitation, securities that are convertible into voting securities of the Company or PDI, respectively, and rights, options, warrants and other agreements or arrangements to acquire such voting securities) by any person, corporation or other entity or group thereof acting jointly, in such amount or amounts as would permit such person, corporation or other entity or group thereof acting jointly to elect a majority of the members of the Board of Directors of the Company or PDI, as then constituted; or

iv. the acquisition of beneficial ownership, directly or indirectly, of voting securities and rights to acquire voting securities having voting power equal to 51% or more of the combined voting power of the Company's or PDI's then outstanding voting securities by any person, corporation or other entity or group thereof acting jointly.

Notwithstanding the preceding sentence, any transaction that involves a mere change in identity, form or place of organization within the meaning of Section 368(a)(1)(F) of the Code, or a

transaction of similar effect, shall not constitute a Change of Control, and a "Change of Control" shall not include any sale of less than a majority of PDI's or the Company's outstanding equity and/or issuance of debt by PDI or the Company primarily for the purposes of raising capital and/or working capital funds. For the avoidance of doubt, the transactions contemplated by the Purchase Agreement shall not constitute a Change of Control.

f. Total Disability shall mean physical or mental impairments that preclude Executive from performing the duties of the job as determined jointly by medical experts and the Chief Executive Officer of PDI in good faith based upon credible medical evidence subject to review and dispute by Executive in good faith based upon Executive's medical experts.

8. Section 409A of the Code.

a. All payments to be made upon a termination of employment under this Agreement will only be made upon a "separation from service" under Section 409A of the Code. To the maximum extent permitted under Section 409A of the Code and its corresponding regulations, the cash severance benefits payable under this Agreement are intended to meet the requirements of the short-term deferral exemption under Section 409A of the Code and the "separation pay exception" under Treas. Reg. §1.409A-1(b)(9)(iii). For purposes of the application of Treas. Reg. § 1.409A-1(b)(4)(or any successor provision), each payment in a series of payments to the Executive will be deemed a separate payment. Notwithstanding anything herein to the contrary, to the extent any expense, reimbursement or in-kind benefit provided to Executive constitutes a "deferral of compensation" within the meaning of Section 409A of the Code (i) the amount of expenses eligible for reimbursement or in-kind benefits provided to Executive during any calendar year will not affect the amount of expenses eligible for reimbursement or in-kind benefits provided to Executive in any other calendar year, and (ii) the right to payment or reimbursement or in-kind benefits hereunder may not be liquidated or exchanged for any other benefit.

b. Notwithstanding anything herein to the contrary, if at the time of Executive's termination of employment with the Company, Executive is a "specified employee" within the meaning of Code Section 409A and the regulations promulgated thereunder, then the Company shall delay the commencement of payments to be made on termination of employment (without any reduction) by a period of six (6) months after Executive's termination of employment. Any payments that would have been paid during such six (6) month period but for the provisions of the preceding sentence shall be paid in a lump sum to Executive six (6) months and one (1) day after Executive's termination of employment. The 6-month payment delay requirement of this Section 8(b) shall apply only to the extent that the payments under Sections 2(b) or 3(b) are otherwise subject to Code Section 409A. With respect to payments or benefits under this Agreement that are subject to Code Section 409A, whether Executive has had a termination of employment shall be determined in accordance with Code Section 409A and applicable guidance issued thereunder.

9. Integration; Amendment. This Agreement and the Proprietary Information Agreement constitute the entire agreement between the parties hereto with respect to the matters set forth herein and supersede and render of no force and effect all prior understandings and agreements between the parties with respect to the matters set forth herein. No amendments or additions to

10. such agreements shall be binding unless in writing and signed by both parties; provided, however, that this Agreement may be unilaterally amended by the Company where necessary to ensure any benefits payable hereunder are either excepted from Code Section 409A or otherwise comply with Code Section 409A.

11. Governing Law; Headings. This Agreement and its construction, performance and enforceability shall be governed by, and construed in accordance with, the laws of the State of New Jersey, without regard to its conflicts of law provisions. Headings and titles herein are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

12. Jurisdiction. Except as otherwise provided for herein, each of the parties: (a) irrevocably submits to the exclusive jurisdiction of any state court sitting in New Jersey or federal court sitting in New Jersey in any action or proceeding arising out of or relating to this Agreement; (b) agrees that all claims in respect of the action or proceeding may be heard and determined in any such court; (c) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court; and (d) waives any right such party may have to a trial by jury with respect to any action or proceeding arising out of or relating to this Agreement. Each of the parties waives any defense of inconvenient forum to the maintenance of any action or proceedings so brought and waives any bond, surety or other security that might be required of any other party with respect thereto. Any party may make service on another party by sending or delivering a copy of the process to the party to be served at the address set forth above or such updated address as may be provided to the other party. Nothing in this Section 11, however, shall affect the right of any party to serve legal process in any other manner permitted by law.

[Signature page follows]

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

EXECUTIVE:

/s/ Jack Davis
JACK DAVIS

GROUP DCA, LLC

By: Robert O. Likoff
Title: Co-Chief Executive Officer

AGREEMENT OF LEASE

between

PRINCIPAL PROPERTIES, L.P.

and

GROUP DCA, INC.

Complex:

800 Lanidex Plaza
Parsippany, NJ 07054

TABLE OF CONTENTS

BASIC PROVISIONS
DEFINITIONS
ARTICLE 1 ....DEMISE OF PREMISES AND COMMENCEMENT DATE
ARTICLE 2 ....COMMON AREAS
ARTICLE 3 ....RENT
ARTICLE 4 ....SECURITY
ARTICLE 5 ....ASSIGNMENT AND SUBLETTING
ARTICLE 6 ....REPAIRS, MAINTENANCE AND UTILITES
ARTICLE 7 ....COMPLIANCE WITH LAW
ARTICLE 8 ....ALTERATIONS
ARTICLE 9 ....INSURANCE
ARTICLE 10 ....DAMAGE AND DESTRUCTION; EMINENT DOMAIN
ARTICLE 11 ....RENT ABATEMENT
ARTICLE 12 ....QUIET POSSESSION
ARTICLE 13 ....DEFAULT; REMEDIES AND DAMAGES
ARTICLE 14 ....UNAVOIDABLE DELAYS, FORCE MAJEURE
ARTICLE 15 ....NOTICES
ARTICLE 16 ....ACCESS
ARTICLE 17 ....SIGNS
ARTICLE 18 ....END OF TERM
ARTICLE 19 ....HOLDING OVER
ARTICLE 20 ....INDEMNITY
ARTICLE 21 .......SUBORDINATION
ARTICLE 22 .......CERTIFICATES
ARTICLE 23 ....PARKING SPACES; USE OF EXTERIOR AREAS
ARTICLE 24 ....WAIVER PROVISIONS
ARTICLE 25 .......MISCELLANEOUS

THIS LEASE is made and entered into as of this 1st day of March, 2007, by and between **PRINCIPAL PROPERTIES, L.P.**, a New Jersey limited partnership, having its principal office at c/o Denholtz Management Corp., 1600 St. Georges Avenue, Rahway, New Jersey 07065 ("Landlord") and **GROUP DCA, INC.**, a New Jersey corporation, having an address at 98 Park Street, Montclair, NJ 07042 ("Tenant").

NOW, THEREFORE, in consideration of the terms, covenants and conditions herein set forth, Landlord and Tenant hereby covenant and agree as follows:

The following Basic Provisions and Definitions are incorporated into and made a part of this Lease:

BASIC PROVISIONS

(1) Building: 800 Lanidex Plaza, Parsippany, NJ 07054

(2) Premises: Suite No. 300, consisting of approximately 21,000 Square Feet.

(3) Permitted Use: General, executive and administrative offices, showroom

(4) Estimated Commencement Date: May 1, 2007.

(5) Expiration Date: The last day of the one hundred twenty-second (122nd) Lease Month.

(6) Security: $140,000.00

(7) Base Rent:

Period	Annual Base Rent	Monthly Base Rent
Lease Months 1 through 5	$0.00	$0.00
Lease Month 6	$120,000.00	$10,000.00
Lease Months 7 through 14	$210,000.00	$17,500.00
Lease Months 15 through 26	$357,000.00	$29,750.00
Lease Months 27 through 50	$420,000.00	$35,000.00
Lease Months 51 through 74	$441,000.00	$36,750.00
Lease Months 75 through 98	$462,000.00	$38,500.00
Lease Months 99 through 122	$483,000.00	$40,250.00

(8) Base Year: Calendar year 2007

(9) Tenant's Percentage: Initially 3.75%, subject to adjustment per terms of the Lease.

(10) Electricity Payment Initially $3062.50 per month, subject to adjustment per terms of the Lease.

(11) Tenant's Address: Group DCA, Inc.
800 Lanidex Plaza
Suite No. 300
Parsippany, NJ 07054

(12) Landlord's Address: c/o Denholtz Management Corp.
P.O. Box 1234
1600 St. Georges Avenue
Rahway, New Jersey 07065

(13) Parking Spaces: Eight (8) reserved and eighty six (86) unreserved, non-designated spaces, subject to Article 23

(14) Broker: Denholtz Associates and Cushman & Wakefield of NJ

Exhibits: The following exhibits annexed hereto are hereby incorporated herein and made a part hereof:

Exhibit A	-	Site Plan
Exhibit B	-	Floor Plan
Exhibit C	-	Rules & Regulations
Exhibit D	-	Landlord’s Work
Exhibit E	-	Renewal Option
Exhibit F	-	Right of First Offer
Exhibit G	-	Cancellation Option
Exhibit H	-	Form of Letter of Credit

DEFINITIONS

(1) "Additional Rent" means any and all sums payable by Tenant to Landlord pursuant to this Lease for any reason with the exception of Base Rent.

(2) "Alteration(s)" means any and all installations, changes, additions or improvements to the Premises made by or at the request of Tenant, other than the Landlord's Work.

(3) "Base Operating Expenses" means the Operating Expenses incurred by Landlord in the Base Year.

(4) "Base Taxes" means the Taxes incurred by Landlord in the Base Year.

(5) "Building" means the building designated in the Basic Provisions section of this Lease.

(6) "Complex" means the Building, the Common Areas and any other improvements on that certain developed parcel of real property located on 800 Lanidex Plaza, Parsippany, NJ 07054 as shown on Exhibit A.

(7) "Commencement Date" means the earlier to occur of (i) the day on which possession of the Premises is delivered to Tenant ready for occupancy, or (ii) the day Tenant or anyone claiming under or through Tenant first occupies the Premises.

(8) "Common Areas" means those portions of the Complex and services which are generally available to any and all of the owners, tenants or users of the Complex and the business invitees of such owners, tenants or users.

(9) "Fee Mortgagee" means any person or entity which Landlord notifies Tenant has a mortgage against the Complex or Building.

(10) "Governmental Authorities" means all federal, state, county and municipal governments and appropriate departments, commissions, boards, subdivisions, and officers thereof, the Board of Fire Underwriters or similar body having jurisdiction, foreseen or unforeseen, ordinary as well as extraordinary, and whether or not the same shall presently be within the contemplation of the parties hereto.

(11) "Hazardous Materials" means any substances, materials, wastes, pollutants and the like which are defined as hazardous or toxic in, and/or regulated by (or become defined in and/or regulated by), any Legal Requirements.

(12) "HVAC System" means the heating, air conditioning and ventilation systems, and all component parts of such systems, installed by Landlord for the purpose of supplying ventilation, heat and/or cooling to the Premises.

(13) "Interest Rate" means the Prime Rate (hereinafter defined) plus three percent (3%). Where applicable, interest shall be payable for the time period provided in this Lease, and, if no time period is designated, the period shall be from the date of the occurrence in question to the date of payment. If, however, payment of interest at such rate by Tenant (or by the tenant then in possession having succeeded to Tenant's interest in accordance with the terms of this Lease) should be unlawful, i.e., violative of usury statutes or otherwise, then "Interest Rate" shall be computed at the maximum lawful rate payable by such party.

(14) "Landlord's Work" – See Exhibit D

(15) "Lease" means this lease as same may be amended, modified, extended or renewed.

(16) "Lease Month" means each calendar month commencing (i) on the Commencement Date if the Commencement Date falls on the first day of a calendar month, or (ii) if the Commencement Date is not the first day of a calendar month, on the first day of the month following the Commencement Date with the first Lease Month to include the initial partial calendar month in which the Commencement Date falls.

(17) "Legal Requirements" means any and all applicable laws and ordinances and the orders, rules, regulations and requirements of all Governmental Authorities whether or not the same shall presently be in force or within the contemplation of the parties hereto or shall involve any change of governmental policy, which may be applicable to the Lease, the Rent or the Premises or the use or manner of use of the Premises.

"Operating Expense(s)" means any and all amounts incurred by Landlord in any calendar year in connection with Landlord's responsibilities under this Lease and/or to operate, manage, maintain and repair the two (2) building Complex, including, without limitation, (i) wages, salaries and worker's compensation (including employee benefits and unemployment and social security taxes and insurance) of staff performing services in connection with the Complex, and (ii) management fees (not to exceed four percent (4%) of gross collected rents). In the event the building in the Complex in which the Premises is not located is sold, then Operating Expenses would be limited to the one (1) remaining building in the Complex.

Any provision of this Lease to the contrary notwithstanding, Operating Expenses shall not include: (i) capitalized expenses; (ii) costs and expenses not attributable to Tenant or for services delivered to other tenants in excess of building standard, and (iii) expenses incurred to correct defects in Building construction.

Notwithstanding any other provision herein to the contrary, for purposes of calculating Taxes and Operating Expenses for the Base Year, it is agreed that if the Complex is less than ninety-five percent (95%) occupied during such year, an adjustment shall be made in computing Taxes and each component of Operating Expenses that actually varies with the rate of occupancy of the Complex so that the total Taxes and Operating Expenses shall be computed for such year as though ninety-five percent (95%) of the Complex had been occupied during such year.

(18) "Personalty" means any and all personal property of any type belonging to Tenant and located in or about the Building, the Premises and/or the Complex.

(19) "Premises" means the portion of the Building designated in the Basic Provisions section of this Lease, as shown on Exhibit B.

(20) "Prime Rate" means the prime interest rate for short term (90 day) unsecured loans as published from time to time by the Wall Street Journal, Eastern Edition.

(21) "Repair(s)" means any and all maintenance, repairs, replacements, alterations, additions and betterments, foreseen or unforeseen, ordinary or extraordinary, required to maintain the Premises and/or the Complex to the standard to which similar properties are maintained in the community in which the Complex is located.

(22) "Rent" means any and all Base Rent and/or Additional Rent.

(23) "Rules and Regulations" – means the Rules and Regulations set out in Exhibit C, subject to the provisions of Section 25.1.

(24) "Security" means the amount specified in the Basic Provisions, subject to the provisions of Article 4.

(25) "Square Feet" refers to the total number of square feet of floor area of all floors in the Building, including any mezzanine or basement space, as measured from the exterior faces of the exterior walls and/or the center line of any common walls. The Square Feet of the Premises shall conclusively be the number of Square Feet indicated in the Basic Provisions, which number includes a factor which takes into account the Common Areas.

(26) "Taking" means a legal transfer of ownership and/or possession, whether temporary or permanent, for any public or quasi-public use by any lawful power or authority by exercise of the right of condemnation or eminent domain or by agreement between Landlord and those having the authority to exercise such right.

(27) "Taxes" means any and all ad valorem real estate taxes and general, special and betterment assessments, incurred by Landlord as owner of the Complex in any calendar year, including, without limitation, all water and sewer charges, and any taxes, fees and charges imposed in lieu of or in addition to the foregoing due to a future change in the method of taxation. Nothing contained in this Lease shall require Tenant to pay any estate, inheritance, succession, corporate franchise or income tax of Landlord, nor shall any of same be deemed Taxes, except to the extent same are substituted in lieu of other forms of Taxes. Any Taxes for a calendar tax year only a part of which is included within the Term, shall be adjusted between Landlord and Tenant on the basis of a 365-day year as of the Commencement Date or the Expiration Date or sooner termination of the Term, as the case may be, for the purpose of computing Tenant's Tax Payment.

(28) "Tenant's Percentage" means the number of Square Feet within the Premises divided by the number of Square Feet within the Building.

“Term” means the period beginning on the Commencement Date and ending on the Expiration Date, unless sooner terminated or extended as provided elsewhere in this Lease.

(29) “Vesting Date” means the date of vesting of title or transfer of possession, whichever is earlier, if the Complex, Building, Premises or any portion thereof is the subject of a Taking.

(30) “Year End Reconciliation” - See Section 3.2.

