UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2012

OR

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

For the transition period from _____to_____

Commission file Number: 0-24249

PDI, Inc.

(Exact name of registrant as specified in its charter)

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

Morris Corporate Center 1, Building A
300 Interpace Parkway, Parsippany, NJ 07054

(Address of principal executive offices and zip code)

(800) 242-7494

(Registrant's telephone number, including area code)

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

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

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

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

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

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 Q No £

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

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

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

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

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

The aggregate market value of the registrant's common stock, $0.01 par value per share, held by non-affiliates of the registrant on June 30, 2012, the last business day of the registrant's most recently completed second fiscal quarter, was $ 45,969,419 (based on the closing sales price of the registrant's common stock on that date). Shares of the registrant's common stock held by each officer and director and each person who owns 10% or more of the outstanding common stock of the registrant have been excluded because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 6, 2013, 15,015,500 shares of the registrant's common stock, $0.01 par value per share, were issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the registrant's 2013 Annual Meeting of Stockholders (the Proxy Statement), to be filed within 120 days of the end of the fiscal year ended December 31, 2012, are incorporated by reference in Part III hereof. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K (Form 10-K), the Proxy Statement is not deemed to be filed as part hereof.

PDI, Inc.
Annual Report on Form 10-K

* The information required under this item is to be contained in the Proxy Statement for the registrant's annual meeting of stockholders, and is incorporated herein by reference. It is anticipated that the Proxy Statement will be filed with the Securities and Exchange Commission by April 30, 2013.

FORWARD LOOKING STATEMENT INFORMATION

This Form 10-K contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Statements that are not historical facts, including statements about our plans, objectives, beliefs and expectations, are forward-looking statements. Forward-looking statements include statements preceded by, followed by or that include the words "believes," "expects," "anticipates," "plans," "estimates," "intends," "projects," "should," "may," "will" or similar words and expressions. These forward-looking statements are contained throughout this Form 10-K, including, but not limited to, statements found in Part I – Item 1 – "Business," Part II – Item 5 – "Market for our Common Equity, Related Stockholder Matters and Issuer Purchases of Securities," and Part II – Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

- 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 and strategy;
- 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 successfully expand our current core businesses and develop additional recurring and higher margin revenues;
- 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 of third-party service providers to perform their obligations to us;
- Volatility of our stock price and fluctuations in our quarterly and annual revenues and earnings;
- Failure of, or significant interruption to, the operation of our information technology and communication systems; and
- The results of any future impairment testing for goodwill and other intangible assets.

Please see Part I - Item 1A - "Risk Factors" of this Form 10-K, as well as other documents we file with the United States Securities and Exchange Commission (SEC) from time-to-time, for other important factors that could cause our actual results to differ materially from our current expectations and from the forward-looking statements discussed herein. Because of these and other risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. In addition, these statements speak only as of the date of this Form 10-K and, except as may be required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

PART I

ITEM 1. BUSINESS

Summary of Business

We are a leading provider of outsourced commercial 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, teledetailing and through our Interpace BioPharma business unit, we provide pharmaceutical, biotechnology, medical device and diagnostics clients with full-service product commercialization solutions. Combined, our services offer customers a range of both personal and non-personal promotional options for the commercialization of their products throughout their lifecycles, from development through maturity. We provide innovative and flexible service offerings designed to drive our customers' businesses forward and successfully respond to a continually changing market. Our services provide a vital link between our customers and the medical community through the communication of product information to physicians and other healthcare professionals for use in the care of their patients.

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

In December 2011, we entered into an agreement to sell certain assets of our Pharmakon business unit to Informed Medical Communications, Inc. (Informed) in exchange for potential future royalty payments and a 1% ownership interest in Informed. In the fourth quarter of 2012, we wrote-off all of the assets related to the sale of Pharmakon to Informed as we believe that these assets have become impaired. See Note 18, Discontinued Operations, to the audited consolidated financial statements included in this Annual Report on Form 10-K for additional details.

In August 2011, we announced the formation of our Interpace BioPharma business unit. Interpace BioPharma provides pharmaceutical, biotechnology, medical device and diagnostics clients with full-service product commercialization solutions. These services include full supply chain management, operations, sales, marketing, compliance, and regulatory/medical management. This unit currently has one contract, the revenue and expenses of which can be found in the Product Commercialization Services segment.

In March 2011, we announced the launch of a business unit within our Sales Services segment, EngageCE, that provides clinical educator services to our customers. The goal of clinical educators is to work with healthcare providers in the management of chronic diseases in order to optimize patient care and outcomes. We believe that the clinical educator services provided via EngageCE complements traditional sales force efforts and enhances our offerings.

In November 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™ (DIAlog, GRAphics, Motion), to deliver digital selling solutions via interactive communications exchanges that accommodate the schedules of healthcare providers. Group DCA's proprietary software also yields meaningful response data that allows customers the opportunity to better understand the needs and opinions of their audiences and, in turn, the opportunity to market to their audiences more effectively. With the combination of PDI's traditional outsourced promotional services and Group DCA's e-detailing, patient education communications and other digital communications, we are able 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 commenced operations as an outsourced sales organization in 1987 and we completed our initial public offering in May 1998. Our executive offices are located at Morris Corporate Center 1, Building A, 300 Interpace Parkway, Parsippany, New Jersey 07054. Our telephone number is (800) 242-7494.

Strategy

We strive to continually strengthen our position as a leading outsourced commercialization services organization in the United States. With a focus on superior quality and cost effectiveness, we have intensified our efforts on strengthening all aspects of our core outsourced promotional services business and broadening our overall commercialization capabilities. In 2013, we have committed to investing in several areas in an effort to proactively leverage our core strengths, help differentiate us and intensify our competitive position in the market. See the "Going Forward" section of Item 7. Management's Discussion and Analysis for a further explanation of our commitment to investment.

Relative to our core outsourced promotional services businesses, which include our Sales Services segment (CSO and EngageCE--clinical educators) and Marketing Services Segment (Group DCA--digital communications and Voice--teledetailing), we have not only consistently added capabilities that strengthen our offerings, we have focused heavily on delivery of these multi-channel services in an integrated and optimized manner. We offer two distinct forms of outsourced promotional services: personal and non-personal promotion. Personal promotion involves a face-to-face interaction between a healthcare provider and a sales representative or clinical educator. These services are included within our Sales Services and Product Commercialization segments. Non-personal promotion involves the healthcare provider accessing clinical or product information via a personal computer, tablet, mobile device or telephone at a time that is convenient to them. Due to the on-demand nature of our non-personal offerings, healthcare professionals can participate 24 hours a day, 7 days a week whether at home, in the office or from another remote location. Our non-personal promotional options are included within our Marketing Services segment.

In addition to our core promotional services, the company launched Interpace BioPharma in 2011. Interpace BioPharma provides full-service product commercialization solutions to pharmaceutical, biotechnology, medical device and diagnostics clients. Interpace BioPharma is in our Product Commercialization segment and focuses on all aspects of product commercialization, including, product distribution, product detailing, full supply chain management, operations, sales, marketing, compliance, and regulatory/medical management. We anticipate focusing additional resources on Interpace BioPharma going forward as we believe this will be a growing segment for: foreign companies who desire to establish a commercial presence in the United States; small and emerging companies in the United States who want to launch a product but do not have the installed infrastructure to mitigate commercialization risk; and large companies who wish to outsource established brands that have passed their growth phase.

Since we have now developed proven full product commercialization expertise, we have intensified our search for product in-licensing, acquisition and partnering opportunities that complement our existing commercial expertise and allow us to leverage the deep commercial know-how resident within PDI. These products generally would be FDA approved but not fully commercialized by the product owner. This strategy will likely require up-front investment in product rights and a have a greater share in the risks and rewards of the commercial success of the products than our fee-for-service model. Our ability to execute full product commercialization in a flexible, highly efficient manner, leveraging both personal and non-personal channels, through multi-channel integration is superior in the outsourcing industry. We believe that this skill set will present PDI with opportunities to drive incremental revenues and profits with improved margins from product opportunities or highly specialized niche markets that are ready for a more innovative commercial model. Our success in implementing this strategy will in part depend on being able to locate partners, properly assess the prospects for commercial success of the products and possibly secure financing of investment costs with third-parties.

Reporting Segments and Business Units

We have three reporting segments: Sales Services; Marketing Services; and Product Commercialization Services (PC Services).

Sales Services (Personal Promotion)

This segment, which focuses primarily on product detailing, includes our outsourced sales teams and EngageCE business unit, and represented 78% of our consolidated revenue for the year ended December 31, 2012. Product detailing involves a sales representative meeting face-to-face with targeted physicians and other healthcare decision makers to provide a technical review of the product being promoted and deliver marketing materials, including samples. Outsourced sales teams can be deployed on either a customer dedicated or shared basis, and may use either full-time or flex-time sales representatives. This segment also includes a portfolio of expanded sales services which includes talent acquisition services, short-term teams and vacancy coverage services. Our talent acquisition platform provides pharmaceutical customers with an outsourced, stand-alone sales force recruiting and on-boarding service. Short-term programs provide temporary full or flex-time sales teams, and are designed to help our customers increase brand impact during key market cycles, rapidly respond to regional opportunities, or conduct pilot programs. Our vacancy coverage service provides customers with outsourced full or flex-time sales representatives to fill

temporary territory vacancies created by leaves of absence within our customers' internal sales forces, thereby allowing our customers to maintain continuity of services.

Dedicated Sales Teams

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

Established Relationship Teams

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

EngageCE

Launched in the first quarter of 2011, EngageCE offers expert clinical educators to work with health care providers in the management of chronic diseases in order to optimize patient care and outcomes. EngageCE clinical educators helps medical practices transition from providing routine health care to implementing recognized and recommended standards of care. The primary focus of EngageCE is to instill best-practice treatment standards and procedures among health care practitioners and engage in discussions on appropriate drug therapies. This involves protocols that proactively enhance patient and disease management, with the goals of preventing medical issues from becoming more serious and of improving patient outcomes. The secondary focus of EngageCE is providing patient education on medical treatments to improve the patients' ownership of their disease.

Marketing Services (Non-personal Promotion)

This segment includes two business units: Group DCA and PDI Voice (Voice). The Marketing Services segment represented 8% of consolidated revenue for the year ended December 31, 2012. On December 29, 2011, we sold certain assets of our Pharmakon business unit and classified Pharmakon as discontinued operations. In September 2010, we exited the market research business, ceased the operations of the TVG business unit and classified TVG as discontinued operations. We do not have continuing operations in these disposed business units.

Group DCA

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

Voice

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

Product Commercialization Services (PC Services)

Interpace BioPharma

Interpace BioPharma provides pharmaceutical, biotechnology, medical device and diagnostics clients with full-service product commercialization solutions. These services include product detailing, full supply chain management, operations, sales, marketing, compliance, and regulatory/medical management. The PC Services segment represented 14% of consolidated revenue for the year ended December 31, 2012.

For details on revenue, operating results and total assets by segment, see Note 17, Segment Information, to the consolidated financial statements included in this Form 10-K.

Contracts

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

Sales Services

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

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

Our Sales Services contracts generally include standard mutual representations and warranties as well as mutual confidentiality and indemnification provisions, including product liability indemnification for our protection. Some 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. 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 established relationships 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.

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 Group DCA and Voice business units. Our Group DCA business unit enters into contracts and performs services with our major clients that fall under the scope of a master service agreement(s) (MSAs) or statements of work (SOWs) and typically have a term of one to three years. These MSAs, and in certain instances, SOWs, include standard representations and warranties, as well as confidentiality and indemnification obligations, and are generally terminable by the customer or us, without cause or prior written notice, for any reason. If terminated, the customer is responsible for work completed to date, plus the cost of any nonrefundable commitments we made on their behalf. There is significant customer concentration within our Group DCA business unit.

Our Voice business unit enters into contracts and performs services with our clients that generally take the form of MSAs and typically have a term of three months to one year.

PC Services

Our PC Services segment currently consists of our Interpace BioPharma business unit. In August 2011, Interpace BioPharma announced its first contract, a two and one-half year fee-for-service arrangement with a pharmaceutical company. This contract includes standard representations and warranties, as well as mutual confidentiality and indemnification obligations for our protection, and is terminable by the customer without cause upon 180 days prior written notice after the first anniversary of the contract effective date.

Due to the success of the program and to allow our customer to begin their long-term plan of building their own capabilities in the United States, this customer advised us that they wished to internalize selected commercialization activities as of October 1, 2012 and at the same time, extend other activities 6 months past the current December 31, 2013 contract expiration date to June 30, 2014. The modified and extended contract resulted in an estimated net overall reduction to the then current $55 million contract of approximately 10% to 15%, however the contract is no longer terminable by the customer without cause. During the year ended December 31, 2012, one customer accounted for all of the revenue in our PC Services segment.

This contract also includes 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. This agreement also includes incentive payments that can be earned if our promotional activities generate results that meet or exceed agreed-upon performance targets.

In addition, this contract provides for certain reimbursable out-of-pocket expenses such as travel, meals and entertainment and product sample distribution costs, for which we are reimbursed at cost by our customer.

Significant Customers

Historically, we have experienced a high degree of customer concentration in our businesses. Our four largest customers were Pfizer Inc., Ferring Pharmaceuticals, Inc., Fidia Pharmaceuticals, Inc., and Genentech, which accounted for 27.1%, 15.3%, 13.9%, and 11.9%, respectively, of our revenue for the year ended December 31, 2012 and collectively accounted for 59% of our accounts receivable balance as of December 31, 2012.

Marketing

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

Competition

With respect to our Sales Services reporting segment, we compete with our customers' ability to manage their needs internally. In addition, a small number of providers comprise the market for outsourced sales teams, and we believe that PDI, inVentiv Health Inc., Quintiles, and Publicis Touchpoint Solutions - part of Publicis Groupe SA, accounted for the majority of the outsourced sales team market share in the United States in 2012. Our Marketing Services reporting segment operates in a highly fragmented and competitive market and we believe that PDI, WebMD, Inc., Cadient Group, Inc., Physicians Interactive, Heartbeat Digital, Digitas, Inc. – part of Publicis Groupe SA, were the significant providers of marketing services to the pharmaceutical, biotechnology and healthcare industries in 2012.

We compete on the basis of such factors as reputation, service quality, management experience, performance record, customer satisfaction, ability to respond to specific customer needs, integration skills and price. Increased competition and/or a decrease in demand for our services may also lead to other forms of competition. We believe that our business units individually and our organization as a whole have a variety of competitive advantages that allow us to compete successfully in the marketplaces for our services. While we believe we compete effectively with respect to each of these factors, certain of our competitors are larger

than us and have greater capital, personnel and other resources than we have. Increased competition may lead to pricing pressures and competitive practices that could have a material adverse effect on our market share and our ability to attract new business opportunities as well as our business, financial condition and results of operations.

Employees

As of February 28, 2013, we had approximately 1,194 employees, including approximately 882 full-time employees. Approximately 92% of our employees are field sales representatives and sales managers. We are not party to a collective bargaining agreement with any labor union.

Available Information

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

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

Government Regulations and Industry Guidelines

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

The Patient Protection and Affordable Care Act (PPACA) (also known as the Sunshine Act) was signed into law on March 23, 2010. The PPACA was subsequently amended on March 30, 2010 by the Health Care and Education Reconciliation Act of 2010 (the Reconciliation Act). While the PPACA may increase the number of patients who have insurance coverage for the products we promote, its cost containment measures could also adversely affect reimbursement for our customers' products.

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

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

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

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

ITEM 1A. RISK FACTORS

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

PDI BUSINESS RISKS:

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

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

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

Our revenue and profitability depend to a great extent on our relationships with a very limited number of large pharmaceutical companies. As of December 31, 2012, our four largest customers accounted for approximately 68.2% of our 2012 revenue. As of December 31, 2011, our three largest customers accounted for approximately 74.3% of our 2011 revenue. While we expect to continue gaining new business in 2013, it is likely that our revenue and profitability will continue to be dependent on significant contracts with a very limited number of large pharmaceutical companies, and we may experience an even higher degree of customer concentration in 2013 and beyond in light of continued consolidation within the pharmaceutical industry and current business development opportunities.

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

If any future at-risk or other similar opportunities that we may pursue are not profitable for us, our business, financial condition, results of operations and cash flows could be materially and adversely affected.

While we are not actively engaged in any fully at-risk opportunities at this time, we continue to evaluate potential opportunities on a very selective and opportunistic basis. To the extent we enter into any arrangements in the future in which our anticipated revenue is based on sales of the product, there can be no assurance that our promotional activities will generate sufficient product sales for these types of arrangements to be profitable for us and our business. In addition, there are a number of factors that could negatively impact product sales during the term of a sales force promotional program, many of which are beyond our control, including the level of promotional response to the product, withdrawal of the product from the market, the launch of a therapeutically equivalent generic version of the product, the introduction of a competing product, loss of managed care covered lives, a significant disruption in the manufacture or supply of the product as well as other significant events that could affect sales of the product or the prescription market for the product. As a result, our financial condition, results of operations and cash flows could be materially and adversely affected if sales of products subject to these types of arrangements are not at adequate levels.

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

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

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

Our business strategy involves expanding beyond our current core businesses to seek out and invest in product-based opportunities, which could adversely affect near-term operating results and if not successful, we may not meet our objectives of developing additional recurring and higher margin revenue.

Our business strategy involves an increased emphasis on in-licensing, acquiring or partnering on product-based opportunities that leverage our extensive product commercialization expertise. These types of opportunities will require us to invest capital resources, to acquire licenses or other rights in products, to assess the prospects for commercial success of products we may invest in, and incur expenses in executing the commercialization process. Compared to our core businesses, these activities are expected to carry greater risks and uncertainties concerning the ability to achieve additional revenues and profits, may take longer to achieve revenues and profits and therefore may have a short-term adverse effect on profitability.

Our Group DCA business unit intends to complete development of and initiate a software-based product that enhances our Marketing Services segment offerings, which can be expected to result in increased expenses and investment near term, which could adversely affect our profitability.

There can be no assurance that execution of our strategies, which are intended to diversify our business, will achieve our objectives of adding revenues and increasing margins, either as to amount or timing.

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

We may require additional funds in order to pursue certain business opportunities or meet future operating requirements, develop incremental marketing and sales capabilities; and/or acquire other complementary businesses. We may seek additional funding through public or private equity or debt financing or other arrangements with collaborative partners. Any debt financing arrangements that we enter into may require us to comply with specified financial ratios, including ratios regarding interest coverage, total leverage, senior secured leverage and fixed charge coverage. Our ability to comply with these ratios may be affected by events beyond our control. If we raise additional funds by issuing equity securities, further dilution to existing stockholders

may result. As a condition to providing us with additional funds, future investors may demand, and may be granted, rights superior to those of existing stockholders. We cannot be certain, however, that additional financing will be available from any of these sources or, if available, will be available on acceptable or affordable terms. If adequate additional funds are not available, we may be required to delay, reduce the scope of, or eliminate one or more of our strategic initiatives.

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

The majority of our operating expenses are personnel-related costs such as employee compensation and benefits as well as the cost of infrastructure to support our operations, including facility space and equipment. We continuously review our personnel to determine whether we are fully utilizing their services. If we believe we are not in a position to fully utilize our personnel, we may make reductions to our workforce. If we are unable to achieve revenue growth in the future or fail to adjust our cost infrastructure to the appropriate level to support our revenues, our business, financial condition and results of operations could be materially and adversely affected.

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

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

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

The efficient operation of our business is dependent on our information technology and communications systems. The failure of these systems to operate as anticipated could disrupt our business and result in decreased revenue and increased overhead costs. In addition, we do not have complete redundancy for all of our systems and our disaster recovery planning cannot account for all eventualities. Our information technology and communications systems, including the information technology systems and services that are maintained by third party vendors, are vulnerable to damage or interruption from natural disasters, fire, terrorist attacks, malicious attacks by computer viruses or hackers, power loss or failure of computer systems, Internet, telecommunications or data networks. If these systems or services become unavailable or suffer a security breach, we may expend significant resources to address these problems, and our reputation, business and results of operations could be materially and adversely affected.

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

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

We have and may continue to experience goodwill impairment charges.

We are required to evaluate goodwill at least annually, and between annual tests if events or circumstances warrant such a test. These events or circumstances could include a significant long-term adverse change in the business climate, poor indicators of operating performance or a sale or disposition of a significant portion of a reporting unit. We test goodwill for impairment at the reporting unit level, which is one level below our segments. Goodwill has been assigned to the reporting units to which the value of the goodwill relates. We currently have five reporting units, with one reporting unit, Group DCA, having goodwill. If we determine that the fair value is less than the carrying value, an impairment loss will be recorded in our statement of operations. The determination of fair value is a highly subjective exercise and can produce significantly different results based on the assumptions used and methodologies employed. If our projected long-term sales growth rate, profit margins or terminal growth rate are considerably lower and/or the assumed weighted-average cost of capital is considerably higher, future testing may indicate impairment and we would have to record a non-cash impairment loss in our statement of operations and comprehensive income. During the year ended December 31, 2012, we recorded an impairment charge of $22.8 million related to goodwill and other intangible assets. See Note 7, Goodwill and Other Intangible Assets, to the consolidated financial statements included in this Annual Report on Form 10-K.

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

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

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

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

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

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

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

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

In addition, in the case of revenue related to service contracts, we recognize revenue as services are performed, while program costs, other than training costs, are expensed as incurred. We believe that quarterly, and in certain instances annual, comparisons of our financial results are not necessarily meaningful and should not be relied upon as an indication of future performance. Fluctuations in quarterly and annual results could materially and adversely affect the market price of our common stock in a manner unrelated to our long-term operating performance.

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

The market for our common stock is volatile. During 2012, our stock traded at a low of $5.84 and a high of $8.88. In 2011, our stock traded at a low of $5.27 and a high of $11.35. The trading price of our common stock has been and will continue to be subject to:

- general volatility in the trading markets;
- significant fluctuations in our quarterly operating results;
- significant changes in our cash and cash equivalent reserves;
- announcements regarding our business or the business of our competitors;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- industry and/or regulatory developments;
- changes in revenue mix;
- changes in revenue and revenue growth rates for us and for our industry as a

whole;

- changes in accounting standards, policies, guidance, interpretations or principles; and
- statements or changes in opinions, ratings or earnings estimates made by brokerage firms or industry analysts relating to the markets in which we operate or expect to operate.

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

John P. Dugan, our former chairman, beneficially owns approximately 33% of our outstanding common stock. As a result, Mr. Dugan is able to exercise significant influence over the election of all of our directors and to determine the outcome of most corporate actions requiring stockholder approval, including a merger with or into another company, the sale of all or substantially all of our assets and amendments to our certificate of incorporation. This ownership concentration by Mr. Dugan could delay or prevent a change in corporate control that may otherwise be beneficial to our other stockholders.

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

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

INDUSTRY RISKS:

Changes in outsourcing trends in the pharmaceutical, biotechnology or healthcare industries could materially and adversely affect our business, financial condition and results of operations.

