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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011
OR

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

For the transition period from _______________ to _______________

Commission File Number: 0-24249

PDI, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

Class	**Shares Outstanding November 6, 2011**
Common stock, $0.01 par value	14,723,168

PDI, Inc.
Form 10-Q for Period Ended September 30, 2011
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PDI, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except share and per share data)

	September 30, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 65,451	$ 62,711
Short-term investments	127	147
Accounts receivable, net	10,797	11,057
Unbilled costs and accrued profits on contracts in progress	2,938	3,363
Other current assets	3,536	3,374
Total current assets	82,849	80,652
Property and equipment, net	2,881	3,947
Goodwill	23,976	23,976
Other intangible assets, net	9,441	10,393
Other long-term assets	5,065	5,421
Total assets	$ 124,212	$ 124,389
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,391	$ 3,266
Unearned contract revenue	21,383	13,417
Accrued salary and bonus	9,453	10,664
Other accrued expenses	11,920	15,981
Total current liabilities	45,147	43,328
Long-term liabilities	9,524	11,548
Total liabilities	54,671	54,876
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $.01 par value; 100,000,000 shares authorized;		
15,797,667 and 15,463,995 shares issued, respectively;		
14,723,168 and 14,390,788 shares outstanding, respectively	158	155
Additional paid-in capital	126,467	124,787
Accumulated deficit	(43,465)	(41,817)
Accumulated other comprehensive income	12	8
Treasury stock, at cost (1,074,499 and 1,073,207 shares, respectively)	(13,631)	(13,620)
Total stockholders' equity	69,541	69,513
Total liabilities and stockholders' equity	$ 124,212	$ 124,389

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Revenue, net	$ 37,246	$ 35,972	$ 123,974	$ 99,952
Cost of services	29,073	27,489	97,828	77,209
Gross profit	8,173	8,483	26,146	22,743
Compensation expense	4,646	4,518	16,818	13,481
Other selling, general and administrative expenses	3,495	3,545	11,488	10,410
Facilities realignment	—	—	—	583
Total operating expenses	8,141	8,063	28,306	24,474
Operating income (loss)	32	420	(2,160)	(1,731)
Other (loss) income, net	(40)	58	(123)	133
Income (loss) from continuing operations before income tax	(8)	478	(2,283)	(1,598)
Provision (benefit) for income tax	183	71	(672)	208
(Loss) income from continuing operations	(191)	407	(1,611)	(1,806)
Loss from discontinued operations, net of tax	(11)	(2,081)	(37)	(2,457)
Net loss	$ (202)	$ (1,674)	$ (1,648)	$ (4,263)
Basic (loss) income per share of common stock from:				
Continuing operations	$ (0.01)	$ 0.03	$ (0.11)	$ (0.13)
Discontinued operations	—	(0.15)	—	(0.17)
Net loss per basic share of common stock	$ (0.01)	$ (0.12)	$ (0.11)	$ (0.30)
Diluted (loss) income per share of common stock from:				
Continuing operations	$ (0.01)	$ 0.03	$ (0.11)	$ (0.13)
Discontinued operations	—	(0.14)	—	(0.17)
Net loss per diluted share of common stock	$ (0.01)	$ (0.11)	$ (0.11)	$ (0.30)
Weighted average number of common shares and common share equivalents outstanding:				
Basic	14,479	14,325	14,417	14,291
Diluted	14,479	14,661	14,417	14,291

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

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

	Nine Months Ended September 30,	
	2011	2010
Cash Flows From Operating Activities		
Net loss	$ (1,648)	$ (4,263)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,352	1,137
Contingent consideration and realignment accrual accretion	257	106
Reversal of contingent consideration accrual	(191)	—
Provision for bad debt	11	23
Non-cash facilities realignment	—	575
Stock-based compensation	1,683	1,111
Other (gains), losses and expenses, net	—	16
Other changes in assets and liabilities:		
Decrease in accounts receivable	260	1,601
Decrease (increase) in unbilled costs	425	(51)
Decrease in income tax refund receivable	—	3,298
(Increase) decrease in other current assets	(534)	2,212
Decrease (increase) in other long-term assets	717	(2,054)
(Decrease) increase in accounts payable	(875)	177
Increase in unearned contract revenue	7,966	1,695
(Decrease) increase in accrued salaries and bonus	(1,211)	3,427
(Decrease) increase in other accrued expenses	(4,037)	3,785
Decrease in long-term liabilities	(2,090)	(330)
Net cash provided by operating activities	3,085	12,465
Cash Flows From Investing Activities		
Purchase of property and equipment	(334)	(1,536)
Net cash used in investing activities	(334)	(1,536)
Cash Flows From Financing Activities		
Cash paid for repurchase of restricted shares	(11)	(37)
Net cash used in financing activities	(11)	(37)
Net increase in cash and cash equivalents	2,740	10,892
Cash and cash equivalents – beginning	62,711	72,463
Cash and cash equivalents – ending	$ 65,451	$ 83,355

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

1. BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements and related notes (the interim financial statements) should be read in conjunction with the consolidated financial statements of PDI, Inc. and its subsidiaries (the Company or PDI) and related notes as included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 as filed with the Securities and Exchange Commission (SEC). The interim financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The interim financial statements include all adjustments (consisting of normal recurring adjustments) that, in the judgment of management, are necessary for a fair presentation of such interim financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. Operating results for the three- and nine-month periods ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011.

On July 19, 2010, the Company's Board of Directors (Board) approved closing the TVG Marketing Research & Consulting (TVG) business unit. The Company completed the closure of TVG operations during the period ended September 30, 2010. These interim financial statements reflect the presentation of TVG as a discontinued operation for the three- and nine-month periods ended September 30, 2011 and 2010. See Note 13 to the interim financial statements for additional detail regarding the discontinued operations of TVG.

On November 3, 2010, the Company 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.

On August 1, 2011, the Company announced the formation of its new business unit, Interpace BioPharma. Interpace BioPharma provides biopharmaceutical clients with full-service product commercialization solutions. These services include full supply chain management, operations, sales, marketing, compliance, and regulatory/medical management. The revenue and costs associated with this unit are reflected in the Product Commercialization Services (PC Services) segment for both the three- and nine-month periods ended September 30, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

The preparation of the interim 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 interim 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, best estimate of selling price in multiple element arrangements, valuation allowances related to deferred income taxes, self-insurance loss accruals, allowances for doubtful accounts and notes, income tax accruals, acquisition accounting, asset impairments and facilities realignment accruals. The Company periodically reviews these matters and reflects changes in estimates as appropriate. Actual results could materially differ from those estimates.

Basic and Diluted Net Loss per Share

A reconciliation of the number of shares of common stock used in the calculation of basic and diluted loss per share for the three- and nine-month periods ended September 30, 2011 and 2010 is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30	
	2011	2010	2011	2010
Basic weighted average number of common shares	14,479	14,325	14,417	14,291
Dilutive effect of stock-based awards	—	336	—	—
Diluted weighted average number of common shares	14,479	14,661	14,417	14,291

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Options	113	180	113	180
Stock-settled stock appreciation rights (SARs)	357	74	357	483
Restricted stock/units	608	18	608	468
Performance contingent SARs	280	305	280	305
	1,358	577	1,358	1,436

Goodwill and Other Intangible Assets

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

The Company tests goodwill and indefinite lived intangible assets for impairment at least annually (as of December 31) and whenever events or circumstances change that indicate impairment may have occurred. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in stock price and market capitalization; a significant adverse change in legal factors or in the business climate of the pharmaceutical industry; unanticipated competition; and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of goodwill, and indefinite lived intangible assets and our consolidated financial results. At September 30, 2011 no indicators of impairment were identified.

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. The Company did not identify any events or changes in circumstances that indicated that the carrying value of such assets may not be recoverable during the nine-month period ended September 30, 2011.

Reclassifications

The Company reclassified certain prior period financial statement balances to conform to the current year presentation. See Note 13, Discontinued Operations, for further information.

Forward Looking Accounting Standards Updates

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-05, "Presentation of Comprehensive Income" (ASU 2011-05), which requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of equity. ASU 2011-05 will be effective for periods beginning after December 15, 2011. The adoption of ASU 2011-05 will not have a material effect on the Company's operating results or financial position.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08 (ASU 2011-08), "Testing Goodwill for Impairment". ASU 2011-08 updates guidance on the periodic testing of goodwill for impairment. This updated guidance will allow companies to assess qualitative factors to determine if it is more likely than not that goodwill will be impaired and whether it is necessary to perform the two-step goodwill impairment test required under current accounting standards. This new guidance is effective for the Company for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company is currently evaluating ASU 2011-08, but does not believe the adoption will have a material effect on the Company's operating results or financial position.

Recently Adopted Accounting Standards Updates

In October 2009, the FASB issued Accounting Standards Update No. 2009-13 (ASU 2009-13), "Multiple-Deliverable Revenue Arrangements-a consensus of the FASB Emerging Issues Task Force". ASU 2009-13 updates the existing multiple-deliverable revenue arrangements guidance included under Accounting Standards Codification 605-25. The revised guidance:

- eliminates the need for objective and reliable evidence of fair value of the undelivered element in order for a delivered item to be treated as a separate unit of accounting;
- eliminates the residual value method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method, which allocates any discount in the arrangement proportionally to each deliverable on the basis of each deliverable's selling price;
- establishes a selling price hierarchy for determining the selling price of a deliverable, which is based on:
  - vendor-specific objective evidence (VSOE) if available;
  - third party evidence (TPE) if VSOE is not available; or
  - an estimated selling price if neither VSOE nor TPE is available;
- requires that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a stand-alone basis; and
- expands the disclosure requirements for multiple-deliverable revenue arrangements.

The Company frequently provides promotional services under multiple-deliverable revenue arrangements (Arrangements) through its Pharmakon, Group DCA and Interpace BioPharma business units. The significant deliverables in these Arrangements generally include:

- for Pharmakon:
  - recruitment mailings (Recruitment) to generate attendance at interactive meetings and events; and
  - the various forms of interactive meetings and events (Events);
- for Group DCA:
  - the content development phase (Development) of an interactive digital program; and
  - the hosting period (Delivery) of an interactive digital program, which could include various services, but is primarily comprised of i) the design and delivery of recruitment activities to generate participation in a program and ii) the online hosting, program management and progress reporting services; and
- for Interpace BioPharma:
  - full supply chain management, operations, marketing, compliance, and regulatory/medical management services; and
  - a dedicated sales team providing product detailing services.

ASU 2009-13 became effective for, and was adopted by, the Company beginning January 1, 2011 on a prospective basis. The adoption of ASU 2009-13 as of January 1, 2011 impacted the revenue recognition policies of these business units in the Company's Marketing Services and Product Commercialization Services segments as follows:

Prior to the Adoption of ASU 2009-13

Prior to its adoption of ASU 2009-13, the Company separated the deliverables in its Arrangements into separate units of accounting, as required by the applicable revenue recognition accounting guidance in effect at the time, if a) the delivered item(s) had value to the customer on a standalone basis, b) there was objective and reliable evidence of fair value of the undelivered item(s), and c) if an arrangement included a general right of return relative to the delivered item(s), delivery or performance of the undelivered item(s) was considered probable and substantially in the control of the Company. The application of this guidance resulted in the following accounting treatment at each business unit:

Pharmakon

In general, prior to January 1, 2011 and the adoption of ASU 2009-13, the Company divided the deliverables within these Arrangements into two units of accounting: Recruitment and Events. Recruitment, which is delivered in advance of the Events, was determined to have standalone value to the customer. The Company was able to establish VSOE for the undelivered item, the Events, based on prices charged to its customers when sold on a standalone basis. Revenue was allocated to the deliverables using the residual value method, and was then recognized in accordance with the revenue recognition policies of the individual units of accounting based on the characteristics of the underlying deliverables. Generally, revenue was recognized as Recruitment mailings were mailed and when Events were conducted.

Group DCA

The Company acquired Group DCA on November 3, 2010. Historically, Development and Delivery services provided by Group DCA did not qualify as separate units of accounting under the accounting guidance in effect at the time due to the lack of objective and reliable evidence, either from VSOE or TPE, of the fair value of the Delivery unit of accounting, which was the undelivered item in the arrangements. As a result, the Company grouped the deliverables under these Arrangements into one unit of accounting and deferred all revenue related to the programs until it had achieved the recognition criteria applicable to the combined single unit of accounting. Generally, all revenue recognition criteria were met and revenue recognition commenced at the inception of a program's hosting period, and revenue was recognized ratably over the period. Group DCA revenues were not material to the Company's consolidated financial statements during the year ended December 31, 2010.

For further information on the Company's revenue recognition policy refer to "*Revenue & Cost of Services"* in Footnote 1 in the Company's 2010 Annual Report on Form 10-K.