ARTICLE 1 DEMISE OF PREMISES AND COMMENCEMENT DATE

Section 1.1 Demise. Landlord is the owner of the Complex and hereby leases the Premises to Tenant for the Term. Tenant hereby takes the Premises from Landlord, subject to all liens, encumbrances, easements, restrictions, covenants, zoning laws and regulations affecting and governing the Premises. Tenant shall use the Premises for the Permitted Use and for no other use or purpose.

Section 1.2 Delivery and Acceptance.

(a) Landlord shall deliver, and Tenant shall accept delivery of, possession of the Premises. The Premises shall be delivered in "broom clean", but otherwise in "AS IS, WHERE IS" condition. If the Premises are not ready for Tenant's occupancy at the time of the Estimated Commencement Date, Landlord shall have no liability to Tenant for any delay and this Lease shall not be affected thereby, except that the Commencement Date shall be the actual date of delivery of possession of the Premises to Tenant.

(b) Upon entering into possession of the Premises, Tenant shall conclusively be deemed to have accepted the Premises in its then "AS IS, WHERE IS" condition, including, without limitation, as regards the title thereto, the nature, condition and usability thereof, and the use or uses to which the Premises may be put, and shall be deemed to have assumed all risk, if any, resulting from any patent defects and from the failure of the Premises to comply with all Legal Requirements applicable thereto. Except as specifically provided herein, Landlord shall not be required to perform any work to prepare the Premises for Tenant's intended use.

Section 1.3 Commencement Date Letter. After determination of the Commencement Date, Landlord may send Tenant a commencement letter confirming the Commencement Date, the Expiration Date and any other variable terms of the Lease. The commencement letter, which may be delivered by regular mail, shall become a part of this Lease and shall be binding on Tenant and Landlord if Tenant does not give Landlord notice of its disagreement with any of the provisions of such commencement letter within ten (10) days after the date of such letter.

ARTICLE 2 COMMON AREAS

Section 2.1 Use of Common Areas. Beginning on the Commencement Date, Tenant shall have the nonexclusive right to the use of the Common Areas in common with others.

Section 2.2 Complex and Building. Provided Landlord makes commercially reasonable efforts to avoid interfering with Tenant's use and occupancy of the Premises, Landlord shall have the right (i) to add to, or subtract from, the Common Areas, the Complex and/or the Building as Landlord may elect and Tenant shall not be entitled to any compensation as a result thereof, nor shall same be deemed an actual or constructive eviction, (ii) to erect, use and maintain pipes, ducts, shafts and conduits in and through the Premises, and (iii) to temporarily close any part of the Common Areas for such time as may be required to prevent a dedication thereof or an accrual of any rights in any person or in the public generally therein, or when necessary for the maintenance or repair thereof, or for such other reason as Landlord in its judgment may deem necessary or advisable.

ARTICLE 3 RENT

Section 3.1 Rent.

(a) From and after the Commencement Date and throughout the Term, Tenant shall pay Rent to Landlord. All payments of Rent shall be paid to or on behalf of Landlord in lawful money of the United States, without prior demand or notice. All payments of Rent shall be delivered to Landlord at the address set forth in this Lease or to any other place designated by Landlord. Tenant's obligation to pay Rent accruing or on account of any time period during the Term shall survive the Expiration Date. This Lease shall not be affected by any Legal Requirements which may be enacted or become effective from and after the date of this Lease affecting or regulating or attempting to affect or regulate the Rent set out herein.

(b) The first full monthly installment of Base Rent shall be paid to Landlord simultaneous with execution of this Lease by Tenant. Thereafter, Base Rent shall be paid in equal monthly installments in advance on or before the first day of each month during the Term. Base Rent for the first Lease Month shall be increased, if appropriate, on a pro-rata basis for the actual number of calendar days occurring in the first Lease Month.

(c) Except as otherwise expressly and specifically provided to the contrary in this Lease, no abatement, diminution or reduction of Rent shall be claimed by or allowed to Tenant, or any persons or entities claiming under Tenant, under any circumstances for any cause or reason.

Section 3.2 Tenant's Tax Payment and Operating Expense Payment

(a) Tenant shall pay to Landlord, as Additional Rent: (i) a portion of all Taxes in excess of the Base Taxes ("Tax Payment"), and (ii) a portion of all Operating Expenses in excess of the Base Operating Expenses ("Operating Expense Payment"). Tenant's Tax Payment shall be equal to the product of (the Taxes allocated to the Building less the Base Taxes) multiplied by Tenant's Percentage. Tenant's Operating Expense Payment shall be equal to the product of (the Operating Expenses allocated to the Building less the Base Operating Expenses) multiplied by Tenant's Percentage.

(b) In each calendar year after the Base Year, Landlord, at its option, shall have the right to require Tenant to pay, on a monthly basis as Additional Rent, an "Estimated Tax Payment" and an "Estimated Operating Expense Payment". The Estimated Tax Payment shall be equal to the product of Landlord's reasonable estimate of the actual Taxes for the current year minus the Base Taxes multiplied by Tenant's Percentage and divided by the number of months remaining in the year. The Estimated Operating Expense Payment shall be equal to the product of Landlord's reasonable estimate of the actual Operating Expenses for the current year minus the Base Operating Expenses multiplied by Tenant's Percentage and divided by twelve (12).

(c) After the end of each calendar year after the Base Year, Landlord shall furnish to Tenant an itemized statement of the difference, if any, between (i) the Tax Payment due and the actual amount of Estimated Tax Payments made by Tenant for the preceding calendar year and (ii) the Operating Expense Payment due and the actual amount of Estimated Operating Expense Payments made by Tenant for the preceding calendar year (a "Year End Reconciliation"). Tenant shall, within twenty (20) days after Landlord's receipt of a Year End Reconciliation, pay to Landlord the net deficiency, if any, set out in the Year End Reconciliation. If the Year End Reconciliation shows an overpayment of Estimated Tax and/or Estimated Operating Expense Payments, such overpayment shall be credited to Tenant against the next monthly installment or installments of Estimated Tax or Estimated Operating Expense Payment(s), as the case may be, due from Tenant, or shall be refunded to Tenant if such excess relates to the calendar year in which the Term expires.

(d) Every Year End Reconciliation shall be conclusive and binding upon Tenant unless (i) within sixty (60) calendar days after the receipt of a Year End Reconciliation, Tenant shall notify Landlord that it disputes the correctness of the Year End Reconciliation, specifying the particular respects in which the Year End Reconciliation is claimed to be incorrect, and (ii) if such dispute shall not have been settled by agreement, Tenant shall submit the dispute to arbitration pursuant to this Lease within twenty (20) calendar days after Landlord's receipt of Tenant's notice of dispute. Pending the determination of such dispute by agreement or arbitration, Tenant shall pay Rent or accept credit in accordance with the Year End Reconciliation and such payment or acceptance shall be without prejudice to Tenant's position.

(e) Landlord may elect to contest the amount or validity of assessed valuation or Taxes for any real estate fiscal tax year, in which event Taxes shall be deemed to include any fees and/or expenses incurred by Landlord in contesting or appealing Taxes and Tenant shall pay Tenant's Percentage of the amount thereof within twenty (20) days after receipt of demand therefor. If Landlord shall receive a refund of any portion of the Taxes after Tenant's Tax Payment has been paid, then Landlord shall, after deducting all unreimbursed expenses paid by Landlord, if any, incurred in obtaining such refund, apply Tenant's Percentage of such net refund against the next installment or installments of Tenant's Tax Payment, or shall refund such amount to Tenant if such refund relates to the calendar year in which the Term expires. Tenant shall cooperate with Landlord, execute any and all documents required in connection therewith and, if required by Legal Requirements, shall join with Landlord in the prosecution thereof.

(f) In addition to Tenant's Tax Payment, Tenant shall pay, before delinquent, any and all taxes and assessments (i) levied against fixtures, equipment, signs and personal property located or installed in, about or upon the Premises; (ii) on account of any rent, income or other payments received by Tenant or anyone claiming by, through or under Tenant; (iii) arising out of the use or occupancy of the Premises and this transaction, or any document to which Tenant is a party creating or transferring an interest or estate in the Premises, and (iv) imposed by any Governmental Authority as a sales or use tax.

(g) If Tenant disputes or disagrees with any Year End Reconciliation, Tenant shall have the right to undertake a review ("Review") of Landlord's books used to determine Tenant's Tax Payment and Operating Expense Payment upon the following terms and conditions:

(i) Tenant shall deliver notice ("Review Notice") to Landlord, in writing, of such dispute or

(ii)

10

disagreement no later than thirty (30) days after receipt of the Year End Reconciliation to be verified.

(iii) The Review shall be conducted only by (i) the Tenant, or (ii) an agent of the Tenant that is not being compensated by Tenant on a contingent fee basis. The Review shall be conducted during regular business hours at the office where Landlord maintains its books.

(iv) The Review shall commence no later than thirty (30) days after the date of delivery of the Review Notice and shall be completed within ten (10) business days after commencement.

(v) A copy of the results of the Review shall be delivered to Landlord within thirty (30) days after completion of the Review. If the results of the Review are not timely delivered to Landlord, then the Year End Reconciliation shall be deemed to have been approved and accepted by Tenant as correct.

(vi) The Review shall be limited strictly to those items in the Year End Reconciliation that Tenant has specifically identified in the Review Notice. Tenant shall not be entitled to inspect books or records that apply to any calendar year other than the year covered by the subject Year End Reconciliation.

(vii) Tenant acknowledges and agrees that any records reviewed constitute confidential information of Landlord which shall not be disclosed to anyone other than the auditor performing the Review and the principals of Tenant. Tenant further acknowledges and agrees that the disclosure of information to any other person, whether by Tenant or anyone acting on behalf of Tenant, shall cause irreparable harm to Landlord and may be the basis of legal action by Landlord against Tenant and/or the auditor performing the Review. Tenant shall be responsible for any breach of this provision by the entity conducting the Review. In the event the Review discloses an overpayment by Tenant in excess of ten percent (10%) of the amount charged by Landlord, then, in addition to being credited for such overpayment, Landlord shall reimburse Tenant an amount not to exceed Five Hundred Dollars ($500.00) for Tenant's actual out of pocket expenses incurred in conducting the Review.

Section 3.3 Late Charge. If any Rent is not paid to Landlord within five (5) days after its due date, a late charge equal to ten percent (10%) of the then late payment shall be automatically due from Tenant to Landlord ("Late Charge"). The Late Charge is in compensation of Landlord's additional costs of processing late payments. Additionally, payments of Rent not received by Landlord when due shall accrue interest at the Interest Rate from the date on which such payment was due until the date full payment (including accrued interest) is received by Landlord.

ARTICLE 4 SECURITY

(a) Tenant has, simultaneously with the execution hereof, deposited with Landlord the Security for the faithful performance and observance by Tenant of the terms, covenants, conditions and provisions of this Lease. Landlord may retain, use, or apply the whole or part of the Security to the extent required for payment of any: (i) Rent; (ii) loss or damage that Landlord may suffer by reason of an Event of Default by Tenant including, without limitation, any damages incurred by Landlord or deficiency resulting from the re-letting of the Premises, whether such damages or deficiency accrues before or after summary proceedings or other reentry by Landlord; (iii) costs incurred by Landlord in connection with the cleaning or repair of the Premises upon expiration or earlier termination of this Lease. Landlord shall not be obligated to apply the Security and the Landlord's right to bring an action or special proceeding to recover damages or otherwise to obtain possession of the Premises before or after Landlord's declaration of the termination of this Lease for nonpayment of Rent or for any other reason shall not be affected by reason of the fact that Landlord holds the Security. The Security will not be a limitation on the Landlord's damages or other rights and remedies available under this Lease, or at law or equity; nor shall the Security be a payment of liquidated damages or advance of the Rent or any component thereof.

(b) If Landlord uses, applies, or retains all or any portion of the Security, Tenant will restore the Security to its original amount immediately upon written demand from Landlord. Tenant's failure to strictly comply with this requirement shall be an Event of Default.

(c) Subject to applicable Legal Requirements and requirements of Landlord's lender(s), Landlord may commingle the Security with its own funds. Landlord shall not be required to keep the Security in an interest bearing account. Upon expiration or earlier termination of the Lease, Landlord will return the Security to the then current Tenant and Landlord shall be deemed released by Tenant from all liability for the return of the Security. If any part of Landlord's property of which the Premises forms a part is sold, leased or otherwise legally transferred (including to a mortgagee upon foreclosure of its mortgage),

Landlord shall transfer the Security to the successor entity, and, upon notice of such transfer, Landlord shall be deemed released by Tenant from all liability for the return of the Security; and Tenant shall look solely to the Landlord's successor for the return of the Security.

(d) The Security shall not be mortgaged, assigned, or encumbered by Tenant, and neither Landlord nor its successors or assigns shall be bound by any such mortgage, assignment or encumbrance.

(e) If Tenant fully and faithfully complies with all of the terms, covenants, conditions and provisions of this Lease, Landlord shall, within sixty (60) days after the later of the Expiration Date and the date of surrender of possession of the Premises to Landlord in accordance with this Lease, return to Tenant the Security, or such portion thereof as shall then remain, less an estimated amount due for any unpaid Operating Expense Payment and/or Tax Payment.

(f) If no Event of Default remains uncured beyond any applicable cure or grace period, the amount of Security required hereunder shall be reduced by Thirty Five Thousand Dollars ($35,000.00) as of the first days of each of the thirteenth (13th), twenty fifth (25th) and thirty seventh (37th) Lease Months. Any excess Security in the possession of Landlord after such reductions shall be refunded to Tenant by way of credit(s) against the next occurring charge(s) for Base Rent.

(g). In lieu of a cash deposit, the Security shall be in the form of a standby letter of credit (the "Letter of Credit") in the face amount indicated as "Security" in the Basic Provisions of this Lease.

(i) The Letter of Credit shall be issued by a New Jersey money center bank satisfactory to Landlord and substantially in the form attached as Exhibit H, providing, among other things, that it is or shall be (i) subject to the International Standby Practices 1998, International Chamber of Commerce Publication No. 590, (ii) conditioned for payment solely upon the presentation of the Letter of Credit and a site-draft, (iii) irrevocable and unconditional, (iv) transferable one or more times by Landlord without Tenant's consent, (iv) subject to multiple draws and (v) otherwise in form and content satisfactory to Landlord. The Letter of Credit shall be delivered to Landlord (as beneficiary) simultaneously with the execution of this Lease.

(ii) In the event of a sale or lease of the Building or a portion thereof, Landlord shall have the right to transfer the Letter of Credit to the any vendee or lessee and Landlord shall thereupon be released by Tenant from all liability for the return of the Letter of Credit. Upon written notice from Landlord, and at Tenant's expense, Tenant shall cause the bank which issued the Letter of Credit to reissue or endorse the Letter of Credit to name Landlord's designated vendee or lessee as the beneficiary thereunder. If Landlord incurs any cost or fees charged in connection with such transfer or the addition, deletion or modification of any beneficiaries under the Letter of Credit, Tenant shall pay as Additional Rent upon demand by Landlord any and all such costs and fees. The provisions hereof shall apply to every transfer, assignment or amendment of the Letter of Credit made pursuant to this clause.

(iii) The Letter of Credit shall be irrevocable for a period of no less than twelve (12) months after the delivery thereof to Landlord and shall provide that the same shall be automatically renewed for successive twelve (12) month periods through a date that is not earlier than sixty (60) days after the expiration of this Lease or any renewal or extension thereof, unless written notice of nonrenewal has been given by the issuing bank to Landlord by certified mail, return receipt requested, not less than sixty (60) days prior to the expiration date of the current period. If the issuing bank does not renew the Letter of Credit at least (60) days prior to the expiration date of the current period, or upon the occurrence of a default, then, in addition to the rights given to Landlord under this Article, Landlord shall be entitled to draw upon the existing Letter of Credit and retain the proceeds or so much as shall remain after curing any default as a cash portion of the Security for the balance of the Term as provided in this Article. The final expiration of the Letter of Credit (including any renewals) shall be no earlier than the six (6) month anniversary of the Expiration Date.

(iv) Landlord may use, apply or retain the cash proceeds of the Letter of Credit to the same extent that Landlord would be entitled use, apply, or retain the cash Security as set forth in this Article.

(v) If Landlord applies any part of the Letter of Credit, Tenant shall on demand, restore the amounts drawn by Landlord or deposit with Landlord the cash amount so drawn so that Landlord shall have the full amount of the Security on hand at all times during the Term.