Our business depends in large part on demand from the pharmaceutical, biotechnology and healthcare industries for outsourced promotional services. The practice of many companies in these industries has been to hire outside organizations like PDI to conduct large sales and marketing projects on their behalf. However, companies may elect to perform these services internally for a variety of reasons, including the rate of new product development and FDA approval of those products, the number of sales representatives employed internally in relation to demand, the need to promote new and existing products, and competition from other suppliers. During the past few years, there has been a slow-down in the rate of approval of new products by the FDA and this trend may continue. While a significant portion of our revenue is derived from our sales force arrangements with large pharmaceutical companies, and we have therefore benefited from cost control measures implemented by these companies and their resultant increased reliance on outsourced promotional services in 2012, we also were impacted significantly and adversely in previous years when several large pharmaceutical companies made changes to their commercial model by reducing the number of sales representatives employed internally and through outside organizations like PDI. These and other developments within the pharmaceutical industry have resulted in volatility in the market for outsourced sales and marketing services during the last few years, and there can be no assurances regarding the continuation, timing or extent of any changes of these trends. If companies in the pharmaceutical, biotechnology or healthcare industries reduce their demand for outsourcing services, our business, financial condition and results of operations could be materially and adversely affected.

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

Our revenues depend on promotional, marketing and sales expenditures by companies in the pharmaceutical, biotechnology and healthcare industries. Promotional, marketing and sales expenditures by pharmaceutical manufacturers have in the past been, and could in the future be, negatively impacted by, among other things, governmental reform or private market initiatives intended to reduce the cost of pharmaceutical products or by governmental, medical association or pharmaceutical industry initiatives designed to regulate the manner in which pharmaceutical manufacturers promote their products as well as the high level of patent expiration and related introduction of generic versions of branded medicine within the industry. Furthermore, the trend in the pharmaceutical, biotechnology and healthcare industries toward consolidation may result in a reduction in overall sales and marketing expenditures and, potentially, a reduction in the use of outsourced sales and marketing services providers. This reduction in demand for outsourced sales and marketing services could be further exacerbated by the current economic condition of the United States and

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

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

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

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

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

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

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

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

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

GENERAL RISKS:

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

The Patient Protection and Affordable Care Act (PPACA) (also known as the Sunshine Act) was signed into law on March 23, 2010. The PPACA was subsequently amended on March 30, 2010 by the Health Care and Education Reconciliation Act of 2010 (the Reconciliation Act). The PPACA and Reconciliation Act (collectively the Act) entail sweeping healthcare reforms with staggered effective dates from 2010 through 2018, and many provisions in the Act require the issuance of additional guidance from the U.S. Department of Labor, the Internal Revenue Service, the U.S. Department of Health & Human Services, and state governments. This reform includes, but is not limited to: the implementation of a small business tax credit; required changes in the design of our healthcare policy including providing insurance coverage to part-time workers working thirty or more hours per week; “grandfathering” provisions for existing policies; state insurance exchanges; “pay or play” requirements; and a “Cadillac plan” excise tax.

PPACA also requires Applicable Manufacturers to disclose to the Secretary of the Department of Health & Human Services ("HHS") drug sample distributions and certain payments or transfers of value to covered recipients (physicians and teaching hospitals) on an annual basis. Applicable Manufacturers and Applicable Group Purchasing Organizations must also disclose certain physician ownership or investment interests. The data submitted will ultimately be made available on a public website. Based upon the structure of its relationship with its clients, PDI may be defined as an applicable manufacturer for purposes of the disclosure requirements or may provide services that include the transfer of drug samples and/or other items of value to covered recipients. As such PDI may be required to disclose or provide information that is subject to disclosure. There may be certain risks and penalties associated with the failure to properly make such disclosures, including but not limited to the specific civil liabilities set forth in PPACA, which allows for a maximum civil monetary penalty per applicable manufacturer of $1,150,000. There may be additional risks and claims made by third parties derived from an improper disclosure that are difficult to ascertain at this time.

In June 2012, the United States Supreme Court upheld the constitutionality of key provisions of the PPACA. The PPACA contains numerous initiatives that impact the pharmaceutical industry. These include, among other things:

- increasing existing price rebates in federally funded health care programs;
- expanding rebates, or other pharmaceutical company discounts, into new programs;
- imposing a new non-deductible excise tax on sales of certain prescription pharmaceutical products by prescription drug manufacturers and importers;
- reducing incentives for employer-sponsored health care;
- creating an independent commission to propose changes to Medicare with a particular focus on the cost of biopharmaceuticals in Medicare Part D;
- providing a government-run public option with biopharmaceutical price-setting capabilities;
- allowing the Secretary of Health and Human Services to negotiate drug prices within Medicare Part D directly with pharmaceutical manufacturers;
- reducing the number of years of data exclusivity for innovative biological products potentially leading to earlier biosimilar competition; and
- increasing oversight by the FDA of pharmaceutical research and development processes and commercialization tactics.

While the PPACA may increase the number of patients who have insurance coverage for the products we promote, its cost containment measures could also adversely affect reimbursement for any of our customers' product candidates. Cost control initiatives could decrease the price that our customers receive for any product candidate they may develop in the future. If our customers' product candidates are not considered cost-effective or if they are unable to generate adequate third-party reimbursement for the users of their product candidates, then our customers may be unable to maintain price levels sufficient to realize an appropriate return on investment for product candidates currently in development. Our customers could impose margin pressures on us in an effort to recoup a portion of their return on investment, which would have an adverse impact on our business.

We are currently unable to determine the long-term, direct or indirect impact of such legislation on our business. Since many provisions of the Act do not become operative until future years, we do not expect the Act to have a material adverse impact on our near term results of operations. However, healthcare reform as mandated and implemented under the Act and any future federal or state mandated healthcare reform could materially and adversely affect our business, financial condition and results of operations by increasing our costs, hindering our ability to effectively match our cost of providing health insurance with our pricing and impeding our ability to attract and retain customers as well as potentially changing our business model or causing us to lose certain current competitive advantages.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in, and our Sales Services and PC Services segments are operated out of, Parsippany, New Jersey where we lease approximately 23,000 square feet. The lease runs through June 2017. Our Marketing Services business unit, Group DCA, operates out of an approximately 21,000 square foot facility in Parsippany, New Jersey under a lease that expires in June 2017, with a June 2014 early cancellation provision. The cancellation provision requires nine months notice and a cancellation fee. In the fourth quarter of 2012, the Company reduced the amount of space the Group DCA business unit is operating out of and is currently seeking to sublet approximately 9,000 square feet of this unused office space in Parsippany, New Jersey. There can be no assurance, however, that we will be able to successfully sublet the unused office space on favorable terms or at all.

We also lease approximately 84,000 square feet of office space in Saddle River, New Jersey (our former corporate headquarters), that terminates in January 2016 and is cancelable by PDI on June 30, 2015. We have entered into subleases, which run through the end of the underlying lease, for all of the square footage at our Saddle River facility. Our discontinued Marketing Services business unit, TVG, operated out of a 38,000 square foot facility in Dresher, Pennsylvania under a lease that runs for a term of approximately 12 years and terminates in November 2016. Our discontinued Marketing Services business unit, Pharmakon, operated out of a 6,700 square foot facility in Schaumburg, Illinois under a lease that expires in February 2015. We have sublet all of the office space in Dresher, Pennsylvania and Schaumburg, Illinois through the end of the underlying leases.

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

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. REMOVED AND RESERVED

PART II

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

Market Information

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

	2012		2011	
	HIGH	LOW	HIGH	LOW
First quarter	$ 7.39	$ 6.03	$ 11.35	$ 7.63
Second quarter	$ 8.88	$ 6.55	$ 9.56	$ 5.92
Third quarter	$ 8.57	$ 6.33	$ 8.34	$ 6.10
Fourth quarter	$ 8.24	$ 5.84	$ 7.74	$ 5.27

Holders

We had 587 stockholders of record as of March 1, 2013. Not reflected in the number of record holders are persons who beneficially own shares of common stock held in nominee or street name.

Dividends

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

Securities Authorized For Issuance under Equity Compensation Plans

We have a number of stock-based incentive and benefit programs designed to attract and retain qualified directors, executives and management personnel. All equity compensation plans have been approved by security holders. The following table sets forth certain information with respect to our equity compensation plans as of December 31, 2012:

Equity Compensation Plan Information
Year Ended December 31, 2012

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (2004 Stock Award and Incentive Plan, 2000 Omnibus Incentive Compensation Plan, and 1998 Stock Option Plan)	51,000	$ 19.13	1,400,794
Equity compensation plans not approved by security holders (1)	—	—	—
Total	51,000	$ 19.13	1,400,794

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

Issuer Purchases of Equity Securities

On November 7, 2006, we announced that our Board of Directors authorized us to repurchase up to one million shares of our common stock, none of which has been repurchased. We did not repurchase any shares of our common stock on the open market during the years ended December 31, 2012 and 2011 and do not anticipate repurchasing shares in the foreseeable future.

ITEM 6. SELECTED FINANCIAL DATA

PDI is a "smaller reporting company" for purposes of the disclosure requirements in Regulation S-K of the SEC and therefore not required to provide this information.

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

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

OVERVIEW

We are a leading provider of outsourced commercial 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 and teledetailing. Combined, our services offer customers a range of both personal and non-personal promotional options for the commercialization of their products throughout their lifecycles, from development through maturity. We provide innovative and flexible service offerings designed to drive our customers' businesses forward and successfully respond to a continually changing market. Our services provide a vital link between our customers and the medical community through the communication of product information to physicians and other healthcare professionals for use in the care of their patients. We provide these services through three reporting segments: Sales Services; Marketing Services; and Product Commercialization Services. These segments are described in detail under the caption *Description of Reporting Segments* below.

Our business depends in large part on demand from the pharmaceutical, biotechnology and healthcare industries for outsourced promotional services. In recent years, this demand has been impacted by certain industry-wide factors affecting pharmaceutical, biotechnology and healthcare companies, including, among other things, pressures on pricing and access, successful challenges to intellectual property rights (including the introduction of competitive generic products), a strict regulatory environment, decreased pipeline productivity and a slow-down in the rate of approval of new products by the United States Food and Drug Administration (FDA). Additionally, a number of pharmaceutical companies have made changes to their commercial models by reducing the internal number of sales representatives. A significant portion of our revenue is derived from our sales force arrangements with large pharmaceutical companies, and we have therefore benefited from cost control measures implemented by these companies and their resultant increased reliance on outsourced promotional services. However, we are also experiencing fluctuations in revenue due to certain clients renewing with a smaller salesforce and the expiration of certain other contracts due to the timing of new business and the variable nature of our business. We believe that we will continue to experience a high degree of customer concentration and this trend may continue as a result of the continuing consolidation within the pharmaceutical industry.

In December 2011, we entered into an agreement to sell certain assets of our Pharmakon business unit to Informed in exchange for potential future royalty payments with a fair value of $0.4 million and a 1% ownership interest in Informed valued at $0.1 million. Net of the aforementioned consideration, we recorded a charge of approximately $7.5 million. In the fourth quarter of 2012, we wrote-off all of the assets related to the sale of Pharmakon to Informed as we believe that these assets have become impaired. See Note 18, Discontinued Operations, to the audited consolidated financial statements included in this Form 10-K for additional details.

In August 2011, we announced the formation of our Interpace BioPharma business unit. Interpace BioPharma provides pharmaceutical, biotechnology, medical device and diagnostics clients with full-service product commercialization solutions. These services include full supply chain management, operations, sales, marketing, compliance, and regulatory/medical management. This unit currently has one contract, the revenue and expenses of which are included in the Product Commercialization Services segment.

In March 2011, we announced the launch of a business unit within our Sales Services segment, EngageCE. EngageCE provides clinical educator services to our customers. The goal of clinical educators is to work with healthcare providers in the management of chronic diseases in order to optimize patient care and outcomes. We believe that the clinical educator services provided via EngageCE complements traditional sales force efforts and enhances our offerings. EngageCE operates autonomously from the other business units in the Sales Service segment.

In November 2010, we acquired 100% of the membership interest in 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, iPads, mobile devices, dimensional direct mail and its proprietary software, DIAGRAM ™, to deliver non-personal selling solutions via interactive communications exchanges that accommodate the schedules of healthcare providers. Group DCA's proprietary software also yields meaningful response data that allows customers the opportunity to better understand the needs and opinions of their audiences and, in turn, the opportunity to market to their audiences more effectively. With the combination of PDI's traditional outsourced promotional services and Group DCA's online interactive engagements, HCP communications, Sales Rep digital selling tools, patient education, and other digital communications, we are 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. The escrow amount of $1.3 million was paid out during the quarter ended June 30, 2012. The purchase agreement also provided for the former members of Group DCA to earn up to an additional $30.0 million from the date of acquisition through December 31, 2012. These payouts were to be based on Group DCA's achievement of revenue and gross profit metrics and ranged 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 periods ended December 31, 2010 were not achieved. In November 2011, we announced the retirement of the Group DCA co-CEOs as of December 31, 2011 and announced that we amended the Group DCA purchase agreement to negotiate a buy out of the contingent earn-out fee. Under the amendment, we paid $3.4 million to buy out the contingent earn-out fee under the purchase agreement in 2012. Pursuant to their respective retirement agreements, we will pay $0.3 million to each of the co-CEOs in 2013.

During our 2012 annual impairment tests of goodwill and indefinite-lived intangible assets and our review of the recoverability of finite-lived intangible assets, we identified potential impairment and subsequently determined that these Group DCA business unit assets were impaired and recognized an impairment charge of $22.8 million. See Note 7, Goodwill and Other Intangible Assets, to our consolidated financial statements included in this Annual Report on Form 10-K for further information.

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 Product Commercialization Services businesses. These businesses 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 leading outsourced promotional services organization in the United States. We believe our focus has led to the significant level of new business wins we experienced in 2012. In addition, we continue to diligently evaluate the risks and rewards of opportunities within our PC Services segment as they arise, while enhancing future value-added service offerings, as well as continue to evaluate acquisitions that will enhance our current service offerings and provide new business opportunities.

DESCRIPTION OF REPORTING SEGMENTS

For the year ended December 31, 2012, our three reporting segments were as follows:

- Sales Services, which is comprised of the following business units:
  - Dedicated Sales Teams;
  - Established Relationship Teams (formerly known as Shared Sales Teams); and
  - EngageCE.
- Marketing Services, which is comprised of the following business units:
  - Group DCA; and
  - Voice.
- Product Commercialization Services (PC Services) which is comprised of the following business unit:
  - Interpace BioPharma.

Select financial information for each of these segments is contained in Note 17, Segment Information, to our consolidated financial statements included in this Annual Report on Form 10-K and in the discussion under "*Consolidated Results of Operations."*

CRITICAL ACCOUNTING POLICIES

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

Revenue and Cost of Services

We recognize revenue from services rendered when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists; services have been rendered; the selling price is fixed or determinable; and collectability is reasonably assured. Our contracts containing multiple deliverables are accounted for subject to the provisions of Accounting Standards Update No. 2009-13 (ASU 2009-13), "Multiple-Deliverable Revenue Arrangements - a consensus of the FASB Emerging Issues Task Force", an update to Accounting Standards Codification 605-25.

Sales Services

Revenue under pharmaceutical detailing contracts is generally based on the number of sales representatives utilized or the number of physician details made. Revenue is generally recognized on a straight-line basis over the contract period or as the physician details are performed. A portion of revenues earned under certain contracts may be risk-based. The risk-based metrics are based on contractually defined percentages of prescriptions written. Revenue from risk-based metrics is recognized in the period which the metrics have been attained and when we are reasonably assured that payment will be made.

Many of our product detailing contracts also allow for additional periodic incentive fees to be earned if certain activity based performance benchmarks have been attained. Revenue from incentive fees is recognized in the period earned if the performance benchmarks have been attained and when we are reasonably assured that payment will be made. Many contracts also stipulate penalties if agreed upon performance benchmarks have not been met. Revenue is recognized net of any potential penalties until the performance criteria relating to the penalties have been achieved. Commission based revenue is recognized when performance is completed.

Our product detailing contracts are generally for terms of one to two years and may be renewed or extended. The majority of these contracts, however, are terminable by the customer for any reason upon 30 to 180 days' notice. Certain contracts provide for termination payments if the customer terminates the agreement without cause. Typically, however, these penalties do not offset the revenue we could have earned under the contract or the costs we may incur as a result of its termination.

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

The loss or termination of a large pharmaceutical detailing contract or the loss of multiple contracts could have a material adverse effect on our financial condition or results of operations. Historically, we have derived a significant portion of service revenue from a limited number of customers. Concentration of business in the pharmaceutical industry is common and the industry continues to consolidate. As a result, we are likely to continue to experience significant customer concentration in future periods. For the year ended December 31, 2012, our three largest customers, who each individually represented 10% or more of our Sales Services revenue, collectively accounted for approximately 52.5% of our consolidated service revenue. For the year ended December 31, 2011, our three largest customers, who each individually represented 10% or more of our Sales Services revenue, collectively accounted for approximately 72.4% of our consolidated service revenue. See Note 13, Significant Customers, to our consolidated financial statements included in this Annual Report on Form 10-K.

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

Initial direct program costs are the costs associated with initiating a product detailing program, such as recruiting and hiring and certain other direct incremental costs, excluding pass through costs that are billed to customers. Other direct costs include, but are not limited to, facility rental fees, travel expenses, sample expenses and other promotional expenses. Through March 31, 2012, we expensed these initial direct program costs as incurred, as these amounts were not material to our operating results. As a result of our recent contract signings and plans to enter into larger contracts in the future, requiring more material initial direct program costs, commencing April 1, 2012, we changed our policy for the recognition of such initial direct program costs. These costs are now being deferred and amortized to expense in proportion to the revenue recognized as driven by the terms of the underlying contract. This change in accounting was not applied retrospectively because the effect on prior periods was immaterial.

During the year ended December 31, 2012, we deferred $1.8 million of initial direct program costs and amortized $0.2 million into expense. All personnel costs and other direct costs, excluding initial direct program costs, are expensed as incurred.

Reimbursable out-of-pocket expenses include those relating to travel and other similar costs, for which we are reimbursed at cost by our customers. Reimbursements received for out-of-pocket expenses incurred are characterized as revenue and an identical amount is included as cost of services in the consolidated statements of operations. For the years ended December 31, 2012 and 2011, reimbursable out-of-pocket expenses were $19.9 million and $24.8 million, respectively.

Training costs include the costs of training the sales representatives and managers on a particular product detailing program so that they are qualified to properly perform the services specified in the related contract. For the majority of our contracts, training costs are reimbursable out-of-pocket expenses.

Marketing Services

Revenue under marketing service contracts are primarily based on a series of deliverable services associated with the design and execution of interactive digital promotional programs. The contracts are generally terminable by the customer for any reason. Upon termination, the customer is generally responsible for payment for all work completed to date, plus the cost of any nonrefundable commitments we have made on behalf of the customer.

Revenue from certain promotional contracts that include more than one service offering is accounted for as multiple-element arrangements. For these contracts, the deliverable elements are divided into separate units of accounting provided the following criteria are met: the delivered elements have stand-alone value to the customer; and if there is a right of return or refund, delivery or performance of the undelivered items is probable and substantially in our control. The contract revenue is then allocated to the separate units of accounting. Revenue and cost of services are recognized for each unit of accounting separately as the related services are rendered and costs are incurred, respectively.

A majority of our multiple-element arrangements generally contain two phases for each wave of promotional content that is developed under the program: the development phase and the delivery phase. The development phase represents the creation of the promotional assets to be used in the program while the delivery phase represents the delivery of those assets to the customer's target audience and any communications received from the targets in response to the materials. We have determined that these two phases represent the units of accounting of a majority of our multiple-element arrangements.

For multiple element arrangements, revenue is recognized based on an allocation of the total amount of the arrangement to each deliverable based on fair value. Fair value is determined using vendor-specific objective evidence ("VSOE") if available, third-party evidence ("TPE") if VSOE is not available, or best estimate of selling price if neither VSOE or TPE is available. We use our best estimate of selling price to determine the value of all deliverables within the development unit of accounting and a majority of the deliverables within the delivery unit of accounting. The best estimate of selling price of standard deliverables is derived primarily from our standard rate card, which covers a majority of the deliverables included within our customer contracts and is reviewed and updated on an annual basis or more frequently if circumstances warrant, and management's margin objectives. Prices on the standard rate card are derived primarily from our standard hourly project budgets and standard hourly billing rate; however, these prices are then evaluated against recent market conditions and sales trends and may be adjusted by management in order to remain competitive in the current environment.

The best estimate of selling price of non-standard deliverables included within its customer contracts, which generally represent custom projects, is derived from the deliverable's hourly project budget and our standard hourly billing rate. For a select few types of deliverables provided within its customer contracts, we use third party evidence to determine the value of the deliverables. This applies primarily to the physical production of program recruitment tactics such as webkeys and direct mail, as well as other vendor services that we utilize from time to time such as email broadcasting fees.

Revenue related to the development unit of accounting is recognized as the services are delivered. Revenue related to the delivery unit of accounting is recognized on a straight-line basis over the delivery phase of the project, as defined in the contract, and generally ranges between six and twelve months.

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

Cost of services consists primarily of the costs associated with executing interactive digital promotional programs or other sales and marketing services identified in the contract and include personnel costs and other direct costs. Personnel costs, which constitute the largest portion of cost of services, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the professional staff that are directly responsible for executing a particular program. Other direct costs include, but are not limited to, freelance costs; email broadcasting fees; list rental fees; webkeys and direct mail production fees; and other promotional expenses. All personnel costs and direct program costs are expensed as incurred.

PC Services

Revenue under product commercialization contracts is based on the number of sales representatives utilized and the commercial operations services we provide. We have determined that there are two units of accounting in our PC Services arrangement: 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 we employ in our Sales Services segment. Selling prices for commercial operations are determined by estimating the expenditures required to perform the services, plus the addition of a profit margin consistent with the expected profit margin to be generated by the Dedicated Sales Team. Revenue is recognized for the 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 services as services are provided over the term of the contract.

Cost of services consists primarily of the costs associated with executing product detailing programs and includes personnel costs and other direct costs, as well as the initial direct costs associated with staffing a product detailing program. Cost of services may also include costs such as distribution, marketing and promotion, public relations, patient reimbursement programs, managed care support, and market research. Personnel costs, which constitute the largest portion of cost of services, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the sales representatives, sales managers and professional staff that are directly responsible for executing the program. Initial direct program costs are those costs associated with initiating a product detailing program, such as recruiting, hiring, and training the sales representatives who staff a particular program. Other direct costs include, but are not limited to, facility rental fees, travel expenses, sample expenses and other promotional expenses. Through March 31, 2012, we expensed initial direct program costs as incurred, as these amounts were not material to our operating results. As a result of our recent contract signings and plans to enter into larger contracts in the future, requiring more material initial direct program costs, commencing April 1, 2012, we changed our policy for the recognition of such initial direct program costs. These costs are now being deferred and amortized to expense in proportion to the revenue recognized as driven by the terms of the underlying contract. This change in accounting was not applied retrospectively because the effect on prior periods was immaterial. All personnel costs and other direct costs, excluding initial direct program costs, are expensed as incurred.

Contract Loss Provisions

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

Goodwill and Indefinite-Lived Intangible Assets

We allocate 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 we have acquired do not have significant tangible assets, a significant portion of the purchase price has been allocated to intangible assets and goodwill. The identification and valuation of these intangible assets and the determination of the estimated useful lives at the time of acquisition, as well as the completion of impairment tests require significant management judgments and estimates. These estimates are made based on, among other factors, 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 our results of operations. Further, changes in business strategy and/or market conditions may significantly impact these judgments and thereby impact the fair value of these assets, which could result in an impairment of the goodwill or intangible assets.