Impact of the Adoption of ASU 2009-13

Pharmakon

Effective January 1, 2011, the residual value method was no longer an allowable method of allocating arrangement consideration. Pharmakon now utilizes the selling price hierarchy, described above. In applying this hierarchy, the Company first determined that both VSOE and TPE continue to be unavailable for establishing the relative selling price of Recruitment. Based on that determination, the Company now utilizes its best estimate to determine the selling price of this deliverable. The Company has determined that the rate card price Pharmakon charges for this service represents the best estimate of selling price of the Recruitment deliverable as the business unit has an established pricing policy and the rate card price is the price Pharmakon would charge its customers for this service if provided on a standalone basis. The rate card price was determined by estimating the average cost incurred by Pharmakon to provide this service to its customers plus an average profit margin per the business unit pricing policy, and is consistent with the pricing on all services provided by Pharmakon. The application of ASU 2009-13 resulted in little to no change in the allocation of consideration when compared to the residual value method and therefore the adoption of ASU 2009-13 did not have a material impact on Pharmakon revenue recognition during the nine-month period ended September 30, 2011, and is not expected to have a material impact on subsequent periods.

Group DCA

Under the guidance in ASU 2009-13, Group DCA is now required to estimate the selling price of a deliverable if it has standalone value to the customer and both VSOE and TPE of the selling price are not available. As a result, the deliverables in Group DCA Arrangements have been determined to be separate units of accounting and consideration is allocated based on relative selling prices. Selling prices are estimated for most deliverables through an analysis of historical selling price as well as estimated internal labor hours and an average billing rate based on employee costs. Revenue is recognized for each unit of accounting depending upon the characteristics of their underlying deliverables. For Development, revenue is recognized as the service is being provided to the customer. Revenue allocated to Delivery is recognized ratably over the hosting period. The adoption of the new guidance did not materially impact Group DCA revenue recognition during

the nine-month period ended September 30, 2011.

Interpace BioPharma

Under the guidance in ASU 2009-13, the Company has determined that there are two units of accounting within its arrangements: the Dedicated Sales Team providing product detailing services; and the Commercial Operations providing full supply chain management, operations, marketing, compliance, and regulatory/medical management services. Due to the significant level of customization, selling prices are determined for the Dedicated Sales Team through internal development of a program budget consistent with the manner of deriving selling prices that the Company employs in its Sales Services segment. Selling prices for Commercial Operations are determined by estimating the expenditures required to perform the services, plus the addition of a reasonable profit margin consistent with the expected profit margin to be generated by the Dedicated Sales Team. Revenue is recognized for Dedicated Sales Team on a straight-line basis over the product detailing service period which begins upon deployment of the sales force. Revenue is recognized for Commercial Operations as services are provided over the term of the service period. As the formation of Interpace BioPharma occurred during the current year, the new guidance did not have a comparative impact.

3. INVESTMENTS IN MARKETABLE SECURITIES

Available-for-sale securities are carried at fair value with the unrealized holding gains or losses, net of tax, included as a component of accumulated other comprehensive income (loss) in stockholders' equity. Realized gains and losses on available-for-sale securities are computed based upon specific identification and included in other 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 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 other income (expense), net in the condensed 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. As of September 30, 2011 and December 31, 2010, the carrying value of available-for-sale securities was approximately $127,000 and $147,000, respectively, and is included in short-term investments. Available-for-sale securities at September 30, 2011 and December 31, 2010 consisted of approximately $62,000 and $76,000, respectively, in money market accounts, and approximately $65,000 and $71,000, respectively, in mutual funds. At September 30, 2011, there were no gross unrealized holding gains and $3,000 of gross unrealized holding losses included in accumulated other comprehensive income. At December 31, 2010, accumulated other comprehensive income included gross unrealized holding gains of approximately $10,000 and no gross unrealized holding losses. There were no gross realized gains or losses included in other income, net in the three- and nine-month periods ended September 30, 2011 and 2010.

The Company's other marketable securities consist of investment grade debt instruments such as obligations of U.S. Treasury and U.S. Federal Government agencies. These investments are categorized as held-to-maturity since the Company's management has the ability and intent to hold these securities to maturity. The Company's held-to-maturity investments are carried at amortized cost which approximates fair value and are maintained in separate accounts to support the Company's letters of credit. The Company had standby letters of credit of approximately $5.0 million and $5.4 million at September 30, 2011 and December 31, 2010, respectively, as collateral for its existing insurance policies and facility leases.

At September 30, 2011 and December 31, 2010, held-to-maturity investments included the following:

		Maturing			Maturing	
	September 30, 2011	within 1 year	after 1 year through 3 years	December 31, 2010	within 1 year	after 1 year through 3 years
Cash/money accounts	$ 90	$ 90	$ —	$ 80	$ 80	$ —
US Treasury securities	4,293	251	4,041	4,093	—	4,093
Government agency securities	871	—	871	1,181	—	1,181
Total	$ 5,254	$ 341	$ 4,913	$ 5,354	$ 80	5,274

At September 30, 2011 and December 31, 2010, held-to-maturity investments were recorded in the following accounts:

	September 30, 2011	December 31, 2010
Other current assets	$ 341	$ 80
Other long-term assets	4,913	5,274
Total	$ 5,254	$ 5,354

4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and finite-lived intangible assets recorded as of September 30, 2011 are attributable to the 2010 acquisition of Group DCA and the 2004 acquisition of Pharmakon. As of September 30, 2011 and December 31, 2010, the carrying amount of goodwill was $24.0 million, consisting of $18.9 million and $5.1 million for the Group DCA and Pharmakon reporting units, respectively.

The net carrying value of the identifiable intangible assets as of September 30, 2011 and December 31, 2010 is as follows:

		As of September 30, 2011			As of December 31, 2010		
	Life (Years)	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Pharmakon:							
Customer relationships	7	$ 1,751	$ 438	$ 1,313	$ 1,751	$ 250	$ 1,501
Corporate tradename	7	791	198	593	791	113	678
Group DCA:							
Technology	6	4,097	626	3,471	4,097	113	3,984
Healthcare professional database	10	2,203	202	2,001	2,203	36	2,167
Corporate tradename	NA	2,063	—	2,063	2,063	—	2,063
Total		$ 10,905	$ 1,464	$ 9,441	$ 10,905	$ 512	$ 10,393

Amortization expense was $0.3 million and $0.1 million for the three-month periods ended September 30, 2011 and 2010, respectively, and $1.0 million and $0.3 million for the nine-month periods ended September 30, 2011 and 2010, respectively. Estimated amortization expense for the current and next four years is as follows:

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

5. FACILITIES REALIGNMENT

Saddle River, New Jersey Facility

Prior to December 2009, the Company's corporate headquarters were located in a three-floor facility in Saddle River, New Jersey. In December 2009, the Company relocated its corporate headquarters from its Saddle River, New Jersey facility to a smaller office located in Parsippany, New Jersey. 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 a 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 $0.6 million and $1.4 million during the quarters ended June 30, 2010 and December 31, 2010, respectively. In September 2011, the Company secured a sublease for the approximately 47,000 square feet of remaining space in Saddle River, New Jersey. This sublease runs through the end of the facility's lease term, January 2016. The Company expects to receive approximately $2.2 million in lease payments over the life of the sublease.

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 impairments of furniture and leasehold improvements in discontinued operations for the year ended December 31, 2010. See Note 13, 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.

The following table presents a rollforward of the Company's restructuring reserve from December 31, 2010 to September 30, 2011, of which approximately $1.8 million is included in other accrued expenses and $2.8 million is included in long-term liabilities as of September 30, 2011. The Company recognizes accretion expense in *Other (loss) income, net* in the Condensed Consolidated Statement of Operations.

	Sales Services	Marketing Services	Total
Balance as of December 31, 2010	$ 5,029	$ 1,272	$ 6,301
Accretion	104	21	125
Adjustments	22	(11)	11
Payments	(1,232)	(570)	(1,802)
Balance as of September 30, 2011	$ 3,923	$ 712	$ 4,635

6. FAIR VALUE MEASUREMENTS

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

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

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained

from third-party pricing services for identical or similar assets or liabilities.

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

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

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

	As of September 30, 2011		Fair Value Measurements as of September 30, 2011		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents:					
Cash	$ 23,730	$ 23,730	$ 23,730	$ —	$ —
Money Market Funds	41,721	41,721	41,721	—	—
	$ 65,451	$ 65,451	$ 65,451	$ —	$ —
Marketable securities:					
Money Market Funds	$ 62	$ 62	$ 62	$ —	$ —
Mutual Funds	65	65	65	—	—
U.S. Treasury securities	4,293	4,293	4,293	—	—
Government agency securities	871	871	871	—	—
Total	$ 5,291	$ 5,291	$ 5,291	$ —	$ —
Liabilities:					
Contingent Consideration	$ 1,482	$ 1,482	$ —	$ —	$ 1,482

The fair value of cash and cash equivalents and marketable securities is valued using market prices in active markets (level 1). As of September 30, 2011, the Company did not have any marketable securities in less active markets (level 2). Contingent consideration does not have observable market value and requires a high level of judgment to determine fair value (level 3).

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. During the quarter ended June 30, 2011, the Company determined that a portion of the earn-out was not achievable and reversed the related portion of the contingent consideration within other selling, general and administrative expenses in the condensed consolidated statement of operations. A roll-forward of the contingent consideration is as follows:

	Contingent Consideration
Balance as of December 31, 2010	$ 1,557
Accretion	116
Adjustment	(191)
Balance as of September 30, 2011	$ 1,482

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.

7. COMMITMENTS AND CONTINGENCIES

As of September 30, 2011, contractual obligations with terms exceeding one year and estimated minimum future rental payments required by non-cancelable 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]	$ 272	$ 209	$ 38	$ 15	$ 10
Operating lease obligations:					
Minimum lease payments	20,280	4,301	8,944	6,437	598
Less minimum sublease rentals [2]	(9,482)	(1,481)	(4,188)	(3,702)	(111)
Net minimum lease payments	10,798	2,820	4,756	2,735	487
Total	$ 11,070	$ 3,029	$ 4,794	$ 2,750	$ 497

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

(2) In September 2011, the Company signed an agreement to sublease the remaining space of its former corporate headquarters in Saddle River, New Jersey through the remaining term of the underlying lease. The agreement provides for approximately $2.2 million in lease payments over the remainder of the lease. This sublease, in combination with our previously existing subleases, will provide for aggregated lease payments of approximately $6.3 million over the remaining lease terms. The Company has also sublet substantially all of the space at the Dresher, Pennsylvania facility under various subleases which will provide for aggregated lease payments of approximately $3.2 million over the remaining lease periods.

Letters of Credit

As of September 30, 2011, the Company had outstanding letters of credit of $5.0 million as required by its existing insurance policies and facility leases. These letters of credit are supported by investments in held-to-maturity securities. See Note 3, Investments in Marketable Securities, for additional detail regarding investments in marketable securities.

Litigation

Due to the nature of the businesses in which the Company is engaged, such as product detailing and 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.

8. COMPREHENSIVE LOSS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net loss	$ (202)	$ (1,674)	$ (1,648)	$ (4,263)
Other comprehensive loss:				
Unrealized holding gain (loss) on available-for-sale securities, net	2	(3)	4	(4)
Comprehensive loss	$ (200)	$ (1,677)	$ (1,644)	$ (4,267)

9. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following as of September 30, 2011 and December 31, 2010:

	September 30, 2011	December 31, 2010
Rent Payable	$ 2,146	$ 2,374
Uncertain tax positions	2,926	4,088
Restructuring	2,828	3,435
Contingent earn-out fee	1,482	1,557
Other	142	94
	$ 9,524	$ 11,548

See Note 6, Fair Value Measurements, for additional information related to the Group DCA contingent earn-out fee above.

10. STOCK-BASED COMPENSATION

On March 3, 2011, under the terms of the stockholder-approved PDI, Inc. 2004 Stock Award Incentive Plan (the 2004 Plan), the Compensation and Management Development Committee of the Board (the Compensation Committee) approved grants of restricted stock to certain executive officers and members of senior management of the Company. The full Board approved the portion of these grants made to the Company's Chief Executive Officer. As part of the Company's 2010 long-term incentive plan, these grants aggregated 234,598 shares of restricted stock issued with a grant date fair value of $8.44 per share.

The Company recognized $0.4 million and $0.3 million of stock-based compensation expense for the three-month periods ended September 30, 2011 and 2010, respectively and $1.7 million and $1.1 million of stock-based compensation expense for the nine-month periods ended September 30, 2011 and 2010, respectively. The grant date fair values of SARs awards are determined using a Black-Scholes pricing model. Assumptions utilized in the model are evaluated and revised, as necessary, to reflect market conditions and experience. The following table provides the weighted average assumptions used in determining the fair value of the non-performance based SARs awards granted during the nine-month period ended September 30, 2010:

	Nine Months Ended September 30, 2010
Risk-free interest rate	1.34%
Expected life	3.5 years
Expected volatility	51.08%
Dividend yield	0.0%

The Company did not issue any SARs awards during the three months ended September 30, 2010 or during the nine-month period ended September 30, 2011.