(vi) Tenant at its expense shall cooperate with Landlord to promptly execute and deliver to Landlord any and all modifications, amendments and replacements to the Letter of Credit as Landlord may reasonably request to carry out the terms and conditions of this Article. Tenant shall substitute another letter of credit meeting the requirements of this

Article for the Letter of Credit if the issuer of the Letter of Credit becomes insolvent or if the Letter of Credit is void, unenforceable or uncollectible. Additionally, if the bank which issued the Letter of Credit becomes unacceptable to Landlord for good reason, Tenant shall, within fifteen (15) days after notice from Landlord, deliver to Landlord either a substitute letter of credit meeting the requirements of this Article or cash security in the face amount of the Letter of Credit.

ARTICLE 5 ASSIGNMENT AND SUBLETTING

Section 5.1 Permitted Transfers.

(a) The provisions of Section 5.2 notwithstanding, Tenant shall be permitted to assign this Lease or sublet the Premises (a "Permitted Transfer") without further consent of Landlord, to a parent, subsidiary or affiliate of Tenant, provided that the financial strength of the proposed assignee or subtenant as of the effective date of the transfer shall be at least equal to the financial strength of Tenant as of the Commencement Date. For purposes of this section, the term "affiliate" shall mean a business entity that directly or indirectly controls, is controlled by, or is under common control with Tenant at the time of the intended transfer.

(b) A Permitted Transfer shall not be deemed effective or binding on Landlord unless there is delivered to Landlord within five (5) days of the effective date of the Permitted Transfer, (i) an agreement, executed by Tenant and the assignee, by which the assignee agrees to be the Tenant as defined herein and assume all of the obligations of the Tenant, or (ii) a sublease.

(c) The right to transfer granted under this Section shall be personal to the Tenant originally executing this Lease. No successor to the original Tenant shall have the right to any Permitted Transfer and all successors to the original Tenant shall be required to obtain Landlord's consent to any later assignment or subletting.

Section 5.2 Consent Required.

(a) Except as otherwise set out in this Article, Tenant shall not mortgage, encumber or assign its interest in this Lease or sublet all or any part of the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

(b) Landlord's consent to any one assignment or sublease will not act as a waiver of the requirement of obtaining the Landlord's consent to any subsequent assignment or sublease.

(c) Should Tenant wish to assign this Lease or sublet any portion of the Premises, Tenant shall submit to Landlord a written request ("Tenant's Request") for Landlord's consent to such assignment or subletting. Tenant's Request shall include, at a minimum, the name and address of the proposed assignee or subtenant, the proposed use of the Premises, financial statements of the proposed assignee or sublessee in form satisfactory to Landlord, a copy of the proposed assignment or sub-lease, executed by Tenant and the assignee or sub-tenant, and any other documentation reasonably required by Landlord.

(d) Notwithstanding anything contained in this Lease to the contrary, Landlord shall not be obligated to entertain or consider any request by Tenant to consent to any proposed assignment of this Lease or sublet of all or any part of the Premises unless each request by Tenant is accompanied by a nonrefundable fee payable to Landlord in the amount of Five Hundred and 00/100 Dollars ($500.00) to cover Landlord's administrative, legal, and other costs and expenses incurred in processing each Tenant's Request. Neither Tenant's payment nor Landlord's acceptance of the said fee shall be construed to impose any obligation whatsoever upon Landlord to consent to Tenant's request. Landlord shall have the right to charge Tenant an additional or higher fee in the event the processing of the proposed assignment or subletting shall require more than two (2) hours to negotiate and/or draft the necessary documents.

(e) Landlord and Tenant agree that any one of the following factors, or any other reasonable factor, will be reasonable grounds for declining the Tenant's request:

(i) financial strength of the proposed subtenant/assignee is not at least equal to that of the Tenant as of the Commencement Date and the proposed effective date of the assignment or subletting;

(ii) business reputation of the proposed subtenant/assignee is not in accordance with generally

acceptable commercial standards and the businesses of other tenants in the Complex;

(iii) if the Complex is not one hundred percent (100%) leased, the proposed subtenant/assignee is an existing tenant or occupant of the Complex, or a person or entity from whom Landlord has received a written proposal with regard to leasing space in the Complex, or with whom Landlord has had any dealings within the past six months with regard to leasing space in the Complex;

(iv) use of the Premises will violate the exclusive right(s) of any other tenant of the Complex, any other agreements affecting the Premises, the Landlord or other tenants.

(f) Tenant shall pay to Landlord, as Additional Rent, fifty percent (50%) of any and all rents, additional charges, and other consideration payable to Tenant under or in connection with any sublease which is in excess of the Rent and Additional Rent accruing under the Lease during the term of the sublease, less actual and reasonable expenses incurred by Tenant in obtaining the subtenant including, but no limited to, tenant improvement expenditures and legal, architectural and brokerage fees.

Section 5.3 Change of Control. Excluding the sale of corporate shares held by the general public and traded through a nationally recognized stock exchange, the sale, assignment, transfer or other disposition of any of the issued and outstanding capital stock of Tenant (or of any successor or assignee of Tenant which is a corporation), or of the interest of any general partner in a partnership constituting Tenant hereunder, or of the interest of any member of a limited liability company, joint venture, syndicate or other group which may collectively constitute Tenant hereunder, shall result in changing the control of Tenant or such other corporation or such partnership, limited liability company, joint venture, syndicate or other group, such sale, assignment, transfer or other disposition shall be deemed an assignment of this Lease. For the purposes of this Section, "control" of any corporation shall be deemed to have changed, if, in one or more transactions, any person or group of persons purchases or otherwise succeeds to more than forty nine percent (49%) in the aggregate of the voting power for the election of the Board of Directors of such corporation and "control" of a partnership, a limited liability company, joint venture, syndicate or other group shall be deemed to have changed if, in one or more transactions, any person or group of persons purchases or otherwise succeeds to more than forty nine percent (49%) in the aggregate of the general partners' or other active interest in such limited liability company, joint venture, syndicate or other group.

Section 5.4 Continuation of Liability. Regardless of any assignment, subletting or other transfer by Tenant of any of Tenant's rights or obligations under this Lease, Tenant shall continue to be and remain liable hereunder.

Section 5.5 Default after Transfer. If this Lease is assigned, or if the Premises or any part thereof is sublet or occupied by anybody other than Tenant, Landlord may, after an Event of Default by Tenant, and without notice to Tenant collect rent from the assignee, subtenant or occupant, and apply the net amount collected to the Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed an acceptance of the assignee, subtenant or occupant as tenant, or a release of Tenant from the further performance by Tenant of the terms, covenants and conditions of this Lease on the part of Tenant to be performed. Any violation of any provision of this Lease, whether by act or omission, by any assignee, subtenant or similar occupant, shall be deemed a violation of such provision by Tenant, it being the intention and meaning of the parties hereto that Tenant shall assume and be liable to the Landlord for any and all acts and omissions of any and all assignees, subtenants and similar occupants.

Section 5.6 Recapture. Landlord shall have the right, within forty five (45) days after Landlord's receipt of Tenant's Request, to terminate this Lease on notice (a "Recapture Notice") to Tenant. If Landlord gives a Recapture Notice, Tenant shall have five (5) calendar days from receipt of such Recapture Notice to rescind, in writing, the Tenant's Request and, upon such rescission, both the Recapture Notice and Tenant's Request shall be deemed withdrawn, null and void. If Tenant's Request is not so rescinded within the permitted time period, then this Lease shall terminate (in whole if Tenant's Request is for an assignment of the Lease or subleasing of all or substantially all of the Premises, or with respect to that part of the Premises which is the subject of a subletting if Tenant's Request is for a subletting of less than substantially all of the Premises) (that portion, whether the whole or a part, of the Premises which is the subject of Tenant's Request is hereinafter referred to as the "Subject Portion") on the date which is thirty (30) days after the date of the Recapture Notice (the "Surrender Date"). Tenant shall vacate the Subject Portion on or before the Surrender Date and deliver possession of the Subject Portion to Landlord in the condition required by this Lease. Effective as of the Surrender Date, neither Landlord nor Tenant shall have any further obligations under this Lease with respect to the Subject Portion, except for those rights and obligations which survive expiration or termination of the Lease. Effective as of the Surrender Date, all Rent shall be adjusted on a pro rata basis to reflect the reduced size of the Premises.

ARTICLE 6 REPAIRS, MAINTENANCE AND UTILITIES

Section 6.1 Tenant's Obligations.

(a) If the Premises has a point of entry and exit on the exterior of the Building, Tenant shall keep the sidewalk adjoining the Premises free from rubbish, dirt, garbage and other refuse.

(b) All damage or injury to the Premises or to its fixtures, appurtenances and equipment or to the Building, its fixtures, appurtenances or equipment caused by Tenant, its servants, employees, agents, visitors or licensees, shall be Repaired promptly by Tenant at no cost or expense to Landlord and to the reasonable satisfaction of Landlord. Tenant shall cause all Repairs to be made in a good and workmanlike manner and in accordance with the provisions of this Lease. If Tenant fails after twenty (20) days' notice to proceed with due diligence to make Repairs required to be made by Tenant, the same may be made by Landlord at the expense of Tenant, and the expenses thereof incurred by Landlord, with interest thereon at the Interest Rate, shall be paid to Landlord as Additional Rent within ten (10) calendar days after delivery of a bill or statement to Tenant.

Section 6.2 Landlord's Obligations and Services.

(a) Landlord agrees to make all Repairs to the structural portions and exterior surfaces of the Building, the roof, the roof gutters, and operate and Repair the Common Areas.

(b) Landlord shall additionally provide the following services to Tenant:

(i) Repair of the interior of the Premises within a reasonable period of time after submission of a request by Tenant, the cost of same being included in Operating Expense.

(ii) Repair of all light fixtures, including any ballasts, and light bulbs, the cost of same being included in Operating Expense.

(iii) Janitorial services, general cleaning of the Premises, and removal and disposal of all trash and other refuse, the cost of same being deemed an Operating Expense. Landlord reserves the right to impose a surcharge on Tenant directly if excessive amounts or unusual types of trash are generated in the Premises.

(iv) Air cooling and heat, between the hours of 8:00 A.M. and 6:00 P.M, Monday through Friday, and 8:00 A.M. through 1:00 P.M. on Saturdays. Tenant at all times agrees to cooperate fully with Landlord and to abide by all regulations and requirements which Landlord may reasonably prescribe for the proper functioning and protection of the HVAC System. Landlord shall have free access to any and all components of the HVAC System; and Tenant agrees that there shall be no construction of partitions or other obstructions which might interfere with Landlord's full access thereto, or interfere with the moving of Landlord's equipment to and from the enclosures containing said installations. Tenant agrees that Tenant, its agents, employees or contractors shall not at any time enter the said enclosures or tamper with, adjust, touch or otherwise in any manner affect the HVAC System.

(v) Operation and Repair of the HVAC System in a manner consistent with the standard to which similar properties are maintained in the area, the cost of same being included in Operating Expenses.

(c) Tenant acknowledges that Landlord shall not be providing the security which Tenant may require with respect to its Permitted Use(s). Landlord and Tenant hereby expressly acknowledge that if Tenant chooses to install such security systems as Tenant may require with respect to its Permitted Use(s) then all costs and expenses with regard to such security to be provided by Tenant shall be at Tenant's sole cost and expense.

Section 6.3 Utilities.

(a) The following utilities will be made available at the Premises:

(i) (A) Electric current, with the understanding, however, that the cost of electricity consumed by Tenant in the Premises is not included in Base Rent or Operating Expenses. Therefore, Tenant shall additionally be required to pay $1.75 per Square Foot for the consumption of electricity (the "Electricity Payment") as set out in the Basic Provisions section of the Lease. The Electricity Payment shall be fixed for the entire Term, subject to Landlord's right to survey the utility usage, as follows.

(ii)

(B) Landlord may, at any time and from time to time, at no cost or expense to Tenant, survey the estimated use of electricity in the Premises. The Electricity Payment shall be adjusted as appropriate based on the results of the survey.

(C) Landlord shall provide a copy of any utility survey to Tenant and the results of such survey shall be deemed binding upon Tenant unless Tenant objects to same within thirty (30) days of the date the survey is delivered to Tenant. If Landlord and Tenant are unable to agree upon the results of a survey, the disagreement shall be submitted to arbitration in accordance with the terms of this Lease. Pending the outcome of such arbitration, the charges to Tenant imposed pursuant to this Section shall be paid by Tenant without prejudice to Tenant's rights.

(iii) water service, the cost of which shall be included in Operating Expenses.

(iv) sewer service, the cost of which shall be included in Operating Expenses.

(b) Tenant agrees to pay or cause to be paid all charges for utilities of any kind which are billed directly to Tenant, and agrees to indemnify, defend and save Landlord harmless against any liability or damages for such charges.

(c) Tenant covenants and agrees that its use of utility services will not exceed either the capacity or maximum load of the utility lines serving the Premises or which may from time to time be prescribed by applicable Governmental Authorities.

(d) Unless the direct and proximate result of the gross negligence or willful misconduct of Landlord, its agents, servants or employees, Landlord shall in no event be liable or responsible to Tenant for any loss, damage or expense which Tenant may sustain or incur if either the quantity or character of utility services is changed or is no longer available or suitable for Tenant's purposes.

ARTICLE 7 COMPLIANCE WITH LAW

Section 7.1 Legal Requirements. Tenant shall, at its expense throughout the Term, promptly comply, or cause compliance, with all Legal Requirements of all Governmental Authorities which may be applicable to the Premises or the use or manner of use thereof.

Section 7.2 Hazardous Materials.

(a) Tenant agrees to refrain, and to prevent its employees, invitees, agents, contractors and subtenants, from bringing any Hazardous Materials onto the Premises, except for cleaning fluids and common office supplies in de minimis quantities for normal cleaning use within the Premises which shall be stored in proper containers and in compliance with Legal Requirements. Tenant hereby covenants and agrees to indemnify, defend and hold Landlord harmless from and against any and all claims, actions, administrative proceedings, judgments, damages, penalties, costs, expenses, losses and liabilities of any kind or nature that arise (indirectly or directly) from or in connection with the presence (or suspected presence), release (or suspected release), spill (or suspected spill) or discharge (or suspected discharge) of any Hazardous Materials in, on or about the Premises at any time resulting from the acts or omissions of Tenant, its subtenants or their respective employees, agents or contractors. Without limiting the generality of the foregoing, the indemnity set forth above shall specifically cover any investigation, monitoring and remediation costs.

(b) Landlord hereby covenants and agrees to indemnify, defend and hold Tenant harmless from and against any and all claims, actions, administrative proceedings, judgments, damages, penalties, costs, expenses, losses and liabilities of any kind or nature that arise (indirectly or directly) from or in connection with the presence (or suspected presence), release (or suspected release), spill (or suspected spill) or discharge (or suspected discharge) of any Hazardous Materials in, on or about the Premises at any time resulting from the acts or omissions of Landlord, its employees, agents or contractors. Without limiting the generality of the foregoing, the indemnity set forth above shall specifically cover any investigation, monitoring and remediation costs.

Section 7.3 ISRA. Tenant further covenants and agrees that Tenant is not, and the Premises shall not be occupied during the Lease by, an "Industrial Establishment," as defined in the Industrial Site Recovery Act, N.J.S.A. 13:1k-6 et seq., and the rules and regulations promulgated thereunder, as same may be amended from time to time ("ISRA"). If Tenant's operations on the Premises now or hereafter constitute an Industrial Establishment subject to the requirements of ISRA, then prior to the

expiration or sooner termination of this Lease, Tenant, at no cost or expense to Landlord, shall comply with all requirements of ISRA pertaining to an Industrial Establishment closing or transferring operations, to the satisfaction of the New Jersey Department of Environmental Protection ("DEP") and Landlord. If Tenant has not fully complied with ISRA prior to the expiration or sooner termination of the Lease, then Tenant, at Landlord's option and in addition to all other rights and remedies of Landlord under this Lease, at law, in equity or otherwise, shall forfeit the full amount of the Security. In addition to the foregoing, Tenant shall obtain and deliver to Landlord, at no cost or expense to Landlord and at least thirty (30) days prior to the expiration of the Term or any assignment of this Lease or subletting of the Premises, a letter from the DEP stating that termination of Tenant's operations at the Premises does not trigger ISRA, together with true copies of any affidavits on which such letter is based. If Landlord shall have to comply with ISRA by reason of Landlord's actions, Tenant shall promptly provide all information requested by Landlord for preparation of non-applicability affidavits or a negative declaration and shall promptly sign such affidavits when requested by Landlord.