We test goodwill and indefinite-lived intangible asset (Group DCA corporate tradename) for impairment at least annually (as of December 31) and whenever events or circumstances change that indicate impairment may have occurred. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others: a significant decline in our expected future cash flows; a sustained, significant decline in our stock price and market capitalization; a significant adverse change in legal factors or in the business climate of the pharmaceutical industry; unanticipated competition;

and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of goodwill, the indefinite-lived intangible asset and our consolidated financial results.

We test goodwill for impairment at the business (reporting) unit level, which is one level below our operating segments. The goodwill has been assigned to the reporting unit to which the value relates. One of our five reporting units, Group DCA, has goodwill. We tested goodwill by estimating the fair value of the reporting unit using a Discounted Cash Flow (DCF) model. The key assumptions used in the DCF model to determine the highest and best use of estimated future cash flows include revenue growth rates and profit margins based on internal forecasts, terminal value and an estimate of a market participant's weighted-average cost of capital used to discount future cash flows to their present value. We tested the indefinite-lived intangible asset using a Relief From Royalty Method (RFRM) under the Income Approach. The key assumptions used in the RFRM model include revenue growth rates, the terminal value and the assumed discount rate. While we use available information to prepare estimates and to perform impairment evaluations, actual results could differ significantly from these estimates or related projections, resulting in impairment related to recorded goodwill balances.

During our annual impairment tests of goodwill and indefinite-lived intangible assets, management identified potential impairment. Management then determined that these Group DCA business unit assets were impaired and recognized an impairment loss of $18.4 million as the carrying value of the Group DCA business unit was in excess of its fair value. If Group DCA's projected long-term sales growth rate, profit margins, or terminal rate continue to change, or the estimated weighted-average cost of capital is considerably higher, future testing may indicate additional impairment in this reporting unit and, as a result, the remaining assets may also be impaired.

Long-Lived Assets, including Finite-Lived Intangible Assets

We review the recoverability of long-lived assets and finite-lived intangible assets whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized by reducing the recorded value of the asset to its fair value measured by future discounted cash flows. During the year ended December 31, 2012 we recorded a non-cash charge of approximately $4.4 million related to the impairment of the Group DCA finite-lived intangible assets. This analysis requires estimates of the amount and timing of projected cash flows and, where applicable, judgments associated with, among other factors, the appropriate discount rate. Such estimates are critical in determining whether any impairment charge should be recorded and the amount of such charge if an impairment loss is deemed to be necessary.

Acquisition Accounting

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

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

Contingencies

In the normal course of business, we are subject to various contingencies. Contingencies are recorded in the consolidated financial statements when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated, or otherwise disclosed, in accordance with Accounting Standards Codification 450, Contingencies. We are currently involved in certain legal proceedings and, as required, we have accrued our estimate of the probable costs for the resolution of these claims. These estimates are developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Predicting the outcome of claims and litigation, and estimating related costs and exposures, involves substantial uncertainties that could cause actual costs to vary materially from estimates.

In connection with the acquisition of Group DCA, we recorded the fair value of a contingent earn-out fee of approximately $1.6 million within long-term liabilities. The Group DCA purchase agreement provided for the former members of Group DCA to earn the contingent earn-out fee of up to an additional $30 million from the date of acquisition through December 31, 2012. These earn-out fees were based on Group DCA's achievement of revenue and gross profit metrics and ranged 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 periods ended December 31, 2010 were not achieved. In November 2011, we announced the retirement of the Group DCA co-CEOs as of December 31, 2011, and announced that we amended the Group DCA purchase agreement to negotiate a buyout of the contingent earn-out fee. Under the amendment, we paid $3.4 million in 2012 to buy out the contingent earn-out fee under the purchase agreement. Pursuant to their respective retirement agreements, we will pay $0.3 million to each of the co-CEOs in 2013.

Income Taxes

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

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

Significant judgment is also required in evaluating the need for and magnitude of appropriate valuation allowances against deferred tax assets. We currently have significant deferred tax assets resulting from net operating loss carryforwards and deductible temporary differences. The realization of these assets is dependent on generating future taxable income. We perform an analysis quarterly to determine whether the expected future income will more likely than not be sufficient to realize the deferred tax assets. Our recent operating results and projections of future income weighed heavily in our overall assessment. The existing and forecasted levels of pretax earnings for financial reporting purposes are not sufficient to generate future taxable income and realize our deferred tax assets and, as a result, we established a full federal and state valuation allowance for the net deferred tax assets at December 31, 2012 and 2011, as we determined that it was more likely than not that these assets would not be realized.

Stock Compensation Costs

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

We primarily use the Black-Scholes option pricing model to determine the fair value of stock options and stock-based stock appreciation rights (SARs). The determination of the fair value of stock-based payment awards is made on the date of grant and is affected by our stock price as well as assumptions made regarding a number of complex and subjective variables. These assumptions include: our expected stock price volatility over the term of the awards; actual and projected employee stock option exercise behaviors; the risk-free interest rate; and expected dividend yield. Our assumptions are more fully described in Note 12, Stock-Based Compensation, to our consolidated financial statements in this Annual Report on Form 10-K.

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

Restructuring, Facilities Realignment and Related Costs

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

CONSOLIDATED RESULTS OF OPERATIONS

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

	Years Ended December 31,	
	2012	2011
Revenue, net	100.0 %	100.0 %
Cost of services	78.8 %	79.4 %
Gross profit	21.2 %	20.6 %
Compensation expense	12.9 %	12.5 %
Other selling, general and administrative expenses	9.0 %	9.3 %
asset impairments	18.5 %	— %
DCA contingent consideration buyout and related charges	— %	1.8 %
Facilities realignment	0.6 %	— %
Total operating expenses	41.0 %	23.6 %
Operating loss	(19.9)%	(3.0)%
Other income, net	— %	— %
Loss from continuing operations before income tax	(19.9)%	(3.0)%
Provision (benefit) for income tax	0.2 %	(0.6)%
Loss from continuing operations	(20.1)%	(2.4)%
(Loss) from discontinued operations, net of tax	— %	(5.2)%
Net loss	(20.1)%	(7.6)%

Results of Continuing Operations for the Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

(in thousands)	Sales Services	Marketing Services	PC Services	Consolidated
Year ended December 31, 2012:				
Revenue, net	$ 99,206	$ 10,127	$ 17,566	$ 126,899
Cost of Services	$ 80,130	$ 7,240	$ 12,669	$ 100,039
Gross Profit	$ 19,076	$ 2,887	$ 4,897	$ 26,860
Gross Profit %	19.2%	28.5%	27.9%	21.2%
Year ended December 31, 2011:				
Revenue, net	$ 135,970	$ 12,195	$ 9,126	$ 157,291
Cost of Services	$ 108,770	$ 9,144	$ 6,906	$ 124,820
Gross Profit	$ 27,200	$ 3,051	$ 2,220	$ 32,471
Gross Profit %	20.0%	25.0%	24.3%	20.6%

Operations Overview

We operate in three business segments: Sales Services; Marketing Services; and PC Services. In 2012, results from continuing operations in our PC Services segment improved significantly relative to 2011; however, this improvement was more than offset by declines in both our Sales Services and Marketing Services segments.

As we have previously stated, although we anticipate a continued downsizing of sales forces by the pharmaceutical industry, we expect that this downsizing has the potential to create an increase in the level of outsourcing of sales and marketing services as the pharmaceutical industry drives to create a new selling model. While we believe that the long-term trends in the pharmaceutical industry will result in a higher level of outsourcing of the types of services we provide, we plan to seek more predictable, higher growth and higher margin business by intensifying our previously announced strategy of in-licensing, acquiring or partnering of products. We believe the overall value of our offerings will be improved by our ability to integrate our core and expand offerings as discussed in the "Going Forward" section further below.

Revenue, net

Consolidated revenue for the year ended December 31, 2012 decreased by $30.4 million, or 19.3%, to $126.9 million, compared to the year ended December 31, 2011. This was primarily attributable to the significant revenue increase from the contract in our PC Services segment being more than offset by the anticipated expiration or non-renewal of contracts in our Sales Services segment exceeding the revenue from new and renewal contracts due to the timing of signing and commencing new contracts, and fewer signings in our Marketing Services segment.

Revenue in our Sales Services segment for the year ended December 31, 2012 decreased by $36.8 million, or 27.0%, to $99.2 million, compared to the year ended December 31, 2011. The decrease in Sales Services revenue was primarily due to certain clients renewing with a smaller salesforce and the anticipated expiration of certain other contracts totaling approximately $77 million partially offset by the launch of several new multi-year contracts and extensions. For the full year of 2012, we signed more than $250 million of multi-year new contract wins and extensions, of which only approximately $40 million was recognized in 2012.

Revenue in our Marketing Services segment for the year ended December 31, 2012 decreased by $2.1 million, to $10.1 million, compared to the year ended December 31, 2011. This decrease was primarily due to a decline in revenue at our Group DCA business unit as a result of fewer contract signings, contraction in the amounts being spent by pharmaceutical companies in 2012 and delays in our customer's medical legal regulatory approval process.

Revenue in our PC Services segment for the year ended December 31, 2012 of $17.6 million is related to our fee-for-service arrangement within our Interpace BioPharma business unit. Revenue in the PC Services segment for the year ended December 31, 2011 of $9.1 million reflects the start-up of our product commercialization activities as well as less than a half year of product commercialization salesforce activities.

Cost of services

Consolidated cost of services for the year ended December 31, 2012 decreased $24.8 million, or 19.9%, to $100.0 million, compared to the year ended December 31, 2011. This decrease was primarily due to the reduction of contracts within our Sales Services segment, partially offset by the increase in costs associated with our fee-for-service arrangement in our PC Services segment.

Cost of services in our Sales Services segment for the year ended December 31, 2012 decreased to $80.1 million, or 26.3%, compared to the year ended December 31, 2011. This decrease was directly attributable to the decrease in revenue discussed above.

Cost of services in our Marketing Services segment for the year ended December 31, 2012 decreased $1.9 million to $7.2 million, compared to the year ended December 31, 2011. This decrease was attributable to our emphasis on cost savings initiatives as we right-sized the structure of our Group DCA business unit throughout 2011 and 2012 as well as the decrease in revenue discussed above.

Cost of services in our PC Services segment for the year ended December 31, 2012 increased to $12.7 million. These costs are related to our fee-for-service arrangement in our Interpace BioPharma business unit. Cost of services in the PC Services segment of $6.9 million for the year ended December 31, 2011 reflects the start-up of our product commercialization activities as well as less than a half a year of product commercialization salesforce activities.

Gross profit

Consolidated gross profit for the year ended December 31, 2012 decreased by $5.6 million, or 17.3%, to $26.9 million, compared to the year ended December 31, 2011. The consolidated gross profit percentage increased 0.5%, to 21.2% for the year ended December 31, 2012, compared to the year ended December 31, 2011.

The gross profit percentage in our Sales Services segment for the year ended December 31, 2012 decreased by 0.8%, to 19.2%, compared to the year ended December 31, 2011. This decrease was primarily due to fixed management costs in our Established Relationship Team over a lower revenue base in 2012.

The gross profit percentage in our Marketing Services segment for the year ended December 31, 2012 increased to 28.5%, from 25.0% in the year ended December 31, 2011. This increase was primarily attributable to Group DCA realizing more normalized margins in the year ended December 31, 2012 as compared to the year ended December 31, 2011. The significant impact of acquisition accounting on Group DCA's deferred revenue, had a direct effect on the business unit's revenue, and therefore gross profit, in the year ended December 31, 2011.

The gross profit in our PC Services segment for the year ended December 31, 2012 was $4.9 million and is related to our fee-for-service arrangement in our Interpace BioPharma business unit. Gross profit of $2.2 million in the PC Services segment for the year ended December 31, 2011 reflects the start-up of our product commercialization activities as well as less than half a year of product commercialization salesforce activities.

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

Compensation expense (in thousands)

Year Ended December 31,	Sales Services	% of sales	Marketing Services	% of sales	PC Services	% of sales	Total	% of sales
2012	$ 12,602	12.7%	$ 2,912	28.8%	$ 900	5.1%	$ 16,414	12.9%
2011	14,209	10.5%	5,129	42.1%	356	3.9%	19,694	12.5%
Change	$ (1,607)		$ (2,217)		$ 544		$ (3,280)	

Consolidated compensation expense for the year ended December 31, 2012 decreased by $3.3 million, or 16.7%, compared to the year ended December 31, 2011. The decrease was primarily attributable to the decrease at Group DCA of $2.2 million from right-sizing the business throughout 2011 and 2012 as well as a decrease of $0.8 million in corporate salary expense. As a percentage of consolidated revenue, consolidated compensation expense increased to 12.9% for the year ended December 31, 2012, from 12.5% for the year ended December 31, 2011, primarily due to the decrease in consolidated revenue.

Compensation expense in our Sales Services segment for the year ended December 31, 2012 decreased by $1.6 million, or 11.3%, to $12.6 million compared to the year ended December 31, 2011. As a percentage of segment revenue, compensation expense increased 2.2%, to 12.7% for the year ended December 31, 2012, from 10.5% for the year ended December 31, 2011. The increase in segment compensation expense as a percent of segment revenue was primarily driven by the decrease in segment revenue.

Compensation expense in our Marketing Services segment for the year ended December 31, 2012 decreased by $2.2 million, to $2.9 million, compared to the year ended December 31, 2011. This decrease was primarily due to the continued right-sizing of the Group DCA business throughout 2011 and 2012, including a decrease in executive compensation costs. As a percentage of segment revenue, segment compensation expense decreased 13.3%, to 28.8% for the year ended December 31, 2012, from 42.1% for the year ended December 31, 2011. The decrease in segment compensation expense as a percent of segment revenue was a result of Group DCA's compensation expense decreasing from right-sizing the business.

Compensation expense in our PC Services segment for the year ended December 31, 2012 of $0.9 million is primarily attributable to a full year of allocated corporate support costs. Compensation expense for the year ended December 31, 2011 represents less than a full year of allocated corporate support costs as the contract in the Interpace BioPharma business unit was in place for less than a full year.

Other selling, general and administrative expenses (in thousands)

Year Ended December 31,	Sales Services	% of sales	Marketing Services	% of sales	PC Services	% of sales	Total	% of sales
2012	$ 6,813	6.9%	$ 3,880	38.3%	$ 762	4.3%	$ 11,455	9.0%
2011	9,719	7.1%	4,526	37.1%	345	3.8%	14,590	9.3%
Change	$ (2,906)		$ (646)		$ 417		$ (3,135)	

Consolidated other selling, general and administrative expenses for the year ended December 31, 2012 decreased by $3.1 million, or 21.5%, to $11.5 million, compared to the year ended December 31, 2011. The decrease was primarily driven by our continued focus on cost savings, in particular: a $1.8 million decrease in professional services (i.e. consulting, audit, legal services); a $0.5 million decrease in information technology costs; and a $0.5 million decrease in travel and entertainment. As a percentage of consolidated revenue, consolidated other selling, general and administrative expenses decreased slightly to 9.0% for the year ended December 31, 2012, from 9.3% in the year ended December 31, 2011, due to the decrease in consolidated other selling, general and administrative expenses.

Other selling, general and administrative expenses in our Sales Services segment for the year ended December 31, 2012 decreased by $2.9 million, to $6.8 million, compared to the year ended December 31, 2011. As a percentage of segment revenue, other selling, general and administrative expenses decreased 0.2%, to 6.9% for the year ended December 31, 2012, from 7.1% for the year ended December 31, 2011. This decrease was primarily attributable to a reduction in the allocated corporate costs discussed above.

Other selling, general and administrative expenses in our Marketing Services segment for the year ended December 31, 2012 decreased by $0.6 million, or 14.3%, to $3.9 million, compared to the year ended December 31, 2011, primarily due to a decrease in information technology and travel and entertainment expenses at Group DCA. As a percentage of segment revenue, other selling, general and administrative expenses increased to 38.3% for the year ended December 31, 2012, from 37.1% for the year ended December 31, 2011. This increase was primarily attributable to the decrease in Group DCA revenue in the period ended December 31, 2012 compared to the year ended December 31, 2011.

Other selling, general and administrative expenses associated with our PC Services segment for the years ended December 31, 2012 and 2011 was $0.8 million and $0.3 million, respectively. The increase in other selling, general and administrative expenses in our PC Services segment in 2012 is attributable to a full year of allocated corporate support costs.

DCA contingent consideration buyout and related charges

In November 2011, we announced the retirement of the Group DCA co-CEOs as of December 31, 2011 and announced that we amended the Group DCA purchase agreement to negotiate a buyout of the contingent earn-out fee. Under the amendment, we paid $3.4 million in 2012 to buy out the contingent earn-out fee under the purchase agreement. Pursuant to their respective retirement agreements, we will pay $0.3 million to each of the co-CEOs in 2013. Partially offsetting these charges was the write-off of the $1.6 million contingent earn-out fee we had accrued for in purchase accounting as of the acquisition date. As a result, we recorded a charge of approximately $2.9 million within our Marketing Services segment for the year ended December 31, 2011.

Asset impairments

For the year ended December 31, 2012, we incurred approximately $22.8 million in asset impairment charges within our Marketing Services segment. These impairment charges were associated with the write-down of goodwill of $16.4 million and other intangible assets of $6.4 million in our Group DCA business unit. The recent decline in revenue from significant customers in the business unit, the decrease in new business generated by this business unit and changes in pharmaceutical industry spending were the main factors contributing to the impairment. We also incurred a charge of approximately $0.7 million in 2012 related to the write-off of all of the assets related to the sale of Pharmakon to Informed as we believe these assets have become impaired.

Facilities realignment

For the year ended December 31, 2012, our Marketing Services segment incurred a charge of approximately $0.7 million related to the downsizing of approximately 9,000 square feet of office space in Parsippany, New Jersey. We are currently seeking to sublet this unused office space.

Operating loss

There were operating losses from continuing operations of $25.2 million and $4.7 million during the years ended December 31, 2012 and 2011, respectively. The increase in operating loss from continuing operations in 2012 was primarily attributable to the significant improvement in our PC Services segment and decreases in compensation and other selling, general and administrative expenses, being more than offset by the asset impairments and reduction in gross profit from the decline in 2012 revenue.

Provision for income taxes

We had an income tax expense of approximately $0.2 million for the year ended December 31, 2012, compared to an income tax benefit of $0.9 million for the year ended December 31, 2011. Income tax expense for the year ended December 31, 2012 was primarily due to state and local taxes as we and our subsidiaries file separate income tax returns in numerous state and local jurisdictions. The income tax benefit for the year ended December 31, 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.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2012, we had cash and cash equivalents and short-term investments of approximately $52.9 million and working capital of $35.2 million, compared to cash and cash equivalents and short-term investments of approximately $64.5 million and working capital of approximately $34.3 million at December 31, 2011. As of December 31, 2012 and 2011, we had no outstanding commercial debt.

During the years ended December 31, 2012 and December 31, 2011, there was net cash used in operating activities of $10.3 million and net cash provided by operating activities of $2.0 million, respectively. The main components of cash used in operating activities during the year ended December 31, 2012 was the net loss and decreases in our current liability accounts. The decrease in accrued expenses was primarily driven by payments of severance and close-out costs associated with discontinued operations, from the sale of our Pharmakon business unit in December 2011, the right-sizing of the Group DCA business unit and $3.4 million of scheduled payments to buy out the contingent earn-out fee under the Group DCA purchase agreement. The main components of cash provided by operating activities for the year ended December 31, 2011 was a decrease in assets of $3.0 million, which more than offset the net loss of $11.9 million after taking into effect non-cash items of $10.5 million.

As of December 31, 2012, we had $2.0 million of unbilled costs and accrued profits on contracts in progress. When services are performed in advance of billing, the value of such services is recorded as unbilled costs and accrued profits on contracts in progress. Normally all unbilled costs and accrued profits on contracts in progress are earned and billed within a few months of the period they are originally recognized. As of December 31, 2012, we had approximately $14.5 million of unearned contract revenue. Unearned contract revenue represents amounts billed to customers for services that have not been performed. These amounts are recorded as revenue in the periods they are earned, which is generally within a few months of the period they are originally recognized.

For the years ended December 31, 2012 and December 31, 2011, net cash used in investing activities was approximately $1.1 million and $0.3 million, respectively, for capital expenditures.

For each of the years ended December 31, 2012 and 2011, net cash used in financing activities represents shares that were delivered back to us and included in treasury stock for the payment of taxes resulting from the vesting of restricted stock.

We had standby letters of credit of approximately $2.6 million and $3.1 million at December 31, 2012 and 2011, respectively, as collateral for our existing insurance policies and our facility leases. Our standby letters of credit automatically renew every year unless canceled in writing by us with consent of the beneficiary, generally not less than 60 days before the expiry date.

We recorded facility realignment charges totaling approximately $0.7 million during the year ended December 31, 2012 for costs related to excess leased office space at our Marketing Services segment Parsippany, New Jersey facility. We are currently seeking to sublet this unused office space. In December 2011, we sold certain assets of our Pharmakon business unit, vacated the business units' Schaumburg, Illinois facility and recorded a facility realignment charge of $0.4 million in discontinued operations. We have sublet the 6,700 square feet of office space at the Schaumburg facility. The lease and sublease run through February 2015.

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

Balance as of January 1, 2011	$	6,301
Accretion		159
Adjustments		206
Payments		(2,177)
Balance as of December 31, 2011	$	4,489
Accretion		142
Adjustments		715
Payments		(2,067)
Balance as of December 31, 2012	$	3,279

Charges for facility lease obligations relate to real estate lease contracts where we have exited certain space and are required to make payments over the remaining lease term (January 2016 for the Saddle River, New Jersey facility, November 2016 for the Dresher, Pennsylvania facility, February 2015 for the Schaumburg, Illinois facility and June 2017 for the Parsippany, New Jersey facility). All lease termination amounts are shown net of projected sublease income.

We made payments, net of cash received, to purchase all issued and outstanding membership interests of Group DCA on November 3, 2010 of approximately $23.9 million, of which $1.3 million was held in escrow. The $1.3 million placed in escrow was paid out during the year ended December 31, 2012. The former members of Group DCA had the ability to earn up to $30.0 million in specified contingent earn out payments from the date of acquisition through December 31, 2012. These payouts were based on Group DCA's achievement of revenue and gross profit metrics and ranged up to: $5.0 million in the period ended December 31, 2010; and $12.5 million in each of the years ending December 31, 2011 and 2012. The metrics for payments relating to the period ended December 31, 2010 were not achieved. In November 2011, we announced the retirement of the Group DCA co-CEOs as of December 31, 2011 and announced that we amended the Group DCA purchase agreement to negotiate a buy out of the contingent earn-out fee. Under the amendment, we paid $3.4 million in 2012 to buy out the contingent earn-out fee under the purchase agreement. Pursuant to their respective retirement agreements, we will pay $0.3 million to each of the co-CEOs in 2013.

Going Forward

Primarily as a result of the impact of the significant multi-year contracts we won in 2012 totaling over $250 million, consolidated revenue in 2013 should be slightly more than the $126.9 million of consolidated revenue recorded in 2012, excluding any new business we win and revenue we earn in 2013. Assuming a reasonable level of new business wins, and no early termination of contracts, we anticipate consolidated 2013 revenue to be at least 25% higher than 2012 revenue. We do however anticipate gross profit percent to be lower than it has historically been due to competitive pressures resulting in 2013 gross profit being up to 10% below that of 2012. Before any investment in the business, we anticipate combined 2013 compensation expense and other selling, general and administrative expenses to be marginally higher than 2012. With that said, in 2013, we expect to invest in several areas that will proactively leverage our core strengths, help differentiate us and intensify our competitive position in the market.