11. INCOME TAXES

Generally, accounting standards require companies to provide for income taxes each quarter based on their estimate of the effective tax rate for the full year. The authoritative guidance for accounting for income taxes allows use of the discrete method when it provides a better estimate of income tax expense. Due to the Company's valuation allowance position and the existence of a deferred tax liability related to indefinite lived intangibles, it is the Company's position that the discrete method provides a more accurate estimate of income tax expense and therefore income tax expense for the current quarter has been presented using the discrete method. As the year progresses, the Company refines its estimate based on the facts and circumstances by each tax jurisdiction. The following table summarizes income tax expense on income from continuing operations and the effective tax rate for the three- and nine-month periods ended September 30, 2011 and 2010:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Provision (benefit) for income tax	$ 183	$ 71	$ (672)	$ 208
Effective income tax rate	NM	14.9%	(29.4)%	13.0%

NM - Not meaningful

The income tax benefit for the nine-month period ended September 30, 2011 was primarily due to the release of reserves related to uncertain tax positions that were reversed in connection with the closing of the Company's IRS examination for the 2003, 2004 and 2008 tax years, partially offset by state taxes and tax expense associated with the tax amortization of indefinite lived intangibles. Income tax expense for the three month period ended September 30, 2011 was primarily due to state taxes and recording a deferred tax liability for tax amortization of goodwill. Income tax expense for the three- and nine-month periods ended September 30, 2010 was primarily related to state taxes, as the Company and its subsidiaries file separate income tax returns in numerous state and local jurisdictions.

12. SEGMENT INFORMATION

The accounting policies of the segments are described in Note 1 of the Company's audited consolidated financial statements in its Annual Report on Form 10-K for the year ended December 31, 2010. Corporate charges are allocated to each of the reporting segments on the basis of total salary expense. Corporate charges include corporate headquarters costs and certain depreciation expenses. Certain corporate capital expenditures have not been allocated from the Sales Services segment to the other reporting segments since it is impracticable to do so.

On August 1, 2011 the Company announced the formation of its new business unit, Interpace BioPharma. Interpace BioPharma provides biopharmaceutical clients with full-service product commercialization solutions. These services include full supply chain management, operations, sales, marketing, compliance, and regulatory/medical management. The initial revenue and costs associated with this unit are reflected in the Product Commercialization Services segment for both the three- and nine-month periods ended September 30, 2011.

	Sales Services	Marketing Services	Product Commercialization Services	Consolidated
Three months ended September 30, 2011:				
Revenue	$ 29,267	$ 5,129	$ 2,850	$ 37,246
Operating income (loss)	$ 539	$ (875)	$ 368	$ 32
Capital expenditures	$ 59	$ 26	$ —	$ 85
Depreciation expense	$ 375	$ 93	$ 2	$ 470
Three months ended September 30, 2010:				
Revenue	$ 33,292	$ 2,680	$ —	$ 35,972
Operating income (loss)	$ 627	$ (207)	$ —	$ 420
Capital expenditures	$ 512	$ —	$ —	$ 512
Depreciation expense	$ 249	$ 12	$ —	$ 261
Nine months ended September 30, 2011:				
Revenue	$ 106,207	$ 14,233	$ 3,534	$ 123,974
Operating income (loss)	$ 2,576	$ (5,188)	$ 452	$ (2,160)
Capital expenditures	$ 178	$ 156	$ —	$ 334
Depreciation expense	$ 1,111	$ 287	$ 2	$ 1,400
Nine months ended September 30, 2010:				
Revenue	$ 91,937	$ 8,015	$ —	$ 99,952
Operating loss	$ (1,247)	$ (484)	$ —	$ (1,731)
Capital expenditures	$ 1,536	$ —	$ —	$ 1,536
Depreciation expense	$ 729	$ 44	$ —	$ 773

13. DISCONTINUED OPERATIONS

On July 19, 2010, the Board approved closing the TVG business unit. 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.

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 three- and nine-month periods ended September 30, 2011 and 2010, respectively.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue, net	$ —	$ 1,317	$ —	$ 3,232
Loss from discontinued operations, before income tax	(10)	(2,080)	(48)	(2,454)
Provision (benefit) for income tax	1	1	(11)	3
Loss from discontinued operations, net of tax	$ (11)	$ (2,081)	$ (37)	$ (2,457)

The major classes of assets and liabilities included in the Condensed Consolidated Balance Sheet for TVG as of

September 30, 2011 and December 31, 2010 are as follows:

	September 30, 2011	December 31, 2010
Current assets	$ 39	$ 277
Non-current assets	300	300
Total assets	$ 339	$ 577
Current liabilities	$ 363	$ 816
Non-current liabilities	1,362	1,560
Total liabilities	$ 1,725	$ 2,376

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

FORWARD-LOOKING STATEMENTS

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

Forward-looking statements are only predictions and are not guarantees of future performance. These statements are based on current expectations and assumptions involving judgments about, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. These statements 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;
- As a percentage of our stock outstanding, 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;
- 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” in our Annual Report on Form 10-K for the year ended December 31, 2010, as well as other documents we file with the United States Securities and Exchange Commission (SEC) from time-to-time, for other important factors that could cause our actual results to differ materially from our current expectations as expressed in the forward-looking statements discussed in this Form 10-Q. Because of these and other risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. In addition, these statements speak only as of the date of the report in which they are set forth and, except as may be required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

OVERVIEW

We are a leading 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, teledetailing and with the formation of our new business unit during the second quarter of 2011, Interpace BioPharma, we provide biopharmaceutical clients with full-service product commercialization solutions. These services include full supply chain management, operations, sales, marketing, compliance, and regulatory/medical management. Combined, our services offer customers a range of both personal and non-personal promotional options for the commercialization of their products throughout the product lifecycle, 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 including, among other things, pressures on pricing, successful challenges to intellectual property rights (including the introduction of competitive generic products), a strict regulatory environment, decreased pipeline productivity, a slow-down in the rate of approval of new products by the Food and Drug Administration (FDA) and diminished access to physicians. 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 believe we have benefited from cost control measures implemented by these companies and their resultant increased reliance on outsourced promotional services. Conversely, 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™, to deliver non-personal selling solutions via interactive communication 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 our 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.

We paid cash (net) of approximately $23.9 million for Group DCA, of which $1.3 million was placed in escrow. As of September 30, 2011, $1.3 million remains in escrow and any remaining amounts will be paid in May 2012, eighteen 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, which 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 to optimize patient care and outcomes. We have seen a growing demand for these types of services by our customers and we believe that the clinical educator services provided via EngageCE will complement traditional sales force efforts and enhance our offerings.

On August 1, 2011, we announced the formation of our newest business unit, Interpace BioPharma. Interpace BioPharma provides biopharmaceutical clients with full-service product commercialization solutions. These services include full supply chain management, operations, sales, marketing, compliance, and regulatory/medical management. The revenue and costs associated with this unit are reflected in the PC Services segment for both the three- and nine-month periods ended September 30, 2011.

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, Marketing Services and PC Services segments, 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. 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 continuing to evaluate acquisitions that will enhance our current service offerings and provide new business opportunities.

DESCRIPTION OF REPORTING SEGMENTS

For the quarter ended September 30, 2011, 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.
- PC Services:
  - Interpace BioPharma.

Selected financial information for each of these segments is contained in Note 12, Segment Information, to these interim financial statements and in the discussion under the caption *Consolidated Results of Operations.*

Nature of Contracts by Segment

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 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 may 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 MSAs 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 customers 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.

Our Voice business unit enters into and provides services under contracts with terms typically of two to six months. These contracts include standard representations and warranties as well as confidentiality and indemnification obligations and are generally terminable by either party for any reason with notice. 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.

PC Services

Our PC Services segment currently consists of our Interpace BioPharma business unit. Interpace BioPharma provides biopharmaceutical clients with full-service product commercialization solutions. These services include full supply chain management, operations, sales, marketing, compliance, and regulatory/medical management. There is significant customer concentration within our Interpace BioPharma business unit.

CONSOLIDATED RESULTS OF OPERATIONS

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenue, net	100.0 %	100.0 %	100.0 %	100.0 %
Cost of services	78.1 %	76.4 %	78.9 %	77.2 %
Gross profit	21.9 %	23.6 %	21.1 %	22.8 %
Compensation expense	12.5 %	12.6 %	13.6 %	13.5 %
Other selling, general and administrative expenses	9.4 %	9.9 %	9.3 %	10.4 %
Facilities realignment	— %	— %	— %	0.6 %
Total operating expenses	21.9 %	22.4 %	22.8 %	24.5 %
Operating income (loss)	— %	1.2 %	(1.7)%	(1.7)%
Other (loss) income, net	(0.1)%	0.2 %	(0.1)%	0.1 %
Income (loss) from continuing operations before income tax	— %	1.3 %	(1.8)%	(1.6)%
Provision (benefit) for income tax	0.5 %	0.2 %	(0.5)%	0.2 %
Loss from continuing operations	(0.5)%	1.1 %	(1.3)%	(1.8)%
Loss from discontinued operations, net of tax	— %	(5.8)%	— %	(2.5)%
Net loss	(0.5)%	(4.7)%	(1.3)%	(4.3)%

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:

- As of 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 through 2011. However, as required by the rules of acquisition accounting, a large part of the deferred revenue at the date of the acquisition did not carry over to PDI after the acquisition, the majority of which impacts 2011, making reported revenue for the first nine months of 2011 lower than we believe it will be on a normal go-forward basis.
- Acquisition accounting requires ongoing amortization of finite lived intangibles acquired and valued for accounting purposes as of the date of the acquisition. These include the acquired proprietary technology and the extensive health care provider database. Amortization of these intangibles will result in annual charges of approximately $0.9 million.
- The accounting for potential earn-out payments is influenced by acquisition accounting. Up to $5.0 million of the potential $30.0 million of earn-out payments must be charged against earnings as they are earned over 2011 and 2012. However, in determining the amount that was recorded in the initial purchase price, acquisition accounting required the Company to estimate the fair value for the remainder of the $25.0 million of potential earn-out payments which we determined by estimating the present value of earn-out payments we think are probable on a weighted risk-adjusted basis. The amount we recorded as the fair value of these estimated earn-out payments was $1.6 million, which is considered part of the initial purchase price for accounting purposes. During the quarter ended June 30, 2011 we recognized a benefit of $0.2 million in our Marketing Services segment, as the amount we expect to pay as of September 30, 2011 is lower than our original estimate. Going forward, any difference between our September 30, 2011 estimate and our updated estimates of expected payments in 2012 and 2013 will be adjusted through the statement of operations. This will result in a charge if the amounts we expect to pay are higher than our September 30, 2011 estimate or an additional gain if the amounts we expect to pay are lower than our September 30, 2011 estimate.

Results of Continuing Operations for the Quarter Ended September 30, 2011 Compared to the Quarter Ended September 30, 2010

Overview

We operate in three business segments: Sales Services; Marketing Services; and Product Commercialization Services. While our quarter to quarter results can be impacted by the start or completion/termination of contracts, as was the case in the third quarter of 2011, we believe that long term trends in the pharmaceutical industry will result in a higher level of outsourcing of the types of services we provide.

Revenue, net (in thousands)	Three Months Ended September 30,			
	2011	2010	Change ($)	Change (%)
Sales Services	$ 29,267	$ 33,292	$ (4,025)	(12.1)%
Marketing Services	5,129	2,680	2,449	91.4 %
PC Services	2,850	—	2,850	—
Total	$ 37,246	$ 35,972	$ 1,274	3.5 %

Consolidated revenue, net (revenue) for the quarter ended September 30, 2011 increased by $1.3 million, or 3.5%, to $37.2 million, compared to the quarter ended September 30, 2010. This increase was primarily attributable to the new contract in our PC Services segment and an increase in our Marketing Services segment revenue due to the addition of Group DCA.

Revenue in our Sales Services segment for the quarter ended September 30, 2011 decreased by $4.0 million, or 12.1%, to $29.3 million, compared to the quarter ended September 30, 2010. The decrease in Sales Services revenue was primarily due to new business wins in the second half of 2010 and 2011 of $7.5 million being more than offset by non-renewal of contracts totaling $10.5 million and a reduction in revenue from existing contracts of approximately $1.0 million.

Revenue in our Marketing Services segment for the quarter ended September 30, 2011 increased by $2.4 million, or 91.4%, to $5.1 million, compared to the quarter ended September 30, 2010. This increase was primarily attributable to the addition of Group DCA, partially offset by a decrease of $1.3 million in revenue in our Pharmakon business unit when compared to the quarter ended September 30, 2010.

Revenue in our PC Services segment for the quarter ended September 30, 2011 of $2.9 million is related to our new fee for service arrangement. There was no revenue in the PC Services segment for the quarter ended September 30, 2010, as there were no ongoing product commercialization activities during that period.

Cost of services (in thousands)

	Three Months Ended September 30,			
	2011	2010	Change ($)	Change (%)
Sales Services	$ 23,693	$ 25,955	$ (2,262)	(8.7)%
Marketing Services	3,056	1,534	1,522	99.2 %
PC Services	2,324	—	2,324	NA
Total	$ 29,073	$ 27,489	$ 1,584	5.8 %

Consolidated cost of services for the quarter ended September 30, 2011 increased by $1.6 million, or 5.8%, to $29.1 million, compared to the quarter ended September 30, 2010. This increase was due to our new fee for service arrangement in our PC Services segment and the fourth quarter 2010 addition of Group DCA to our Marketing Services segment.

Cost of services in our Sales Services segment for the quarter ended September 30, 2011 decreased by $2.3 million, or 8.7%, to $23.7 million, compared to the quarter ended September 30, 2010. This decrease was directly attributable to the decrease in revenue discussed above.