ARTICLE 8 ALTERATIONS

Section 8.1 Permitted Alterations. Tenant shall be permitted to make any Alteration(s) which (i) are not structural in nature and/or do not affect the structural portions of the Building, (ii) do not exceed Twenty Five Thousand Dollars ($25,000.00) in the aggregate during the Term and (iii) do not require any permit or other form of legal authority (collectively, "Permitted Alterations"). Any and all other Alterations shall require the prior written consent of Landlord, which consent shall not be unreasonably withheld.

Section 8.2 Requirements.

(a) All Alterations shall be made at no cost or expense to Landlord.

(b) Tenant shall submit to Landlord a copy of any plans and specifications prepared in connection with any Alteration except Permitted Alterations (including layout, architectural, mechanical and structural drawings, if any).

(c) Before commencing any Alteration, Tenant shall provide any necessary and appropriate riders for fire and extended coverage, and commercial general liability and property damage insurance, covering the risks during the course of such Alteration and obtain and pay for all necessary permits and authorizations. Landlord agrees to join in the application for such permits or authorizations upon request of Tenant if necessary provided Landlord is promptly reimbursed for any filing or other costs, fees or expenses incurred and Tenant otherwise indemnifies Landlord for all losses, costs, claims and expenses incurred by Landlord in connection therewith.

(d) All Alterations shall be made with reasonable diligence, in a good and workmanlike manner, by contractor(s) approved by Landlord in Landlord's sole discretion and in compliance with all applicable Legal Requirements. Upon completion, Tenant shall obtain and deliver to Landlord any necessary amendment to the certificate of occupancy.

Section 8.3. Ownership. Excluding Alterations made by Tenant within six (6) months after the Commencement Date, which Alterations shall be deemed property of the Landlord and shall remain in the Premises after expiration of the Lease, all Alterations shall be deemed to be the property of Landlord, but shall be removed by Tenant upon Landlord's request upon expiration or earlier termination of the Lease.

ARTICLE 9 INSURANCE

Section 9.1 Tenant's Coverages.

(a) Commencing with the Commencement Date and throughout the Term, Tenant shall, at Tenant's cost and expense, provide and cause to be maintained:

(i) commercial general liability insurance (including contractual liability coverage) insuring against claims for bodily injury, death or property damage that may arise from or be occasioned by (x) the condition, use or occupancy of the Premises, the sidewalks adjacent thereto, and the loading docks and other appurtenances, or (y) any act, omission or negligence of Tenant, its subtenants, or their respective contractors, licensees, agents, servants, employees, invitees or visitors; such insurance to afford minimum protection of not less than $3,000,000.00 combined single limit on an occurrence basis. The liability insurance requirements hereunder may be reviewed by Landlord every two (2) years for the purpose of increasing (in consultation with their respective insurance advisors) the minimum limits of such insurance from time to time to limits which shall be reasonable and customary for similar facilities of like size and operation in accordance with generally

accepted insurance industry standards;

(ii) "All-risk" insurance (including coverages against loss or damage by fire, lightning, windstorm, hail, explosion, vandalism and malicious mischief, riot and civil commotion, smoke and all other perils now or hereafter included in extended coverage endorsements) covering Tenant's merchandise, inventory, trade fixtures, furnishings, equipment and leasehold improvements for the full replacement value on an agreed amount basis, including all items of personal property of Tenant located on, in or about the Premises, in an amount equal to one-hundred percent (100%) of the actual replacement cost thereof (with provisions for a deductible as shall be reasonable in comparison with similar properties); and

(iii) during performance of any Alteration, Tenant shall maintain Worker's Compensation, public liability and builder's risk form of casualty insurance in amounts appropriate to the status of the construction being performed by Tenant. In addition, all contractors working on behalf of Tenant shall provide evidence of coverage, equal to the requirements of Tenant, naming Landlord as an additional insured.

(b) If Tenant fails to maintain the insurance to be maintained by Tenant hereunder, the same may be purchased by Landlord at the expense of Tenant, and the expense therefor incurred by Landlord, with interest thereon at the Interest Rate, shall be forthwith paid to Landlord as Additional Rent after rendition of a bill or statement therefor.

(c) All insurance policies required to be maintained by Tenant pursuant to this Article shall be effected under policies issued by insurers which are permitted to do business in the State where the Complex is situated and rated "A/VIII" by A.M. Best Company, or any successor thereto. Tenant shall provide to Landlord, and to any Fee Mortgagee, certificates of the policies required to be maintained pursuant to this Lease. Each such policy shall contain a provision that no act or omission of the insured shall affect or limit the obligation of the insurance company to pay the amount of any loss sustained and an agreement by the insurer that such policy shall not be modified or canceled without at least 30 days' prior notice to Landlord and to any Fee Mortgagee.

(d) All policies of insurance provided for under this Article, except Workers' Compensation, shall name the Tenant as the insured, and Landlord and Landlord's managing agent as additional insureds, and any Fee Mortgagee pursuant to a standard first mortgagee clause, subject in all respects to the terms of this Lease.

(e) Any insurance provided for in this Article may be effected by a blanket policy or policies of insurance, provided that the amount of the total insurance available shall be at least the protection equivalent to separate policies in the amounts herein required, and provided further that in other respects, any such policy or policies shall comply with the provisions of this Article. An increased coverage or "umbrella policy" may be provided and utilized to increase the coverage provided by individual or blanket policies in lower amounts, and the aggregate liabilities provided by all such policies shall be satisfactory provided they otherwise comply with the provisions of this Article.

(f) Each policy carried by Tenant shall be written as a primary policy not contributing with, and not in excess of, coverage carried by Landlord and/or Landlord's managing agent.

Section 9.2 Landlord's Coverages. Commencing with the Commencement Date and throughout the Lease Term, Landlord shall maintain, or cause to be maintained:

(a) "All-risk" insurance covering the Complex, in an amount equal to one-hundred percent (100%) of the actual replacement cost thereof (exclusive of the cost of excavations, pavement, foundations and footings) with or without provisions for a deductible as shall be reasonable in comparison with similar properties;

(b) commercial general liability insurance (including contractual liability) covering the Common Areas, in an amount not less than $5,000,000 for personal and bodily injury to all persons in any one occurrence and for property damage;

(c) rent insurance, for the benefit of Landlord, covering the risks referred to in Paragraph (a) above, in an amount equal to all Rent payable for a period of twelve (12) months commencing on the date of loss;

(d) if at any time a steam boiler or similar equipment is located in, on or about the Building, a policy insuring against loss or damage due to explosion, rupture or other failure of any boiler, pipes, turbines, engines or other similar types of equipment; and

(e) other coverage as Landlord may reasonably deem necessary and appropriate.

If by reason of failure of Tenant to comply with the provisions of this Lease, including but not limited to the manner in which Tenant uses or occupies the Premises, Landlord's insurance rates shall on the Commencement Date or at any time thereafter be higher than such rates otherwise would be, then Tenant shall reimburse Landlord, as Additional Rent hereunder, for that part of all insurance premiums thereafter paid or incurred by Landlord, which shall have been charged because of such failure or use by Tenant, and Tenant shall make such reimbursement upon the first day of the month following the billing to Tenant of such additional cost by Landlord.

Section 9.3 Waiver of Subrogation. Every insurance policy carried by either party shall include provisions denying to the insurer subrogation rights against the other party and any Fee Mortgagee to the extent such rights have been waived by the insured prior to the occurrence of damage or loss. Each party hereby waives any rights of recovery against the other party for any direct damage or consequential loss covered by said policies against which such party is protected, or required hereunder to be protected, by insurance or (by the inclusion of deductible provisions therein or otherwise) has elected to be self-insured, to the extent of the proceeds paid under such policies and the amount of any such self-insurance, whether or not such damage or loss shall have been caused by any acts or omissions of the other party.

ARTICLE 10 DAMAGE AND DESTRUCTION; EMINENT DOMAIN

Section 10.1 Termination Due to Damage or Destruction. If the Premises, or any portion thereof, shall be damaged by fire or other casualty, Tenant shall immediately give Notice thereof to Landlord. If the Building shall be damaged or destroyed to the extent that the estimated cost of repair or restoration of the damage or destruction shall be in excess of twenty five percent (25%) of the replacement cost of the Building, then Landlord shall have the right to terminate this Lease by giving notice of such election to Tenant within sixty (60) days after such damage or destruction shall have occurred. If such notice shall be given, this Lease shall terminate as of the date of Tenant's receipt of such Notice. Landlord shall not be required to restore or rebuild the damaged or destroyed Premises, or any portion thereof, and all insurance proceeds payable on account of such damage or destruction may be retained by Landlord.

Section 10.2 Taking.

(a) If a Taking of all or substantially all of the Premises occurs, then this Lease shall terminate as of the Vesting Date. If there is a Taking of less than substantially all of the Premises, then this Lease shall terminate on the Vesting Date with respect to the portion so taken.

(b) If there is a Taking of part of the Complex but none of or less than substantially all of the Premises, Landlord may elect to terminate this Lease if (i) there is any Taking occurring during the last two (2) years of the Term; or (ii) in Landlord's reasonable judgment, it shall not be economically feasible to restore and replace the Building, the Premises, the Common Areas, the Complex or part thereof, to tenantable condition capable of being operated as a mixed use complex in an economical manner. If Landlord elects to terminate this Lease pursuant to this Section, Landlord shall, within one hundred twenty (120) days of the Taking, give notice to Tenant, and the Term shall expire and come to an end as of the last day of the calendar month in which such notice is given.

(c) If there is a Taking of less than substantially all of the Premises, Tenant, subject to Landlord's lenders' requirements, may elect to terminate this Lease if, by reason of the Taking (i) more than thirty-three percent (33%) of the Square Feet within the Premises shall be taken; (ii) there is a prohibition of the use of the Premises for Tenant's actual permitted use thereof; or (iii) there is any Taking of the Premises occurring during the last two (2) years of the Term. If Tenant elects to terminate this Lease pursuant to this Section, Tenant shall, within one hundred twenty (120) days of the Taking, give notice to Landlord, and the Term shall expire and come to an end as of the last day of the calendar month in which such notice is given.

(d) If there is a Taking, then commencing on the Vesting Date, Base Rent shall be the product of (i) Base Rent immediately preceding the Taking, and (ii) a fraction, the numerator of which shall be the number of Square Feet within the Premises remaining after the Taking, and the denominator of which shall be the number of Square Feet within the Premises immediately preceding the Taking.

(e) Tenant shall not be entitled to and hereby waives any and all claims against Landlord for any compensation or damage for loss of use of the Premises, the Common Areas or any portion thereof, for any interruption of services required to be provided by Landlord hereunder, and/or for any inconvenience or annoyance resulting from any damage, destruction, repair or restoration.

(f) All compensation awarded or paid in respect of a Taking shall belong to and be the property of Landlord without any participation by Tenant. Nothing herein shall be construed to preclude Tenant from prosecuting any claim directly against the condemning authority in such condemnation proceeding for moving expenses; any fixtures or equipment owned by Tenant; and the unamortized cost of Tenant's betterments and improvements, provided that no such claim shall (x) diminish or otherwise adversely affect Landlord's award or the award of any Fee Mortgagee, or (y) include any value for the leasehold estate created hereby or the unexpired term of this Lease.

Section 10.3 Restoration by Landlord. If the whole or any part of the Premises or Building shall, during the Term, be damaged or destroyed by fire or other casualty, or any portion of the Premises be Taken, and this Lease is not terminated pursuant to the terms hereof, Landlord shall, to the extent of insurance proceeds or award received by Landlord, repair, restore and/or rebuild the Premises and or Building substantially to the condition and character existing as of the Commencement Date. In no event shall Landlord be required to repair or replace any Personalty.

ARTICLE 11 RENT ABATEMENT

(a) For purposes of this Article only, the Premises, or any portion thereof, shall be considered "Untenantable" if Tenant is, in fact, unable to engage in its regular business practices in the Premises due to (i) damage or destruction, (ii) loss of utilities, HVAC or elevator service, which loss is within the ability of Landlord to control, or (iii) a Taking, and (iv) the Premises is not rendered Untenantable by reason of any negligent or willful act of Tenant, its agents, servants or employees.

(b) If all or part of the Premises are rendered Untenantable, Tenant shall, within five (5) business days after the occurrence, notify Landlord that the Premises, or a part thereof, has been rendered Untenantable (a "Rent Abatement Notice"). The Rent Abatement Notice shall be in writing, shall specify (i) the nature of the cause of the Untenantability, (ii) the area(s) of the Premises Tenant claims to be Untenantable and (iii) the date the space became Untenantable. The Rent Abatement Notice shall be delivered to Landlord in the manner required under this Lease for delivery of Notices.

(c) If the Premises are rendered Untenantable, in whole or in part, for a period of ten (10) or more business days, and the Lease is not terminated pursuant to the provisions hereof then Rent shall abate proportionately to the portion of the Premises rendered Untenantable from the date of the event causing the Untenantability and continuing until the Untenantability is remediated (the "Abatement Period"). However, the necessity for the completion of any repair, restoration or other work to be performed by Tenant shall not provide the basis for abatement of Rent.

(d) Determination of the percentage of Rent to be abated shall be reasonably made by Landlord. If Landlord and Tenant disagree on the extent of the Untenantability of the Premises, an appropriate third-party professional, designated by Landlord and reasonably acceptable to Tenant, shall certify to Landlord and Tenant as to the condition of the Premises (the "Abatement Certification"), which Abatement Certification shall be binding upon both parties. The cost of obtaining the Abatement Certification shall be borne by Tenant and reimbursable to Landlord as Additional Rent.

(e) Upon substantial completion of the remediation of the condition resulting in the Untenantability of the Premises, as reasonably determined by Landlord, the Abatement Period shall terminate. If Landlord and Tenant disagree on the date of substantial completion or the tenantability of any part of the Premises, an appropriate third-party professional, designated by Landlord and reasonably acceptable to Tenant, shall certify to Landlord and Tenant as to the condition of the Premises (the "Restoration Certification"), which Restoration Certification shall be binding upon the parties. The cost of obtaining the Restoration Certification shall be borne by Tenant and reimbursable to Landlord as Additional Rent.

(f) Anything to the contrary notwithstanding, there shall be no abatement of Rent for any portion of the Premises in which Tenant continues to operate its business, regardless of whether such portion of the Premises has been determined to be Untenantable.

ARTICLE 12 QUIET POSSESSION

Provided no Event of Default remains uncured, Tenant shall have and enjoy, during the Term, possession and use of the Premises and all appurtenances thereto which is quiet and undisturbed by Landlord, subject to the terms and provisions of this Lease. This covenant shall be construed as running with Landlord's estate as owner of the Premises and is not, nor shall it operate or be construed as, a personal covenant of Landlord, except to the extent of Landlord's interest in the Premises and only so long as such interest shall continue, and thereafter this covenant shall be binding only upon such subsequent owners and successors in interest, to the extent of their respective interests, as and when they shall acquire the same, and only so long as they shall retain

such interest.

ARTICLE 13 DEFAULT; REMEDIES AND DAMAGES

Section 13.1 Events of Default. Each of the following shall be deemed an "Event of Default":

(a) any failure by Tenant to pay Base Rent within five (5) calendar days of the date it was payable under this Lease, or any failure by Tenant to pay Additional Rent or other sum of money payable under this Lease within five (5) days after notice from Landlord that such payment of Additional Rent or other sum is due;

(b) any interest of Tenant passes to another except as permitted under Article 5;

(c) if proceedings in bankruptcy shall be instituted by or against any guarantor of this Lease, or if any guarantor of this Lease shall file, or any creditor or other person shall file, any petition in bankruptcy under any law, rule or regulation of the United States of America or of any State, or if a receiver of the business or assets of Tenant or of any guarantor of this Lease shall be appointed, or if a general assignment is made by Tenant for the benefit of creditors, or any sheriff, marshal, constable or other duly constituted public official takes possession of the Premises, or any part thereof, by authority of any attachment or execution proceedings, and offers same for sale publicly, and, with respect to any of the foregoing actions which shall be involuntary on Tenant's part, such action is not vacated or withdrawn within thirty (30) days thereafter;

(d) failure to pay Rent in a timely fashion three (3) or more times in any twelve (12) calendar month period or four (4) or more times during the Term;

(e) any other failure by Tenant to perform any of the other terms, conditions or covenants of this Lease to be observed or performed by Tenant (for which notice and/or cure periods are not otherwise set forth in this Lease) for more than twenty (20) days after notice of such default shall have been given to Tenant, or if such default is of such nature that it cannot with due diligence be completely remedied with said period of twenty (20) days such longer period of time as may be reasonably necessary to remedy such default provided Tenant shall commence within said period of twenty (20) days and shall thereafter diligently prosecute to completion, all steps necessary to remedy such default, but in no event more than ninety (90) days after notice of such default shall have been given to Tenant; and

(f) an Event of Default provided for under any other section of this Lease.