First, in order to add more predictable, higher growth, higher margin business that can smooth the natural volatility of our current core businesses, we will intensify our previously announced strategy of in-licensing, acquiring or partnering of products through Interpace BioPharma. Given our proven core sales and marketing and full commercialization capabilities, we believe this is a natural extension for us and the strength of these core capabilities, our installed infrastructure and the ability to gain synergies significantly mitigates the risks associated with our product strategy.

We are prepared to use a portion of our cash, supplemented by additional financings, if necessary, to further this strategy as these opportunities will require substantial up-front investment. We are actively seeking opportunities of this kind, and see the potential to complete at least one during 2013 and multiple deals over the longer term. We are currently in the final stages of narrowing the areas of focus that we believe will best leverage our core capabilities and will be refocusing resources internally and adding both internal and external resources to move this strategy forward.

Next, in order to further differentiate our core offerings, we intend to make significant investment in systems and equipment to advance these core offerings in 2013. We have developed strong capabilities in delivering integrated multi-channel offerings to health care providers. The breadth of these offerings and the ability to integrate them in a return on investment focused manner has been a contributing factor in many of our recent new business wins.

Finally, we plan to invest in and launch a new product offering in our Group DCA business unit that will provide a unique platform for delivering sales representative driven, multi-channel communications to health care providers. This offering will initially lean heavily on the Group DCA database of over 300,000 physicians. This platform can be utilized by our entire organization, but has a much broader pharmaceutical industry application.

In total, we are prepared to commit $4 to $5 million to support these three areas in 2013, which does not include any amounts invested for product in-licensing, acquisitions or partnering. While we will capitalize some of these expenses initially, we expect that at least half of what we spend will be expensed in 2013. Our primary sources of liquidity are cash generated from our operations and available cash and cash equivalents. These sources of liquidity are needed to fund our working capital requirements, contractual obligations and estimated capital expenditures of approximately $3.0 million in 2013. We expect our working capital requirements to increase as a result of new customer contracts generally providing for longer than historical payment terms.

Considering the information provided above, we anticipate 2013 operations will result in a loss and 2013 cash flows will be negative. While 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, we will likely require alternative forms of financing to achieve our strategic plan of product in-licensing, acquisitions or partnering.

Our revenue and profitability depend to a great extent on our relationships with a limited number of large pharmaceutical companies. Our four largest customers in 2012 accounted for approximately 27.1%, 15.3%, 13.9%, and 11.9%, respectively, of our revenue. We believe that we will continue to experience a high degree of customer concentration and that the loss or a significant reduction of business from any of our major customers, or a decrease in demand for our services, could have a material adverse effect on our business, financial condition and results of operations. One of our Established Relationship Teams' services to a significant customer are seasonal in nature, occurring primarily in the winter season.

We will continue to right-size our facilities and corporate structure on a go-forward basis.

Contractual Obligations

We have committed cash outflow related to operating lease agreements and other contractual obligations. We lease facilities, automobiles and certain equipment under agreements classified as operating leases, which expire at various dates through 2017. Substantially all of the property leases provide for increases based upon use of utilities and landlord's operating expenses as well as predefined rent escalations. Total expense under these agreements for the years ended December 31, 2012 and 2011 was approximately $3.0 million and $3.8 million, respectively, of which $2.4 million and $3.3 million, respectively, related to automobiles leased for use by employees for a maximum lease term of one year from the date of delivery with the option to renew.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

PDI is a "smaller reporting company" for purposes of the disclosure requirements in Regulation S-K of the SEC and therefore not required to provide this information.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Financial statements and the financial statement schedule specified by this Item 8, together with the reports thereon of BDO USA, LLP and Ernst & Young LLP, are presented following Item 15 of this Annual Report on Form 10-K.

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

Ernst & Young LLP ("E&Y"), the Company's independent registered public accounting firm, was dismissed on March 23, 2012. The Registrant appointed BDO USA, LLP ("BDO") as the Registrant's principal independent registered public accounting firm to audit its financial statements on the same day. The change was approved by the Audit Committee of Registrant's Board of Directors.

E&Y's reports on the Registrant's financial statements as of and for the fiscal year ended December 31, 2011 did not contain an adverse opinion or disclaimer of opinion and were not qualified as to uncertainty, audit scope or accounting principles. During the Registrant's fiscal year ended December 31, 2011 and the subsequent interim period through March 23, 2012, there were no disagreements between the Registrant and E&Y on any matter of accounting principles or practices, financial statement disclosures

or auditing scope and procedures, which, if not resolved to the satisfaction of E&Y would have caused E&Y to make reference thereto in their reports on the financial statements for such years.

The Registrant has not consulted with BDO during the two fiscal years ended December 31, 2011 and December 31, 2010 and the subsequent interim period through March 23, 2012, regarding (i) the application of accounting principles to a specified transaction either completed or proposed or the type of audit opinion that might be rendered on the Registrant's consolidated financial statements, and neither a written report was provided to the Registrant nor oral advice was provided that BDO concluded was an important factor considered by the Registrant in reaching a decision as to the accounting, auditing or financial reporting issue; or (ii) any matter that was either the subject of a “disagreement,” as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions to Item 304 of Regulation S-K, or a “reportable event,” as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

The Audit Committee authorized E&Y to respond fully to any and all inquiries of the successor auditor concerning any matters that occurred during E&Y’s tenure as the Company’s auditor, including any of the matters referred to above.

E&Y furnished a letter addressed to the Securities and Exchange Commission stating they are in agreement with the statements contained in the first sentence of the first paragraph above, and the second and fourth paragraphs above. E&Y's furnished letter addressed to the Securities and Exchange Commission also stated that they have no basis to agree or disagree with other statements of the Company listed above.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2012. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure and is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Our Chief Executive Officer and Chief Financial Officer have concluded that, based on their review, our disclosure controls and procedures are effective to provide such reasonable assurance.

Our management, including the Chief Executive Officer and Chief Financial Officer, believes that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must consider the benefits of controls relative to their costs. Inherent limitations within a control system include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. While the design of any system of controls is to provide reasonable assurance of the effectiveness of disclosure controls, such design is also based in part upon certain assumptions about the likelihood of future events, and such assumptions, while reasonable, may not take into account all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be prevented or detected.

Our management has conducted an assessment of its internal control over financial reporting as of December 31, 2012 as required by Section 404 of the Sarbanes-Oxley Act. Management's report on our internal control over financial reporting is included in this Form 10-K. Management has concluded that internal control over financial reporting is effective as of December 31, 2012.

Management's Annual Report on Internal Control over Financial Reporting

The management of PDI, Inc. (“PDI”) is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f).

All internal control systems, no matter how well designed, have inherent limitations including the possibility of human error and the circumvention or overriding of controls. Further, because of changes in conditions, the effectiveness of internal controls may vary over time. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Accordingly, even those systems determined to be effective can provide us only with reasonable assurance with respect to financial statement preparation and presentation.

PDI's management has assessed the effectiveness of internal control over financial reporting as of December 31, 2012, following the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Based on our assessment under the framework in *Internal Control - Integrated Framework*, PDI's management has concluded that our internal control over financial reporting was effective as of December 31, 2012.

Changes in Internal Control over Financial Reporting

There has not been any change in our system of internal control over financial reporting during the fiscal quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to directors and executive officers of the registrant that is responsive to Item 10 of this Annual Report on Form 10-K will be included in our Proxy Statement for our 2013 annual meeting of stockholders and such information is incorporated by reference herein.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to executive compensation that is responsive to Item 11 of this Annual Report on Form 10-K will be included in our Proxy Statement for our 2013 annual meeting of stockholders and such information is incorporated by reference herein.

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

Information relating to security ownership of certain beneficial owners and management that is responsive to Item 12 of this Annual Report on Form 10-K will be included in our Proxy Statement for our 2013 annual meeting of stockholders and such information is incorporated by reference herein.

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

Information relating to certain relationships and related transactions that is responsive to Item 13 of this Annual Report on Form 10-K will be included in our Proxy Statement for our 2013 annual meeting of stockholders and such information is incorporated by reference herein.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information relating to principal accounting fees and services that is responsive to Item 14 of this Annual Report on Form 10-K will be included in our Proxy Statement for our 2013 annual meeting of stockholders and such information is incorporated by reference herein.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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

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

(2) Financial Statement Schedule

Schedule II: Valuation and Qualifying Accounts

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

(3) Exhibits

Exhibit No.	Description
2.1	Asset Purchase Agreement by and among InServe Support Solutions, the Company and Informed Medical Communications, Inc. dated December 30, 2011 (16). Upon the request of the SEC, the Company agrees to furnish copies of the following exhibits and schedules: Exhibit A - Form of Promissory Note; Exhibit B - Form of Bill of Sale; Exhibit C - Form of Assignment and Assumption Agreement; Schedule 1(a)(ii) - Contracts, Agreements, Proposals, Identified Opportunities; Schedule 1(a)(ii) - Client and Customer List; Schedule 1(a)(iii) - Intellectual Property Assets; Schedule 1.1(b) - Accounts Receivable; Schedule 2(b) - Programs Qualifying for Buyer Royalty Payments; Schedule 9(g) - Consents; Schedule 15 - Employees; Schedule 17(f) - Name Use Terminations.
3.1	Certificate of Incorporation of PDI, Inc. (1)
3.2	By-Laws of PDI, Inc. (1)
3.3	Certificate of Amendment of Certificate of Incorporation of PDI, Inc. (3)
3.4	Certificate of Amendment to the Certificate of Incorporation of PDI, Inc. (18)
4.1	Specimen Certificate Representing the Common Stock (1)
10.1*	1998 Stock Option Plan (1)
10.2*	2000 Omnibus Incentive Compensation Plan (2)
10.3*	Executive Deferred Compensation Plan (12)
10.4*	2004 Stock Award and Incentive Plan (4)
10.5*	Form of Restricted Stock Unit Agreement for Employees (11)
10.6*	Form of Stock Appreciation Rights Agreement for Employees (11)
10.7*	Form of Restricted Stock Unit Agreement for Directors (11)
10.8*	Form of Restricted Share Agreement (12)
10.9*	Employment Separation Agreement between the Company and Nancy Lurker (7)
10.10*	Amended and Restated Employment Agreement between the Company and Jeffrey Smith (8)
10.14	Saddle River Executive Centre Lease (5)
10.15	Saddle River Executive Centre 2005 Sublease (5)
10.16	Saddle River Executive Centre 2007 Sublease (6)
10.17	First Amendment to Saddle River Executive Centre 2005 Sublease (10)
10.18	Morris Corporate Center Lease (9)
10.20.1	Amended and Restated Master Services Agreement, dated September 23, 2009, between the Company and Pfizer Inc. (14)

Exhibit No.	Description
10.20.2	Statement of Work dated October 2, 2012 between the Company and Pfizer Inc., filed herewith
10.20.3	Amendment No. 1 to the Amended and Restated Master Services Agreement, effective September 22, 2011, between the Company and Pfizer Inc., filed herewith
10.21	Consulting Agreement, dated July 1, 2010, between the Company and John P. Dugan (13)
10.22	Membership Interest Purchase Agreement, dated November 3, 2010, between the Company, Group DCA, LLC, JD & RL, Inc., Robert O. Likoff and Jack Davis (15)
10.25	Group DCA Lease in Parsippany, NJ (15)
10.26*	Stock Appreciation Rights for Nancy Lurker (15)
10.27*	New Hire Chief Executive Officer Term Sheet (15)
16.1	Change in Certifying Accountants (17)
18.1	Preferability Letter of BDO USA, LLP (18)
21.1	Subsidiaries of the Registrant (15)
23.1	Consent of BDO USA, LLP, filed herewith
23.2	Consent of Ernst & Young LLP, filed herewith
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith
*	Denotes compensatory plan, compensation arrangement or management contract.
†	Portions of this Exhibit were omitted and filed separately with the Secretary of the SEC pursuant to an order for confidential treatment from the SEC.
(1)	Filed as an exhibit to our Registration Statement on Form S-1 (File No 333-46321), filed with the SEC on May 19, 1998 and incorporated herein by reference.
(2)	Filed as an exhibit to our definitive proxy statement dated May 10, 2000, filed with the SEC on May 11, 2000 and incorporated herein by reference.
(3)	Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2001, filed with the SEC on March 13, 2002 and incorporated herein by reference.
(4)	Filed as an exhibit to our definitive proxy statement dated April 28, 2004, filed with the SEC on April 28, 2004 and incorporated herein by reference.
(5)	Filed as an exhibit to our Form 10-K for the year ended December 31, 2005, filed with the SEC on March 17, 2006 and incorporated herein by reference.

Exhibit No.	Description
(6)	Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the SEC on March 13, 2008 and incorporated herein by reference.
(7)	Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on November 18, 2008 and incorporated herein by reference.
(8)	Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on January 7, 2009 and incorporated herein by reference.
(9)	Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2009, filed with the SEC on November 5, 2009 and incorporated herein by reference.
(10)	Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on December 4, 2009 and incorporated herein by reference.
(11)	Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2008, filed with the SEC on March 13, 2009 and incorporated herein by reference.
(12)	Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2009, filed with the SEC on March 8, 2010 and incorporated herein by reference.
(13)	Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed with the SEC on August 4, 2010 and incorporated herein by reference
(14)	Filed as an exhibit to our Amended Annual Report on Form 10-K/A for the year ended December 31, 2009, filed with the SEC on January 28, 2011 and incorporated herein by reference.
(15)	Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the SEC on March 23, 2011 and incorporated herein by reference.
(16)	Filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC on March 9, 2012 and incorporated herein by reference.
(17)	Filed as an exhibit to our Current Report on Form 8-K filed with the SEC on March 29, 2012 and incorporated herein by reference.
(18)	Filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, filed with the SEC on August 14, 2012 and incorporated herein by reference

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, on the 15th day of March, 2013.

PDI, INC.

/s/ Nancy Lurker

Nancy Lurker
Chief Executive Officer

POWER OF ATTORNEY

PDI, Inc., a Delaware Corporation, and each person whose signature appears below constitutes and appoints each of Nancy Lurker and Jeffrey E. Smith, and either of them, such person's true and lawful attorney-in-fact, with full power of substitution and resubstitution, for such person and in such person's name, place and stead, in any and all capacities, to sign on such person's

behalf, individually and in each capacity stated below, any and all amendments to this Annual Report on Form 10-K and other documents in connection therewith, and to file the same and all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform each and every act and thing necessary or desirable to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, thereby ratifying and confirming all that said attorneys-in-fact, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Form 10-K has been signed by the following persons on behalf of the Registrant and in the capacities indicated and on the 15th day of March, 2013.

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

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

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheet of PDI, Inc. as of December 31, 2012, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year ended December 31, 2012. Our audit also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PDI, Inc. at December 31, 2012, and the results of its operations and its cash flows for the year ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related financial statement schedule, when considered in the relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/BDO USA, LLP

Woodbridge, New Jersey
March 15, 2013

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheet of PDI, Inc. as of December 31, 2011, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year ended December 31, 2011. Our audit also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of PDI, Inc. at December 31, 2011, and the consolidated results of its operations and its cash flows for the year ended December 31, 2011, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in the relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Ernst &Young LLP

MetroPark, New Jersey
March 9, 2012

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

	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 52,783	$ 64,337
Short-term investments	92	127
Accounts receivable, net	10,687	9,633
Unbilled costs and accrued profits on contracts in progress	1,955	2,593
Other current assets	6,066	3,670
Total current assets	71,583	80,360
Property and equipment, net	2,396	2,484
Goodwill	2,523	18,908
Other intangible assets, net	—	7,309
Other long-term assets	1,945	4,318
Total assets	$ 78,447	$ 113,379
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,388	$ 4,139
Unearned contract revenue	14,501	15,882
Accrued salary and bonus	6,674	8,283
Other accrued expenses	11,827	17,774
Total current liabilities	36,390	46,078
Long-term liabilities	6,427	7,778
Total liabilities	42,817	53,856
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $.01 par value; 40,000,000 and 100,000,000 shares authorized, respectively 16,063,514 and 15,820,373 shares issued, respectively; 14,965,875 and 14,744,924 shares outstanding, respectively	161	158
Additional paid-in capital	128,508	126,720
Accumulated deficit	(79,258)	(53,731)
Accumulated other comprehensive income	11	12
Treasury stock, at cost (1,097,639 and 1,075,449 shares, respectively)	(13,792)	(13,636)
Total stockholders' equity	35,630	59,523
Total liabilities and stockholders' equity	$ 78,447	$ 113,379

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

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

	For The Years Ended December 31,	
	2012	**2011**
Revenue, net	$ 126,899	$ 157,291
Cost of services	100,039	124,820
Gross profit	26,860	32,471
Operating expenses:		
Compensation expense	16,414	19,694
Other selling, general and administrative expenses	11,455	14,590
Asset impairments	23,517	—
Group DCA contingent consideration buyout and related charges	—	2,889
Facilities realignment	706	—
Total operating expenses	52,092	37,173
Operating loss	(25,232)	(4,702)
Other expense, net	(28)	(14)
Loss from continuing operations before tax	(25,260)	(4,716)
Provision (benefit) for income tax	208	(939)
Loss from continuing operations	(25,468)	(3,777)
Loss from discontinued operations, net of tax	(59)	(8,137)
Net loss	$ (25,527)	$ (11,914)
Other comprehensive (loss) income:		
Unrealized holding (loss) gain on available-for-sale securities, net	(1)	4
Comprehensive loss	$ (25,528)	$ (11,910)
Basic and diluted loss per share of common stock:		
From continuing operations	$ (1.75)	$ (0.26)
From discontinued operations	—	(0.57)
Net loss per basic and diluted share of common stock	$ (1.75)	$ (0.83)
Weighted average number of common shares and common share equivalents outstanding:		
Basic	14,585	14,440
Diluted	14,585	14,440

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

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

	For The Years Ended December 31,			
	2012		2011	
	Shares	Amount	Shares	Amount
Common stock:				
Balance at January 1	15,820	$ 158	15,464	$ 155
Common stock issued	144	1	141	1
SARs exercised	4	—	11	—
Restricted stock issued	151	2	236	2
Restricted stock forfeited	(55)	—	(32)	—
Balance at December 31	16,064	161	15,820	158
Treasury stock:				
Balance at January 1	1,075	(13,636)	1,073	(13,620)
Treasury stock purchased	22	(156)	2	(16)
Balance at December 31	1,097	(13,792)	1,075	(13,636)
Additional paid-in capital:				
Balance at January 1		126,720		124,787
Common stock issued		(1)		(1)
Restricted stock issued		(2)		(2)
Stock-based compensation expense		1,791		1,936
Balance at December 31		128,508		126,720
Accumulated deficit:				
Balance at January 1		(53,731)		(41,817)
Net loss		(25,527)		(11,914)
Balance at December 31		(79,258)		(53,731)
Accumulated other comprehensive income (loss):				
Balance at January 1		12		8
Unrealized holding (loss) gain on available-for-sale securities, net of tax		(1)		4
Balance at December 31		11		12
Total stockholders' equity		$ 35,630		$ 59,523

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

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

	For The Years Ended December 31,	
	2012	**2011**
Cash Flows From Operating Activities		
Net loss	$ (25,527)	$ (11,914)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,034	3,046
Realignment accrual accretion	142	161
Provision for bad debt, net	16	58
Reversal of contingent consideration accrual	—	(1,557)
Non-cash loss on sale of Pharmakon	—	6,868
Stock-based compensation	1,791	1,936
Asset impairments	23,517	—
Non-cash facilities realignment	69	—
Other changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(1,054)	1,397
Decrease in unbilled costs	638	770
Increase in other current assets	(758)	(1,797)
(Increase) decrease in other long-term assets	(7)	2,617
(Decrease) increase in accounts payable	(751)	873
(Decrease) increase in unearned contract revenue	(1,381)	2,465
Decrease in accrued salaries and bonus	(1,609)	(2,381)
(Decrease) increase in accrued liabilities	(5,913)	1,817
Decrease in long-term liabilities	(1,493)	(2,374)
Net cash (used in) provided by operating activities	(10,286)	1,985
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,112)	(343)
Net cash used in investing activities	(1,112)	(343)
Cash Flows From Financing Activities		
Cash paid for repurchase of restricted shares	(156)	(16)
Net cash used in financing activities	(156)	(16)
Net (decrease) increase in cash and cash equivalents	(11,554)	1,626
Cash and cash equivalents – beginning	64,337	62,711
Cash and cash equivalents – ending	$ 52,783	$ 64,337
Cash paid for taxes	$ 175	$ 37

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

1. Nature of Business and Significant Accounting Policies

Nature of Business

PDI, Inc., together with its wholly-owned subsidiaries (PDI or the Company), is a leading provider of outsourced commercial services to established and emerging pharmaceutical, biotechnology and healthcare companies in the United States. PDI is 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, PDI also provides other promotional services, including clinical educator services, digital communications, teledetailing and with the formation of our Interpace BioPharma business unit, PDI provides pharmaceutical, biotechnology, medical device and diagnostics clients with full-service product commercialization solutions. These services include distribution, full supply chain management, operations, sales, marketing, compliance, and regulatory/medical management. Combined, PDI's 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. PDI provides innovative and flexible service offerings designed to drive customers' businesses forward and successfully respond to a continually changing market. The Company's services provide a vital link between its 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. The Company provides these services through three reporting segments: Sales Services; Marketing Services; and Product Commercialization Services (PC Services).

Principles of Consolidation

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

Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management's estimates are based on historical experience, facts and circumstances available at the time, and various other assumptions that are believed to be reasonable under the circumstances. Significant estimates include incentives earned or penalties incurred on contracts, 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.

Cash and Cash Equivalents

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

Receivables and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Management reviews a customer’s credit history before extending credit. The Company records a provision for estimated losses based upon the inability of its customers to make required payments using historical experience and periodically adjusts these provisions to reflect actual experience. Additionally, the Company will establish a specific allowance for doubtful accounts when it becomes aware of a specific customer’s inability or unwillingness to meet its financial obligations (e.g., bankruptcy filing). There was no allowance for doubtful accounts for trade accounts receivables as of December 31, 2012 and 2011.

Unbilled Costs and Accrued Profits

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

Unearned Contract Revenue

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

Loans and Investments in Privately Held Entities

From time-to-time, the Company makes investments in and/or loans to privately-held companies. The Company determines whether the fair values of any investments in privately held entities have declined below their carrying value whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considers any such decline to be other than temporary (based on various factors, including historical financial results, and the overall health of the investee's industry), a write-down to estimated fair value is recorded. On a quarterly basis, the Company reviews outstanding loans receivable to determine if a provision for doubtful notes is necessary. These reviews include discussions with senior management of the investee, and evaluations of, among other things, the investee's progress against its business plan, its product development activities and customer base, industry market conditions, historical and projected financial performance, expected cash needs and recent funding events. The Company records interest income on the impaired loans; however, that amount is fully reserved if the investee is not making its interest payments. Subsequent cash receipts on the outstanding interest are applied against the outstanding interest receivable balance and the corresponding allowance. The Company's assessments of value are subjective given that the investees may be at an early stage of development and rely regularly on their investors for cash infusions. As of December 31, 2012 and 2011, the Company had loan receivable balances of $750,000 and $500,000, respectively, all of which has been fully reserved.

Property and Equipment

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

Software Costs

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

Concentration of Credit Risk

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

Goodwill and Indefinite-Lived 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, 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 and thereby impact the fair value of these assets, which could result in an impairment of the goodwill or intangible assets.