Cost of services in our Marketing Services segment for the quarter ended September 30, 2011 increased by $1.5 million, or 99.2%, to $3.1 million, compared to the quarter ended September 30, 2010. The increase was attributable to $2.2 million of Group DCA cost of services, partially offset by reductions of $0.1 million at our Voice business unit and $0.5 million at our Pharmakon business unit, which was directly attributable to decreases in the number of programs/meetings executed.

Cost of services in our PC Services segment for the quarter ended September 30, 2011 was $2.3 million. There was no cost of services in the PC Services segment for the quarter ended September 30, 2010, as there were no ongoing product commercialization activities during that period.

Gross profit (in thousands)

Three Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2011	$ 5,574	19.0%	$ 2,073	40.4%	$ 526	18.5%	$ 8,173	21.9%
2010	7,337	22.0%	1,146	42.8%	—	—	8,483	23.6%
Change	$ (1,763)		$ 927		$ 526		$ (310)	

Consolidated gross profit for the quarter ended September 30, 2011 decreased by $0.3 million, or 3.7%, to $8.2 million, compared to the quarter ended September 30, 2010. The change in consolidated gross profit was primarily attributable to our Shared Sales business unit and decline in revenue at our Pharmakon business unit.

The gross profit percentage in our Sales Services segment for the quarter ended September 30, 2011 decreased to 19.0%, from 22.0% in the quarter ended September 30, 2010. The decrease was primarily attributable to the decline in margin within our Shared Sales business unit as a result of fixed management costs over lower revenues in the quarter ended September 30, 2011.

The gross profit percentage in our Marketing Services segment for the quarter ended September 30, 2011 decreased to 40.4%, compared to 42.8% in the quarter ended September 30, 2010. This decrease was primarily attributable to the decline in revenue at our Pharmakon business unit over certain fixed costs.

Gross profit in our PC Services segment for the quarter ended September 30, 2011 was approximately $0.5 million. There was no gross profit in the PC Services segment for the quarter ended September 30, 2010, as there were no ongoing product commercialization activities during that period.

Compensation expense (in thousands)

Three Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2011	$ 2,990	10.2%	$ 1,580	30.8%	$ 76	2.7%	$ 4,646	12.5%
2010	3,623	10.9%	895	33.4%	—	—	4,518	12.6%
Change	$ (633)		$ 685		$ 76		$ 128	

Consolidated compensation expense for the quarter ended September 30, 2011 increased by $0.1 million, to $4.6 million, compared to the quarter ended September 30, 2010. As a percentage of consolidated revenue, consolidated compensation expense remained essentially flat, decreasing slightly to 12.5% for the quarter ended September 30, 2011, from 12.6% for the quarter ended September 30, 2010.

Compensation expense in our Sales Services segment for the quarter ended September 30, 2011 was relatively flat compared to the quarter ended September 30, 2010. As a percentage of segment revenue, compensation expense decreased 0.7%, to 10.2% for the quarter ended September 30, 2011, from 10.9% for the quarter ended September 30, 2010. The decline in segment compensation expense as a percent of segment revenue was primarily driven by the decrease in incentive compensation accrued in the quarter ended September 30, 2011.

Compensation expense in our Marketing Services segment for the quarter ended September 30, 2011 increased by $0.7 million, to $1.6 million, compared to the quarter ended September 30, 2010. As a percentage of segment revenue, compensation expense decreased 2.6%, to 30.8% for the quarter ended September 30, 2011, from 33.4% for the quarter ended September 30, 2010. The decrease in segment compensation expense as a percentage of segment revenue was primarily due to the addition of Group DCA.

Compensation expense in our PC Services segment for the quarter ended September 30, 2011 of $0.1 million is attributable to the allocation of corporate support costs. There was no compensation expense for the quarter ended September 30, 2010, as there were no ongoing product commercialization activities during that period.

Other selling, general and administrative expenses (in thousands)

Three Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2011	$ 2,045	7.0%	$ 1,368	26.7%	$ 82	2.9%	$ 3,495	9.4%
2010	3,087	9.3%	458	17.1%	—	—	3,545	9.9%
Change	$ (1,042)		$ 910		$ 82		$ (50)	

Consolidated other selling, general and administrative expenses for the quarter ended September 30, 2011 decreased by $0.1 million, to $3.5 million, compared to the quarter ended September 30, 2010. As a percentage of consolidated revenue, consolidated other selling, general and administrative expenses decreased to 9.4% for the quarter ended September 30, 2011, from 9.9% in the quarter ended September 30, 2010, due to the increase in consolidated revenue.

Other selling, general and administrative expenses in our Sales Services segment for the quarter ended September 30, 2011 decreased by $1.0 million, to $2.0 million, compared to the quarter ended September 30, 2010. As a percentage of segment revenue, other selling, general and administrative expenses decreased 2.3%, to 7.0% for the quarter ended September 30, 2011, from 9.3% in the quarter ended September 30, 2010. This decrease was primarily attributable to lower allocated corporate costs in the three months ended September 30, 2011 as compared to the allocated corporate costs in the three months ended September 30, 2010, which included $0.7 million of Group DCA acquisition related costs.

Other selling, general and administrative expenses in our Marketing Services segment for the quarter ended September 30, 2011 increased by $0.9 million compared to the quarter ended September 30, 2010 due to the addition of Group DCA. Other selling, general and administrative expenses as a percentage of revenue increased 9.6%, to 26.7% for the quarter ended September 30, 2011, from 17.1% in the quarter ended September 30, 2010 due to the addition of Group DCA.

Other selling, general and administrative expense in our PC Services segment for the quarter ended September 30, 2011 of $0.1 million is attributable to the allocation of corporate support activities. There was no other selling, general and administrative expense for the quarter ended September 30, 2010, as there were no ongoing product commercialization activities during that period.

Operating income

We had operating income of $32,000 and $0.4 million for the quarters ended September 30, 2011 and 2010, respectively. The decrease in operating income was primarily due to the third quarter operating income of our PC Services segment being more than offset by the loss associated with our Group DCA business unit.

Provision for income tax

We had income tax expense of approximately $0.2 million for the quarter ended September 30, 2011, compared to income tax expense of $0.1 million for the quarter ended September 30, 2010. Income tax expense for the quarters ended September 30, 2011 and 2010 was primarily due to state and local taxes as we and our subsidiaries file separate income tax returns in numerous state and local jurisdictions.

Results of Continuing Operations for the Nine Months Ended September 30, 2011 Compared to the Nine Months Ended September 30, 2010

Revenue, net (in thousands)	Nine Months Ended September 30,			
	2011	2010	Change ($)	Change (%)
Sales Services	$ 106,207	$ 91,937	$ 14,270	15.5%
Marketing Services	14,233	8,015	6,218	77.6%
PC Services	3,534	—	3,534	—
Total	$ 123,974	$ 99,952	$ 24,022	24.0%

Consolidated revenue for the nine-month period ended September 30, 2011 increased by $24.0 million, or 24.0%, to $124.0 million, compared to the nine-month period ended September 30, 2010. This increase was primarily attributable to new business wins in our Sales Services segment on a year-over-year basis, an increase in our Marketing Services segment revenue due to the addition of Group DCA and the increase in our PC Services segment revenue as a result of our new contract within that segment.

Revenue in our Sales Services segment for the nine-month period ended September 30, 2011 increased by $14.3 million, or 15.5%, to $106.2 million, compared to the nine-month period ended September 30, 2010. The increase in Sales Services revenue was primarily due to business wins in the second half of 2010 totaling approximately $27.9 million and 2011 new business wins of $5.5 million, partially offset by a reduction in revenue from the expiration of certain existing contracts and the reduction in size of certain other existing contracts totaling approximately $19.1 million.

Revenue in the Marketing Services segment for the nine-month period ended September 30, 2011 increased by $6.2 million, or 77.6%, to $14.2 million, compared to the nine-month period ended September 30, 2010. This increase was primarily attributable to the addition of $8.8 million of revenue from Group DCA, partially offset by revenue from our Pharmakon business unit decreasing approximately $2.6 million compared to the nine-month period ended September 30, 2010. Pharmakon's decrease in revenue, net was the result of a decrease in program attendee revenue of $1.2 million, a decrease in direct mail campaign revenue of $0.9 million, and a decrease of $0.5 million in other ancillary revenues.

Revenue in the PC Services segment for the nine-months ended September 30, 2011 was $3.5 million related to our new fee for service arrangement. There was no revenue in the PC Services segment in the nine-month period ended September 30, 2010, as there were no ongoing product commercialization activities during that period.

Cost of services (in thousands)	Nine Months Ended September 30,			
	2011	2010	Change ($)	Change (%)
Sales Services	$ 85,494	$ 72,454	$ 13,040	18.0%
Marketing Services	9,610	4,755	4,855	102.1%
PC Services	2,724	—	2,724	—
Total	$ 97,828	$ 77,209	$ 20,619	26.7%

Consolidated cost of services for the nine-month period ended September 30, 2011 increased by $20.6 million, or 26.7%, to $97.8 million, compared to the nine-month period ended September 30, 2010. This increase was due to higher program expenses in the Sales Services segment in support of the increased revenues discussed above, the fourth quarter 2010 addition of Group DCA to our Marketing Services segment and costs associated with our new fee for service arrangement in our PC Services

segment.

Cost of services in our Sales Services segment for the nine-month period ended September 30, 2011 increased by $13.0 million, or 18.0%, to $85.5 million, compared to the nine-month period ended September 30, 2010. This increase was directly attributable to the higher number of Sales Services engagements, which require a significant increase in headcount in order to deliver the additional services. The higher headcount resulted in corresponding 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 nine-month period ended September 30, 2011 increased by $4.9 million, or 102.1%, to $9.6 million, compared to the nine-month period ended September 30, 2010. The increase was attributable to $6.7 million of Group DCA cost of services, partially offset by reductions of $0.8 million at our Voice business unit and $0.7 million at our Pharmakon business unit, which was directly attributable to decreases in the number of programs/meetings executed.

Cost of services in our PC Services segment for the nine-month period ended September 30, 2011 was approximately $2.7 million. There was no cost of services for this segment in nine-month period ended September 30, 2010, as there was no ongoing product commercialization activity during that period.

Gross profit (in thousands)

Nine Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2011	$ 20,713	19.5%	$ 4,623	32.5%	$ 810	22.9%	$ 26,146	21.1%
2010	19,483	21.2%	3,260	40.7%	—	—	22,743	22.8%
Change	$ 1,230		$ 1,363		$ 810		$ 3,403	

Consolidated gross profit for the nine-month period ended September 30, 2011 increased by $3.4 million, or 15.0%, to $26.1 million, compared to the nine-month period ended September 30, 2010. The change in consolidated gross profit was primarily attributable to the significant increase in Sales Services gross profit.

The gross profit percentage in our Sales Services segment for the nine-month period ended September 30, 2011 decreased to 19.5%, from 21.2% in the nine-month period ended September 30, 2010. The decrease was primarily attributable to the decline in margin in our Shared Sales business unit as a result of fixed management costs and lower revenues in the nine-month period ended September 30, 2011.

The gross profit percentage in our Marketing Services segment for the nine-month period ended September 30, 2011 decreased to 32.5%, from 40.7% in the nine-month period ended September 30, 2010. This decrease was primarily attributable to Group DCA's negative gross profit in the first quarter of 2011 due to the impact of acquisition accounting which eliminated the overwhelming majority of Group DCA's deferred revenue on the acquisition date and the application of revenue recognition rules in effect for contracts entered into prior to January 1, 2011. The application of these rules required the recognition of revenue of an interactive digital program over the program's hosting period for contracts entered into prior to January 1, 2011.

Gross profit in our PC Services segment for the nine-month period ended September 30, 2011 was approximately $0.8 million. There was no gross profit in our PC Services segment for the nine-month period ended September 30, 2010, as there was no ongoing product commercialization activity during the period.

Compensation expense (in thousands)

Nine Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2011	$ 10,888	10.3%	$ 5,751	40.4%	$ 179	5.1%	$ 16,818	13.6%
2010	11,055	12.0%	2,426	30.3%	—	—	13,481	13.5%
Change	$ (167)		$ 3,325		$ 179		$ 3,337	

Consolidated compensation expense for the nine-month period ended September 30, 2011 increased by $3.3 million, to $16.8 million, compared to the nine-month period ended September 30, 2010. This was primarily driven by the addition of Group DCA in 2011. As a percentage of consolidated revenue, consolidated compensation expense remained relatively flat at 13.6% as the increase in compensation expense was offset by the increase in consolidated revenue.

Compensation expense in our Sales Services segment for the nine-month period ended September 30, 2011 decreased by

approximately $0.2 million compared to the nine-month period ended September 30, 2010. This decrease was primarily attributable to decreased incentive compensation costs. As a percentage of segment revenue, compensation expense decreased 1.7%, to 10.3% for the nine-month period ended September 30, 2011, from 12.0% for the nine-month period ended September 30, 2010. The decline in segment compensation expense as a percent of segment revenue was primarily driven by the increase in segment revenue for the nine-month period ended September 30, 2011.