Section 13.2 Remedies.

(a) If an Event of Default shall occur, Landlord shall, in addition to any other right or remedy available at law, in equity or otherwise, have the right:

(i) to bring suit for the collection of Rent and/or other amounts for which Tenant may be in default, or for the performance of any other covenant or agreement devolving upon Tenant, all with or without entering into possession or terminating this Lease;

(ii) with notice and under process of law, terminate this Lease and dispossess Tenant and any other occupants thereof, remove their effects not previously removed by them and hold the Premises free of this Lease; or

(iii) without terminating this Lease, re-enter the Premises by summary proceedings and dispossess Tenant and any other occupants thereof, remove their effects not previously removed by them and hold the Premises free of this Lease. No such re-entry or taking possession of the Premises by Landlord shall be construed as election on its part to terminate this Lease unless a written notice of such intention be given to Tenant or unless such termination is decreed by a court of competent jurisdiction. Landlord may remove all persons and property from the Premises in accordance with this Section, and store such property in a public warehouse or elsewhere at the cost of and for the account of Tenant, without service of notice or resort to legal process (all of which Tenant expressly waives) and without being guilty of trespass or becoming liable for any loss which may be occasioned thereby.

(b) After such a dispossession or removal, (x) Rent shall be paid up to the date thereof, (y) Landlord may relet the Premises or any part or parts thereof either in the name of Landlord or otherwise, for a term or terms which may, at the option of Landlord, be less than or exceed the period which would otherwise have constituted the balance of the Term, and (z) Tenant shall pay to Landlord any deficiency between the Rent due hereunder plus the reasonable costs and expenses incurred or

paid by Landlord in terminating this Lease or in re-entering the Premises and in securing possession thereof, as well as the expenses of reletting the Premises, including, without limitation, repairing, altering and preparing the Premises for new tenants, brokers' commissions, legal fees, and other expenses and concessions ("Default Costs"), and the amount of rents and other charges collected on account of the new lease or leases of the Premises for each month of the period which would otherwise have constituted the balance of the Term (not including any renewal periods, the commencement of which shall not have occurred prior to such dispossession or removal). Such deficiency shall be paid by Tenant in monthly installments on the dates specified in this Lease for payment of Base Rent. Landlord reserves the right to bring actions or proceedings for the recovery of any deficits remaining unpaid without being obliged to await the end of the Term for a final determination of Tenant's account, and the commencement or maintenance of any one or more actions or proceedings shall not bar Landlord from bringing other or subsequent actions or proceedings for further accruals pursuant to the provisions of this Section. Any rent received by Landlord from such reletting shall be applied first to the payment of any indebtedness (other than Rent due hereunder) of Tenant to Landlord; second, to the payment of any Default Costs; third, to the payment of Rent due and unpaid hereunder, and the balance, if any, shall be held by Landlord and applied in payment of future Rent as it may come due and payable hereunder. In the alternative, following any such dispossession or removal, Landlord may claim as damages no more than the difference between the balance of Base Rent and Additional Rent payable over the remainder of the Term and the fair market rental value of the Premises over the same period, discounted to present value at a discount rate equal to the then effective rate on obligations of the U.S. Treasury having a maturity closest to the number of months remaining in the Term.

(c) Landlord agrees to use commercially reasonable efforts to mitigate any damages occasioned by Tenant's default. Tenant agrees that Landlord's duty to mitigate (i) shall arise only after Landlord regains possession of the Premises, (ii) shall be deemed satisfied if Landlord has used commercially reasonable efforts to relet the Premises, whether or not such efforts are successful, and (iii) shall not require Landlord to market the Premises ahead of other space which is vacant or about to become vacant in properties owned by Landlord or its affiliates within five (5) miles of the Premises.

(d) In addition to the foregoing, if an Event of Default shall occur other than as to the payment of Rent, Landlord, in addition to any other right or remedy available at law or in equity, shall have the right, but not the obligation, to cure such failure. Notwithstanding the above, if, in Landlord's reasonable judgment, an emergency shall exist, Landlord may cure such Event of Default upon such notice to Tenant as may be reasonable under the circumstances (and may be without any prior notice if the circumstances shall so require). If Landlord cures such failure as aforesaid, Tenant shall pay to Landlord on demand, as Additional Rent, the reasonable and necessary cost or amount thereof, together with interest thereon at the Interest Rate from the date of outlay of expense until payment.

(e) If there is a breach by Tenant, or any persons claiming through or under Tenant, of any term, covenant or condition of this Lease, Landlord shall have the right to enjoin such breach and the right to invoke any other remedy allowed by law or in equity as if re-entry, summary proceedings and other special remedies were not provided in this Lease for such breach.

(f) The right to invoke the remedies hereinbefore set forth is cumulative and shall not preclude Landlord from invoking any other remedy allowed at law, in equity or otherwise.

Section 13.3 Landlord's Default. If Landlord shall fail to observe, perform or comply with any of its duties and obligations as set forth in this Lease for a period of thirty (30) days after notice thereof from Tenant to Landlord, or if such failure is of such a nature that it cannot be completely remedied within said period of thirty (30) days, if Landlord shall not (x) promptly upon the giving by Tenant of such notice, advise Tenant of Landlord's intention to institute reasonable steps necessary to remedy such failure, (y) promptly institute and thereafter diligently prosecute to completion reasonable steps necessary to remedy same, and (z) complete such remedy within a reasonable time after the date of the giving of said notice by Tenant, Tenant may at any time thereafter cure such breach or failure, but only if such breach or failure is creating a material impairment to the operation of Tenant's business at the Premises, for the account of Landlord, provided that Tenant may cure any such breach or failure as aforesaid prior to the expiration of said waiting period, without notice to Landlord if an emergency situation exists, or after notice to Landlord, but solely if the curing of such breach or failure prior to the expiration of said waiting period is necessary to protect the Premises or Tenant's interest therein or to prevent injury to persons or material damage to property. Landlord shall reimburse Tenant for the amounts reasonably and properly incurred by Tenant as aforesaid within thirty (30) days of Tenant's written demand therefor. In no event whatsoever, however, shall Tenant have a right to terminate this Lease by reason of Landlord's default, nor shall Landlord be liable to Tenant for any consequential, incidental or punitive damages in connection with or as a result of any default by Landlord hereunder. For the purposes of this Section, lost sales and/or profit shall be deemed to be consequential damages.

ARTICLE 14 UNAVOIDABLE DELAYS, FORCE MAJEURE

With the exception of Tenant's obligation to pay Rent, if Landlord or Tenant shall be prevented or delayed from punctually performing any obligation or satisfying any condition under this Lease by any strike, lockout, labor dispute or other labor trouble, inability to obtain labor, materials or reasonable substitutes therefor, act of God, weather, soil conditions, site conditions, present or future governmental restrictions, regulation or control, governmental pre-emption or priorities or other conflicts in connection with a national or other public emergency or shortages of fuel, supply of labor resulting therefrom, insurrection, sabotage, fire or other casualty, or any other condition beyond the control of the party required to perform, other than unavailability of funds or financing (individually and collectively "Unavoidable Delays"), then the time to perform such obligation or satisfy such condition shall be extended by the delay caused by such event. If either party shall, as a result of an Unavoidable Delay, be unable to exercise any right or options within any time limit provided therefor in this Lease, such time limit shall be deemed extended for a period equal to the duration of such Unavoidable Delay. This Lease and the obligations of Tenant to pay Rent hereunder and perform all of the other covenants, agreements, terms, provisions and conditions hereunder on the part of Tenant to be performed shall in no way be affected, impaired or excused because Landlord is unable to fulfill any of its obligations under this Lease as a result of any Unavoidable Delay.

ARTICLE 15 NOTICES

(a) Unless specifically provided to the contrary in this Lease, any notices, consents, approvals, elections, submissions, requests or demands required or permitted to be given under this Lease or pursuant to any law or governmental regulation (individually and collectively, a "Notice") by Landlord to Tenant or by Tenant to Landlord shall be in writing (whether or not expressly so provided) and delivered to the recipient at the respective addresses set forth in the Basic Provisions of this Lease, or, in the case of Notices to Tenant, to the Premises.

(b) Notices shall be deemed delivered upon (i) personal delivery; (ii) three (3) calendar days after being deposited in the United States mail, registered or certified mail, return receipt requested, postage prepaid; or (iii) one (1) business day after being sent by overnight express mail or nationally recognized courier service (e.g., Federal Express) to Landlord or Tenant, at the respective addresses set forth in the Basic Provisions of this Lease, and shall be deemed received upon actual receipt or rejection. Notices may be signed by the attorneys for the party on whose behalf the notice is sent. Changes in addresses may be designated by written notice as provided in this Article.

ARTICLE 16 ACCESS

Landlord and any Fee Mortgagee and any lessor under any ground or underlying lease, and their respective representatives, may enter the Premises at all times, upon reasonable advance notice to Tenant, for the purposes of (a) responding to emergency situations, (b) inspection, (c) making Repairs, replacements or improvements in or to the Premises or the Building or equipment, (d) performing other obligations of Landlord or Tenant pursuant to this Lease, (e) complying with any Legal Requirements, (f) exercising any right reserved to Landlord by this Lease (including the right during the progress of any such Repairs, replacements or improvements or while performing work and furnishing materials in connection with the compliance with any such Legal Requirements to keep and store within the Premises all necessary materials, tools and equipment) or (g) during the period commencing twelve (12) months prior to the end of the Term, for the purpose of exhibiting same to prospective tenants. Nothing herein contained, however, shall be deemed or construed to impose upon Landlord or any Fee Mortgagee or lessor, any obligation, responsibility or liability whatsoever for the care, supervision or repair of the Premises or Building or any parts thereof other than as herein provided. If a representative of Tenant shall not be personally present to open and permit an entry into the Premises at any time when an entry shall be reasonably necessary or permissible hereunder, Landlord or its agents may enter by a master key or may, in case of emergency, forcibly enter the same without rendering Landlord or its agents liable therefor (provided that, during such entry, reasonable care shall be accorded to avoid damage or injury to Tenant's property), and without in any manner affecting the obligations and covenants of this Lease. Without incurring any liability to Tenant, Landlord may permit access to the Premises and open the same, whether or not Tenant shall be present, upon demand of any receiver, trustee, assignee for the benefit of creditors, sheriff, marshal or court officer entitled to, or reasonably purporting to be entitled to, such access for the purpose of taking possession of, or removing, Tenant's property or for any other lawful purpose (but this provision and any action by Landlord hereunder shall not be deemed a recognition by Landlord that the person or official making such demand has any right or interest in or to this Lease, or in or to the Premises), or upon demand of any representative of the fire, police, building, sanitation or other department of Governmental Authorities.

ARTICLE 17 SIGNS

Landlord, at no additional cost to Tenant, shall provide Tenant with Building standard signage in the lobby. Tenant, at no cost or expense to Landlord, shall have the right to install signage at the entrance to the Premises and upon the Building facade. Except as otherwise provided, Tenant shall place no signs upon the Premises, Building or Complex except as permitted by

Landlord in its reasonable discretion. Tenant acknowledges and agrees that Landlord may desire to have standardized signage and Tenant agrees to conform with such signage requirements. Tenant shall also have the right to install, at no cost or expense to Landlord, on (1) sign on the outside upper façade of the Building. The plan, design and location of the signage shall be subject to (i) Landlord's prior approval, and (ii) any and all applicable municipal, State and other governmental or quasi-governmental agencies with approval authority.

ARTICLE 18 END OF TERM

Upon the expiration or other termination of the Term, Tenant shall peaceably and quietly quit and surrender the Premises to Landlord. The Premises shall be delivered in substantially the same condition as on the Commencement Date, broom clean, in good order and condition, reasonable wear and tear excepted, and otherwise in accordance with the terms of this Lease. Any Rent which is payable to the Expiration Date or earlier termination of this Lease which is not then ascertainable shall be paid to Landlord when the same is determined. Any Personalty remaining in the Premises after possession of the Premises has been returned to Landlord shall be deemed abandoned by Tenant to Landlord. Landlord shall have the right to dispose of the Personalty in any manner Landlord deems appropriate. Tenant agrees to indemnify and hold Landlord harmless from any and all (i) costs and expenses incurred by Landlord for the removal or disposal of the Personalty, and (ii) claims by third parties for ownership, obligation, payment, debt, loss or damage to any item or items of Personalty so abandoned. The provisions of this Article shall survive the Expiration Date or earlier termination of this Lease.

ARTICLE 19 HOLDING OVER

Should Tenant hold over in possession after the Expiration Date, such holding over shall not be deemed to extend the Term or renew this Lease. Tenant agrees to indemnify and save Landlord harmless from and against all claims, losses, damages, liabilities, costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) resulting from delay by Tenant in surrendering the Premises, including, without limitation, any claims made by any succeeding tenant founded on such delay. The parties recognize and agree that the damage to Landlord resulting from any failure by Tenant to timely surrender possession of the Premises will be extremely substantial, will exceed the amount of the Rent and will be impossible to accurately measure. Tenant therefore agrees that if possession of the Premises is not surrendered to Landlord on the Expiration Date, in addition to any other rights and remedies Landlord may have hereunder or at law, and without in any manner limiting Landlord's right to demonstrate and collect any damages suffered by Landlord and arising from Tenant's failure to surrender the Premises as provided herein, Tenant shall pay to Landlord on account of use and occupancy of the Premises for each month and for each portion of any month during which Tenant holds over after the Expiration Date, a sum equal to one hundred fifty percent (150%) for the first month of any hold over period and two hundred percent (200%) thereafter of the aggregate of that portion of the Rent which was payable under this Lease during the last month of the Term. Nothing herein shall be deemed to permit Tenant to retain possession of the Premises after the Expiration Date or to limit in any manner Landlord's right to regain possession of the Premises through summary proceeding or otherwise, and no acceptance by Landlord of payments from Tenant after the Expiration Date shall be deemed to be other than on account of the amount to be paid by Tenant in accordance with the provisions of this Article. The provisions of this Article shall survive the Expiration Date.

ARTICLE 20 INDEMNITY

Section 20.1 Indemnity.

(a) Neither Landlord nor Tenant shall do or permit any act or thing to be done in or about the Premises which may subject the other party to any liability or responsibility for injury, damages to persons or property or to any liability by reason of any violation of any Legal Requirement.

(b) Tenant shall exercise such control over the Premises as to fully protect Landlord against any such liability. Tenant shall indemnify and save the Landlord, the members comprising Landlord and its and their partners, shareholders, members, officers, directors, employees, agents and contractors (the "Indemnitees") harmless from and against (x) all claims of whatever nature against the Indemnitees arising from Tenant's occupancy of the Premises, or from any act, omission or negligence of Tenant, its contractors, licensees, agents, servants, employees, invitees or visitors (including, without limitation, statutory liability and liability under worker's compensation laws), (y) all claims against the Indemnitees arising from any accident, injury or damage whatsoever caused to any person or to the property of any person and occurring during the Term in or about the Premises, and (z) any breach, violation or non-performance of any covenant, condition or agreement in this Lease set forth and contained on the part of Tenant to be fulfilled, kept, observed and performed.

(c) Landlord agrees to indemnify and hold Tenant, its agents, servants and employees, harmless from any

loss or damages, including reasonable attorneys' fees and costs, resulting from the gross negligence or willful misconduct of Landlord, its agents, servants and employees.

(d) This indemnity and hold harmless agreement shall include indemnity from and against any and all liability, fines, suits, demands, costs and expenses of any kind or nature (including, without limitation, attorneys' fees and disbursements) incurred in or in connection with any such claim or proceeding brought thereon, and the defense thereof.

Section 20.2 Defense. If any claim, action or proceeding is made or brought against Landlord, Tenant, the Indemnitees or any of them, which claim, action or proceeding either Landlord or Tenant shall be obligated to indemnify against pursuant to the terms of this Lease, then, upon demand by the indemnified party or any of them, the indemnitor, at its sole cost and expense, shall resist or defend such claim, action or proceeding in the name of such indemnified party, if necessary, by such attorneys as such indemnified party shall approve, which approval shall not be unreasonably withheld. Attorneys for the indemnitor's insurer are hereby deemed approved for purposes of this Section. The provisions of this Section shall survive the expiration or earlier termination of this Lease.

ARTICLE 21 SUBORDINATION

Section 21.1 Fee Mortgage. Landlord shall have the right at any time during the Term to subject its interest in the Premises, the Building, the Complex and/or this Lease to any one or more mortgages on Landlord's interest therein ("Fee Mortgage") and to renew, modify, consolidate, replace, extend and/or refinance any such Fee Mortgage. Landlord shall be entitled to all of the proceeds from any such Fee Mortgage at any time effected pursuant hereto.