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

The Company tests its goodwill for impairment at the business (reporting) unit level, which is one level below its operating segments. The goodwill has been assigned to the reporting unit to which the value relates. One of the Company's five reporting units, Group DCA, has goodwill. The Company tested goodwill by estimating the fair value of the reporting unit using a Discounted Cash Flow (DCF) model. The key assumptions used in the DCF model to determine the highest and best use of estimated future cash flows include revenue growth rates and profit margins based on internal forecasts, terminal value and an estimate of a market participant's weighted-average cost of capital used to discount future cash flows to their present value. The Company tested the indefinite-lived intangible asset using a Relief From Royalty Method (RFRM) under the Income Approach. The key assumptions used in the RFRM model include revenue growth rates, the terminal value and the assumed discount rate. While the Company uses available information to prepare estimates and to perform impairment evaluations, actual results could differ significantly from these estimates or related projections, resulting in impairment related to recorded goodwill balances.

During the Company's annual impairment tests of goodwill and indefinite-lived intangible assets, management identified potential impairment. The Company's management then determined that these Group DCA business unit assets were impaired and recognized an impairment loss of $18.4 million as the carrying value of the Group DCA business unit was in excess of its fair value. If Group DCA's projected long-term sales growth rate, profit margins, or terminal rate continue to change, or the assumed weighted-average cost of capital is considerably higher, future testing may indicate additional impairment in this reporting unit and, as a result, the remaining assets may also be impaired. See Note 4, Fair Value Measurements, Note 7, Goodwill and Other Intangible Assets and Note 18, Discontinued Operations for further information.

Long-Lived Assets, including Finite-Lived Intangible Assets

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

During the year ended December 31, 2012 the Company recorded a non-cash charge of approximately $4.4 million related to the impairment of the Group DCA finite-lived intangible assets. See Note 7, Goodwill and Other Intangible Assets, for additional information.

Additionally, during the year ended December 31, 2012, the Company recorded a non-cash charge of approximately $ 0.1 million for the impairment of certain furniture and leasehold improvements as a result of exiting approximately 9,000 square feet of office space at its Group DCA facility in Parsippany, New Jersey. This charge has been recorded in continuing operations. During the year ended December 31, 2011, the Company recorded non-cash charges of approximately $0.1 million for the

impairment of certain furniture and leasehold improvements as a result of exiting the space in Schaumburg, Illinois. This charge has been recorded in discontinued operations. See Note 14, Facilities Realignment, and Note 18, Discontinued Operations, for additional information.

Self-Insurance Accruals

The Company is self-insured for benefits paid under employee healthcare programs. The Company's liability for healthcare claims is estimated using an underwriting determination which is based on the current year's average lag days between when a claim is incurred and when it is paid. The Company maintains stop-loss coverage with third-party insurers to limit its total exposure on all of these programs. Periodically, the Company evaluates the level of insurance coverage and adjusts insurance levels based on risk tolerance and premium expense. Management reviews the self-insurance accruals on a quarterly basis. Actual results may vary from these estimates, resulting in an adjustment in the period of the change in estimate. Prior to October 1, 2008, the Company was also self-insured for certain losses for claims filed and claims incurred but not reported relating to workers' compensation and automobile-related liabilities for Company-leased cars. Beginning October 1, 2008, the Company became fully-insured through an outside carrier for these losses. The Company's liability for claims filed and claims incurred but not reported prior to October 1, 2008 is estimated on an actuarial undiscounted basis supplied by our insurance brokers and insurers using individual case-based valuations and statistical analysis. These estimates are based upon judgment and historical experience. However, the final cost of many of these claims may not be known for five years or more after filing of the claim. At December 31, 2012 and 2011, self-insurance accruals totaled $0.9 million and $1.1 million, respectively, and are included in other accrued expenses on the balance sheet.

Contingencies

In the normal course of business, the Company is subject to various contingencies. Contingencies are recorded in the consolidated financial statements when it is probable that a liability will be incurred and the amount of the loss can be reasonably estimated, or otherwise disclosed, in accordance with Accounting Standards Codification 450, Contingencies. The Company is currently involved in certain legal proceedings and, as required, the Company has accrued its estimate of the probable costs for the resolution of these claims. These estimates are developed in consultation with outside counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Predicting the outcome of claims and litigation, and estimating related costs and exposures, involves substantial uncertainties that could cause actual costs to vary materially from estimates.

Revenue and Cost of Services

The Company recognizes revenue from services rendered when the following four revenue recognition criteria are met: persuasive evidence of an arrangement exists; services have been rendered; the selling price is fixed or determinable; and collectability is reasonably assured. The Company's contracts containing multiple deliverables are accounted for subject to the provisions of Accounting Standards Update No. 2009-13 (ASU 2009-13), "Multiple-Deliverable Revenue Arrangements - a consensus of the FASB Emerging Issues Task Force", an update to Accounting Standards Codification 605-25.

Sales Services

Revenue under pharmaceutical detailing contracts is generally based on the number of sales representatives utilized or the number of physician details made. Revenue is generally recognized on a straight-line basis over the contract period or as the physician details are performed. A portion of revenues earned under certain contracts may be risk-based. The risk-based metrics are based on contractually defined percentages of prescriptions written. Revenue from risk-based metrics is recognized in the period which the metrics have been attained and when we are reasonably assured that payment will be made. Many of the Company's product detailing contracts also allow for additional periodic incentive fees to be earned if certain activity based performance benchmarks have been attained. Revenue from incentive fees is recognized in the period earned if the performance benchmarks have been attained and when the Company is reasonably assured that payment will be made. Many contracts also stipulate penalties if agreed upon performance benchmarks have not been met. Revenue is recognized net of any potential penalties until the performance criteria relating to the penalties have been achieved. Commission based revenue is recognized when performance is completed.

The Company's product detailing contracts are generally for terms of one to three years and may be renewed or extended. The majority of these contracts, however, are terminable by the customer for any reason upon 30 to 180 days' notice. Certain contracts provide for termination payments if the customer terminates the agreement without cause. Typically, however, these

penalties do not offset the revenue the Company could have earned under the contract or the costs it may incur as a result of its termination.

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

The loss or termination of large pharmaceutical detailing contracts could have a material adverse effect on the Company's business, financial condition and results of operations. Historically, the Company has derived a significant portion of its service revenue from a limited number of customers. Concentration of business in the pharmaceutical industry is common and the industry continues to consolidate. As a result, the Company is likely to continue to experience significant customer concentration in future periods. For the years ended December 31, 2012 and 2011, the Company's three largest Sales Services customers, each of whom individually represented 10% or more of the Company's Sales Services revenue, collectively accounted for approximately 52.5% and 72.4% of its consolidated service revenue, respectively. See Note 13, Significant Customers, for additional information.

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

Initial direct program costs are the costs associated with initiating a product detailing program, such as recruiting and hiring and certain other direct incremental costs, excluding pass through costs that are billed to customers. Other direct costs include, but are not limited to, facility rental fees, travel expenses, sample expenses and other promotional expenses. Through March 31, 2012, the Company expensed these initial direct program costs as incurred, as these amounts were not material to the operating results of the Company. As a result of the Company's recent contract signings and plans to enter into larger contracts in the future, requiring more material initial direct program costs, commencing April 1, 2012, the Company changed its policy for the recognition of such initial direct program costs. These costs are now being deferred and amortized to expense in proportion to the revenue recognized as driven by the terms of the underlying contract. During the year ended December 31, 2012, the Company deferred $1.8 million of initial direct program costs and amortized $0.2 million into expense. This change in accounting was not applied retrospectively because the effect on prior periods was immaterial. All personnel costs and other direct costs, excluding initial direct program costs, are expensed as incurred.

Reimbursable out-of-pocket expenses include those relating to travel and other similar costs, for which the Company is reimbursed at cost by its customers. Reimbursements received for out-of-pocket expenses incurred are characterized as revenue and an identical amount is included as cost of services in the consolidated statements of operations and comprehensive loss. For the years ended December 31, 2012 and 2011, reimbursable out-of-pocket expenses were $19.9 million and $24.8 million, respectively.

Training costs include the costs of training the sales representatives and managers on a particular product detailing program so that they are qualified to properly perform the services specified in the related contract. For the majority of the Company's contracts, training costs are reimbursable out-of-pocket expenses.

Marketing Services

Revenue under marketing service contracts are primarily based on a series of deliverable services associated with the design and execution of interactive digital promotional programs. The contracts are generally terminable by the customer for any reason. Upon termination, the customer is generally responsible for payment for all work completed to date, plus the cost of any nonrefundable commitments the Company has made on behalf of the customer.

Revenue from certain promotional contracts that include more than one service offering is accounted for as multiple-element arrangements. For these contracts, the deliverable elements are divided into separate units of accounting provided the following criteria are met: the delivered elements have stand-alone value to the customer; and if there is a right of return or refund, delivery or performance of the undelivered items is probable and substantially in the Company's control. The contract revenue

is then allocated to the separate units of accounting. Revenue and cost of services are recognized for each unit of accounting separately as the related services are rendered and costs are incurred, respectively.

A majority of the Company's multiple-element arrangements generally contain two phases for each wave of promotional content that is developed under the program: the development phase and the delivery phase. The development phase represents the creation of the promotional assets to be used in the program while the delivery phase represents the delivery of those assets to the customer's target audience and any communications received from the targets in response to the materials. The Company has determined that these two phases represent the units of accounting of a majority of its multiple-element arrangements.

For multiple element arrangements, revenue is recognized based on an allocation of the total amount of the arrangement to each deliverable based on fair value. Fair value is determined using vendor-specific objective evidence ("VSOE") if available, third-party evidence ("TPE") if VSOE is not available, or best estimate of selling price if neither VSOE or TPE is available. The Company uses its best estimate of selling price to determine the value of all deliverables within the development unit of accounting and a majority of the deliverables within the delivery unit of accounting. The best estimate of selling price of standard deliverables is derived primarily from the Company's standard rate card, which covers a majority of the deliverables included within its customer contracts and is reviewed and updated on an annual basis or more frequently if circumstances warrant. Prices on the standard rate card are derived primarily from the Company's standard hourly project budgets and its standard hourly billing rate, however, these prices are then evaluated against recent market conditions and Company sales trends and may be adjusted by management in order to remain competitive in the current environment.

The best estimate of selling price of non-standard deliverables included within its customer contracts, which generally represent custom projects, is derived from the deliverable's hourly project budget and the Company's standard hourly billing rate. For a select few types of deliverables provided within its customer contracts, the Company uses third party evidence to determine the value of the deliverables. This applies primarily to the physical production of program recruitment tactics such as webkeys and direct mail, as well as other vendor services that the Company utilizes from time to time such as email broadcasting fees.

Revenue related to the development unit of accounting is recognized as the services are delivered. Revenue related to the delivery unit of accounting is recognized on a straight-line basis over the delivery phase of the project, as defined in the contract, and generally ranges between six and twelve months.

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

Cost of services consists primarily of the costs associated with executing interactive digital promotional programs or other sales and marketing services identified in the contract and include personnel costs and other direct costs. Personnel costs, which constitute the largest portion of cost of services, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the professional staff that are directly responsible for executing a particular program. Other direct costs include, but are not limited to, freelance costs; email broadcasting fees; list rental fees; webkeys and direct mail production fees; and other promotional expenses. All personnel costs and direct program costs are expensed as incurred.

PC Services

Revenue under product commercialization contracts is based on the number of sales representatives utilized and the commercial operations services we provide. The Company has determined that there are two units of accounting in its Interpace BioPharma arrangement: 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 profit margin consistent with the expected profit margin to be generated by the Dedicated Sales Team. Revenue is recognized for the 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 services as services are provided over the term of the contract. During the year ended December 31, 2012, one customer accounted for all of the revenue in the PC Services reporting segment.

In August 2011, Interpace BioPharma announced their first contract, a two and one-half year fee-for-service arrangement with a pharmaceutical company. This contract includes standard representations and warranties, as well as mutual confidentiality and indemnification obligations for the Company's protection, and is terminable by the customer without cause upon 180 days prior written notice after the first anniversary of the contract effective date.

Under the terms of the then current two and one-half year arrangement signed in mid 2011, the customer had the right to internalize various activities at different times over the life of the arrangement. Due to the success of the program to date and to allow the customer to begin their long-term plan of building their own capabilities in the United States, the Company allowed this customer to internalize selected commercialization activities as of October 1, 2012 and at the same time, extend other activities six months passed the then current December 31, 2013 agreement expiration date to June 30, 2014, resulting in an estimated net overall reduction to the then current $55 million contract of approximately 10% to 15%. The amended agreement is not terminable by the customer without cause.

This contract also includes exclusivity provisions limiting the Company's ability to promote competing products during the contract service period unless consent has been provided by the customer, and may also require the personnel the Company utilizes to be dedicated exclusively to promoting the customer’s product for the term of the contract. This agreement also includes incentive payments that can be earned if the Company's promotional activities generate results that meet or exceed agreed-upon performance targets.

Cost of services consists primarily of the costs associated with executing product detailing programs and includes personnel costs and other direct costs, as well as the initial direct costs associated with staffing a product detailing program. Cost of services may also include costs such as distribution, marketing and promotion, public relations, patient reimbursement programs, managed care support, and market research. Personnel costs, which constitute the largest portion of cost of services, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the sales representatives, sales managers and professional staff that are directly responsible for executing the program. Initial direct program costs are those costs associated with initiating a product detailing program, such as recruiting, hiring, and training the sales representatives who staff a particular program. Other direct costs include, but are not limited to, facility rental fees, travel expenses, sample expenses and other promotional expenses. Through March 31, 2012, the Company expensed these initial direct program costs as incurred, as these amounts were not material to the operating results of the Company. As a result of the Company's recent contract signings and plans to enter into larger contracts in the future, requiring more material initial direct program costs, commencing April 1, 2012, the Company changed its policy for the recognition of such initial direct program costs. These costs are now being deferred and amortized to expense in proportion to the revenue recognized as driven by the terms of the contract. This change in accounting was not applied retrospectively because the effect on prior periods was immaterial. All personnel costs and other direct costs, excluding initial direct program costs, are expensed as incurred.

Contract Loss Provisions

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

Stock-Based Compensation

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

The Company primarily uses the Black-Scholes option pricing model to determine the fair value of stock options and stock-based stock appreciation rights (SARs). The determination of the fair value of stock-based payment awards is made on the date of grant and is affected by the Company’s stock price as well as assumptions made regarding a number of complex and subjective variables. These assumptions include: expected stock price volatility over the term of the awards; actual and projected employee stock option exercise behaviors; the risk-free interest rate; and expected dividend yield. These assumptions are more fully described in Note 12, Stock-Based Compensation. The fair value of restricted stock units (RSUs) and restricted shares is equal to the closing stock price on the date of grant.

Treasury Stock

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

Rent Expense

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

Income taxes

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

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

The Company operates in multiple tax jurisdictions and pays or provides for the payment of taxes in each jurisdiction where it conducts business and is subject to taxation. The breadth of the Company's operations and the complexity of the tax law require assessments of uncertainties and judgments in estimating the ultimate taxes the Company will pay. The final taxes paid are dependent upon many factors, including negotiations with taxing authorities in various jurisdictions, outcomes of tax litigation and resolution of proposed assessments arising from federal and state audits. Uncertain tax positions are recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that a position taken or expected to be taken in a tax return would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured as the largest amount of benefit that is greater than fifty percent likely to be realized upon ultimate settlement. The Company adjusts accruals for unrecognized tax benefits as facts and circumstances change, such as the progress of a tax audit. The Company believes that any potential audit adjustments will not have a material adverse effect on its financial condition or liquidity. However, any adjustments made may be material to the Company's consolidated results of operations or cash flows for a reporting period.

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

Earnings (Loss) per Share

Basic earnings per common share are computed by dividing net income by the weighted average number of shares outstanding during the year including any unvested share-based payment awards that contain nonforfeitable rights to dividends. Diluted earnings per common share are computed by dividing net income by the sum of the weighted average number of shares outstanding and dilutive common shares under the treasury method. Unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid), are participating securities and are included in the computation of earnings per share pursuant to the two-class method. As a result of the losses incurred in both 2012 and

2011, the potentially dilutive common shares have been excluded from the earnings per share computation for these periods because its inclusion would have been anti-dilutive.

Comprehensive Income (Loss)

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

Subsequent Events

There are no subsequent events the Company has identified for disclosure.

2. Recent Accounting Standards

Forward Looking Accounting Standards Updates

In July 2012, the FASB issued ASU No. 2012-02 (ASU 2012-02), "Testing Indefinite-Lived Intangible Assets for Impairment," which allows entities to use a qualitative approach to test indefinite-lived intangible assets for impairment. ASU 2012-02 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of the indefinite-lived intangible asset is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed quantitative impairment test. Otherwise, the quantitative impairment test is not required. ASU 2012-02 is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company does not believe that the adoption of the provisions of ASU 2012-02 will have a material impact on its operating results or financial position.

3. Acquisition

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

The acquisition has been accounted for as a purchase, subject to the provisions of Accounting Standards Codification 805-10-50 (ASC 805-10-50), and has been treated as an asset acquisition for tax purposes. The Company paid cash (net) of approximately $23.9 million, of which $1.3 million was placed in escrow. The escrow amount was paid out during the quarter ended June 30, 2012. Prior to being amended, the purchase agreement also provided for the former members of Group DCA to earn up to an additional $30.0 million from the date of acquisition through December 31, 2012 (contingent earn-out fee or contingent consideration). These earn-outs were based on Group DCA's achievement of revenue and gross profit metrics and ranged up to: $5.0 million in the period ended December 31, 2010; and $12.5 million in each of the years ended December 31, 2011 and 2012. Up to $2.5 million of the $12.5 million in each of the years ending December 31, 2011 and 2012 was related to certain integration activities. The metrics for payments related to the period ended December 31, 2010 were not achieved.

In connection with the transaction, the Company recorded $18.9 million of goodwill, all of which is deductible for tax purposes, and $8.4 million in other identifiable intangible assets as of December 31, 2010. The identified finite-lived intangible assets, the healthcare provider database and technology, had a weighted average amortization period of 7.4 years. The tradename, which was estimated to have an indefinite useful life, was not amortized. See Note 7, Goodwill and Other Intangible Assets, for additional information. The Company also recorded $4.0 million, the estimated fair value of deferred revenue, using a cost build-up approach. The cost build-up approach determines fair value by estimating the costs relating to fulfilling the obligations plus a normal profit margin of a market participant, less an estimated selling effort.

The Company determined the acquisition date fair value of the contingent consideration of $ 1.6 million based on a probability-weighted income approach derived from revenue estimates and a probability assessment with respect to the likelihood of achieving the various earn-out criteria. The fair value measurement was based on significant subjective assumptions and inputs not observable in the market and thus represents a Level 3 fair value measurement. In addition, the Company recorded an indemnification asset and assumed a liability of approximately $0.9 million related to an ongoing sales tax assessment related to transactions that occurred prior to the acquisition date. Any subsequent changes to the final purchase price allocation above will be adjusted in the statement of operations and comprehensive loss accordingly.

In November 2011, the Company announced that it amended the Group DCA purchase agreement to buy out the contingent earn-out fee for $3.4 million. In connection with the signing of the amendment to the purchase agreement, the Company wrote-off the $1.6 million of contingent consideration recorded as part of the acquisition through the statement of operations and comprehensive loss during the year ended December 31, 2011. The buyout of the contingent earn-out fee was paid during the year ended December 31, 2012. See Note 4, Fair Value Measurements, for further information.

In the fourth quarter of 2012, as a result of the Company's annual goodwill and other intangible impairment tests, the Company wrote-off $16.4 million of goodwill and the intangible asset balance of $6.4 million. For more details, see Note 7, Goodwill and Other Intangible Assets.

4. 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 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.

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.

(tabular information in thousands, except share and per share data)

	As of December 31, 2012		Fair Value Measurements As of December 31, 2012		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents:					
Cash	$ 10,956	$ 10,956	$ 10,956	$ —	$ —
Money market funds	41,827	41,827	41,827	—	—
	$ 52,783	$ 52,783	$ 52,783	$ —	$ —
Marketable securities:					
Money market funds	$ 48	$ 48	$ 48	$ —	$ —
Mutual funds	44	44	44	—	—
U.S. Treasury securities	2,450	2,450	2,450	—	—
Government agency securities	1,270	1,270	1,270	—	—
	$ 3,812	$ 3,812	$ 3,812	$ —	$ —

The fair value of marketable securities is valued using market prices in active markets (level 1). As of December 31, 2012, the Company did not have any marketable securities in less active markets (level 2) or without observable market values that would require a high level of judgment to determine fair value (level 3).

In connection with the November 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 was based on significant inputs not observable in the market and thus represents a Level 3 measurement. During the year ended December 31, 2011, the contingent consideration was written-off as part of the Group DCA contingent earn-out fee buyout and was netted in the Group DCA contingent consideration buyout and related costs line item in the consolidated statement of operations and comprehensive loss. See Note 3, Acquisition, for further information.

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.

Certain of the Company's non-financial assets, such as goodwill and other intangible assets are measured at fair value when there is an indicator of impairment and recorded at fair value only when an impairment charge is recognized. The following table summarizes these assets of the Company measured at fair value on a nonrecurring basis as of December 31, 2012:

	Carrying Amount as of December 31, 2012	Fair Value Measurements as of December 31, 2012		
		Level 1	Level 2	Level 3
Long-lived assets held and used:				
Goodwill	$ 2,523	$ —	$ —	$ 2,523

A review of Group DCA's historic, current and forecasted operating results as of December 31, 2012 indicated that the carrying amount of the Company's goodwill and indefinite-lived intangible assets may not be recoverable from the sum of future discounted cash flows. Goodwill and indefinite-lived intangible assets were tested by estimating the fair value of the reporting unit using a consideration of market multiples and a discounted cash flow model and were written down to their implied fair value. Finite-lived intangible assets were tested using undiscounted cash flows which were not sufficient to recover the book value of the assets. Therefore, the finite-lived intangible assets were written down to their respective fair vales. See Note 7, Goodwill and Other Intangible Assets, for additional information.

(tabular information in thousands, except share and per share data)

5. Investments in Marketable Securities

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

Available-for-sale securities consist of assets in a rabbi trust associated with the Company's deferred compensation plan. At December 31, 2012 and 2011, the carrying value of available-for-sale securities was approximately $92,000 and $127,000, respectively, which are included in short-term investments. The available-for-sale securities at December 31, 2012 and 2011 consisted of approximately $48,000 and $62,000, respectively, in money market accounts, and approximately $44,000 and $65,000, respectively, in mutual funds. At December 31, 2012, accumulated other comprehensive income included gross unrealized holding gains of approximately $11,000 and no gross unrealized holding losses. At December 31, 2011, accumulated other comprehensive income (loss) included gross unrealized holding gains of approximately $12,000 and no gross unrealized holding losses. During the years ended December 31, 2012 and 2011, other income, net included no gross realized losses or realized gains.

The Company's other marketable securities consist of investment grade debt instruments such as obligations of U.S. Treasury and U.S. Federal Government agencies and are maintained in separate accounts to support the Company's letters-of-credit. These investments are categorized as held-to-maturity because the Company's management has the intent and ability to hold these securities to maturity. The Company had standby letters-of-credit of approximately $2.6 million and $3.1 million at December 31, 2012 and 2011, respectively, as collateral for its existing insurance policies and facility leases.