Compensation expense in our Marketing Service*s* segment for the nine-month period ended September 30, 2011 increased by $3.3 million, to $5.8 million, compared to the nine-month period ended September 30, 2010. The increase in segment compensation expense is primarily attributable to the addition of Group DCA. As a percentage of segment revenue, compensation expense increased 10.1%, to 40.4% for the nine-month period ended September 30, 2011, from 30.3% for the nine-month period ended September 30, 2010. The increase in segment compensation expense as a percent of segment revenue was due to the addition of Group DCA and the decrease in revenue in our Pharmakon business unit.

Compensation expense in our PC Services segment for the nine-month period ended September 30, 2011 of $0.2 million is attributable to the allocation of corporate support costs. There was no compensation expense in our PC Services business unit in the nine-month period ended September 30, 2010, as there was no ongoing product commercialization activity during that period.

Other selling, general and administrative expenses (in thousands)

Nine Months Ended September 30,		Sales Services	% of Sales		Marketing Services	% of Sales		PC Services	% of Sales		Total	% of Sales
2011	$	7,249	6.8%	$	4,060	28.5%	$	179	5.1%	$	11,488	9.3%
2010		9,092	9.9%		1,318	16.4%		—	—		10,410	10.4%
Change	$	(1,843)		$	2,742		$	179		$	1,078	

Consolidated other selling, general and administrative expenses for the nine-month period ended September 30, 2011 increased by $1.1 million, to $11.5 million, compared to the nine-month period ended September 30, 2010. The increase was primarily attributable to the addition of Group DCA. As a percentage of revenue, consolidated other selling, general and administrative expenses decreased to 9.3% for the nine-month period ended September 30, 2011, from 10.4% in the nine-month period ended September 30, 2010, due to the increase in consolidated revenue.

Other selling, general and administrative expenses in our Sales Services segment for the nine-month period ended September 30, 2011 decreased by $1.8 million, to $7.2 million, compared to the nine-month period ended September 30, 2010. As a percentage of segment revenue, other selling, general and administrative expenses decreased 3.1%, to 6.8% for the nine-month period ended September 30, 2011, from 9.9% in the nine-month period ended September 30, 2010 due to the significant increase in consolidated segment revenue and lower allocated corporate costs.

Other selling, general and administrative expense in our Marketing Services segment for the nine-month period ended September 30, 2011 increased by $2.7 million compared to the nine-month period ended September 30, 2010. Other selling, general and administrative expenses as a percentage of revenue increased 12.1%, to 28.5% for the nine-month period ended September 30, 2011, from 16.4% in the nine-month period ended September 30, 2010. The increases in other selling, general and administrative expense was due to the addition of Group DCA

Other selling, general and administrative expense in our PC Services segment for the nine-month period ended September 30, 2011 of $0.2 million is attributable to the allocation of corporate support costs. There were no corporate costs allocated to our PC Services segment for the nine-month period ended September 30, 2010, as there were no ongoing product commercialization activities during that period.

Facilities Realignment

During the nine-month period ended September 30, 2010, our Sales Services segment incurred a charge of approximately $0.6 million from adjustments in our assumptions regarding the ability to sublease unoccupied space on the third floor of our Saddle River, New Jersey facility due to continued adverse conditions in the real estate market. We were able to sublease this space in September 2011 and expect to receive approximately $2.2 million in lease payments over the life of the sublease. As of September 30, 2011, we have subleased substantially all of our space in both Saddle River, New Jersey and Dresher, Pennsylvania.

Operating loss

We had an operating loss of approximately $2.2 million and $1.7 million for the nine-month periods ended September 30, 2011 and 2010, respectively. The higher revenues in our Sales Services segment, launch of our new Interpace BioPharma business

unit and reduction in corporate operating expenses, were more than offset by the operating loss associated with Group DCA.

Provision for income tax

We had an income tax benefit of approximately $0.7 million for the nine-month period ended September 30, 2011, compared to income tax expense of $0.1 million for the nine-month period ended September 30, 2010. The income tax benefit for the nine-month period ended September 30, 2011 was primarily due to the release of reserves related to uncertain tax positions that were reversed in connection with the closing of the Company's IRS examination for the 2003, 2004 and 2008 tax years. Income tax expense for the nine-month period ended September 30, 2010 was primarily due to state and local taxes as we and our subsidiaries file separate income tax returns in numerous state and local jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2011, we had cash and cash equivalents and short-term investments of approximately $65.6 million and working capital of $37.7 million, compared to cash and cash equivalents and short-term investments of approximately $62.9 million and working capital of approximately $37.3 million at December 31, 2010. As of September 30, 2011, we had no commercial debt.

For the nine-month period ended September 30, 2011, net cash provided by operating activities was $3.1 million, compared to $12.5 million of net cash provided by operating activities for the nine-month period ended September 30, 2010. The main components of cash provided by operating activities during the nine-month period ended September 30, 2011 were the non-cash expense items of approximately $4.1 million and an increase in unearned contract revenue of $8.0 million, partially offset by a decrease in other accrued expenses of $4.0 million and long-term liabilities of $2.1 million. The main components of cash provided by operating activities during the nine-month period ended September 30, 2010 were an increase in accrued salaries and bonus of $3.4 million, an increase in other accrued expenses of $3.8 million and the receipt of a $3.3 million income tax refund, partially offset by a net loss of $4.3 million.

As of September 30, 2011 and December 31, 2010, we had $2.9 million and $3.4 million of unbilled costs and accrued profits on contracts in progress, respectively. When services are performed in advance of billing, the value of such services is recorded as unbilled costs and accrued profits on contracts in progress. Normally all unbilled costs and accrued profits are earned and billed within 12 months from the end of the respective period. As of September 30, 2011 and December 31, 2010, we had $21.4 million and $13.4 million of unearned contract revenue, respectively. When we bill clients for services before they have been completed, billed amounts are recorded as unearned contract revenue and are recorded as income when earned.

For the nine-month period ended September 30, 2011, net cash used in investing activities was $0.3 million compared to $1.5 million of cash used in investing activities during the nine-month period ended September 30, 2010. All capital expenditures were funded out of available cash. For the nine-month period ended September 30, 2011, net cash used in financing activities consisted of shares of our stock that were delivered to us and included in treasury stock for the payment of taxes resulting from the vesting of restricted stock.

Our revenue and profitability depend to a great extent on our relationships with a limited number of large pharmaceutical companies. For the nine-month period ended September 30, 2011, we had two customers that accounted for approximately 45.2%, and 17.7% of our service revenue. We are likely to continue to experience a high degree of customer concentration, particularly if there is further consolidation within the pharmaceutical industry. The loss or significant reduction of business from any of our significant customers, or a decrease in demand for our services, could have a material adverse effect on our financial condition and results of operations. In addition, our Shared Sales business unit's services to our second largest customer are seasonal in nature, occurring primarily in the winter season.

Future Liquidity and Capital Resources

Our primary sources of liquidity are cash generated from our operations, available cash and cash equivalents and short-term investments. These sources of liquidity are needed to fund our working capital requirements and 2011 estimated capital expenditures of approximately $0.6 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. We filed a registration statement on Form S-3 that became effective on July 15, 2011 which allows us to sell securities registered in a public primary offering with a value not exceeding more than one-third of our public float in any 12-month period so long as our public float remains below $75.0 million.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our market risks primarily consist of the impact of changes in the market value of certain of our investments. As of September 30, 2011, no material change had occurred in our market risks as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2010 included in Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934 (Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, management is required to apply its judgment in evaluating the benefits of possible disclosure controls and procedures relative to their costs to implement and maintain.

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

Changes in internal controls

In November 2010, we completed the acquisition of Group DCA. We excluded this business from Management’s Report on Internal Control over Financial Reporting as of December 31, 2010. We will include this business in Management's Report on Internal Control Financial Reporting as of December 31, 2011.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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 or results of operations, litigation is subject to inherent uncertainties. Were we to settle a proceeding for a material amount or were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on our business, financial condition or results of operations. Legal fees are expensed as incurred.

Item 1A. Risk Factors

There have been no material changes to the risk factors discussed in Part I, “Item 1A. Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2010 (Form 10-K). You should carefully consider the risks described in our Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or results of operations. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

Item 6. Exhibits

Exhibit No.	Description
10.28	First Amendment to Saddle River Executive Centre 2007 Sublease, filed herewith.
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101	The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2011 formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Cash Flows; and (iv) the Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

SIGNATURES

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

Date: November 10, 2011

PDI, Inc.
(Registrant)

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

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

FIRST AMENDMENT TO SUBLEASE

(This "Amendment") is made and entered into as of September 30, 2011, by and between **PDI, INC.**, a Delaware corporation with offices at 300 Interpace Parkway, Parsippany, New Jersey 07054 ("Sublandlord"); and **MEDASSETS NET REVENUE SYSTEMS, LLC**, a Delaware limited liability company with offices at 100 North Point Center East, Suite 200, Alpharetta, Georgia 30022 ("Subtenant").

WHEREAS, Sublandlord and **MD-X Solutions, Inc.** ("MD-X") entered into a Sublease dated June 18, 2007 (the "Original Sublease"), whereby Sublandlord subleased to MD-X certain premises containing approximately **19,361** rentable square feet of space (the "Original Subleased Premises") located on the second (**2nd**) floor of the building located at **One Route 17 South** in Saddle River, New Jersey (the "Building") and permitted MD-X to occupy and utilize a portion of Sublandlord's existing data center space located on the second (2nd) floor of the Building without obligation to pay Base Rent for same for a period of time; and

WHEREAS, at sometime or times subsequent to June 18, 2007, Sublandlord permitted Subtenant, pursuant to Section **45** of the Original Sublease, to occupy and utilize portions of Sublandlord's data center space on the second (**2nd**) floor of the Building consisting of (a) **488** rentable square feet and (b) **1,341** rentable square feet (the "Data Center Space"); and

WHEREAS, the Original Subleased Premises, the Data Center Space and the Third Floor Space (as hereinafter identified) comprise a portion of the premises leased by Sublandlord from **VRS Saddle River LLC** ("Prime Landlord") under a certain Standard Office Lease dated November 20, 2003 (the "Prime Lease"); and

WHEREAS, Subtenant is the successor-in-interest to MD-X and desires to sublease additional space from Sublandlord consisting of the entire third (**3rd**) floor of the Building; and

WHEREAS, Sublandlord and Subtenant have also agreed to amend and modify certain provisions of the Original Sublease in connection therewith as hereinafter provided.

NOW, THEREFORE, Sublandlord and Subtenant hereby agree with one another as follows:

1. **Defined Terms.** Capitalized terms used herein shall have the meanings ascribed to them in the Original Sublease except as otherwise defined herein. The Original Sublease as amended by this Amendment is herein called the "Sublease."

2. **Third Floor Space.** Commencing on the Third Floor Space Commencement Date (as defined in Section 3 herein), Sublandlord hereby demises to Subtenant and Subtenant hereby lets from Sublandlord the entire third (**3rd**) floor of the Building comprising approximately **46,912** rentable square feet of space (the "Third Floor Space")

as shown on Schedule A attached hereto. Hereafter, the Original Subleased Premises, the Data Center Space and the Third Floor Space combined shall be collectively referred to as the "Subleased Premises" and shall consist of approximately **68,102** rentable square feet of space in the Building.

3. **Term.** The term of the lease of the Third Floor Space (the "Sublease Term") shall commence upon the earliest date (the "Third Floor Space Commencement Date") upon which all three (3) of the following events have occurred: (i) execution of this Amendment by Sublandlord and Subtenant; (ii) delivery of possession of the Third Floor Space by Sublandlord to Subtenant; and (iii) receipt of Prime Landlord's written consent to this Amendment in accordance with Section 22 hereof. The Sublease Term shall end at 11:59:59 p.m. on **January 30, 2016** (which is the Expiration Date set forth in Section 2 of the Sublease). Exclusive possession of the Third Floor Space shall be delivered to Subtenant on or before the Third Floor Space Commencement Date.

4. **Condition of Third Floor Space.** Subtenant hereby acknowledges to Sublandlord that as of the Third Floor Space Commencement Date, Subtenant is leasing the Third Floor Space in "AS IS,WHERE IS" condition on that date; provided, however, that possession of the Subleased Premises shall be delivered to Subtenant in "broom clean" condition and free of all personal property other than Third Floor Existing Furniture described on Schedule C attached hereto.

5. **Permitted Use.** The Third Floor Space shall be used for only for general administrative, sales, service and training offices and uses ancillary thereto, and no other uses shall be permitted.

6. **Base Rent Payable for Third Floor Space.** From and after the Third Floor Space Commencement Date and continuing throughout the remainder of the Term of the Sublease as amended by this Amendment, Subtenant shall pay to Sublandlord Base Rent for the Third Floor Space alone as set forth below:

Period	Annual Base Rent	Monthly Base Rent
Third Floor Space Commencement Date - 5/31/2013	$—	$—
6/1/13-12/31/13	$780,000.00	$65,000.00
1/1/14-12/31/14	$792,000.00	$66,000.00
1/1/15-1/31/16	$840,000.00	$70,000.00

Annual Base Rent shall be payable in equal monthly installments, in advance, on the first day of each calendar month to Sublandlord at its address stated in the first paragraph of this Amendment.