Section 21.2 Subordination. This Lease shall at all times be subordinate to any Fee Mortgage. The foregoing provisions shall be self-operative and no further instrument of subordination shall be required. If Landlord or any holder of any Fee Mortgage desires confirmation of such subordination, Tenant shall promptly execute, without charge therefor, any certificate that Landlord or the Fee Mortgagee may request, provided that such certificate does not modify the terms of this Lease.

Section 21.3 Attornment. Notwithstanding the provisions of Section 21.2, should any Fee Mortgagee require that this Lease be prior rather than subordinate to any such Fee Mortgage, Tenant shall, within ten (10) days after request therefor by Landlord or such Fee Mortgagee, and without charge therefor, execute a document effecting or acknowledging such priority, which document shall contain, at the option of such requesting party, an attornment to the Fee Mortgagee, or any person acquiring the interest of Landlord as a result of any foreclosure or the granting of a deed in lieu of foreclosure, as landlord, upon the then executory terms and conditions of this Lease for the remainder of the Term. If a Fee Mortgage is foreclosed or title to the Premises transferred to a Fee Mortgagee by deed in lieu of foreclosure, Tenant shall attorn to Landlord's successor.

Section 21.4 SNDA. Landlord shall request any Fee Mortgagee to execute a subordination and non-disturbance agreement ("SNDA"), in form and substance acceptable to the Fee Mortgagee in the Fee Mortgagee's sole discretion. Any costs or expenses incurred by Landlord in connection with obtaining an SNDA shall be shared equally by Landlord and Tenant. Failure of the Landlord to obtain an SNDA on Tenant's behalf shall be of no consequence to any other right or obligation of either party to this Lease. Tenant shall be permitted to request an SNDA from any Fee Mortgage no more than one (1) time during the Term if the SNDA is obtained, nor more than one (1) time per twelve (12) Lease Months if the SNDA is not obtained.

ARTICLE 22 CERTIFICATES

On the request of either party, Landlord and Tenant shall execute, acknowledge and deliver to each other, within ten (10) days after request, a written instrument, duly executed and acknowledged, (i) certifying that this Lease has not been modified and is in full force and effect or, if there has been a modification, that this Lease is in full force and effect as modified, stating such modification, and that this Lease is the only lease between Landlord and Tenant affecting the Premises, (ii) specifying the dates to which Rent has been paid, (iii) stating whether or not, to the knowledge of the party executing such instrument, the other party hereto is in default and, if so, stating the nature of such default, (iv) stating whether or not there are then existing any credits, offsets or defenses against the enforcement of any provisions of this Lease, (v) stating the Commencement Date and the Expiration Date, (vi) stating which of any options to extend the Term have been exercised, (vii) stating that there are no actions, whether voluntary or otherwise, pending against Tenant under the bankruptcy laws of the United States or any state thereof, and (viii) stating such further information with respect to the Lease or the Premises as may reasonably be requested. Any such certificate may be relied upon by any prospective purchaser of the Complex, the Building or the Premises (or any portion of any of the foregoing) or of the interest of Landlord in any part thereof, by any mortgagee or prospective mortgagee thereof, by a lessor or prospective lessor thereof, by any lessee or prospective lessee thereof, or by any prospective assignee of any mortgage thereof. The failure of Tenant to execute, acknowledge and deliver to Landlord a statement in accordance with the provisions of this

Article within ten (10) days after request therefor shall constitute an acknowledgment by Tenant, which may be relied on by any person who would be entitled to rely upon any such statement, that such statement as submitted by Landlord is true and correct.

ARTICLE 23 PARKING SPACES; USE OF EXTERIOR AREAS

Section 23.1 Parking Spaces.

(a) Tenant shall, without additional charge, have the use of the number of Parking Spaces stated in the Basic Provisions section of this Lease. Unless specifically stated otherwise, parking shall be on a non-designated, unassigned basis and in common with Landlord, the other tenants of the Complex and other vehicles permitted in the Complex.

(b) Landlord reserves the right to issue parking permits, install a gate system, or impose any other system Landlord deems necessary for the use of the parking area, including requiring Tenant to affix parking stickers or other means of identification and/or furnish Landlord with the license plate numbers of vehicles operated or controlled by Tenant or its subtenants. Tenant agrees not to permit vehicles operated or controlled by Tenant or its subtenants to park in parking spaces allocated to others by Landlord. Landlord shall have the right to have vehicles violating the provisions of this Lease removed from the Complex at the cost and expense of the vehicle's owner or operator.

(c) Landlord shall not be required to keep parking spaces clear of unauthorized vehicles or to otherwise supervise the use of the parking area. Landlord reserves the right to change any existing or future parking area, roads or driveways, and may make any Repairs or alterations it deems necessary to the parking area, roads and driveways and to temporarily revoke or modify the parking rights granted to Tenant hereunder, provided that no such change shall permanently reduce the number of available parking spaces nor render the parking less accessible than at the Commencement Date (except for temporary periods when necessary repairs are being performed).

Section 23.2 Use of Exterior Areas.

(a) Tenant shall not use the access driveway, parking areas and loading platforms so as to interfere with the use by others of the access driveways, parking areas, other loading areas and the vehicular traffic in and out of the Complex.

(b) Except as specifically permitted under this Lease, Tenant shall have no right to use any part of the roof of the Building or the exterior Building walls.

(c) Tenant may not utilize any portion of the Complex outside of the Premises for storage of any kind.

ARTICLE 24 WAIVER PROVISIONS

Section 24.1 Waivers.

(a) Tenant, on its own behalf and on behalf of all persons claiming through or under Tenant, including all creditors, hereby waives any and all rights which Tenant and all such persons might otherwise have under any present or future law to redeem the Premises, or to re-enter or repossess the Premises, or to restore the operation of this Lease, after Tenant shall have been dispossessed by a judgment or by warrant of any court or judge; or any re-entry by Landlord; or any expiration or termination of this Lease and the Term, whether such dispossess, re-entry, expiration or termination shall be by operation of law or pursuant to the provisions of this Lease.

(b) Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either against the other upon any matters whatsoever arising out of or in any way connected with this Lease, Tenant's use or occupancy of the Premises, and/or any claim of injury or damage. It is further mutually agreed that if Landlord commences any summary proceedings for non-payment of any Rent, Tenant will not interpose any non-mandatory or non-compulsory counterclaim of whatever nature or description in any such proceeding.

Section 24.2 Non-Waiver.

(a) The failure of Landlord to insist upon strict performance of any of the terms, covenants or conditions hereof shall not be deemed a waiver of any rights or remedies that Landlord may have and shall not be deemed a waiver of any subsequent breach or default in any of such terms, covenants or conditions. No provision of this Lease shall be deemed waived by

Landlord unless such waiver is granted in writing signed by Landlord.

(b) No payment by Tenant or receipt by Landlord of a lesser amount than the Rent herein stipulated and reserved shall be deemed to be other than on account of the earliest stipulated Rent then due and payable unless Landlord, in its sole discretion, elects to apply such payment to a later installment of Rent herein stipulated and reserved. No endorsement or statement on any check, or letter accompanying any rent check or payment shall be deemed an accord and satisfaction, and Landlord may accept the same without prejudice to Landlord's right to recover any balance due or to pursue any other remedy in this Lease provided.

(c) No failure by Landlord to enforce any of the Rules and Regulations against Tenant and/or any other tenant or occupant of the Complex shall be deemed a waiver thereof.

(d) No receipt of money by Landlord from Tenant with knowledge of the breach of any covenant or agreement of this Lease, or after the termination hereof, or after the service of any notice, or after the commencement of any suit, or after final judgment for possession of the Premises, shall be deemed a waiver of such breach, nor shall it reinstate, continue or extend the Term, or affect any such notice, demand or suit.

(e) No act done or thing said by Landlord or Landlord's agents shall constitute a cancellation, termination or modification of, or eviction or surrender under, this Lease, or a waiver of any covenant, condition or provision hereof, nor relieve Tenant of Tenant's obligation to pay Rent hereunder. Any acceptance of surrender, waiver or release by Landlord and any cancellation, termination or modification of this Lease must be in writing signed by Landlord or by Landlord's duly authorized representative. The delivery of keys to any employee or agent of Landlord shall not operate as a surrender or as a termination of this Lease, and no such employee or agent shall have any power to accept such keys prior to the termination of this Lease.

ARTICLE 25 MISCELLANEOUS

Section 25.1 Rules and Regulations. Tenant shall comply with, and cause its employees, contractors, subtenants, licensees and business invitees to comply with, the Rules and Regulations. Landlord reserves the right from time to time to suspend, amend or supplement the Rules and Regulations and Tenant agrees to comply with all such Rules and Regulations upon notice of the same from Landlord. In the case of any conflict or inconsistency between the provisions of this Lease and any of the Rules and Regulations as originally promulgated or as changed, the provisions of this Lease shall control. Landlord agrees to make commercially reasonable efforts to enforce the Rules and Regulations against all tenants in the Complex in a consistent and non-discriminatory manner.

Section 25.2 Relationship of Parties. Nothing contained in this Lease shall be construed to create the relationship of principal and agent, partnership, joint venture or any other relationship between the parties hereto other than the relationship of Landlord and Tenant. Nothing contained herein shall in any way impose any liability upon the members, officers, partners or directors of Landlord.

Section 25.3 Recording. Neither Landlord nor Tenant shall record this Lease nor any memorandum, abstract or other form of this Lease.

Section 25.4 Captions. The captions, section numbers, and index appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe, or describe the scope or intent of such sections or articles nor in any way affect this Lease.

Section 25.5 Applicable Law. This Lease shall be governed by, and construed in accordance with, the laws of the State in which the Complex is located. If any provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be found to be invalid or unenforceable, the remainder of this Lease shall not be affected thereby and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by the law.

Section 25.6 Mechanics' Liens.

(a) Tenant shall not suffer or permit any liens to stand against the Premises or any part thereof, by reason of any work, labor, services or materials done for, or supplied to, or claimed to have been done for, or supplied to, Tenant or anyone holding the Premises or any part thereof through or under Tenant. If any such lien shall at any time be filed against the Premises, Tenant shall cause the same to be discharged of record within ten (10) days after receipt of Notice of the filing of same, by either payment, deposit or bond. If Tenant shall fail to discharge any such lien within such period, then, in addition to any

other right or remedy of Landlord, Landlord may, but shall not be obligated to, procure the discharge of such lien either by paying the amount claimed to be due, or such greater amount as is otherwise required pursuant to Legal Requirements, by deposit in court or bonding, and/or Landlord shall be entitled, if Landlord so elects, to compel the prosecution of an action for the foreclosure of such lien by the lienor and to pay the amount of the judgment, if any, in favor of the lienor with interest, costs and allowances. Any amount paid or deposited by Landlord for any of the aforesaid purposes, and all legal and other expenses of Landlord, including counsel fees, in defending any such action or in or about procuring the discharge of such lien, with all necessary disbursements in connection therewith, together with interest thereon at the Interest Rate from the date of payment or deposit, shall become due and payable forthwith by Tenant to Landlord, or, at the option of Landlord, shall be payable by Tenant to Landlord as Additional Rent.

(b) Nothing in this Lease shall be deemed to be, or construed in any way as constituting, the consent or request of Landlord, expressed or implied, by inference or otherwise, to any person, firm or corporation for the performance of any labor or the furnishing of any materials for any construction, rebuilding, alteration or repair of or to the Premises, or any part thereof, or as giving Tenant any right, power or authority to contract for or permit the rendering of any services or the furnishing of any materials, which might in any way give rise to the right to file any lien against or Landlord's interest in the Premises. Landlord shall have the right to post and keep posted at all reasonable times upon the Premises any notices which Landlord shall be required so to post for the protection of Landlord and/or the Premises from any such lien.

Section 25.7 Brokerage. Landlord and Tenant each represent that it dealt with no broker or brokers or other person in connection with the negotiation, execution and delivery of this Lease other than Broker. Landlord agrees to pay any commission due Broker in connection with this Lease pursuant to a separate agreement. Each party shall defend, indemnify and hold the other harmless from and against any claims or demands for any brokerage commissions, finder's fees and/or other compensation resulting from a breach by it of the foregoing representation.

Section 25.8 Limitation of Landlord's Liability; Authority.

(a) The term "Landlord" as used in this Lease means only the owner of the Premises for the time being, so that in the event of any sale of Landlord's interest in the Premises or in this Lease, Landlord shall be and hereby is entirely freed and relieved of all obligations of Landlord with respect to the Premises, and it shall be deemed without further agreement between the parties and such purchaser(s) or assignee(s) that the purchaser or assignee has assumed and agreed to observe and perform all obligations of Landlord hereunder relating to the Premises.

(b) Except as the same may be attributable solely to the gross negligence or willful misconduct of the Landlord, its servants, agents, or employees, (i) all Personalty shall be kept at the sole risk of Tenant and Landlord shall not be considered the voluntary or involuntary bailee of same, (ii) Landlord shall bear no responsibility for damage or injury to Tenant or any of its officers, agents or employees or to any other persons or to any Personalty or to the business of the Tenant, or any interruption thereof.

(c) It is specifically understood and agreed that there shall be no personal liability on Landlord in respect to any of the covenants, conditions, or provisions of this Lease. If there is a breach or default by Landlord under this Lease, Tenant shall look solely to the equity of Landlord in the Building for the satisfaction of Tenant's claims, and to no other property or assets of Landlord. No constituent of Landlord including, without limitation, any agent, partner, member, shareholder, managing agent or otherwise shall be in any manner personally liable under this Lease.

Section 25.9 Attorneys' Fees. Should either party hereto institute any action or proceeding in court to enforce any provision hereof, or for damages or for declaratory or other relief hereunder, the prevailing party shall be entitled to receive from the losing party, in addition to court costs, such amount as the court may adjudge to be reasonable as attorneys' fees for services rendered to said prevailing party, and said amount may be made a part of the judgment against the losing party.

Section 25.10 Arbitration. In any case where this Lease provides for the settlement of a dispute by arbitration, the same shall be settled by arbitration under the auspices of the American Arbitration Association. The rules of the American Arbitration Association from time to time in effect shall apply (to the extent appropriate). Any award shall be enforceable by proper proceedings in any court having jurisdiction. The arbitrator, regardless of how appointed, may determine how the expenses of the arbitration, including reasonable attorney's fees, and disbursements of the successful party, shall be borne as between Landlord and Tenant. Nothing in this Section shall preclude Landlord or Tenant from exercising their rights to make payments or perform any work to cure alleged defaults prior to or during the course of arbitration, if any delay in complying with any requirements of this Lease by Landlord or Tenant might subject the other to any fine or penalty, or to prosecution for a crime, or if it would constitute a default by Landlord under any mortgage.

Section 25.11 Non-Binding Until Executed. This Lease is offered for signature by Tenant and it is understood that this Lease shall not be binding upon Landlord or Tenant unless and until Landlord and Tenant shall have executed and unconditionally delivered a fully executed copy of this Lease to each other. The acceptance by Landlord of the Security shall not render this Lease effective unless and until Landlord shall have executed and delivered to Tenant a fully executed copy of this Lease.

Section 25.12 No Claim for Damages. Tenant hereby waives any claim against Landlord which Tenant may have based upon any assertion that Landlord has unreasonably withheld or delayed any consent or approval requested by Tenant, and Tenant agrees that its sole remedy shall be an action or proceeding to enforce any related provision or for specific performance, injunction or declaratory judgment. If there is a determination that such consent or approval has been withheld or delayed unreasonably, the requested consent or approval shall be deemed to have been granted; however, Landlord shall have no liability to Tenant for its refusal or failure to give such consent or approval. Tenant's sole remedy for Landlord's unreasonably withholding or delaying consent or approval shall be as provided in this Section.

Section 25.13 Independent Covenants. Tenant agrees that Tenant's covenants and obligations under this Lease shall be independent of Landlord's covenants and obligations under this Lease and that each such covenant and obligation is independent of any other covenant or obligation. Landlord's breach or non-performance of any of Landlord's covenants or obligations under this Lease shall not excuse Tenant of Tenant's covenants and obligations under this Lease, and shall not be the basis for any defense, of any kind or nature whatsoever, to any suit by Landlord for Tenant's breach or non-performance of any of Tenant's covenants or obligations under this Lease (including, without limitation, Tenant's failure to pay Rent). It is the express agreement of Landlord and Tenant that all payments of Base Rent and Additional Rent due under this Lease are absolutely and unconditionally due at the time set forth herein, without any right of set-off or deduction of any kind or nature whatsoever except as expressly provided to the contrary in this Lease.