At December 31, 2012 and 2011, held-to-maturity investments included:

	December 31, 2012	Maturing within 1 year	Maturing after 1 year through 3 years	December 31, 2011	Maturing within 1 year	Maturing after 1 year through 3 years
Cash/money market funds	$ 76	$ 76	$ —	$ 111	$ 111	$ —
US Treasury securities	2,450	1,051	1,399	4,293	1,323	2,970
Government agency securities	1,270	881	389	871	—	871
Total	$ 3,796	$ 2,008	$ 1,788	$ 5,275	$ 1,434	$ 3,841

At December 31, 2012 and December 31, 2011, held-to-maturity investments were recorded in the following accounts:

	December 31, 2012	December 31, 2011
Other current assets	$ 2,008	$ 1,434
Other long-term assets	1,788	3,841
Total	$ 3,796	$ 5,275

6. Property and Equipment

Property and equipment consisted of the following as of December 31, 2012 and 2011:

(tabular information in thousands, except share and per share data)

	December 31, 2012	December 31, 2011
Furniture and fixtures	$ 3,613	$ 3,587
Office equipment	1,282	1,278
Computer equipment	6,760	5,630
Computer software	11,138	11,197
Leasehold improvements	7,128	7,116
	29,921	28,808
Less accumulated depreciation	(27,525)	(26,324)
	$ 2,396	$ 2,484

Depreciation expense was approximately $1.1 million and $1.8 million for the years ended December 31, 2012 and 2011, respectively. Included in depreciation expense is amortization expense for capitalized computer software costs of approximately $0.3 million and $0.4 million for the years ended December 31, 2012 and 2011, respectively. As of December 31, 2012 and 2011, the unamortized balance of capitalized computer software was $0.4 million and $0.7 million, respectively.

During the year ended December 31, 2012, the Company recorded a non-cash charge of less than $0.1 million for furniture and leasehold improvements related to the downsizing of the Group DCA facility in Parsippany, NJ. During the year ended December 31, 2011, the Company recorded a non-cash charge of less than $0.1 million for furniture and leasehold improvements in discontinued operations related to the Schaumburg, Illinois facility.

7. Goodwill and Other Intangible Assets

Goodwill and other intangible assets recorded as of December 31, 2012 and 2011 are attributable to the 2010 acquisition of Group DCA. During the Company's annual impairment testing of goodwill and indefinite-lived intangible assets as of December 31, 2012, management identified a potential impairment as a result of a "step 1" discounted cash flow analysis.

Goodwill

During the Company’s annual goodwill impairment test performed as of December 31, 2012, management determined that the fair value of the Group DCA reporting unit was below its carrying value including goodwill, and accordingly, the Company calculated and recognized an $16.4 million goodwill impairment charge within asset impairment in the consolidated statement of operations and comprehensive loss. As of December 31, 2012, the balance of goodwill was $2.5 million. The Company had not recorded an impairment charge of Group DCA's goodwill prior to December 31, 2012.

Other Intangible Assets

In connection with the 2010 acquisition of Group DCA, the Company recorded approximately $8.4 million of other intangible assets. This balance was comprised of technology of $4.1 million, the Healthcare Professionals database of $2.2 million and the corporate tradename of $2.1 million. See Note 3, Acquisition, for further information.

During the Company’s annual budgeting process that was performed in the fourth quarter of 2012 and, based on the evaluation of historic, current, budgeted and forecasted operating results, the Company observed indications that the carrying amount of the Company’s finite-lived intangible assets, technology and healthcare professional database, and indefinite-lived intangible asset, corporate tradename, will not be recoverable from the sum of future cash flows. Accordingly, the Company estimated the fair value of the intangibles and recognized impairment charges for the remaining carrying value of: $2.6 million for the technology asset; $1.7 million for the healthcare professional database; and $2.1 million for the corporate tradename, during the fourth quarter of 2012.

The fair value of the technology was determined using the “Excess Earnings Method” a variation of the “Income Approach”. This method reflects the present value of the operating cash flows generated by existing technology after taking into account the cost to realize the revenue, and an appropriate discount rate to reflect the time value and risk associated with the invested capital. The valuation analysis for the technology was based on the reporting unit's revenue projections with consideration given to: the value and required rate of return for other contributory assets of the reporting unit; and the benefit of tax amortization of the technology.

(tabular information in thousands, except share and per share data)

The fair value of the healthcare professional database (the database) was determined using the replacement cost new method under the "Cost Approach". This method is based on the principal of substitution; therefore the business unit would pay no more for the database than the amount necessary to replace it with an adjustment, if any, for a loss in value due to obsolescence.

The fair value of the corporate tradename was determined using the "Relief from Royalty Method" (RFRM), a variation of the "Income Approach". The RFRM is used to estimate the cost savings that accrue to the owner of an intangible asset who would otherwise have to pay royalties or license fees on revenues earned through the use of the asset. The royalty rate is based on empirical, market-derived royalty rates for guideline intangible assets when available. The royalty rate is applied to the projected revenue over the expected remaining life of the intangible asset to estimate the royalty savings. The net after-tax royalty savings are calculated for each year in the remaining economic life of the intangible asset and discounted to present value. Additionally, as part of the analysis, the operating income of Group DCA was benchmarked to determine a range of royalty rates that would be reasonable based on a profit-split methodology. The profit-split methodology is based upon assumptions that the total amount of royalties paid for licensable intellectual property should approximate in order to determine a reasonable royalty rate to estimate the fair value of the corporate tradename.

		As of December 31, 2012			As of December 31, 2011		
	Life (Years)	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Group DCA							
Technology	6	$ —	$ —	$ —	$ 4,097	$ 797	$ 3,300
Healthcare professional database	10	—	—	—	2,203	257	1,946
Corporate tradename	N/A	—	—	—	2,063	—	2,063
Total		$ —	$ —	$ —	$ 8,363	$ 1,054	$ 7,309

On December 29, 2011, the Company entered into an agreement to sell certain assets of its Pharmakon business unit and exited the business. As a result of this transaction, the Company wrote-off Pharmakon's goodwill and finite-lived intangible assets during the year ended December 31, 2011. See Note 18, Discontinued Operations, for additional information.

Amortization expense related to continuing operations was approximately $0.9 million for each of the years ended December 31, 2012 and December 31, 2011. There is no estimated future amortization expense.

8. Retirement Plans

The Company offers an employee 401(k) saving plan. Under the PDI, Inc. 401(k) Plan, employees may contribute up to 25% of their pre- or post-tax base compensation. Effective January 1, 2004, the Company began offering a safe harbor matching contribution equal to 100% of the first 3% of the participant's contributed base salary plus 50% of the participant's base salary contributed exceeding 3% but not more than 5%. Participants are not allowed to invest any of their 401(k) funds in the Company's common stock. The Company's total contribution expense from continuing operations related to the 401(k) plan for each of the years ended December 31, 2012 and 2011 was approximately $0.8 million.

9. Long-Term Liabilities

Long-term liabilities consisted of the following as of December 31, 2012 and 2011:

	December 31, 2012	December 31, 2011
Rent payable	$ 1,533	$ 2,070
Uncertain tax positions	2,967	2,887
Restructuring	1,785	2,679
Other	142	142
	$ 6,427	$ 7,778

(tabular information in thousands, except share and per share data)

10. Commitments and Contingencies

The Company leases facilities, automobiles and certain equipment under agreements classified as operating leases, which expire at various dates through 2017. Substantially all of the property leases provide for increases based upon use of utilities and landlord's operating expenses as well as pre-defined rent escalations. Total expense under these agreements for the years ended December 31, 2012 and 2011 was approximately $3.0 million and $3.8 million, respectively, of which $2.4 million and $3.3 million, respectively, related to automobiles leased for use by employees for a maximum lease term of one year from the date of delivery with the option to renew.

As of December 31, 2012, contractual obligations with terms exceeding one year and estimated minimum future rental payments required by non-cancelable operating leases with initial or remaining lease terms exceeding one year are as follows:

	Total	Less than 1 Year	1 to 3 Years	3 to 5 Years	After 5 Years
Contractual obligations (1)	$ 105	$ 41	$ 54	$ 10	$ —
Operating lease obligations:					
Minimum lease payments	14,893	4,368	8,532	1,993	—
Less minimum sublease rentals (2)	(7,850)	(2,122)	(4,975)	(753)	—
Net minimum lease payments	7,043	2,246	3,557	1,240	—
Total	$ 7,148	$ 2,287	$ 3,611	$ 1,250	$ —

(1) Amounts represent contractual obligations related to software license contracts, office equipment, and outsourcing contracts for software system support.

(2) As of December 31, 2012, the Company has entered into various sublease agreements for all of the office space at the Saddle River, New Jersey facility, the Dresher, Pennsylvania facility, and the Schaumburg, Illinois facility. These subleases will provide aggregated lease payments of approximately $5.1 million, $2.5 million and $0.2 million, respectively, over the remaining lease periods.

Letters of Credit

As of December 31, 2012, the Company had $2.6 million in letters of credit outstanding as required by its existing insurance policies and its facility leases. As discussed in Note 5, Investments in Marketable Securities these letters of credit are collateralized by certain investments.

Litigation

Due to the nature of the businesses in which the Company is engaged, such as product detailing and in the past, the distribution of products, it is subject 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.

The Company routinely assesses all of its litigation and threatened litigation as to the probability of ultimately incurring a liability, and records its best estimate of the ultimate loss in situations where the Company assesses the likelihood of loss as probable. The Company accrues for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Significant judgment is required in both the determination of probability and the

(tabular information in thousands, except share and per share data)

determination as to whether a loss is reasonably estimable. In addition, in the event the Company determines that a loss is not probable, but is reasonably possible, and it becomes possible to develop what the Company believes to be a reasonable range of possible loss, then the Company will include disclosures related to such matter as appropriate and in compliance with ASC 450. To the extent there is a reasonable possibility that the losses could exceed the amounts already accrued, the Company will, as applicable, adjust the accrual in the period the determination is made, disclose an estimate of the additional loss or range of loss, indicate that the estimate is immaterial with respect to its financial statements as a whole or, if the amount of such adjustment cannot be reasonably estimated, disclose that an estimate cannot be made.

11. Preferred Stock

The board of directors of PDI (Board) is authorized to issue, from time-to-time, up to 5,000,000 shares of preferred stock in one or more series. The Board is authorized to fix the rights and designation of each series, including dividend rights and rates, conversion rights, voting rights, redemption terms and prices, liquidation preferences and the number of shares of each series. As of December 31, 2012 and 2011, there were no issued and outstanding shares of preferred stock.

12. Stock-Based Compensation

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

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

The estimated compensation cost associated with the granting of restricted stock and restricted stock units is based on the fair value of the Company's common stock on the date of grant. The Company recognizes the compensation cost, net of estimated forfeitures, arising from the issuance of restricted stock and restricted stock units on a straight-line basis over the shorter of the vesting period or the period from the grant date to the date when retirement eligibility is achieved.

The following table provides the weighted average assumptions used in determining the fair value of the non-performance based SARs granted during the year ended December 31, 2012. There were no SARs granted during 2011.

Risk-free interest rate	0.31%
Expected life	3.5
Expected volatility	57.62%

Stock Incentive Plan

(tabular information in thousands, except share and per share data)

In 2011, the Board and stockholders approved the Amended 2004 Plan. The Amended 2004 Plan replaced the 1998 Stock Option Plan (the 1998 Plan) and the 2000 Omnibus Incentive Compensation Plan (the 2000 Plan). The Amended 2004 Plan authorized an additional 1,100,000 shares for new awards and combined the remaining shares available under the original 2004 Plan. Eligible participants under the Amended 2004 Plan include officers and other employees of the Company, members of the Board and outside consultants, as specified under the Amended 2004 Plan and designated by the Compensation and Management Development Committee of the Board (Compensation Committee). Unless earlier terminated by action of the Board, the Amended 2004 Plan will remain in effect until such time as no stock remains available for delivery under the Amended 2004 Plan and the Company has no further rights or obligations under the Amended 2004 Plan with respect to outstanding awards thereunder.

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

In November 2008, the Company's chief executive officer was granted 140,000 restricted stock units and 280,000 performance contingent SARs. The restricted stock units vested into shares of the Company's common stock, in five equal installments, with the initial 20% of the units vesting immediately on the grant date and an additional 20% of the units vesting on each anniversary of the grant date over a four year period. The performance contingent SARs have an exercise price of $4.28, a seven year term to expiration, and a weighted-average fair value of $0.86. The fair value estimate of the performance contingent SARs was calculated using a Monte Carlo Simulation model. The performance contingent SARs are subject to the same time-based vesting schedule as the restricted stock units, but will not vest unless and until certain additional, performance-based conditions are satisfied: (1) with respect to the initial 94,000 performance contingent SARs, the closing price of the Company's common stock is at least $10.00 per share for 60 consecutive trading days anytime within five years from the grant date; (2) with respect to the next 93,000 performance contingent SARs, the closing price of the Company's common stock is at least $15.00 per share for 60 consecutive trading days anytime within five years from the grant date; and (3) with respect to the final 93,000 performance contingent SARs, the closing price of the Company's common stock is at least $20.00 per share for 60 consecutive trading days anytime within five years from the grant date. Vesting of the performance contingent SARs granted to the CEO is contingent upon achievement of certain stock prices; these stock prices represent premiums in excess of 25% to the closing stock price of the Company's common stock on the date of grant. As of December 31, 2012, none of the performance contingent SARs had vested. During the first quarter of 2011, the Company, with the approval of the Company's Compensation Committee, modified the performance-based vesting conditions of all performance contingent SARS. The modified terms of the grant change the "60 consecutive trading days" disclosed above to "an average of 60 consecutive trading days." The modification of these terms had a financial impact of approximately $45,000 in the year ended December 31, 2011.

The weighted-average fair value of non-performance based SARs granted during the years ended December 31, 2012 was estimated to be $2.71. There were no SARs granted during 2011. There were 38,169 SARs exercised in 2012 with a weighted-average grant price of $5.44 and 29,451 SARs exercised in 2011 with a weighted-average grant price of $5.03. Historically, shares issued upon the exercise of options have been new shares and have not come from treasury shares.

As of December 31, 2012, there was $2.0 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested SARs and restricted stock that are expected to be recognized over a weighted-average period of approximately 1.5 years.

The impact of stock options, SARs, performance shares, RSUs and restricted stock on net loss for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Stock options and SARs	$ 349	$ 238
Performance awards	115	111
RSUs and restricted stock	1,327	1,587
Total stock-based compensation expense	$ 1,791	$ 1,936

(tabular information in thousands, except share and per share data)

A summary of stock option and SARs activity for the year ended December 31, 2012, and changes during such year, is presented below:

	Shares	Average Grant Price	Remaining Contractual Period (in years)	Aggregate Intrinsic Value
Outstanding at January 1, 2012	738,923	$7.06	2.97	$ 896
Granted	339,571	$6.56	3.69	$ 353
Exercised	(38,169)	$5.44		
Forfeited or expired	(159,724)	$10.20		
Outstanding at December 31, 2012	880,601	$6.37	2.91	$ 1,700
Exercisable at December 31, 2012	235,337	$8.87	1.57	$ 311
Vested and expected to vest	859,818	$6.37	2.88	$ 1,678

A summary of the status of the Company's nonvested SARs for the year ended December 31, 2012, and changes during such year, is presented below:

	Shares	Weighted- Average Grant Date Fair Value
Nonvested at January 1, 2012	463,066	$ 1.35
Granted	339,571	$ 2.71
Vested	(87,686)	$ 2.04
Forfeited	(37,040)	$ 2.27
Nonvested at December 31, 2012	677,911	$ 1.89

The aggregate fair value of SARs vested during the years ended December 31, 2012 and 2011 was $0.2 million and $0.3 million, respectively. The weighted-average grant date fair value of SARs vested during the year ended December 31, 2011 was $2.12.

A summary of the Company's nonvested shares of restricted stock and restricted stock units for the year ended December 31, 2012, and changes during such year, is presented below:

	Shares	Weighted-Average Grant Date Fair Value	Average Remaining Vesting Period (in years)	Aggregate Intrinsic Value
Nonvested at January 1, 2012	606,138	$ 7.04	1.68	$ 3,891
Granted	214,210	$ 7.07	2.19	$ 1,628
Vested	(151,091)	$ 5.53		
Forfeited	(116,160)	$ 7.39		
Nonvested at December 31, 2012	553,097	$ 7.60	1.40	$ 4,204

The aggregate fair value of restricted stock and restricted stock units vested during each of the years ended December 31, 2012 and 2011 was $0.8 million. The weighted-average grant date fair value of restricted stock and restricted stock units vested during the year ended December 31, 2011 was $5.21.

13. Significant Customers

(tabular information in thousands, except share and per share data)

During the years ended December 31, 2012 and 2011, the Company had several significant customers for which it provided services under specific contractual arrangements. The following sets forth the net revenue generated by customers who accounted for more than 10% of the Company's revenue from continuing operations during each of the periods presented.

	Years Ended December 31,	
Customer	2012	2011
A	$ 34,401	$ 67,138
B	$ 19,464	$ 27,956
C	$ 15,046	$ 21,724
D	$ 17,690	$ —

The Company recorded revenue in its Sales Services segment from Customers A through C during the periods that they were considered a significant customer as presented above. The Company recorded revenue in its Marketing Services segment from Customer A through D in 2012 and Customer A in 2011. The Company recorded revenue from Customer D in 2012 in its PC Services segment.

For the years ended December 31, 2012 and 2011, the Company's four and three largest customers, each representing 10% or more of its revenue, accounted for, in the aggregate, approximately 68.2% and 74.3%, respectively, of its revenue from continuing operations. At December 31, 2012 and 2011, the Company's three largest customers represented 61% and 59%, respectively, of the aggregate of its outstanding accounts receivable and unbilled services.

14. 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 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.

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.

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.

Parsippany, New Jersey Group DCA Facility

In the fourth quarter of 2012, the Company down-sized its operations at Group DCA, exiting approximately 9,000 square feet of space and recorded $0.6 million in realignment charges and $0.1 million in non-cash impairments of furniture and leasehold improvements. The Company expects to sublease the space in the second half of 2013.

Dresher, Pennsylvania Facility

(tabular information in thousands, except share and per share data)

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 12, Discontinued Operations, for further information regarding the discontinued operations of TVG.

As of December 31, 2012, all of the space in Dresher, Pennsylvania has been subleased. These subleases have lease terms that expire on November 30, 2016 in connection with the underlying facility lease.

Schaumburg, Illinois Facility

In December 2011, the Company sold certain assets of its Pharmakon business unit, vacated the business units' Schaumburg, Illinois facility and recorded a facility realignment charge of $0.4 million in discontinued operations. During the first quarter of 2012, the Company secured a sublease for the approximately 6,700 square feet of office space in Schaumburg, Illinois. This sublease runs through the end of the facility's lease term, February 2015. The Company expects to receive approximately $0.3 million in lease payments over the life of the sublease.

A summary of the significant components of the facility realignment charges for the years ended December 31, 2011 and 2012 by segment is as follows:

2011	Sales Services	Marketing Services	Discontinued Operations	Total
Facility lease obligations	$ —	$ —	$ 392	$ 392
Asset impairments	—	—	—	—
Related charges	—	—	—	—
Total facility realignment charge	$ —	$ —	$ 392	$ 392
2012				
Facility lease obligations	$ —	$ 637	$ 78	$ 715
Asset impairments	—	69	—	69
Related charges	—	—	—	—
Total facility realignment charge	$ —	$ 706	$ 78	$ 784

The following table presents a reconciliation of the restructuring charges in the years ended 2012 and 2011 to the balances as of December 31, 2012 and 2011, which is included in other accrued expenses ($1.5 million and $1.8 million, respectively) and in long-term liabilities ($1.8 million and $2.7 million, respectively):

	Sales Services	Marketing Services	Discontinued Operations	Total
Balance as of January 1, 2011	$ 5,029	$ —	$ 1,272	$ 6,301
Accretion	132	—	27	159
Adjustments	(158)	—	364	206
Payments	(1,586)	—	(591)	(2,177)
Balance as of December 31, 2011	3,417	—	1,072	4,489
Accretion	112	—	30	142
Adjustments	—	637	78	715
Payments	(1,502)	—	(565)	(2,067)
Balance as of December 31, 2012	$ 2,027	$ 637	$ 615	$ 3,279

15. Income Taxes

(tabular information in thousands, except share and per share data)

The provision for or benefit from income taxes on continuing operations for the years ended December 31, 2012 and 2011 is comprised of the following:

	2012	2011
Current:		
Federal	$ —	$ (879)
State	270	(39)
Total current	270	(918)
Deferred:		
Federal	(53)	(17)
State	(9)	(4)
Total deferred	(62)	(21)
Provision for income taxes	$ 208	$ (939)

The Company performs an analysis each year to determine whether the expected future income will more likely than not be sufficient to realize the deferred tax assets. The Company's recent operating results and projections of future income weighed heavily in the Company's overall assessment. As a result of this analysis, the Company continues to maintain a full valuation allowance against its federal and state net deferred tax assets at December 31, 2012 as the Company believes that it is more likely than not that these assets will not be realized. The tax effects of significant items comprising the Company's deferred tax assets and (liabilities) as of December 31, 2012 and 2011 are as follows:

	2012	2011
Current deferred tax assets (liabilities) included in other current assets:		
Allowances and reserves	$ 1,742	$ 2,953
Compensation	3,382	3,564
Valuation allowance on deferred tax assets	(5,124)	(6,517)
	—	—
Noncurrent deferred tax assets (liabilities) included in other long-term assets:		
State net operating loss carryforwards	4,103	4,366
Federal net operating loss carryforwards	28,615	24,743
State taxes	1,123	1,134
Self insurance and other reserves	338	267
Property, plant and equipment	2,294	2,431
Intangible assets	9,249	930
Other reserves - restructuring	410	667
Compensation	31	9
Deferred Revenue	226	1,660
Valuation allowance on deferred tax assets	(46,389)	(36,269)
	—	(62)
Net deferred tax liability	$ —	$ (62)

The noncurrent net deferred tax liability as of December 31, 2011 relates to tax amortization of the tax basis in trade names associated with the Group DCA acquisition. The Company determined that this deferred tax liability would not be realizable for an indeterminate time in the future and consequently should not be included in net deferred tax assets for purposes of calculating the valuation allowance in 2011. As a result of the tradename becoming fully impaired during 2012, the deferred

(tabular information in thousands, except share and per share data)

tax liability was recognized in the provision for income tax in the consolidated statement of operations and comprehensive loss

Federal tax attribute carryforwards at December 31, 2012, consist primarily of approximately $82.3 million of federal net operating losses. In addition, the Company has approximately $75.6 million of state net operating losses carryforwards. The utilization of the federal carryforwards as an available offset to future taxable income is subject to limitations under federal income tax laws. If the federal net operating losses are not utilized, they begin to expire in 2027, and current state net operating losses not utilized begin to expire in 2013.

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

	2012	2011
Federal statutory rate	35.0 %	35.0 %
State income tax rate, net of Federal tax benefit	2.5 %	1.3 %
Meals and entertainment	— %	(3.3)%
Valuation allowance	(38.1)%	(35.0)%
Other non-deductible	(0.4)%	— %
Other taxes	0.2 %	0.4 %
Net change in Federal and state reserves	— %	21.5 %
Effective tax rate	(0.8)%	19.9 %

The following table summarizes the change in uncertain tax benefit reserves for the two years ended December 31, 2012:

	Unrecognized Tax Benefits
Balance of unrecognized benefits as of January 1, 2011	$ 3,936
Additions for tax positions related to the current year	—
Additions for tax positions of prior years	—
Reductions for tax positions of prior years	(2,819)
Balance as of December 31, 2011	$ 1,117
Additions for tax positions related to the current year	—
Additions for tax positions of prior years	—
Reductions for tax positions of prior years	—
Balance as of December 31, 2012	$ 1,117

As of December 31, 2012 and 2011, the total amount of gross unrecognized tax benefits was $1.1 million in each year. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of December 31, 2012 and 2011 was $1.1 million in each year.