7. **Base Rent Payable for entire Subleased Premises.** From and after the Third Floor Space Commencement Date and continuing throughout the remainder of the Term of the Sublease as amended by this Amendment, Subtenant shall pay to Sublandlord Base Rent for the entire Subleased Premises (to include the amounts set

forth in Section 6 of this Amendment) as set forth below, and Section 3 of the Sublease shall be hereby amended hereby accordingly:

Period	Annual Base Rent	Monthly Base Rent
Third Floor Space Commencement Date - 12/31/2013	$572,130.00	$47,677.50
6/1/13-12/31/13	$1,352,130	$112,677.50
1/1/14-12/31/14	$1,364,130	$113,677.50
1/1/15-1/31/16	$1,412,130	$117,677.50

Annual Base Rent shall be payable in equal monthly installments, in advance, on the first day of each calendar month.

8. **Rent Concession**. As indicated in Sections 6 and 7 above, so long as Subtenant shall not then be in default under any of the terms, covenants and conditions contained in this Amendment beyond the expiration of any applicable notice and/or cure period allowed by the Sublease, Subtenant shall not be required to pay any Base Rent (the "**Abatement**") for Third Floor Space during the period from the Third Floor Space Commencement Date and **May 31, 2013** (the "**Abatement Period**"); provided, however, that during and for such Abatement Period, Subtenant shall be required to pay electricity charges pursuant to Section 12 of this Amendment hereof with respect to the Third Floor Space plus any other Operating Expenses, any real property taxes and any other Additional Rents with respect to the Third Floor Space. Subtenant acknowledges that the consideration for the Abatement is Subtenant's performance of all of the covenants and conditions in this Amendment on its part to be performed during the Sublease Term with respect to the Third Floor Space. Therefore, if the Sublease, as amended by this Amendment, shall be terminated on or before the Expiration Date by reason of Subtenant's default beyond the expiration of any applicable notice and grace period allowed by the Sublease in Subtenant's performance of all of the covenants and conditions in this Amendment on its part to be performed during the Sublease Term with respect to the Third Floor Space, the unamortized portion attributable to the remainder of the Sublease Term as of the date of any such default of the aggregate amount of all Base Rent at the rate of Sixty-Five Thousand (**$65,000**) Dollars per month that would have been due and payable by Subtenant during and for the Abatement Period but for the provisional Abatement described above shall immediately thereafter be and become due and payable by Subtenant to Sublandlord. In the event of Subtenant's failure to pay such aggregate amount to Sublandlord, Sublandlord shall be entitled to the same rights and remedies as are provided for in the Sublease with respect to the non-payment of Base Rent. For avoidance of doubt, the aggregate amount of all Base Rent at the rate of Sixty-Five Thousand (**$65,000**) Dollars per month that would have been due and payable by Subtenant during and for the Abatement Period but for the Abatement shall be amortized in equal monthly installments over the period from the Third Floor Space Commencement Date through Expiration Date of the Sublease Term.

9. **Base Year for Third Floor Space.** From and after the Third Floor Space Commencement Date, the Base Year for the calculation of Subtenant's Proportionate

Share of increases in Operating Expenses and real property taxes for the Third Floor Space only shall be **2011**.

10. **Base Year for Original Subleased Premises and Data Center Space.** From and after the Third Floor Space Commencement Date, the Base Year for the calculation of Subtenant's Proportionate Share of increases in Operating Expenses and real property taxes for the Original Subleased Premises and the Data Center Space shall continue to be **2007**.

11. **Subtenant's Proportionate Shares.** From and after the Third Floor Space Commencement Date (to include but not limited to during the Abatement Period),

a. Subtenant's Proportionate Share for the Third Floor Space alone shall be **55.77%**;

b. Subtenant's Proportionate Share of increases in Operating Expenses and real property taxes for the Original Subleased Premises and the Data Center Space shall remain **25.19%**; and

c. Subtenant's Proportionate Share for the Original Subleased Premises, the Data Center Space and the Third Floor Space combined shall be **80.96%**, and Section 5 of the Sublease shall be amended hereby accordingly.

12. **Tenant Electric.** From and after the Third Floor Space Commencement Date (to include but not limited to during the Abatement Period):

a. Subtenant's electric charge for the Third Floor Space shall be payable at the rate currently being charged Subtenant pursuant to Section 6 of the Sublease.

b. Subtenant's electric charge for the Original Subleased Premises and the Data Center Space shall continue to be payable at the rate currently being charged Subtenant pursuant to Section 6 of the Sublease.

13. **Parking.** From and after the Third Floor Space Commencement Date, Subtenant, at no additional charge, shall be allowed to use, in accordance with the Parking Rules on Exhibit C to the Prime Lease, no fewer than two hundred and fifty seven (**257**) parking spaces, thirty (**30**) of which shall be covered/reserved spaces, and the rest of which shall be unreserved/uncovered parking spaces.

14. **Existing Furniture.** For the period from and after the Third Floor Space Commencement Date, through the Third Floor Space Expiration Date, Subtenant shall be permitted to use Sublandlord's existing furniture in the Third Floor Space (the "Third Floor Existing Furniture") which is more particularly described on Schedule C attached hereto. Such Third Floor Existing Furniture shall become the property of Subtenant without further action by the parties hereto, and Subtenant shall remove all such Third Floor Existing Furniture from the Subleased Premises at the expiration or sooner termination of the Sublease, as amended by this Amendment. Further, during the

Sublease Term, Subtenant shall have the right to reconfigure, discard and/or modify the Third Floor Existing Furniture without liability to Sublandlord or any obligation to restore, replace or surrender the same back to Sublandlord at the end of the Sublease Term.

15. **24-Hour Access**. Subtenant shall be entitled to 24-hour, seven (7) day a week access to the Building and the Subleased Premises, but this shall not be construed as authorization to make use of any Building services beyond Building Hours (as defined in Section **11.8** of the Prime Lease) without reimbursing Prime Landlord for the cost thereof, and shall be subject to any governmental or municipal laws and regulations with respect to said 24-hour, seven (7) day a week access. Subtenant shall obtain said access by means of a card, key or other similar means to be provided by Prime Landlord to afford access to the Building. Subtenant may use a card or key system for access to its Subleased Premises which is not compatible with the card or key system for access to the Building provided it makes pass cards or keys available to Prime Landlord for use in cases of emergency,

16. **Security Deposit.** Sublandlord and Subtenant acknowledge that Sublandlord currently holds a letter of credit in the sum of **$121,006.25** as a security deposit for the Subleased Premises pursuant to Section 31 of the Sublease. Upon execution and delivery of this Amendment by and to the parties, Subtenant shall provide either a cash deposit or an additional letter of credit in the sum of **$75,000** in accordance with the terms of Section 31, so that Sublandlord will hold the aggregate sum of **$196,006.25** as a security deposit for the duration of the Sublease Term, and Section 31 of the Sublease shall be amended hereby accordingly.

17. **Sublease Sections No Longer Applicable.** From and after the Third Floor Space Commencement Date (to include but not limited to during the Abatement Period),

a. Subject to compliance with Section 10(a) of the Sublease, Subtenant will, at its sole cost and expense, independently manage any alterations, additions or improvements to the Subleased Premises ("Subtenant's Improvements"). Accordingly, Section **15(b)** of the Sublease shall not be applicable to the Third Floor Space being leased pursuant to this Amendment. Sublandlord or Prime Landlord will contract to perform Subtenant's Improvements and to obtain bids for all categories of work costing more than Twenty-five Thousand (**$25,000**) from three contractors mutually acceptable to Prime Landlord, Sublandlord and Subtenant, who shall select the contactor to do the category of work.

b. In connection with any consent required from Sublandlord pursuant to Section **35(a)** of the Sublease, such consent will be needed only to confirm the compatibility of any proposed subsubtenant with other occupants of the Building.

c. The net worth test specified in Section **35(b)** of the Sublease will no longer apply to any assignment of the Sublease or subletting of the Subleased Premises by Subtenant covered by Section **35(b)**, and Subtenant will have the right to retain all the profit, if any, therefrom.

18. **Signage.** Sublandlord, at Sublandlord's sole cost and expense, shall provide Subtenant with lobby directory signage and suite entry signage, in accordance with the terms and conditions of Article 46 of the Prime Lease.

19. **Notices.** The text of the first paragraph of Section 28 of the Sublease is hereby amended and restated in its entirety as follows:

"Except where otherwise required by statute, all notices given pursuant to the provisions of this Sublease shall be in writing, addressed to the party to whom notice is given and sent by one of the following methods: (i) hand delivery; (ii) overnight commercial courier; or (iii) registered or certified mail, return receipt requested, in a postpaid envelope as follows:"

Further, Sublandlord's and Subtenant's address for notices under the Sublease is hereby updated as follows:

To Sublandlord: **PDI, INC.**
Morris Corporate Center I, Building A
300 Interpace Parkway
Parsippany, New Jersey 07054
Attn: Patrick Kane

To Subtenant: **MedAssets Net Revenue Systems LLC**
At the Subleased Premises
Attn: Jimmy Lynch

With a copy to: **MedAssets, Inc.**
100 North Point Center East, Suite 200
Alpharetta, Georgia 30022
Attn: General Counsel

20. **Brokers.** Subtenant and Sublandlord represent and warrant to one another that no broker except **CresaPartners/New Jersey, L.L.C.** and **Square Foot L.L.C.** (collectively, "Broker") was instrumental in consummating this Amendment and that it had no conversations or prior negotiations with any broker other than Broker concerning this Amendment. Subtenant and Sublandlord agree to indemnify and hold each other harmless from any and all claims of other brokers and expenses in connection therewith arising out of or in connection with the negotiation of or the entering into this Amendment. Sublandlord agrees to pay Broker a commission on account of this Amendment pursuant to a separate agreement.

21. **No Defaults.** Subtenant represents and warrants to Sublandlord that Sublandlord is not in default under any of its obligations under the Sublease, and that, to the best of Subtenant's knowledge, Subtenant is not in default in the performance of any of its obligations under the Sublease, and no event has occurred which, with the passage of time or the giving of notice or both, would constitute a default by either Sublandlord or Subtenant under the Sublease. Sublandlord represents and warrants to Subtenant that

Subtenant is not in default under any of its obligations under the Sublease, and that, to the best of Sublandlord's knowledge, Sublandlord is not in default in the performance of any of its obligations under the Sublease, and no event has occurred which, with the passage of time or the giving of notice or both, would constitute a default by either Sublandlord or Subtenant thereunder.

22. **Ratification.** As amended by this Amendment, the Original Sublease and all the covenants, agreements, terms, provisions and conditions thereof shall remain in full force and effect and are hereby ratified and affirmed. The covenants, agreements, terms, provisions and conditions contained in this Amendment shall bind and inure to the benefit of the parties hereto and their respective successors and assigns. In the event of any conflict between the terms contained in this Amendment and the Original Sublease, the terms herein contained shall supersede and control the obligations and liabilities of the parties.

23. **Effectiveness.** The submission of this Amendment by Sublandlord to Subtenant for examination and/or execution does not constitute a reservation of, or option for, the Third Floor Space, and this Amendment becomes effective only upon execution and delivery thereof by Sublandlord and Subtenant.

24. **Sublease Consent.** This Amendment shall become effective only if and when the written consent hereto of the Prime Landlord is obtained, in substantially the form attached as Schedule B hereto. Sublandlord will submit this Amendment to Prime Landlord for its consent within two (2) business days of Sublandlord's receipt of all of the following: (a) this Amendment, executed by Subtenant; and (b) a revised certificate of insurance, as required under Section **20** of the Sublease. In the event Prime Landlord's consent is not obtained within twenty-five (25) days after the date of Sublandlord's request, then either Sublandlord or Subtenant shall have the right to send written notice to the other stating that this Amendment shall be null and void and of no force or effect, and thereafter neither party shall have any further obligation to the other hereunder. Sublandlord agrees to notify Subtenant within one (1) business day of its receipt of Prime Landlord's consent or non-consent. Subtenant agrees to provide such information in connection with such request as the Prime Landlord shall reasonably request.

25. **Counterparts.** This Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute but one and the same instrument.

26. **Contingency.** This Amendment is contingent upon Subtenant terminating its existing lease with AMB Properties (the "AMB Lease") for its Mahwah, NJ office on or before ________________, 2011 (the "Contingency Expiration Date"). In the event Subtenant is unsuccessful in terminating the AMB Lease on or before the Contingency Expiration Date, then Subtenant shall have the right to terminate this Sublease, by sending written notice to Sublandlord, which notice must be given, if at all, not later than July 8, 2011, and Sublandlord shall return to Subtenant the first month's Rent and Additional Security Deposit and thereupon neither party shall have any further

obligations to the other. Notwithstanding the foregoing, Sublandlord shall have the right to continue to market the Third Floor Space to other prospects through and including the Contingency Expiration Date.

[TEXT AND SIGNATURES CONTINUE ON NEXT PAGE]

IN WITNESS WHEREOF, Sublandlord and Subtenant have hereunto executed this Amendment as of the date and year first above written, and acknowledge the one to the other that they possess the requisite authority to enter into this transaction and to sign this Amendment.