Section 25.14 Interpretation. No provision of this Lease shall be construed against or interpreted to the disadvantage of either Landlord or Tenant by any court or other governmental or judicial authority by reason of either Landlord or Tenant having or being deemed to have drafted, structured or dictated such provision. The words "herein," "hereof," "hereunder," "hereafter," and the words of similar import refer to this Lease as a whole and not to any particular Article, Section or subsection thereof, unless specifically stated otherwise.

Section 25.15 Entire Agreement. This Lease and the exhibits attached hereto and forming a part hereof, set forth all the covenants, promises, agreements, conditions and understandings between Landlord and Tenant concerning the subject matter hereof and there are no covenants, promises, agreements, conditions or understandings heretofore made, either oral or written, between the parties other than as herein set forth. No modification, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each party.

Section 25.16 Binding Effect. The covenants, agreements, terms, provisions and conditions of this Lease shall bind and benefit the respective successors, assigns and legal representatives of the parties hereto with the same effect as if mentioned in each instance where a party hereto is named or referred to, except that no violation of the provisions of this Lease shall operate to vest any rights in any successor, assignee or legal representative of Tenant. It is understood and agreed, however, that the covenants and obligations on the part of the Landlord under this Lease shall not be binding upon Landlord herein named with respect to any period subsequent to the transfer of its interest in the Building or Complex, that in the event of such transfer said covenants and obligations shall thereafter be binding upon each transferee of such interest of Landlord herein named, but only with respect to the period ending with a subsequent transfer of such interest, and that a lease of the entire interest shall be deemed a transfer within the meaning of this Section.

Section 25.17 Severability. If any provision of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease shall not be affected thereby and each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

Section 25.18 Patriot Act. Landlord and Tenant each represents and warrants to the other that, to their knowledge: (i) they are not acting, directly or indirectly, for or on behalf of any person, group, entity or nation named by the United States Treasury Department as a Specially Designated National and Blocked Person, or for or on behalf of any person, group, entity or nation designated in Presidential Executive Order 13224 as a person who commits, threatens to commit, or supports terrorism; and (ii) they are not engaged in this transaction directly or indirectly on behalf of, or facilitating this transaction directly or indirectly on behalf of, any such person, group, entity or nation

IN WITNESS WHEREOF, the parties have this day set their hands and seals.

Signed, Sealed and Delivered
In the presence of:

PRINCIPAL PROPERTIES, L.P.
By: PGP, Inc., it's general partner

By: /s/ Steven J. Denholtz
Steven J. Denholtz, President

GROUP DCA, INC.

By: /s/ Robert O. Likoff
Name: Robert O. Likoff
Title: Chief Executive Officer

EXHIBIT A

Site Plan

[Drawing of leased premises.]

EXHIBIT B

Floor Plan

[Drawing of floor plan of leased premises.]

EXHIBIT C

Rules and Regulations

1. Tenant, its employees, agents, servants, visitors, licensees and invitees shall not:

(a) obstruct or permit the obstruction of the sidewalks, entry passages, corridors, halls, stairways or elevators, or use the same in any way other than as a means of passage to and from the Premises

(b) damage or defile any other part of the interior or exterior of the Building;

(c) place anything on the outside of the Building, including roof setbacks, window ledges and other projections;

(d) interfere with the heating or cooling systems;

(e) use any electrical heating device;

(f) use or permit the use of alcoholic beverages or tobacco, except as may be otherwise specifically permitted;

(g) give its employees or other persons permission to go on the roof of the Building;

(h) place door mats in public corridors,

(i) conduct, or permit any other person or entity to conduct, any auction in the Premises or the Complex,

(j) manufacture or store goods, wares or merchandise upon the Premises except in the ordinary course of Tenant's business as allowed by the Permitted Use,

(k) permit the Premises to be used for gambling,

(l) burn any papers, trash or garbage of any kind,

(m) throw substances of any kind out of the windows or doors, or down the passages of the Building, or in the halls or passageways,

(n) cause or allow any use generally deemed to be obnoxious or a nuisance, make or allow any unusual or extraordinary lights, sounds, noises or music, or permit any unusual or strong odors.

2. The Premises shall not be used for lodging, cooking or sleeping. The use of a microwave oven shall not be prohibited.

3. No lock or locks shall be placed by Tenant on any door in the Building (including the Premises), without the prior written consent of Landlord. Tenant, its agents and employees shall not change any lock. All keys to doors and rest rooms shall be returned to Landlord on or before the termination of the Lease, and Tenant shall pay for any lost keys.

4. Rest rooms, plumbing fixtures, other water apparatus and electrical outlets shall not be used for any purposes other than those for which they are constructed.

5. All trash and garbage shall be stored in appropriate receptacles and in such manner so as not to create or permit any health hazard or fire hazard.

6. No vehicles or animals of any kind shall be brought into or kept in or about the Premises, except animals such as seeing-eye dogs, etc., as may be reasonably required to accommodate the needs of individuals with disabilities. Bicycles may be brought into the Premises, but shall not be left in front of the Building.

7. Business machines and mechanical equipment which cause vibration, noise, cold or heat that may be transmitted to

8.

the Building structure or to any leased space outside the Premises shall be placed and maintained by Tenant, at its sole cost and expense, in settings or cork, rubber or spring type vibration eliminators sufficient to absorb and prevent such vibration, noise, cold or heat.

9. Canvassing and soliciting in the Building are prohibited, and Tenant shall cooperate to prevent the same.

10. No portion of the Complex may be used, directly or indirectly, by any person or legal entity other than Tenant, Tenants' subtenants, agents, servants, employees licensees, invitees, contractors, customers and deliverymen.

11. Landlord reserves to itself any and all rights not granted to Tenant and shall have the following additional rights:

(a) to change the name and/or street address of the Building and the arrangement and/or location of entrances, passageways, doors, doorways, corridors, elevators, stairs, toilet or other public parts of the Building;

(b) to install and maintain a sign or signs on the exterior of the Building;

(c) to constantly have keys to the Premises;

(d) to grant to anyone the exclusive right to conduct any particular business or undertaking in the Building;

(e) to make such other and further reasonable Rules and Regulations, as in the reasonable judgment of Landlord, may from time to time be necessary and/or appropriate for the safety, appearance, care and cleanliness of the Building and for the preservation of good order therein. Landlord shall not be responsible to Tenant for any violation of Rules and Regulations by any other tenants.

EXHIBIT D

LANDLORD'S WORK

1. Landlord shall, at no additional cost to Tenant, deliver all Building mechanical systems in good working order. Prior to the Commencement Date, Landlord shall have all HVAC units inspected by a licensed contractor/engineer, in the presence of Tenant, to determine the condition of each unit. If such inspection discloses any condition unsatisfactory to Tenant, in Tenant's reasonable opinion, including, without limitation, excessive noise, Landlord shall repair or replace such unit.

2. In lieu of Landlord performing any other work in the Premises, Landlord agrees to allow Tenant a credit of not more than Three Hundred Seven Thousand Five Hundred Dollars ($307,500.00) (the "Improvement Allowance") for costs and expense incurred by Tenant within six (6) months after the Commencement Date (the "Improvement Period") for improvements to the Premises, third floor elevator lobby and/or third floor bathrooms, including all soft and hard costs, permit fees and professional fees. Payment(s) shall be made directly to the Tenant's contractors, materialmen and/or other supplier. Payment requests shall be approved, in Landlord's reasonable discretion, upon submission by Tenant to Landlord of documentation that improvements were completed and invoices rendered during the Improvement Period. Such documentation shall be in the form of (i) a narrative of the improvement(s) made for each particular expenditure, setting out the nature, purpose and location of the particular improvement for which credit is requested, (ii) contractors'/materialmen's/suppliers' invoices, (iii) verification by Tenant that the invoiced work has been completed to Tenant's satisfaction and (iv) where applicable, final lien waivers, duly executed by all contractors and subcontractors performing such work, indicating that such work has been completed and paid for in full. Landlord reserves the right to inspect the Demised Premises prior to approving any payment for the purpose of confirming the completion and value of the improvement. Properly documented payment requests received no later than six (6) months after expiration of the Improvement Period shall be honored by Landlord provided the actual improvement was made within the Improvement Period. Tenant shall submit requests for payments pursuant to this Paragraph in amounts of not less than Ten Thousand Dollars ($10,000.00) per request, with the exception of a final payment request, which may be for any amount. Payments shall be made within forty-five (45) calendar days after submission of all required documentation for an approved payment.

Upon request of Tenant, Landlord shall apply against Base Rent any amount not to exceed Eighty Seven Thousand Five Hundred Dollars ($87,500.00) of the Improvement Allowance which remains unused after the Improvement Period.

EXHIBIT E

RENEWAL OPTION

If no Event of Default remains uncured beyond any applicable cure period, Tenant shall have two options to renew (each a "Renewal Option") this Lease for a period of sixty (60) months per Renewal Option from the then current Expiration Date (each a "Renewal Term") upon the terms and conditions herein set forth.

Each Renewal Option shall be exercised, if at all, by Tenant giving written notice of exercise ("Renewal Notice") to Landlord, which must be received by Landlord not less than twelve (12) months prior to the Expiration Date. Each Renewal Option shall be voidable by Landlord if the Renewal Notice is not received by Landlord on a timely basis.

During each Renewal Term all of the terms, covenants and conditions of this Lease shall continue to apply, except as specifically otherwise provided herein, and there shall be no additional right to renew this Lease.

The Base Rent for each Renewal Term shall be determined as follows:

(a) Not later than thirty (30) calendar days after Landlord receives the Renewal Notice, Landlord shall deliver to Tenant a notice of the proposed Base Rent for each month of the Renewal Term ("Landlord's Rent Notice").

(b) Not later than thirty (30) calendar days after receipt of Landlord's Rent Notice, Tenant may deliver to Landlord a notice of its proposed Base Rent for each month of the Renewal Term ("Tenant's Rent Notice"). Delivery of Tenant's Rent Notice shall be deemed a rejection of Landlord's Rent Notice. If Tenant does not deliver Tenant' Rent Notice to Landlord in a timely fashion, then the Base Rent set out in Landlord's Rent Notice shall be deemed accepted by both parties.

(c) Not later than thirty (30) calendar days after receipt of Tenant's Rent Notice, Landlord may deliver to Tenant a notice of its acceptance or rejection of Tenant's proposed Base Rent. If Landlord does not deliver notice of its acceptance or rejection of the Tenant's proposed Base Rent in a timely fashion, then Tenant's proposed Base Rent shall be deemed rejected by Landlord.

(d) If Landlord rejects Tenant's proposed Base Rent, then the parties shall obtain an appraisal of the fair market Base Rent for the Premises prepared by a member of the American Institute of Real Estate Appraisers ("Appraiser"), which Appraiser is mutually acceptable to both Landlord and Tenant. The cost of the appraisal shall be shared equally by Landlord and Tenant. The Appraiser's determination of the fair market Base Rent for the Renewal Term shall be final and binding on both parties.

Upon determination of the Base Rent for each month of the Renewal Term, Landlord shall prepare, and Tenant shall execute within ten (10) calendar days after receipt, an amendment to the Lease setting out the terms of the renewal.

EXHIBIT G

RIGHT OF FIRST OFFER

Provided no Event of Default remains uncured beyond any applicable notice or cure period, then prior to leasing to prospective tenants any space in the Building which becomes available to lease during the Term (in each instance, an "Option Space"), Landlord shall first offer to lease such Option Space to Tenant. Each Option Space shall be offered for lease to Tenant on the same terms and conditions as Landlord is then offering to third party prospective tenants (including, without limitation, rent and term). Tenant shall have five (5) days from the date of Landlord's offer to accept Landlord's terms and conditions as offered, it being understood that if Tenant does not give Landlord notice of such acceptance within such five (5) day period, Tenant shall be deemed to have rejected Landlord's offer and Landlord shall be free to lease the Option Space to tenant(s) other than Tenant. If Tenant accepts Landlord's offer within such five (5) day period, Landlord and Tenant shall enter into an amendment to the Lease incorporating such Option Space as part of the Premises, provided, however, that if such amendment is not executed and delivered by Tenant within twenty (20) days after Landlord's delivery of such document, then Landlord, in Landlord's sole discretion, shall be free to lease such Option Space to tenant(s) other than Tenant. Notwithstanding the foregoing, Landlord shall not be obligated to offer any Option Space to Tenant for lease if the Term hereof (which shall include any renewal term only if the renewal option has been irrevocably exercised by Tenant) is scheduled to expire within one year after the date Landlord begins offering to lease such Option Space.

EXHIBIT G

CANCELLATION OPTION

If no Event of Default remains uncured beyond any applicable grace or cure period, Tenant shall have the right to cancel (the "Cancellation Option") and terminate this Lease as of the last day of the eighty-sixth (86th) Lease Month, only (the "Cancellation Date") provided as conditions of Tenant's right to exercise the Cancellation Option, Tenant (a) gives at least nine (9) months' irrevocable prior written notice to Landlord of exercise of the Cancellation Option, TIME BEING OF THE ESSENCE AS TO DELIVERY OF SUCH NOTICE AND TERMINATION; and (b) pays a fee to Landlord in the amount of Two Hundred Fifty Thousand Dollars ($250,000.00) no later than thirty (30) calendar days prior to the Cancellation Date.

Should Tenant exercise the Cancellation Option, Tenant hereby agrees to: (a) continue to perform all of the terms and conditions of the Lease until the Cancellation Date; (b) enter into a surrender agreement effective as of the Cancellation Date or, at Landlord's option, consent to the entry of judgment immediately awarding possession of the Demised Premises to Landlord with enforcement of said judgment stayed by its terms until the Cancellation Date; and (iii) on or before the Cancellation Date, actually vacate the Premises, leaving same broom clean and in good order and repair, free and clear of liens, encumbrances and tenancies of any kind and as otherwise required at the end of the Term of the Lease.

EXHIBIT H

FORM OF LETTER OF CREDIT

[Date]

To: [Insert Landlord Name]
c/o Denholtz Management Corp.
1600 St. Georges Avenue
P.O. Box 1234
Rahway, NJ 07065

Ladies and Gentlemen:

By order of our client [Insert Tenant Name], we hereby establish our irrevocable Letter of Credit No. _____ in your favor for a sum or sums not to exceed $________________ (____________ ______________ U.S. Dollars) in the aggregate, effective immediately.

This Letter of Credit shall be payable in immediately available funds in U.S. Dollars. Funds under this Letter of Credit are payable to you upon your presentation of a site draft drawn on us in the form annexed hereto. All drafts must be marked : "Drawn under Letter of Credit No. _______ of [Insert name of issuing bank]."

This Letter of Credit shall expire twelve (12) months from the date hereof, but is automatically extendable, so that this Letter of Credit shall be automatically extended, from time to time, without amendment, for one year from the expiration date hereof and from each and every future expiration date, unless at least sixty (60) days prior to any expiration date we shall notify you by certified mail that we elect not to consider this Letter of Credit renewed for such additional period.

This Letter of Credit is transferable and may be transferred one or more times. However, no transfer shall be deemed effective unless advice of such transfer is received by us.

We hereby agree to honor each draft drawn under and in compliance with this Letter of Credit, if duly presented at our offices at _______________________________, New Jersey or at any other of our offices.

This Letter of Credit is subject to the International Standby Practices ISP98, International Chamber of Commerce Publication No. 590 (1998 edition).

[INSERT ISSUING BANK NAME]

By: _____________________________

[Annex issuing bank's form of site draft]

PDI, INC.
2004 STOCK AWARD AND INCENTIVE PLAN
STOCK APPRECIATION RIGHTS AGREEMENT

This Stock Appreciation Rights ("SAR") Agreement (this "Agreement") is made as of November 18, 2008 (the "Date of Grant") between PDI, Inc., a Delaware corporation (the "Company"), and Nancy Lurker (the "Recipient"), an employee of the Company. This Agreement and the SARs granted hereunder are made pursuant to the terms of the Company's 2004 Stock Award and Incentive Plan (the "Plan"). Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Plan.

Section 1. Stock Appreciation Rights Award . The Company hereby grants to the Recipient, on the terms and conditions hereinafter set forth, 280,000 Stock Appreciation Rights (the "SARs"). Each SAR represents the right to receive an amount payable in shares of the Company's Stock (the "Shares") as provided in Section 4 below, equal in value to the excess, if any, of the Fair Market Value of a Share on the date of exercise of the SAR over the SAR Exercise Price. For purposes of this Agreement, the "SAR Exercise Price" shall mean the Fair Market Value of a Share as of the Date of Grant ($4.28).