The Company recognized interest and penalties of $0.2 million and $0.1 million related to uncertain tax positions in income tax expense during the years ended December 31, 2012 and 2011, respectively. At December 31, 2012 and 2011, accrued interest and penalties, net were $1.9 million and $1.7 million, respectively.

The Company and its subsidiaries file a U.S. Federal consolidated income tax return and consolidated and separate income tax returns in numerous states and local tax jurisdictions. The following tax years remain subject to examination as of December 31, 2012:

(tabular information in thousands, except share and per share data)

Jurisdiction	Tax Years
Federal	2009 - 2012
State and Local	2007 - 2012

To the extent there was a failure to file a tax return in a previous year; the statute of limitation will not begin until the return is filed. In March of 2011, the examination by the Internal Revenue Service of the 2008 net operating loss carry back to the 2003 to 2005 tax years was closed, therefore these years are considered effectively settled in accordance with Accounting Standards Codification 740. There were no examinations in process by the Internal Revenue Service as of December 31, 2012.

16. Historical Basic and Diluted Net Loss per Share

A reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the years ended December 31, 2012 and 2011 is as follows:

	Years Ended December 31,	
	2012	2011
Basic weighted average number of common shares	14,585	14,440
Potential dilutive effect of stock-based awards	—	—
Diluted weighted average number of common shares	14,585	14,440

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

	Years Ended December 31,	
	2012	2011
Options	51,000	102,545
Stock-settled stock appreciation rights (SARs)	549,601	356,378
Restricted stock and restricted stock units (RSUs)	553,097	606,138
Performance contingent SARs	280,000	280,000
	1,433,698	1,345,061

17. Segment Information

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

The Company reports under the following three segments:

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

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

(tabular information in thousands, except share and per share data)

Formerly this segment included TVG, whose operations were discontinued in 2010, and Pharmakon, whose operations were discontinued in 2011.

PC Services segment – includes the Company's Interpace BioPharma business unit, the formation of which was announced on August 1, 2011. 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.

	Sales Services	Marketing Services	PC Services	Consolidated
For the year ended December 31, 2012:				
Revenue	$ 99,206	$ 10,127	$ 17,566	$ 126,899
Operating (loss) income	$ (930)	$ (27,465)	$ 3,163	$ (25,232)
Capital expenditures	$ 1,064	$ 48	$ —	$ 1,112
Depreciation expense	$ 808	$ 253	$ 70	$ 1,131
Total assets	$ 64,741	$ 6,125	$ 7,581	$ 78,447
For the year ended December 31, 2011:				
Revenue	$ 135,970	$ 12,195	$ 9,126	$ 157,291
Operating income (loss)	$ 3,272	$ (9,493)	$ 1,519	$ (4,702)
Capital expenditures	$ 175	$ 164	$ 4	$ 343
Depreciation expense	$ 1,395	$ 357	$ 7	$ 1,759
Total assets	$ 66,889	$ 39,965	$ 6,525	$ 113,379

18. Discontinued Operations

On December 29, 2011 the Company entered into an agreement to sell certain assets of our Pharmakon business unit to Informed Medical Communications, Inc. (“Informed”) in exchange for potential future royalty payments and an ownership interest in Informed. The decision to take this action resulted from an extensive evaluation of the Pharmakon business in the context of the Company’s strategy, which is to focus on outsourced promotional services targeted to healthcare providers, as well as provide other promotional services, including clinical educator services, digital communications, teledetailing and full-service product commercialization solutions. The Company believes that this transaction will allow it to focus on the core businesses mentioned above while having the ability to offer stronger peer to peer services, and a broader commercial offering, including sales and leadership training, through integrated offers with Informed. In consideration for the Pharmakon assets, the Company received of royalty stream with a fair value of $0.4 million and a 1% ownership interest in Informed valued at $0.1 million. Net of the aforementioned consideration, the Company recorded a charge of approximately $7.5 million. The consolidated statement of operations and comprehensive loss reflects the presentation of Pharmakon as a discontinued operation in all periods presented.

In the fourth quarter of 2012, the Company wrote-off all of the assets related to the sale of Pharmakon to Informed as it believes that these assets have become impaired. The write-offs, totaling $0.7 million, are reflected in asset impairments in the 2012 consolidated statement of operations and comprehensive loss.

On July 19, 2010, the Board approved closing the TVG business unit. The Company notified employees and issued a press release announcing this decision on July 20, 2010. The decision to take this action resulted from an extensive evaluation of the TVG business in the context of the Company’s strategy, which is to focus on outsourced promotional services targeted to healthcare providers, as well as TVG’s consistently declining revenues over recent years and the shrinking market in which TVG operated. 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 consolidated statement of operations and comprehensive loss reflects the presentation of TVG as a discontinued operation in all periods presented.

A summary of the exit and disposal costs recognized within Loss from Discontinued Operations in the consolidated statements of operations and comprehensive loss for the year ended December 31, 2011 are as follows:

(tabular information in thousands, except share and per share data)

	For the Year Ended December 31, 2011
Non-cash charges	
Asset impairments (1)	$ 6,913
Cash charges	
Lease-related charges	392
Severance charges	1,120
Other charges	(12)
Total charges	$ 8,413

(1) Asset impairments for the year ended December 31, 2011 represent the write-off of Pharmakon's goodwill and other intangible assets.

A rollforward of the liabilities recognized in the consolidated balance sheet as of December 31, 2012 and December 31, 2011 is as follows:

Accrued liability as of January 1, 2011	$ 16
Add: Costs incurred, excluding non-cash charges	1,120
Less: Cash payments	(16)
Accrued liability as of December 31, 2011 (1)	$ 1,120
Add: Costs incurred, excluding non-cash charges	—
Less: Cash payments	(1,115)
Accrued liability as of December 31, 2012 (1)	$ 5

(1) Accrued liability at December 31, 2012 and 2011 consists of Pharmakon employee severance costs.

The table below presents the significant components of Pharmakon's and TVG's results included in Loss from Discontinued Operations in the consolidated statements of operations and comprehensive loss for the years ended December 31, 2012 and 2011.

	For the Years Ended December 31,	
	2012	2011
Revenue, net	$ —	$ 5,880
Loss from discontinued operations, before income tax	(51)	(8,374)
Income tax expense	8	(237)
Loss from discontinued operations, net of tax	$ (59)	$ (8,137)

The major classes of assets and liabilities included in the consolidated balance sheets for Pharmakon and TVG as of December 31, 2012 and December 31, 2011 are as follows:

	December 31,	
	2012	**2011**
Current assets	$ 14	$ 1,013
Non-current assets	150	625
Total assets	$ 164	$ 1,638
Current liabilities	$ 368	$ 1,865
Non-current liabilities	1,006	1,526
Total liabilities	$ 1,374	$ 3,391

(tabular information in thousands, except share and per share data)

19. Related Party Transactions

John P. Dugan

The Company entered into a consulting agreement (the "Agreement") with its founder and former Chairman of the Board, John P. Dugan. Mr. Dugan, who retired from the Board effective June 3, 2010, is the Company's largest stockholder beneficially owning approximately 33% of the outstanding common stock of PDI as of December 31, 2012.

The Agreement was executed on August 2, 2010 with an effective date of July 1, 2010, and shall continue for a period of thirty-six months. Pursuant to the Agreement, Mr. Dugan will provide consulting services to PDI including, but not limited to, corporate strategy, communications and other general advice (the "Services") upon request of the Company's Chief Executive Officer or the Board for a consulting fee of $12,500 per month over the term of the Agreement. The Agreement is terminable by the Company upon thirty days prior written notice to Mr. Dugan, and terminable by Mr. Dugan upon ten days prior written notice to the Company. The Agreement also contains certain confidentiality clauses as well as a non-compete clause that continues for a period of two years after the termination of the Agreement. Mr. Dugan was paid $ 150,000 for each of the years ended December 31, 2012 and December 31, 2011, in his role as a consultant.

iLights

In connection with the November 2010 acquisition of Group DCA, the Company assumed a relationship between the founding principals of Group DCA and iLights, a provider of manufacturer-sponsored online healthcare publishing to pharmaceutical companies. Two of the four founding members of iLights, who were also the principals of Group DCA, who were also members of PDI's executive committee, own 50% of the interest in iLights. Group DCA provides content development services to iLights. Transactions between Group DCA and iLights totaled $70,000 in 2011. The Company terminated this relationship as of December 31, 2011.

PDI INC.
VALUATION AND QUALIFYING ACCOUNTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

Description	Balance at Beginning of Period	Additions Charged to Operations	Deductions Other (1)	Balance at end of Period
2012				
Allowance for doubtful accounts	—	—	—	—
Allowance for doubtful notes	778	262	—	1,040
Tax valuation allowance	42,786	—	8,766	51,552
2011				
Allowance for doubtful accounts	—	—	—	—
Allowance for doubtful notes	747	31	—	778
Tax valuation allowance	35,617	—	7,169	42,786

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

EXHIBIT INDEX

Exhibit No.	Description
10.20.2	Statement of Work dated October 2, 2012, between the Company and Pfizer Inc.
10.20.3	Amendment No. 1 to the Amended and Restated Master Services Agreement, effective September 22, 2011, between the Company and Pfizer Inc.
23.1	Consent of BDO USA, LLP
23.2	Consent of Ernst & Young LLP
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Denotes compensatory plan, compensation arrangement or management contract.

Exhibit 10.20.2

Portions of this exhibit were omitted and filed separately with the Secretary of the Securities and Exchange Commission pursuant to an application for confidential treatment filed with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. Such portions are marked by [***].

CONFIDENTIAL

Project Corner CSO SOW

Statement of Work

Date October 2, 2012

TBD AT THE END

Table of Contents

Statement of Work

This Statement of Work ("SOW") is made and entered into as of October 2, 2012 ("Effective Date"), by and between PDI, Inc., (together with its subsidiaries and Affiliates, "PDI"), having its principal place of business at Morris Corporate Center 1, 300 Interpace Parkway, Parsippany, NJ 07054, and PFIZER, Inc. (together with its subsidiaries and Affiliates "PFIZER"), having its principal place of business at 235 East 42nd Street, New York, New York 10017-5755.

This Statement of Work is entered into pursuant to the Amended and Restated Master Services Agreement, effective September 23, 2009, as amended on September 22, 2011 ("Agreement") between PFIZER and PDI, and the Compliance with Corporate Integrity Agreement and Related Obligations Addendum, between PFIZER and PDI and is subject to all the terms and conditions set forth therein, except as may be otherwise expressly provided herein.

In the event of a conflict between the terms of the Agreement, and the terms of this Statement of Work ("SOW"), the terms in this SOW shall prevail.

Owners of This SOW:

Project Name:	Project Corner CSO
PFIZER PDI Lead:	Tim Johnson
Address:	235 East 42nd street
	NY, NY 10017
Contact (Name):	Kurt Hawtin
Phone:	212-733-4260
E-mail:	Kurt.hawtin@pfizer.com

Project Name:	Project Corner CSO
PDI Name:	PDI
Address:	Morris Corporate Center 1
	300 Interpace Parkway
	Parsippany, NJ 07054
Contact (Name):	Ron Pasko
Phone:	862-812-9063
E-mail:	rpasko@pdi-inc.com

1.0	Project Charter

- Business sponsor: Kurt Hawtin, Sr Director/Team Leader EPBU US Brands
- PFIZER project manager: Joe Zavattieri, Director of Sales EPBU
- Project goal and objectives: PDI will successfully hire, train, and deploy a sales team to begin promotional launch efforts of Brand beginning on 1/14/2013 and achieve all respective goals and objectives.
- Scope of project: PDI will deliver a comprehensive outsourced sales solution and operate as a stand-alone entity while ensuring full adherence to all Pfizer compliance standards and requirements. Supporting program details include, but are not limited to the following:
  1. Hire a best-in-class team of [***] sales representatives and management team who will meet and or exceed product goals
  2. Execute a successful promotional launch effort through 12/31/2015
  3. Enhance rep effectiveness by implementing an integrated multi-channel solution
  4. Provide full time account and project management
- Timeframe/term: 10/2/2012 through 12/31/2015

2.0	Proposed Solution and Description

Milestones

[***]

Deliverables

- TBD based on final timeline

Operating model: Please see Exhibit G

Services

Will include the following, but not limited to:

- Comprehensive sales operations including fleet, SFA, incentive comp, reporting, and training
- Project management personnel
- Full service IT
- Finance
- Human Resources & Talent Acquisition
- Compliance
- Digital communications (if required)

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

3.0	Detailed Solution / Approach

Contents

- Product Starter / Sampling Services
- Product Promotional Materials
- PFIZER Computers, Equipment and Support

DEFINITIONS

PDI Contact Person - PDI's primary point of contact for the Program.

PDI Personnel - all PDI's employees involved in support of Program, including Representatives, Regional Sales Directors, District Sales Managers, Trainers, Client Services Liaison and the National Sales Director.

Applicable Laws and Regulations - means all applicable statutes, ordinances, regulations, rules or orders of any government authority, including, without limitation, the FDCA from time to time, and the Anti-Kickback Statute (42 U.S.C. §1320a-7b *et seq.*), all as amended from time to time.

Backfill Representative - PDI employee, recruited and deployed to backfill PDI representative vacancies within [***], responsible for selling and promoting of prescription pharmaceutical products and/or over-the-counter products as outlined in this SOW. An individual within this position may be deployed to several different Territories during the engagement.

Client Services Liaison - PDI employee responsible for overall Program execution support including implementation, operations, quality and performance, weekly/monthly operational reviews, and day-to-day issue resolution. This position is a dedicated position [***].

CUE - PFIZER's strategic approach to insure that the customer becomes central to its operations. This includes an iPad® as well closed loop marketing capabilities.

Detail -- An interactive, face-to-face visit by a Representative and/or a District Sales Manager with a Targeted Prescriber (as defined herein) or his or her Legally Empowered Designee, during which the following may be discussed: FDA-approved indicated uses, safety, effectiveness, contraindications, side effects, warnings and other relevant characteristics of the Products which are described by the Representative in a fair and balanced manner consistent with the requirements of the Federal Food, Drug and Cosmetic Act, as amended, and using, as necessary or desirable, the Product Labeling or the Product Promotional Materials designated by PFIZER. When used as a verb, “Detail” or “Detailing” shall mean to engage in a Detail as defined here.

District Sales Manager -means any individuals assigned by PDI to generally oversee the Representatives' activity and interact with PFIZER designated personnel to assist in implementing the Program under the direction and supervision of PDI.

Estimated Pass-Thru Costs -Costs related to [***].

Field Force -any and all of the Representatives, District Sales Managers, Regional Sales Directors and the National Sales Directors engaged by PDI as provided by this Statement of Work.

ICE - PDI's CUE enabled strategic approach to insure that the customer becomes central to its operations. This includes an iPad® as well closed loop marketing capabilities.

***** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Legally Empowered Designee - (i) a physician affiliated with a Designated Physician; or (ii) a nurse practitioner or physician's assistant practicing under the supervision and control of a Designated Physician with legal authority to write pharmaceutical prescriptions.

Managers - the District Sales Managers, the Regional Sales Directors, the National Sales Director, and the Training Manager.

National Sales Director - an individual hired by PDI to generally oversee the Program on a full-time basis and interact with PDI designated personnel to assist in implementing the Program.

Product - the drug the Representative will promote in a Detail.

Product Labeling - all labels and other written, printed, or graphic matter upon (i) any container or wrapper utilized with a Product, or (ii) any written material accompanying a Product, including, without limitation, Products package inserts, all of which shall be provided by PFIZER.

Product Promotional Materials - all PFIZER provided written, printed or graphic material, including Product Labeling, intended for use by a Representative during a Detail, including visual aids, file cards, premium items, clinical studies, reprints, drug information updates and any other promotional support items that PFIZER deems necessary to conduct the Program. Product Promotional Materials shall include FDA approved indicated uses, safety, effectiveness, contraindications, side effects, warnings and other relevant characteristics of the Products.

Program - the program of Detailing to be conducted by the Representatives under the direction and supervision of PDI during the term of this Statement of Work.

Program Start Date - First day of Representatives home study.

Representative - an individual assigned by PDI to conduct Details of the Products, who are full-time employees of and is compensated by PDI, and whose activities in connection with the Program and Details shall be under the supervision and direction of PDI…

Regional Sales Director or National Sales Directors - any individuals hired by PDI to generally oversee the District Sales Managers' activity and interact with PFIZER designated personnel to assist in implementing the Program

SOW Effective Date - Date SOW Agreement is signed.

Targeted Prescriber - a medical professional or his or her Legally Empowered Designee who has been specifically identified by PFIZER as an HCP which shall be detailed by Representatives on a specified product(s).

Term - the period of time beginning on the Program Start Date and ending on the Program End Date.

Territory - the geography determined by PFIZER and communicated to PDI for which PDI will hire a Representative to provide Detailing activities.

Training Manager - means an individual assigned by PDI to generally oversee the Representatives' activity with respect to training matters, subject to the training program requirements and logistics described below in this Task Order. [***] The Program will also leverage the training resources assigned to the other Pfizer programs with PDI.

***** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Vacancy - a Territory is considered vacant if PDI does not have an active Representative in an assigned Territory after the Representative had passed training and started selling the Product. A Territory is not considered vacant if a Backfill Representative is able to be deployed to that Territory. Notwithstanding any contained herein to the contrary, a Territory is not considered vacant if a Representative for a vacant Territory is in training.

PDI RESPONSIBILITIES AND OBLIGATIONS

During the Term of this Program, PDI shall be responsible for the following duties and obligations to the extent applicable in connection with this Program:

- **Recruitment and Hiring**

  PDI will recruit and hire Representatives (who meet the experience and qualifications outlined in the agreed upon job description), whose activities shall be to Detail the Products requested by PFIZER, and agreed to by PDI, in the approved Territories, or other related services as requested by PFIZER to PDI. PDI may begin sourcing based on designated geographies when approved in writing by PFIZER.

  Upon written notification to PDI from PFIZER of any additional open geographic Territories for which PFIZER would like PDI to assign a Representative, PDI will begin sourcing and screening candidates immediately thereafter. PFIZER and PDI agree to develop a rolling calendar to support post launch training needs for backfill and Representatives to support PDI's newly assigned Representatives. Additional training may be required to support business needs on an ongoing basis.

  PDI shall not assign any Representatives, District Sales Managers, Regional Sales Director, and/or National Sales Director for the Program who are known by PDI to have been previously employed with PFIZER, without PFIZER's prior approval. All candidates for Representatives, District Sales Managers and/or Regional Sales Director, and/or National Sales Director on the Program will be submitted to PFIZER prior to an assignment to provide services to PFIZER, so that PFIZER can validate that they are eligible to provide services to PFIZER (which eligibility may be impacted by the individual having previously been employed by and received severance from PFIZER), and PFIZER will provide confirmation that such candidates may be assigned to the Program to PDI within 5 business days.

  During the term of this Agreement, PDI will be responsible for recruiting and hiring new candidates, through a comprehensive recruiting and interviewing process, for any vacant field force positions or as otherwise requested by PFIZER.

  The Field Force will consist of: [***]. District Sales Managers and Regional Sales Directors will be added to or reduced from the Program as mutually agreed to maintain the appropriate span of control based upon the number of Representatives.

******* **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Recruitment Process and Talent Acquisition Recruitment Process

PFIZER will not be named or alluded to in any ads. The related hiring profiles and job descriptions are as provided in Exhibit C. These hiring profiles and job descriptions may be altered with notice by PFIZER as agreed to by PDI. Sourcing activities will include use of PDI's candidate database, artificial intelligence tools, advanced internet recruiting strategies, referrals, networking, and diversity recruiting. PDI will track the progress of all candidates via its applicant tracking database, and will provide regular recruiting progress reports to PFIZER as follows:

- Turnover Report:

  [***]

- Vacancy Report:

  [***]

Sourcing, screening and interviewing of candidates shall be done by PDI in accordance with PDI's standard process and shall include, but may not be limited to, the following:

- Sourcing:

  [***]

- Screening/Qualifying Interview

  [***]

- Qualifying 1st Interview

  [***]

- Qualifying 2nd Interview

  [***]

- Face to Face Interviews:
  - Representatives:

    [***]

  - Managers:

    [***]

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Unless otherwise agreed to in writing, offers will be extended upon successful completion of background investigation consistent with PFIZER guidelines: validation of work and education history, confirmation of a valid driver's license, review against the United States General Services Administration (GSA) and Health & Human Services (HHS)/Office of Inspector General (OIG) exclusion lists, and completion of drug screen designed to detect the presence of illegal drugs. The complete candidate screening process must be completed prior to the date of hire of any candidate. In addition, PDI must ensure that for the duration of this Program, an appropriate drug screening process is in place. PFIZER will determine if PFIZER may be named, referred to or alluded to during the interview process.

Recruiting and hiring expenses for the Field Force beyond those initially assigned to the Program (excluding any positions added in connection with an expansion or re-alignment of the territories) are to be incurred by PDI as outlined in Program costs.

- **PDI Management and Support Responsibilities**

  As the employer of the Representatives, PDI shall have responsibility for their direction and control under the supervision of the National Sales Director, Regional Sales Director, and District Sales Managers. To that extent, PDI will be responsible for administering compensation, benefits, expense management, incorporating PFIZER expense guidelines and PDI performance improvement management process. In addition, PDI will incorporate all applicable PFIZER guidelines and policies with respect to incentive compensation plan design. PDI agrees that the Representatives and other PDI Personnel will cooperate fully with PFIZER Program Lead in their monitoring of the Program.

  PDI District Sales Managers will complete PDI Field Coaching Form during applicable field-coaching sessions. As set forth in Exhibit B, PDI District Sales Managers are expected to spend a minimum of [***] of available time in the field coaching their Representatives, which includes field travel time. The remaining [***] of the District Sales Managers' time will be spent on administrative activities, including recruitment, as well as, meetings with KOL's, Advocacy Groups, and other key influencers.

  Client Services Liaison, who will be accountable for program from conception to close out, will oversee functions such as implementation, operations, quality and performance, weekly/monthly operational reviews, and day-to-day issue resolution, etc. This individual will need to be on-site in New York (full time - 5 days a week) from beginning of Recruitment until Program deployment date. Client Services Liaison is expected to provide overall program execution support as set forth in Exhibit C. Supporting the Client Services Liaison during the Program launch will be a project manager for a period of fifteen weeks.

- **Operating Model**

  PFIZER Program Lead will serve as the point of contact for providing strategic direction to the National Sales Director regarding brand strategies as well as strategic approaches to core organizational operations and execution that will directly impact promoted product performance. This may include PFIZER Program Lead and PDI's the National Sales Director working jointly in these areas.

  Examples include, but are not limited to, PFIZER Program Lead and PDI's the National Sales Director developing and implementing the following:

  [***]

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Although PFIZER will not be involved in supervision or management of PDI Personnel, PDI will review such processes with PFIZER's Program Lead to identify opportunities for process improvement that can drive better field performance. Examples include procedures for recruiting/hiring, on-boarding, and performance management. PDI will also develop and implement procedures and/or performance metrics to track the performance of the PDI field force. Performance metrics will include those relating to a variety of factors, which may include sales performance, call plan adherence, recruiting and hiring, offers pending, time to fill, turnover, Detail/Representative quality (utilizing third party data) and completion of annual performance reviews.