PDI, INC., Sublandlord

BY: /s/ Jeffrey Smith
NAME: Jeffrey Smith
TITLE: CFO

MEDASSETS NET REVENUE SYSTEMS, LLC,
Subtenant

BY: /s/ Jonathan H. Glenn
NAME: Jonathan H. Glenn
TITLE: Vice President and Secretary

SCHEDULE A

THIRD FLOOR SPACE

SCHEDULE B

PRIME LANDLORD'S

CONSENT TO FIRST AMENDMENT TO SUBLEASE

THIS CONSENT TO FIRST AMENDMENT TO SUBLEASE (this " Consent") dated as of September 30, 2011, is made with reference to that certain First Amendment to Sublease (the "Amendment") dated as of August 22 , 2011 between **PDI, INC.**, a Delaware corporation (" Tenant"), and **MEDASSETS NET REVENUE SYSTEMS, LLC** , a Delaware limited liability company ("Subtenant"), and is entered into by and among the foregoing parties and **MIREF SADDLE RIVER, LLC**, a Delaware limited liability company (" Landlord"), to witness the following:

WITNESS:

A. Landlord and Tenant are parties to that certain Standard Office Lease and Addendum thereto dated November 20, 2003 (hereinafter referred to collectively as the "Prime Lease") by and between **VRS Saddle River LLC** (predecessor-in-interest to Landlord and herein referred to as " Original Landlord"), as landlord, and Tenant, as tenant, respecting certain premises (the "Demised Premises") consisting of a portion of the building located at **One Route 17 South**, Saddle River, Bergen County, New Jersey (the " Building").

B. Tenant and Subtenant's predecessor-in-interest, **MD-X Solutions, Inc** ., entered into that certain Sublease dated as of June 18, 2007 (the "Original Sublease") whereby Tenant subleased to Subtenant a portion of the Demised Premises consisting of **19,361** rentable square feet located on the second floor of the Building (the "Original Subleased Premises") together with the right to use in common with other tenants in the Building, their invitees, customers and employees, the stairways, and all other general common facilities contained in the Building.

C. In connection with the Original Sublease, Original Landlord delivered to Tenant and Subtenant that certain Consent to Sublease dated as of July 17, 2007 (the "Original Consent"), which Original Consent was agreed to and countersigned by Tenant and Subtenant.

D. Tenant and Subtenant are parties to the Amendment for the subleasing of an additional portion of the Demised Premises (the "Additional Subleased Premises"), (which, together with the Original Subleased Premises, are referred to herein collectively as the "Subleased Premises"), (which Amendment, together with the Original Sublease, are herein referred to collectively as, the "Sublease"). As provided in Section 24 of the Amendment, it will not become effective until the written consent of Landlord is received.

E. Tenant and Subtenant have herewith presented the fully-executed Amendment to Landlord for Landlord's approval.

NOW THEREFORE, for good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Recitals set forth above hereby are incorporated by reference herein as though fully set forth at length.

2. Unless otherwise defined, all terms contained in this Consent shall, for the

purposes hereof, have the same meaning ascribed to them in the Prime Lease.

3. Landlord consents to the amendment of the Original Sublease as set forth in the Amendment, upon and expressly subject to the terms and conditions hereinafter set forth, to each of which Tenant and Subtenant expressly agree.

4. (a) Neither the Prime Lease, the Original Sublease, the Amendment, the Original Consent nor this Consent shall be deemed to grant Subtenant any right whatsoever against Landlord. Subtenant hereby acknowledges and agrees that its sole remedy for any alleged or actual breach of its rights in connection with the Subleased Premises shall be solely against Tenant. Nothing contained herein shall be deemed to enlarge or increase Landlord's obligations or decrease Landlord's rights under the Prime Lease or the Original Consent, and all covenants, agreements, terms, provisions and conditions of the Prime Lease and the Original Consent are hereby mutually declared to be in full force and effect, subject to the terms and conditions of this Consent.

(b) The Sublease shall be subject and subordinate at all times to the Prime Lease and to all of the covenants, agreements, terms, provisions and conditions of the Prime Lease, the Original Consent and this Consent, and neither Tenant nor Subtenant shall do or permit anything to be done in connection with the Subtenant's occupancy of the Subleased Premises which would violate any of said covenants, agreements, terms, provisions or conditions.

5. This Consent shall not release Tenant or Subtenant from any existing or future duty, obligation or liability to Landlord pursuant to the Prime Lease, the Sublease or the Original Consent nor shall this Consent change, modify or amend the Prime Lease or the Original Consent in any manner, except as otherwise provided herein. Tenant is and shall remain primarily liable and obligated for the payment of all rent and other amounts due and payable under, and the full and prompt performance of all terms, provisions, agreements and covenants contained in the Prime Lease, including the payment of all bills rendered by Landlord for charges incurred by Subtenant for services and/or materials supplied to the Subleased Premises. This Consent shall not be deemed as a consent to any further subleases, additional subletting or additional amendment to the Sublease, or to any assignment of either the Prime Lease or the Sublease, each of which requires the consent of Landlord pursuant to the Prime Lease.

6. (a) In the event of a Lease Termination (as hereinafter defined) prior to the expiration or earlier termination of the Sublease, Subtenant shall, solely upon the request of Landlord, attorn to Landlord and recognize Landlord as the Sublandlord under the Sublease upon the terms and conditions specified in the Sublease for the then remaining term of the Sublease, and be bound to perform all of the obligations imposed by the Sublease including, without limitation, the obligation to pay all base rent and additional rent due under the Sublease. In the event of such attornment, notwithstanding anything contained in the Sublease to the contrary, the Prime Lease shall remain in full force and effect with regard to the Sublease and the Subleased Premises, Landlord shall furnish to Subtenant all of the facilities, services, or utilities, and make repairs to the Subleased Premises in accordance with the Prime Lease as if Subtenant were the named tenant therein and Subtenant shall pay Landlord for the remainder of the term of the Sublease base rent and additional rent at the rates set forth in the Sublease. Subtenant agrees to execute and deliver at any time and from time to time, upon written request of Landlord, any instruments which may be necessary or appropriate to evidence such attornment. Landlord shall not: (i) be liable to Subtenant for any act, omission or breach of the

Prime Lease or the Sublease by Landlord or Tenant prior to the date of attornment; (ii) be subject to any offsets, claims or defenses which Subtenant might have against Tenant; (iii) be bound by any rent or additional rent which Subtenant might have paid in advance to Tenant (unless such sums have been received by Landlord); (iv) be bound to honor any rights of Subtenant with respect to any security deposited under the Sublease, unless such security deposit has been received by Landlord; (v) be bound by any change or modification to the Sublease to which Landlord has not consented; (vi) be bound by the provisions of Sections 8 or 9 of the Amendment prior to attornment; or (vii) be bound by the provisions of Section 16 of the Amendment except to the extent of any security deposit of Subtenant actually received by Landlord. Tenant hereby agrees that in the event of a Lease Termination, Tenant shall immediately pay or transfer to Landlord any security deposit, rent, or other sums then held by Tenant in connection with the Sublease. This provision shall survive the termination of the Sublease, the termination of the Original Consent, the termination of this Consent and the termination of any such direct lease.

(b) "Lease Termination" means any event, which by voluntary or involuntary act or by operation of law, might cause or permit the Prime Lease to: be terminated, expire, be cancelled, be surrendered, be foreclosed against, be rejected or otherwise come to an end, for any cause, other than by reason of condemnation or destruction including, but not limited to: (i) a default by Tenant or Subtenant under the Prime Lease of any of the terms or provisions thereof; (ii) foreclosure proceedings brought by the holder of any mortgage or trust deed to which the Prime Lease is subject; or (iii) the termination of Tenant's leasehold estate by dispossession proceeding or otherwise.

(c) Unless Landlord otherwise expressly requests Subtenant's attornment as described above, upon a Lease Termination, the Sublease and the term and estate thereby granted shall expire and come to an end as of the effective date of Lease Termination, and Subtenant shall vacate the Subleased Premises on or before such date. In case of the failure of Subtenant to so vacate, Landlord shall be entitled to all the rights and remedies which are available to a landlord against a tenant holding over after the expiration of a term, including without limitation, Landlord's rights and remedies pursuant to the Prime Lease, and Tenant and Subtenant shall remain primarily, jointly and severally liable for any damages suffered by Landlord.

(d) Subtenant waives the provisions of the Sublease, the Original Consent, this Consent or any law now or hereafter in effect which may give Subtenant any right of election to terminate the Sublease or to surrender possession of the Subleased Premises in the event any proceeding is brought by Landlord to terminate the Prime Lease.

7. (a) In addition to Landlord's rights under Section 6 hereof, in the event Tenant is in default under any of the terms and provisions of the Prime Lease, Landlord may elect to receive directly from Subtenant all sums due or payable to Tenant by Subtenant pursuant to the Sublease, and upon receipt of Landlord's written notice, Subtenant shall thereafter pay to Landlord any and all sums becoming due or payable under the Sublease and Tenant shall receive from Landlord a corresponding credit for such sums against any payments then due or thereafter becoming due from Tenant. Landlord will apply any and all such sums received from Subtenant first to the costs necessary to exercise its rights pursuant to the Prime Lease, including cure of Tenant's default and then to Tenant's outstanding rental and all other payment obligations under the Prime Lease, in such order as Landlord, in its sole discretion, may determine. Tenant hereby authorizes Subtenant to comply, without inquiry, with any such directive received from Landlord, Neither the service of such notice nor the receipt of such direct

payments shall cause Landlord to assume any of the Tenant's duties, obligations and/or liabilities under the Sublease, nor shall such event impose upon Landlord the duty or obligation to honor the Sublease, nor subsequently to accept Subtenant's attornment pursuant to Section 6(a) hereof.

(b) In case of the violation by Tenant or Subtenant of any of the covenants, agreements, terms, provisions or conditions hereof or of the Original Consent, Landlord shall give written notice of such violation to Tenant and Subtenant, and if such violation shall not be discontinued or corrected within a reasonable time as specified in such notice, Landlord may, in addition to Landlord's other remedies, revoke this Consent and the Original Consent. Reference in this Consent to any particular remedy shall not preclude Landlord from any other remedy at law or in equity or pursuant to the Prime Lease.

(c) Tenant and Subtenant agree that if Subtenant breaches any term of the Sublease, Landlord may, at its option and for its own sole benefit, exercise against Subtenant all or any of the rights and remedies that Tenant has against Subtenant at law, in equity or under the Sublease after written notice and expiration of any cure period provided under the Sublease. Tenant acknowledges that the exercise by Landlord of all or any of the foregoing rights and remedies against Subtenant shall not preclude Landlord from pursuing any right or remedy against Tenant. The exercise by Landlord against Subtenant of any or all of Tenant's rights and remedies shall neither cause Landlord to assume any of Tenant's duties, obligations and/or liabilities under the Sublease nor impose upon Landlord the duty or obligation to honor the Sublease nor subsequently to accept Subtenant's attornment pursuant to Section 6(a) hereof.

8. Subtenant hereby acknowledges that it has read and has knowledge of all of the terms, provisions, rules and regulations of the Prime Lease and agrees not to do or omit to do anything which would cause Tenant to be in breach of the Prime Lease to the extent applicable to the Subleased Premises. Any such act or omission shall also constitute a breach of the Original Consent and this Consent and shall entitle Landlord to recover any damage, loss, cost or expense which it thereby suffers from Subtenant, whether or not Landlord proceeds against Tenant.

9. In the event of any litigation between or among the parties hereto with respect to the subject matter hereof, the unsuccessful party agrees to pay the successful party all costs, expenses and reasonable attorneys' fees incurred therein by the successful party, which shall be included as a part of the judgment therein rendered.

10. Tenant and Subtenant each hereby represents and warrants to Landlord that the Original Sublease as amended by the Amendment contain the entire agreement and understanding of Tenant and Subtenant with respect to the subject matter thereof, specifically including, without limitation, all agreements concerning rent and other consideration payable by Subtenant to Tenant for the Subleased Premises. Tenant and Subtenant acknowledge and agree that Landlord is not a party to the Sublease and is not bound by the provisions thereof, and, notwithstanding the foregoing, the Sublease shall not be altered or amended in any way without Landlord's prior written consent. Tenant and Subtenant further jointly and severally represent and agree that Subtenant is financially responsible, of good reputation, and engaged in a business which is in keeping with the standards of Landlord in those respects for the Building and its occupancy.

11. Notices, requests, consents, approvals or other communications required or desired to be given hereunder (including, but not limited to, a copy of any notice of default by

Tenant or Subtenant under the Sublease, notice of which default shall be given to Landlord simultaneously by the non-defaulting party) shall be in writing and may be sent by prepaid certified mail, return receipt requested or by personal service (via a recognized overnight courier), and shall be effective upon receipt or rejection of receipt by the addressee, addressed as follows:

To Landlord:	MIREF SADDLE RIVER, LLC c/o Kwartler Associates, Inc. 2 North Street Waldwick, New Jersey 07463
With a copy to:	McMORGAN & COMPANY 425 Market Street, Suite 1600 San Francisco, California 94105 Attn: Real Estate Department
To Tenant:	PDI, INC. Morris Corporate Campus I, Bldg. A 300 Interpace Parkway Parsippany, New Jersey 07054 Attn: Patrick Kane and PDI, INC. Morris Corporate Campus I, Bldg. A 300 Interpace Parkway Parsippany, New Jersey 07054 Attn: General Counsel
With a copy to:	GREENBAUM, ROWE, SMITH & DAVIS llp Metro Corporate Campus One 99 Wood Avenue South Woodbridge, New Jersey 07095 Attn: Steven C. Delinko, Esq.
To Subtenant:	At the Premises
With a copy to:	MEDASSETS, INC. 100 North Point Center East, Suite 200 Alpharetta, Georgia 30022 Attn: General Counsel

Any party may change its address or add a party for notice by first giving notice to all the other parties hereto in the manner hereinabove provided.