Section 2. Vesting of SARs. Subject to Sections 4 and 5 hereof and except as otherwise provided in this Agreement, the SARs shall vest only upon the achievement of both the Time-Based Vesting Condition and the Stock Performance-Based Vesting Condition (each as defined below) with respect to all or any portion of the SARs. The "Time-Based Vesting Condition" shall be deemed satisfied in equal installments of twenty percent (20%) of the SARs on November 18th of 2008, 2009, 2010, 2011 and 2012, respectively, provided that the Recipient remains employed with the Company on each such date. The "Stock Performance-Based Vesting Condition" shall be deemed satisfied with respect to each of the tranches of SARs listed below upon the achievement at any time prior to the fifth anniversary of the Date of Grant of the corresponding stock-based performance condition described below, in each case, provided the Recipient remains employed with the Company on the date that the following applicable stock-based performance condition is satisfied:

Tranche of SARs	Stock-Based Performance Condition
94,000 SARs	The Stock achieves a closing price of at least $10.00 per share over sixty (60) consecutive trading days on the Nasdaq Stock Market or such other primary stock exchange on which the Stock is listed and traded (an "Exchange")
93,000 SARs	The Stock achieves a closing price of at least $15.00 per share over sixty (60) consecutive trading days on an Exchange
93,000 SARs	The Stock achieves a closing price of at least $20.00 per share over sixty (60) consecutive trading days on an Exchange

Notwithstanding the foregoing provisions of this Section 2, upon a Change in Control, (i) the Time-Based Vesting Conditions applicable to each SAR shall be deemed to have been fully

attained as of the date of such Change in Control and (ii) with respect to each of the tranches of SARs listed above, if the Fair Market Value of a Share as of the date of any Change in Control (or, if greater, the per share consideration paid in connection with such Change in Control) exceeds the per share dollar threshold amount of the stock-based performance conditions set forth in the table above (without regard to the number of consecutive trading days for which the closing price was achieved), then such Stock Performance-Based Vesting Condition shall be deemed to have been achieved as of the date of such Change in Control, to the extent not previously achieved.

Section 3. SAR Term. Subject to the provisions of Section 5 of this Agreement, the SARs that become vested pursuant to Section 2 hereof may be exercised at any time for a period of seven (7) years from the Date of Grant (the "SAR Term"). Upon the expiration of the SAR Term, any vested and unexercised SARs shall be cancelled and no longer exercisable, and shall be of no further force or effect.

Section 4. SAR Exercise.

(a) Subject to the provisions of Section 5 hereof, the Recipient may inform the Company of her intention to exercise any portion (or all) of the vested SARs at any time prior to the expiration of the SAR Term by submitting the appropriate SAR exercise form to the Company. The SAR exercise form must be provided to the Company at least three (3) business days prior to the proposed exercise date, and must: (i) state the number of SARs desired to be exercised; (ii) in the event that the SARs shall be exercised by any person other than the Recipient hereof pursuant to Sections 5 or 8 hereof, include appropriate proof of the right of such person to exercise the SAR; and (iii) comply with such further requirements consistent with the Plan as the Board or the Committee may from time to time prescribe. No exercise of any SARs will be effective until the appropriate and completed SAR exercise form is received and processed in the ordinary course by the Company.

(b) Upon the exercise of a SAR, the Recipient shall be entitled to receive that number of Shares having a Fair Market Value equal to the product of (i) the excess of the Fair Market Value of one Share on the date of exercise over the SAR Exercise Price, multiplied by (ii) the number of Shares in respect to which the SAR has been exercised. Except as otherwise determined by the Committee, the payment shall be made in Shares. Fractional shares shall be settled by payment in cash based upon the Fair Market Value on such date. The Recipient is responsible for the payment of all federal, state and local income taxes and other appropriate deductions associated with any SAR exercise, and the Company reserves the right to postpone the transfer of any Shares payable as a result of the Recipient's SAR exercise until such amounts are paid. Subject to the above provisions, the Shares payable upon the exercise of SARs shall be paid as soon as practicable following the exercise date; provided, however, that the Company may delay the issuance of such Shares to the extent necessary to comply with applicable federal and/or state laws and securities registration/ownership requirements.

Section 5. Termination of Service. If the Recipient's service as an employee of the Company is terminated, the Recipient shall: (i) immediately forfeit her interest in any SARs that have not yet become vested, which unvested SARS shall be cancelled and shall be of no further force or effect, and (ii) retain the right to exercise any SARs that had previously become vested prior to the effective date of the Recipient's termination of employment with the Company until

the expiration of thirty (30) days after the effective date of such termination of employment; provided, however, that in the event such termination of employment is as a result of the Recipient's Retirement or Permanent Disability, the period during which the Recipient may exercise her vested SARs shall continue until the expiration of ninety (90) days after the effective date of termination of employment. For purposes of this Agreement, "Retirement" shall mean the Recipient's voluntary termination of her employment with the Company at any time on or after the date on which the following two conditions have been satisfied: (i) the Recipient has reached age 62 and (ii) the Recipient has been continuously employed by the Company and its affiliates for at least two (2) years. For purposes of this Agreement, "Permanent Disability" shall mean a disability which, in the opinion of a physician designated by the Company, permanently prevents the Recipient from being able to render services to the Company. If the Recipient's employment with the Company terminates as a result of her death, or if the Recipient should die after terminating her employment with the Company but prior to the expiration of the above referenced thirty (30) or ninety (90) day exercise period, as appropriate, the representative of the Recipient's estate shall have one (1) year from the effective date of termination of employment to exercise any SARs that had previously become vested prior to the effective date of termination of the deceased Recipient's employment with the Company.

Section 6. No Rights as Stockholder or Employee.

(a) The Recipient shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any Shares subject to the SARs until such SAR shall have been exercised pursuant to the terms of this Agreement and the Company shall have issued the Shares to the Recipient, whereupon the Recipient shall have full voting and other ownership rights with respect to such Shares.

(b) Nothing in this Agreement shall confer upon the Recipient any right to continue as an employee of the Company or to interfere in any way with the right of the Company to terminate the Recipient's employment at any time to the same extent as such right may exist in the absence of this Agreement.

Section 7. Adjustments. If at any time while any SARs are outstanding, the number of outstanding Shares is changed by reason of any events described in the Plan, the number of SARs granted under this Agreement, and any and all rights with regard to same, may be adjusted in accordance with the provisions of the Plan, in the sole discretion of the Committee.

Section 8. Restriction on Transfer of SAR Shares. No SARs (or the option to exercise same) may be transferred, pledged, assigned, hypothecated or otherwise disposed of in any way by the Recipient, except to the Company upon termination of the Recipient's employment as provided for herein. In the event the Recipient becomes legally incapacitated and terminates her employment, her SARs shall be exercisable by her legal guardian, committee or legal representative, in accordance with the provisions of Section 5 hereof. If the Recipient dies, the SAR shall thereafter be exercisable by the Recipient's designated beneficiary or, absent such a designation, by the executors or administrators of the Recipient's estate, in accordance with Section 5 hereof. Any attempted assignment, transfer, pledge, hypothecation or other disposition of any SARs (or rights to exercise same) contrary to the provisions hereof, or the levy of any

execution, attachment or similar process upon such SARs, shall be null and void and without effect.

Section 9. Notices. Any notice hereunder by the Recipient shall be given to the Company in writing and such notice shall be deemed duly given only upon receipt thereof at the Company's office at Saddle River Executive Centre, 1 State Route 17 South, Saddle River, New Jersey 07458, Attn: Human Resource Department, or at such other address as the Company may designate by notice to the Recipient. Any notice hereunder by the Company shall be given to the Recipient in writing and such notice shall be deemed duly given only upon receipt thereof at such address as the Recipient may have on file with the Company.

Section 10. Construction. The construction of this Agreement is vested in the Board or the Committee, as applicable, and their respective construction shall be final and conclusive.

Section 11. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the choice of law principles thereof.

Section 12. Failure to Enforce Not a Waiver. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

Section 13. Amendments. Except as provided in Section 16, this Agreement may be amended or modified at any time only by an instrument in writing signed by each of the parties hereto.

Section 14. Survival of Terms. This Agreement shall apply to and bind the Recipient and the Company and their respective permitted assignees and transferees, heirs, legatees, executors, administrators and legal successors.

Section 15. Severability. If a provision of this Agreement is held invalid by a court of competent jurisdiction, the remaining provisions will nonetheless be enforceable according to their terms. Further, if any provision is held to be over broad as written, that provision shall be amended to narrow its application to the extent necessary to make the provision enforceable according to applicable law and enforced as amended.

Section 16. Plan. The SARs are granted pursuant to the Plan, and the SARs and this Agreement are in all respects governed by the Plan and subject to all of the terms and provisions thereof, whether such terms and provisions are incorporated in this Agreement by reference or are expressly cited.

Section 17. Section 409A. This Agreement shall be interpreted and applied so that the SARs are exempt from, and will not be subject to, Section 409A of the Code. In addition, this Agreement shall be interpreted and applied as if it contained any additional provisions that are required to obtain in order for the SARs to be exempt from Section 409A of the Code.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Agreement, effective as of the date first noted above.

Grant Date: November 18, 2008 **PDI, INC.**

By: /s/ Jeffrey E. Smith
Name: Jeffrey E. Smith
Title: CFO

RECIPIENT

By: /s/ Nancy Lurker
Name: Nancy Lurker

PDI, Inc.

Term Sheet - New Hire Chief Executive Officer

Provision	Description
Purpose & Preamble	Whereas the Board of Directors (the "Board") of PDI, Inc. (the "Company") is seeking to hire the Chief Executive Officer ("CEO") Candidate to join as full-time CEO; Whereas the Board is seeking to provide a competitive compensation opportunity that is strongly aligned with performance for PDI's shareholders; and Whereas, in consideration for CEO Candidate's service, the parties agree to the general terms listed in this document, subject to Board approval.
Position	· Full-time CEO and member of the Board.
Base Salary	· $550,000 annual Base Salary, or Base Monthly Salary of $45,833.33.
Annual Incentive Award	· Eligible for participation. · Annual Incentive Award Target at 100% of Salary. – Payable in cash. – Performance metrics, range of payout opportunities and actual awards subject to approval by the Compensation and Management Development Committee (the "Committee") each year.
Long-Term Incentive Awards	· "Long-Term Incentive Awards" include awards of: – Restricted Stock ("RS") or Restricted Stock Units ("RSUs"); – Stock-settled Stock Appreciation Rights ("SARs"); and – Other types of equity-based incentive awards, if any, as may be awarded at the discretion of the Committee; · Eligible for participation in all long-term incentive award plans offered generally to other PDI senior executives. *Annual Long-Term Incentive Awards* · Annual guideline: Target grant date value at 100% of Salary. · Current award mix: - 50% of value in RSUs; and - 50% of value (using same option valuation method as grants for other PDI senior executives) in SARs with fair market value exercise price as of the date of grant and 5-year term to expiration. · Vesting provisions for Annual Equity Incentive Awards will be the same as provided generally in the plan documents and award agreements for other PDI senior executives. As an example, for the most recent Annual Equity Incentive Awards, the vesting schedules are: - RSUs: 3-year "cliff" vesting, i.e., 100% vests at the 3rd anniversary of the grant date. - SARs: 3-year "step" vesting, i.e., 33 1/3% vests on the 1st, 2nd and 3rd anniversaries of the grant date. · Awards are subject to the approval of the Committee. *Initial Hiring Award* · Initial Hiring Award of 140,000 RSUs and 280,000 performance-contingent SARs to be awarded/approved by the Committee at its next meeting or on the Hire Date, whichever is later. · The award of 140,000 RSUs: - Vests in 5 equal tranches, with 20% vesting immediately on the grant date and an additional 20% vesting on each anniversary of the grant date over 4 years. - Vesting is time-based and subject to continued employment as CEO. · The award of 280,000 performance-contingent SARs: - Fair market value exercise price as of the date of grant. - 7-year term to expiration. - Two vesting conditions must be met before the SARs may be exercised: ➢ Time-based: vesting in 5 equal annual tranches, with 20% vesting immediately on the grant date and an additional 20% vesting on each anniversary of the grant date over 4 years, subject to continued employment as CEO; and ➢ Stock performance-based: vesting only if PDI stock price has maintained a closing stock price at or above a specified Stock Price Target for 60 consecutive trading days anytime within 5 years from the grant date: ° For the first 94,000 SARs, the Stock Price Target is $10.00; ° For the second 93,000 SARs, the Stock Price Target is $15.00; and ° For the third 93,000 SARs, the Stock Price Target is $20.00.

Vesting Provisions upon Change-in-Control ("CIC")	· Vesting on all Long-Term Incentive Awards will accelerate immediately upon a Change-In-Control ("CIC"; standard PDI definition), except that for the Initial Hiring Award SARs, to the extent not already vested at the time of CIC: - Vesting for the first 94,000 SARs will only accelerate if the CIC Price is $10.00 or higher; - Vesting for the second 93,000 SARs will only accelerate if the CIC Price is $15.00 or higher; and - Vesting for the third 93,000 SARs will only accelerate if the CIC Price is $20.00 or higher.
Health & Welfare Benefits	· Provided at the same levels as offered generally to other PDI senior executives. · Subject to adjustment only to the extent that the Committee adjusts the health and welfare benefit plans for all executives.
Perquisites	· Provided at the same levels as offered generally to other PDI senior executives (e.g., car allowance, 401 (k) match, etc.). · Subject to adjustment only to the extent that the Committee adjusts the perquisites program for all executives. · Five (5) weeks vacation. · $15,000 annual financial planning allowance. · One-time special reimbursement allowance of up to $15,000 for legal fees incurred by CEO Candidate related to initial hire.
Payments and/or Benefits upon Termination	· Subject to the terms of the PDI Employment Separation Agreement to be entered into between PDI and the CEO Candidate, if employment is terminated involuntarily by PDI at any time for reasons other than death, total disability or Cause or if the CEO Candidate resigns for Good Reason, PDI will provide benefit continuation and will pay the CEO Candidate a lump sum payment equal to: - Eighteen (18) months of Base Monthly Salary, plus the actual amount paid to the CEO Candidate under any cash-based incentive or bonus plan with respect to the last full fiscal year of the CEO Candidate's participation in such plan prior to the date of termination of employment if such termination or resignation occurs on or before the second anniversary of the Hire Date; or - Twenty-four (24) months of Base Monthly Salary, plus the average of the annual amounts paid to the CEO Candidate under any cash-based incentive or bonus plan with respect to the last three (3) full fiscal years of the CEO Candidate's participation in such plan prior to the date of termination of employment (or, if the CEO Candidate's number of full fiscal years of participant in any such plan prior to the date of termination of employment is less than three (3), the average of the annual amounts paid to the CEO Candidate over the number of full fiscal years of the CEO Candidate's participation in such plan prior to the date of termination of employment) if such termination occurs after the second anniversary of the Hire Date. · Payments upon termination are subject to withholding for applicable federal, state, and local income and employment related taxes. · Payments upon termination may be subject to 6-month delay if necessary to comply with Internal Revenue Code Section 409A and avoid excise tax liability.
Restrictive Covenants	· Consistent with PDI practice for its senior executives.

SUBSIDIARIES OF THE REGISTRANT

- PDI Investment Company, Inc. – Delaware
- TVG, Inc. – Delaware
- Inserve Support Solutions – California
- Group DCA - Delaware

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-61231) pertaining to the 1998 stock option plan of PDI, Inc.,
2. Registration Statement (Form S-8 No. 333-60512) pertaining to the 2000 Omnibus Incentive Plan of PDI, Inc., and
3. Registration Statement (Form S-8 No. 333-123312) pertaining to the 2004 Stock Award and Incentive Plan of PDI, Inc.;

of our report dated March 22, 2011, with respect to the consolidated financial statements and schedule of PDI, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2010.

/s/ Ernst & Young LLP

MetroPark, New Jersey
March 22, 2011

Exhibit 31.1

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

I, Nancy S. Lurker, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2010 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: March 22, 2011

/s/ Nancy S. Lurker
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Jeffrey E. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2010 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: March 22, 2011

/s/ Jeffrey E. Smith
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 Annual Report of PDI, Inc. (the “Company”) on form 10-K for the fiscal year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Nancy S. Lurker, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

Date: March 22, 2011

/s/ Nancy S. Lurker
Chief Executive Officer
(Principal Executive Officer)

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

Exhibit 32.2

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

In connection with the Annual Report of PDI, Inc. (the “Company”) on form 10-K for the fiscal year ended December 31, 2010 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey E. Smith, 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 results of operations of the Company.

Date: March 22, 2011

/s/ Jeffrey E. Smith
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.