12. Subtenant shall maintain, and shall cause its contractors and subcontractors, as applicable, to maintain, during the term of the Sublease, all those policies of insurance required to be maintained by Tenant under the Prime Lease, and shall name Landlord, Tenant, Landlord's mortgagee, agents, officers, directors, partners, members, affiliates, successors, assigns, principals, beneficiaries, and Landlord's property manager as additional insureds. Simultaneously with delivery by Subtenant to Landlord of Subtenant's countersignature to this Consent, Subtenant shall deliver to Landlord copies of insurance policies or original certificates of the insurers evidencing such insurance, together with evidence of the payment of all current premiums due therefor for a period of not less than twelve (12) months with regard to the

insurance to be maintained by Tenant and Subtenant and for a period equal to the reasonably estimated period of time in which work shall be performed with regard to the contractors and subcontractors performing work in, on or at the Subleased Premises, which insurance policies or certificates of insurance shall state that such insurance coverage may not be amended, changed or canceled without at least thirty (**30**) days' prior written notice to Landlord. Tenant and Subtenant acknowledge that delivery of such copies of insurance policies or original certificates is a condition precedent to Landlord's obligations and to the granting of this Consent by Landlord and to Subtenant's rights herein.

13. Landlord shall not be liable for any brokerage commission, finder's fee or any other payment in connection with the Sublease. Tenant and Subtenant agree to indemnify and hold Landlord harmless from and against any loss, cost, expense, damage or liability, including reasonable attorneys' fees, incurred as a result of a claim by any person or entity (i) that it is entitled to a commission, finder's fee or like payment in connection with the Original Sublease or the Amendment, or (ii) relating to or arising out of the Original Sublease or the Amendment or any related agreements or dealings. Tenant and Subtenant agree that Landlord is not responsible for the payment of any commissions or fees in connection with this transaction.

14. Tenant agrees to hold any and all payments due under the Sublease as a trust fund to be applied first to the satisfaction of all of Tenant's obligations under the Prime Lease and hereunder before using any part thereof for any other purpose.

15. Tenant agrees that Tenant shall, on the date hereof, reimburse Landlord for the reasonable out-of-pocket costs paid or incurred by Landlord in connection with the review of the Sublease and Amendment, and the documentation of this Consent, including, without limitation, reasonable legal fees. Tenant and Subtenant acknowledge that such reimbursement is a condition precedent to Landlord's obligations and to the granting of this Consent by Landlord and to Subtenant's rights herein.

16. (a) No alterations, additions (electrical or otherwise), or physical changes shall be made in the Subleased Premises, except pursuant to the covenants, agreements, provisions, terms and conditions of the Prime Lease and this Consent. Tenant agrees that Tenant and Subtenant are solely responsible for obtaining all permits and approvals required by any governmental or quasi-governmental agency for any work or otherwise required in connection with the Sublease or the Amendment or which Tenant or Subtenant elects to perform in the Subleased Premises.

(b) Notwithstanding Section 17(a) of the Amendment, Landlord does not consent to perform, construct or install any of Subtenant's Improvements. Any alterations, improvements and/or additions in or to the Subleased Premises, including without limitation, Subtenant's Improvements, shall be subject to the provisions of Article 8.3 of the Prime Lease. In addition, all work performed by or for the benefit of Subtenant shall be subject to the Construction Requirements set forth in Exhibit 1 attached hereto and made a part hereof.

17. Tenant hereby represents and warrants to Landlord that: (i) Landlord has complied with all of its obligations contained in the Prime Lease; and (ii) no event has occurred and no condition exists which, with the passage of time or the giving of notice or both, would constitute a default by Landlord or Tenant under the Prime Lease.

18. Tenant and Subtenant represent and warrant to Landlord that neither Tenant, Subtenant nor any of their respective partners, members or shareholders: (i) is listed on the

Specially Designated Nationals and Blocked Persons List maintained by the Office of Foreign Asset Control, Department of the Treasury ("OFAC") pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) ("Order") and all applicable provisions of Title III of the USA PATRIOT ACT (Public Law No. 107-56 (October 26, 2001)); (ii) is listed on the Denied Persons List and Entity List maintained by the United States Department of Commerce; (iii) is listed on the List of Terrorists and List of Disbarred Parties maintained by the United States Department of State; (iv) is listed on any list or qualification of "Designated Nationals" as defined in the Cuban Assets Control Regulations 31 C.F.R. Part 515; (v) is listed on any other publicly available list of terrorists, terrorist organizations or narcotics traffickers maintained by the United States Department of State, the United States Department of Commerce or any other governmental authority or pursuant to the Order, the rules and regulations of OFAC (including, without limitation, the Trading with the Enemy Act, 50 U.S.C. App. 1-44; the International Emergency Economic Powers Act, 50 U.S.C. § 1701-06; the unrepealed provision of the Iraqi Sanctions Act, Publ.L. No. 101-513; the United Nations Participation Act, 22 U.S.C. § 2349 aa-9; The Cuban Democracy Act, 22 U.S.C. § 60-01-10; The Cuban Liberty and Democratic Solidarity Act, 18.U.S.C. § 2332d and 233; and The Foreign Narcotic Kingpin Designation Act, Publ. L. No. 106-201, all as may be amended from time to time); or any other applicable requirements contained in any enabling legislation or other Executive Orders in respect of the Order (the Order and such other rules, regulations, legislation or orders are collectively called the "Orders"); (vi) is engaged in activities prohibited in the Orders; or (vii) has been convicted, pleaded *nolo contendere,* indicted, arraigned or custodially detained on charges involving money laundering or predicate crimes to money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes or violation of the Bank Secrecy Act (31 U.S.C. § 5311 et. seq.).

19. (a) Notwithstanding anything contained in the Sublease or the Original Consent to the contrary, Tenant and Subtenant acknowledge and agree that Article 12 of the Prime Lease does not permit further assignment or subletting by the Tenant or the Subtenant without Landlord's prior written consent, and that Article 12 remains in full force and effect upon Tenant and Subtenant.

(b) Landlord may consent to subsequent subsubleases or assignments of the Sublease or any modifications or amendments to the Sublease without notice to or obtaining the consent of Tenant.

20. Nothing herein shall limit or prejudice Landlord's right to require in the future full, strict and timely enforcement of all of Landlord's rights and remedies contained in the Prime Lease, including, but not limited to, in Article 13 of the Prime Lease.

21. (a) Tenant and the person executing and delivering this Consent on Tenant's behalf each represents and warrants that such person is duly authorized to so act; that Tenant is duly organized, is qualified to do business in the jurisdiction in which the Building is located, is in good standing under the laws of the state of its organization and the laws of the jurisdiction in which the Building is located, and has the power and authority to enter into this Consent; and that all action required to authorize Tenant and such person to enter into this Consent has been duly taken.

(b) Subtenant and the person executing and delivering this Consent on Subtenant's behalf each represents and warrants that such person is duly authorized to so act; that Subtenant is duly organized, is qualified to do business in the jurisdiction in which the Building is located, is in good standing under the laws of the state of its organization and the

laws of the jurisdiction in which the Building is located, and has the power and authority to enter into this Consent; and that all action required to authorize Subtenant and such person to enter into this Consent has been duly taken.

22. In the event of a conflict between any of the terms of this Consent and the terms of the Original Consent or the Sublease, the terms of this Consent shall control.

23. This Consent and any disputes arising hereunder shall be governed by the laws of the State of New Jersey (without giving effect to such State's principles of conflicts of laws) and shall be binding upon and inure to the benefit of the parties, and their respective permitted successors and assigns, subject to all agreements and restrictions contained in the Prime Lease, the Sublease, the Original Consent and herein. The agreements contained herein constitute the entire understanding between the parties with respect to the subject matter hereof, and supersede all prior agreements, written or oral, inconsistent herewith. No amendment, modification or change to the Sublease, the Original Consent or this Consent will be effective unless Landlord shall have given its prior written consent thereto. This Consent may be amended only in writing, signed by all parties hereto.

24. The parties hereto hereby waive trial by jury in any action, proceeding, claim or counterclaim brought by any party hereto against the other party(ies) on any matter whatsoever arising out of or in any way connected to the Prime Lease, the Sublease, the Original Consent, this Consent, the Subleased Premises, the relationship of the parties, the use or occupancy of the Subleased Premises and/or any injury or damage.

25. Tenant and Subtenant each represents to Landlord that no additional payments of rent or any other consideration has been paid or hereafter is payable by Subtenant to Tenant in connection with the Sublease, other than as set forth in the Sublease.

26. Tenant and Subtenant jointly and severally represent to Landlord that all documents and writings submitted to Landlord in connection with the Original Consent and this Consent, including without limitation, the Sublease and all financial information, are true, complete and accurate in all material respects, it being acknowledged that Landlord has relied on and is relying thereon in the granting of this Consent and the Initial Consent. If Landlord reasonably determines that such representation is false in any material aspect, Landlord shall have the right to withhold or withdraw such Consent on notice to Tenant and Subtenant.

27. Notwithstanding anything stated to the contrary in the Sublease, Landlord does not represent, approve of or consent to the specific number of reserved and unreserved parking spaces to which Tenant is entitled or which have been assigned or transferred to Subtenant; it being acknowledged that Tenant has assigned or transferred to Subtenant the right to use not more than the maximum number of parking spaces to which Tenant is entitled, to which Landlord consents.

28. Subtenant's right of access pursuant to Section 15 of the Amendment is subject to Sections 11.5, 11.7, 11.8, 11.9 and 11.10 of the Prime Lease.

29. Landlord does not consent to Section 24 of the Amendment.

[Signature page follows.]

IN WITNESS WHEREOF, the following parties have executed this Consent to Amendment to Sublease as of the date first above written.

Tenant:

PDI, INC., a Delaware corporation

By: /s/ Jeffrey Smith
Name: Jeffrey Smith
Title: CFO

Subtenant:

MEDASSETS NET REVENUE SYSTEMS, LLC , a Delaware limited liability company

By: /s/ Jonathan H. Glenn
Name: Jonathan H. Glenn
Title: Vice President and Secretary

Landlord:

MIREF SADDLE RIVER, LLC, a Delaware limited liability company

By: **McMORGAN & COMPANY LLC**, its manager, a Delaware limited liability company

By: /s/ Brian Seaman
Name: Brian Seaman
Title: Director

EXHIBIT 1

Construction Requirements

Notwithstanding anything to the contrary set forth in this Consent or the Prime Lease, any work performed at the Building or on the Subleased Premises by Subtenant or its contractors in connection with any Subtenant's Improvements or other work shall be subject to the following additional requirements:

(a) Such work shall not proceed until Landlord has approved (which approval shall not be unreasonably withheld or delayed): (i) Subtenant's contractor; (ii) the amount and coverage of public liability and property damage insurance, with Landlord and the Additional Insureds named as additional insureds, carried by Subtenant's contractor; (iii) complete and detailed plans and specifications for such work; and (iv) a schedule for the work.

(b) All work shall be done in conformity with a valid permit when required, a copy of which shall be furnished to Landlord before such work is commenced. In any case, all such work shall be performed in accordance with all applicable laws. Notwithstanding any failure by Landlord to object to any such work, Landlord shall have no responsibility for Subtenant's failure to comply with applicable laws or for Subtenant's failure to comply with the applicable provisions of the Prime Lease or this Consent.

(c) All contractors and subcontractors retained at the Project by Subtenant to perform construction or Subtenant improvement work shall be signatory to a collective bargaining agreement.

(d) Tenant and Subtenant, jointly and severally, shall indemnify, defend and hold Landlord and its partners harmless for all liabilities, claims and damages, including consequential damages, in connection with or resulting from any work performed by Subtenant at the Building or on the Subleased Premises.

SCHEDULE C

THIRD FLOOR EXISTING FURNITURE

Saddle River Furniture Listing:

Description	#
Cubicles	91
Office Desk & Bookcase	60
Chairs	189
Office meeting tables	18
Storage Shelves	14
Conference tables	13
Conference chairs	43
Filing Cabinets	134
Boardroom	
Boardroom Table	1
Leather chairs	19
Training Room	
8 Training room tables	8
Chairs	22
Breakroom	
Tables	7
Chairs	17
Counter Stools	5
Terrace Picnic Tables	3
Fridge	1
Microwave	1
Misc:	
Avaya Phones	100
Fridge	1
Microwave	1

Exhibit 31.1

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

I, Nancy S. Lurker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 of PDI, Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 10, 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 Quarterly Report on Form 10-Q for the quarter ended September 30, 2011 of PDI, Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 10, 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 Quarterly Report of PDI, Inc. (the “Company”) on form 10-Q for the period ended September 30, 2011 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: November 10, 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 Quarterly Report of PDI, Inc. (the "Company") on form 10-Q for the period ended September 30, 2011 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: November 10, 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.