PDI's Human Resources department will maintain a comprehensive performance management process for the Field Force during the term of this SOW which may include, among other things:

[***]

PFIZER and PDI leads will meet [***] to review PDI's performance which includes sales performance, as well as execution of ongoing business operations and execution as outlined above. Following these quarterly meetings PFIZER will provide written feedback outlining successes and agreed upon action plans. A similar approach will be executed post all training classes and POA meetings.

- **Personnel & Performance Management**

PDI will apply proven performance management strategies to support sustainable program results. This process encourages proactive, frequent coaching and feedback supported by documentation. The process focuses on results, ensuring timely recognition of individual success and resolution of any performance issues.

As the employer of the Representatives and Managers, PDI shall have responsibility for their direction and control under the supervision of the National Sales Director, and with respect to the Representatives, the Regional Sales Directors and District Sales Managers. To that extent, PDI will be responsible for administering compensation, benefits, expense management incorporating PFIZER expense guidelines that are communicated to PDI, and the employee performance management process. PDI employees working on this program will be notified of such and sign an agreement acknowledging that PDI is their employer.

Performance (including but not limited to Skills/Technical Knowledge)

If PFIZER reasonably believes that the performance of any Field Force personnel is unsatisfactory for any reason (including without limitation a failure to pass training and testing requirements), PFIZER shall notify PDI in writing or document in PDI's field coaching guide and PDI shall address the performance of such person in accordance with PDI policies. If PFIZER reasonably believes that the performance skills have not or cannot be addressed, after the appropriate performance improvement plan has been implemented, PFIZER can request that such person be removed from performing services under the Program. PDI will bear the cost of recruiting for a replacement for that Territory.

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Violations of PFIZER's Code of Conduct known as the Summary of PFIZER's Policies on Business Conduct (Blue Book and Orange Guide)

If any PDI Personnel is alleged to have violated, and/or is in violation of PFIZER's Blue Book and/or PFIZER's Orange Guide, PDI will promptly investigate the matter. PFIZER reserves the right, upon the findings of the investigation and demonstration of cause, to request the immediate removal of the individual from performing services under the Program.

Violations or Alleged Violations of PFIZER Compliance Policies and Corporate Integrity Agreement

As referenced in Section 12 of the Compliance with Corporate Integrity Agreement and Related Obligations Addendum, and notwithstanding anything herein or in the Agreement to the contrary, PFIZER may deny and/or exclude immediately without prior approval of PDI, any PDI employee from performing services under this SOW due to violation or suspected violation of Compliance Policies or the Corporate Integrity Agreement by providing written notice to PDI.

Violations of PDI Policies

If any PDI Personnel is in violation of any PDI policy and such violation merits immediate termination under such policy (including without limitation, an unsuccessful background clearance or drug screen failure), PDI shall immediately remove such person from assignment with PFIZER.

- **Turnover of PDI Field Force**

  PDI will apply own proven strategies for Representative retention, to support sustainable program results. This process may include, but is not limited to, proactive coaching, timely recognition of individual success, and use of innovative incentive rewards.

  Turnover of PDI Field Force assigned hereunder shall be managed by PDI. Turnover shall be minimized and, in any event, on an annual basis, shall not exceed [***].

- **Territory Coverage**

  For Territories that become vacant due to turnover or an approved leave of absence, PDI will discuss with PFIZER the options to address that vacancy. Based on the business requirements of the vacant position, PFIZER may elect to support the vacancy through backfilling the position, a multi-channel approach, or by leaving the vacancy open.

  PDI will provide ongoing trained and available Backfill Representatives and will make every effort to maintain [***] coverage within [***] of any vacancy. PDI will hire a team of [***] regionally deployed Representatives to serve as Backfill Representatives for any open Territory.

  [***]

- **Representative Conversion**

  [***]

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

- **Close Outs**

  For regular voluntary and involuntary turnover during the course of business, PDI will close out each Representative in co-operation with PFIZER. These costs are included in the Program Budget and will not be incremental.

  Upon Program close out, PFIZER may close out all Representatives by relying on a 3d party service provider or request that PDI close out its Representatives under the Program Budget and will not be incrementally billed to PFIZER; provided that Pfizer utilizes the resources currently assigned to the Program to assist with such close out and no third party costs are incurred by PDI.

- **Automobile Requirement**

  PDI will provide a vehicle to all full-time Representatives, District Sales Manager, Regional Directors and National Sales Director that is appropriate for the performance of their assignments. For example, Representatives required to transport promotion material must have a vehicle of an appropriate size to do so. Regional Sales Directors and/or District Sales Managers required to transport customers must have a vehicle of an appropriate size and configuration to do so (i.e. a four door sedan or equivalent). Convertibles, two-seater sports cars, soft-sided jeeps and pick-up trucks are not considered appropriate.

  All PDI Representatives required to transport Product Promotional Materials or other PFIZER or customer property must have a vehicle with a lockable trunk or other secure (locked), waterproof, out of sight area/container. The vehicle exterior should be maintained without scratches, dents, visible rust, cracked windows, cracked/broken lights (including directional lights) or bald tires. The vehicle interior should be maintained with no torn fabric/leather and be neat in appearance.

  Vehicle Insurance Requirement:

  PDI must ensure that all Representatives (1) have an automobile that is available for business purposes, (2) carry automobile liability insurance on such automobile in amounts specified by PDI throughout the duration of this SOW and (3) maintain a valid driver's license throughout the duration of this SOW. Failure to provide annual notification of automobile liability insurance or a valid driver's license will subject PDI to the removal of Representative(s) from PFIZER the Program and PDI will be responsible for all expenses associated with replacement of personnel.

- **Detailing Services**

  PDI will assist PFIZER in promoting Product by Representatives performing Product Details to the Targets as set forth herein.

  During the period of January 2, 2013 through December 31, 2015, PDI will use commercially reasonable efforts to ensure the Representatives make the following number of Product Details during the sales calls to Targets:

Quarter	Number of Product Details
Q1 2013	[***]
Q2 2013	[***]
Q3 2013	[***]
Q4 2014	[***]
Total	[***]

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PDI and Pfizer will mutually agree in writing no later than November 15, 2012 on the number of Product Details by quarter for the January 1, 2013 through December 31, 2013 period. PDI and Pfizer will mutually agree in writing no later than November 15, 2013 on the number of Product Details for the January 1, 2014 through December 31, 2014 period. PDI and Pfizer will mutually agree in writing no later than November 15, 2014 on the number of Product Details for the January 1, 2015 through December 31, 2015.

- **Customer Targeting**

  PDI District Sales Manager will participate in ongoing targeting and call planning meetings. The subsequent output will be a list of approximately [***] Target Prescribers. This list along with recommended call frequency should guide daily activity in line with direction given by the PDI District Sales Manager. All activity should be on prescribers that are Target Prescribers provided by PFIZER, provided that none of these prescribers are associated with an excluded specialty as noted on the excluded specialty list provided by PFIZER. Overall PDI call goals are contained within Exhibit B.

- **Meal Programs**

  PDI may provide occasional meals to individual healthcare professionals in the course of Detailing under the Agreement, but only in accordance with PFIZER policies and guidelines, the CIA, and Applicable Laws and Regulations, as well as industry standards, including without limitation, the guidelines set out in the then-current PhRMA Code on Interactions with Healthcare Professionals. PDI confirms that it uses a system with the functionality to track information regarding meals, including but not limited to the total number of individuals at every such meal, the total dollar amount of every such meal and the full names of every licensed prescriber at every such meal. PDI agrees to provide to PFIZER (1) no later than 30 days after the end of each calendar month the data described in PFIZER's Worldwide Technology document entitled 'Health Care Professional (HCP) Payment Disclosure Transaction Repository Interface Specifications with PDI (Version 0.a, dated June 23, 2010)' and meets the level of detail required for the relevant period about all meals provided by PDI in the course of Detailing under the Agreement, and (2) without limitation and at such times designated by PFIZER, in its sole discretion, any and all documents, reports and information that PFIZER determines, in its sole discretion, that it needs about such meals in order to comply with its obligations under the CIA, including but not limited to, its obligations to post Payments to healthcare professionals online and federal, state and/or local laws. Any information provided by PDI pursuant to the previous sentence will be truthful and accurate, and will not omit any information regarding meals that PDI may provide to licensed prescribers during the relevant quarter. PDI agrees that the cost of any such meals provided in the course of Detailing under the Agreement, will be a Pass Thru Costs as outlined in Section 9 and Exhibit G. PFIZER will direct the use of meal funds and PDI will be responsible for the tracking of actual spend.

  With respect to number (2) above, and any new federal requirements (including the Physician Sunshine Act expected to take effect some time in 2013, it is expected that the processes supporting the monthly data feeds outlined in (1) above would fulfill Pfizer's reporting needs. However, should there be new requirements from Pfizer or the state/federal governments, requiring either programming changes to our expense reporting system, changes to existing data feeds or the addition of new data feeds, or changes to existing reports or the addition of new reports, the parties will mutually agree as to the incremental cost associated with such change. New requirements may also require more investigation and follow up with the field, requiring additional compliance headcount to support, for which the parties will mutually agree as to the incremental cost associated with such change.

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PFIZER will send PDI additional instruction outlining the responsibilities in the allocation of meal budgets. PDI agrees to comply with these instructions once they are received.

- **Product Promotion**
  PDI Field Force may only Detail the Product via the iPad®, and may not use, show or provide any hard copy Product Promotional Materials, unless approved by PFIZER for such use outside of the iPad.

  If promotional content has not yet been made available when Detailing commences, PDI Field Force will be permitted to conduct the Detail in accordance with a PFIZER provided alternative procedure, other than the iPad®, that will be comparable to the procedure allowed for PFIZER sales representatives under such circumstances. If an alternative procedure is used, the Detail will still be entered in the PDI ICE system and all PFIZER policies and SOPs shall remain applicable.

  All PDI Field Force must be ICE enabled and certified before being able to actively promote PFIZER Products to customers.

  For purposes of the Agreement, to the extent an iPad® is unavailable for a Detail due to technical problems, PDI Field Force will be permitted to conduct and record the Detail in accordance with a PFIZER provided alternative procedure that will be comparable to the procedure allowed for PFIZER sales representatives under such circumstances.

- **Computers, Equipment and Support:**
  PDI shall maintain records of all completed Details, including the maintenance of call notes, and utilization of Representatives' expenses via PDI's equipment and software. PDI is working with the PFIZER teams to include a feature in the field software tool that will allow for the entry of medical information requests, with the implementation to be completed prior to Program launch. PDI will provide T&E reporting and HR solutions. For any PDI provided solutions, the Representatives will utilize PDI helpdesk service.

  PDI will provide the Field Force with an iPad and laptop computer and will maintain that equipment in support of this Program, including standard field software, including a sales force automation tool that allows for all prescriber universe management; including call activity. The Managers will also be provided with Microsoft Windows/Office. These tools will contain all the information needed for physician call planning (Rx, targeting, segmentation, payer, etc data; provided that all such Rx, targeting, segmentation, payer and other related data will be provided to PDI by Pfizer). PDI will coordinate with Pfizer to ensure that all hardware and software is compatible with Pfizer process for CUE enablement, and provide Field Force with a color wireless printer. A spare pool will be maintained for Field Force use.

  PDI will provide, through its Group DCA division, development of [***] screens of digital content for one Product for the Representatives to use on the iPad / iRep platform. Pfizer shall provide PDI with the original digital files from Pfizer's agency by [***]. Once PDI receives such files, the files will be organized within a user interface that would be designed for the iPad and iRep. PDI will work with Pfizer to determine interactive questions and/or page ratings versus static detail pages.

  Data files: These files are typically Adobe Photoshop (Layered), Adobe Illustrator, Hi-Res PDFs, Video's, custom Fonts or potentially others as well but these would be the probable file types.*

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Equipment, paid in full by Pfizer (including the iPads,) will be returned to Pfizer at the conclusion of the Program. [***]

At the conclusion of a Program, PFIZER will return all computers, tablets, and equipment to PDI (except new equipment as outlined above) at PFIZER's expense.

PFIZER shall be responsible for the incremental costs incurred to comply with PFIZER's requirements regarding data retention, including but not limited to:

- Hard drive removal, including shipping and replacement of the hard drive
- Extraction and compilation of historical emails from archives
- Any additional Pfizer requested changes in data collection or new CIR, or CUE, requirements

- **Help Desk**

The Field Force will be supported by a pharmaceutical industry knowledgeable information technology help desk that is open from 8:00am to 11:59 pm EST Monday - Friday, 6 pm - 10 pm EST on Sunday with voicemail and email utilized for after hours/holiday/weather emergency days.

- **Field Force Incentive Compensation**

Pfizer and PDI will work together to establish an incentive compensation program for the Representatives and Managers that is in compliance with all Applicable Laws and Regulations, including the Anti-Kickback Statute. All variable incentive compensation programs (incentive compensation, contests, etc.) must be approved by both PDI and Pfizer Legal/Compliance colleagues prior to implementation. The programs will be documented and administered by PDI using sales data provided by Pfizer. All sales-based Incentive Compensation must be calculated using “factored” sales data as defined by Pfizer's policies. Within a reasonable time of the Program Start Date, Pfizer and PDI agree to compile performance metrics to track the performance of the Field Force. Payouts under the Field Force incentive compensation plan will be based [***]. PDI shall report on the performance metrics set forth in the plan as reasonably requested by Pfizer. The metrics to be used by PDI in connection with the incentive compensation program will be mutually agreed upon by PDI and Pfizer with product growth targets to be appropriately aligned to Pfizer brand targets and will be driven by sales performance with a call plan adherence component. Pfizer will determine and inform PDI, by product as measured by IMS data, if either exclusion or Rx volume factoring should occur at the provider level based on the providers' specialty. If so such Rx volume will not count towards sales performance for the designated targets.

- **Data Protection and Privacy**

PDI shall comply with the applicable data protection and privacy requirements required in the delivery of Services for this Program, as agreed to by PFIZER and PDI in writing, or as otherwise required by Applicable Law and Regulations.

***** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

- **Reporting & Data Extracts**

  PDI will provide reports to PFIZER which will include Detail activity and expense data on an ongoing basis for use in managing the Program. PDI shall incorporate feedback from PFIZER in the design and frequency of standard reports to aid PFIZER in the monitoring of the Program. These reports will be provided [***] or as otherwise agreed upon by PFIZER and PDI. Examples of the reports that PDI will provide to PFIZER include:

  - [***]

  In addition, PDI will provide additional reports or data extracts that may be reasonably requested by PFIZER on an ad-hoc basis, at [***].

- **Communications Plan**

  PDI, via the National Sales Director, will provide ongoing support for all field communications, including adaption of any appropriate PFIZER field force communications.

- **Training**

  PDI is responsible for training pertaining to the following:

  - On-boarding: The Training Manager incorporates the following PDI training into the PFIZER Home Study training schedule: Required PDI compliance, PDI Representative job standards, Total Office Selling, Conducting Retail Pharmacy Calls, PFIZER Sales Force Automation, Territory Report Analysis and Management and Managed Markets training.

  - PFIZER Home Study Training Support: The PDI Training Manager will coordinate the Home Study Training Schedule kicking off the training schedule with a conference call. On a weekly basis the Training Manager will conduct weekly material review and check-ins. The PDI Training Manager is available to new hires during home study for questions and help.

  - PDI Representation at Live Training: The PDI Training Manager serves as the lead for review and discussion of all and employee questions and will be present at all training provided to PDI Field Force. Additionally, the PDI Training Manager will deliver Territory Analysis and Management content training and can serve as one of the role-play evaluators for the role-play certification.

  PDI's Training Manager will be supported by the PDI Training Managers assigned to other PFIZER project in fulfillment of the above responsibilities, as well as those outlined below. PDI will be responsible for certain ongoing training activities, including the following:

  Post PFIZER Live Training:

  - 30 - 60 days following initial training

    a) Representatives:
       - Training Manager to conduct field rides and teleconferences with identified Representatives for additional coaching and support on selling skills and product messaging.

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- Webex Calls on Best practices for “speed to impact” for Territory management, pre-call planning, report analysis.

b) Managers:

- Conduct Webex on commonly observed Product/competitive knowledge coaching opportunities

- 60-90 days following initial training

  - Materials developed and separate Webex calls for Representatives and Managers on Product reinforcement of objections and clinical study key message points (where applicable)
  - New Managers: best practices on product knowledge coaching, business planning report analysis and district business planning.

- Compliance: The PDI Training Manager will coordinate the required PDI Compliance Training.

- Training Logistics: PDI will be responsible for scheduling, coordinating, tracking and maintaining records regarding the training of its employees assigned to the Program.

- Management Development: Since PDI hires Managers with varying degrees of management experience as well as past leadership development, PDI Regional Sales Directors will customize each manager's development in conjunction with the Training Manager. The Training Manager will coordinate and support managers' development across the plans providing training, resources and coordinating development activities.

- Coaching: PDI Managers will complete electronic Field Coaching Form during field coaching sessions. PDI District Sales Managers are expected to spend a minimum of [***] of available time in the field coaching their Representatives. PDI Regional Sales Directors are expected to spend a minimum of [***] of available time in the field coaching and developing primarily District Sales Managers and secondarily Representatives.

- Quarterly Knowledge Assessments: PDI Representatives and Managers will be required to pass quarterly disease state/product knowledge assessments and will have [***] attempts, and must achieve an [***] score, to pass.

- Field Gap Training: PDI Training Manager will work closely with PDI Regional Sales Directors and District Sales Manager team and the with PDI Manager and Representative Advisory Board to identify product and skill areas of improvement as surfaced through business results, third party data and coach plan feedback. Appropriate training and information remediation materials will be developed, distributed or reviewed in a variety of formats and medium: Cd-rom, backgrounders, conference calls, training recap tools.

A grid outlining the respective training obligations of PFIZER and PDI hereunder is attached asExhibit H hereto.

***** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

PFIZER RESPONSIBILITIES AND OBLIGATIONS

- **Territories**
  A list of the current Territories for the Program as of the Effective Date is attached hereto as Exhibit F. PFIZER shall verify the accuracy of the Targeted Prescriber list that is provided to PDI for such Territories, including the addresses set forth therein. PFIZER will notify PDI in writing of any change to the list of Territories, including the addition of new Territories for which PDI should assign a Representative. PFIZER will periodically validate the Targeted Prescriber list database, with PDI's reasonable assistance, and update the Targeted Prescriber list to maintain the population of Targeted Prescriber within [***] of the number of Targeted Prescriber as of the Effective Date.

- **Representative**
  Training
  PDI shall be responsible for the training of the Representatives, District Sales Managers, Regional Sales Director and National Sales Director with regards to the Products and sales approach. All expenses incurred by PDI in connection with the training programs will be billed to PFIZER as a Pass-Through Expense. In addition, PDI will provide PFIZER-required compliance training, including, but not limited to, and starter management instruction and workplace violence / harassment training.

    - Products, PFIZER Selling Model, and Managed Care platforms
    - Validation for successfully completed training

      a) Field Force must achieve a pass rate of [***]% on all Product tests. Each Representative will be provided 2 attempts to pass the training tests. If the Representative is unable to successfully pass the tests, then PDI will replace the Representative

      b) Field Force must role-play (referred to as “real-play” by PFIZER) at the conclusion of live training and be evaluated by designated PDI or PFIZER evaluators using a role-play certification form. The Representatives will have three opportunities to pass the role-play certification. If a Representative is unable to successfully pass the role-play certification after three attempts, then PDI will replace the Representative.

  In addition, PFIZER will provide PDI will all materials for PFIZER-required Compliance training.

  Ongoing PFIZER Compliance Training and Communication

    - PFIZER may periodically require updated Compliance training, or request that additional compliance information be communicated to the field with reasonable advance notice. PFIZER shall provide the content for such training/communication, which shall be delivered by PDI within the reasonable timelines requested by PFIZER.
    - PFIZER and PDI shall coordinate to deliver Compliance training at POA and other live meetings.

- **Customer Targeting**

  PFIZER shall be responsible for leading ongoing call planning meetings. The outcome from these meetings will be a PDI Territory call list containing Targeted Prescribers, along with reach and frequency goals.

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- **Product Promotional Materials**

  PFIZER shall provide to PDI with respect to this Program, at PFIZER's expense, Product Promotional Materials in sufficient quantities to enable the Representatives to Detail the Products. The shipment, fulfillment and storage of all Product Promotional Materials shall be at PFIZER's expense, and an estimate of such costs, are included in the pass-through budget. PDI and the Field Force shall be prohibited from creating its own promotional materials or from altering any Product Promotional Materials provided by PFIZER. As requested by PFIZER, and in connection with the Detailing of the Products, PDI shall use only Product Promotional Materials, which for the purpose of this Program, means PFIZER-provided written, printed, graphic and/or other tangible materials relating to the Product and intended for use by Representatives during Calls.

- **Reports**

  PFIZER will provide PDI with monthly sales data for the Products on a national, physician level basis within 45 calendar days after the end of the applicable month during each month of the term. In addition, to the extent that PFIZER receives weekly sales data for the Products at some point during the term, PFIZER will provide a copy of such weekly sales data to PDI within 3 business days of PFIZER's receipt of such data.

- **Other PFIZER Obligations**

  PFIZER will provide PDI with response guidelines for adverse event reporting, physician questions and/or requests for additional information or materials (i.e. drug information, 800#, promotions). PFIZER will respond timely to all adverse event reporting, physician questions and/or requests for additional information or materials. Likewise, PDI will contact the appropriate PFIZER department with regard to adverse events, healthcare provider questions and requests for additional information or materials.

  PFIZER will be exclusively responsible for accepting and filling purchase orders, billing and returns with respect to the Products. If PDI or the Representatives receive orders for the Products, they shall transmit such orders to PFIZER for acceptance or rejection, which acceptance or rejection shall be at PFIZER's sole discretion.

  PFIZER covenants, represents and warrants that (i) the use and sale of the Products in the Territory does not and will not during the Term infringe any valid claims of a third party's intellectual property rights and (ii) the Products are currently and will be during the Term manufactured, packaged, stored, and shipped in compliance with all Applicable Laws and Regulations, including any applicable current good manufacturing practices.

  Pfizer shall provide PDI with the original digital files from Pfizer's agency by October 1, 2012 should Group DCA be responsible for the PFIZER digital sales aid.

4.0 Deliverables / Standards

Full details of the Performance Metrics, Management fee at Risk and Service Levels Agreements are Detailed in Exhibit B.

5.0 Governance & Engagement Model

Meetings & Cadences: There will be a standing calendar of meetings whereby specific decisions will be made and/or issues addressed. These forums are designed to formalize the process of setting direction with a view to avoid confusion over informal conversations.

	Project	Weekly Status	Brand Team	GCO SMS Review	Partnership Review
Purpose		Operation and Status of PDI Engagement	Status & Key Decision Making with Team	Preliminary Financial & Operation Review	Review with team and solidify key decisions
Timing					
Attendees					
Make Direct Project Decisions			X		X
Status	X	X	X	X	
Address Escalations	X	X	X		X
Contractual Changes				X	X
Implementation Decisions	X				

1. **Calendar:** A calendar will be agreed upon during project implementation and will become a part of this SOW.

2. **Weekly Status:** These will occur weekly with GCO SMS Lead, National Sales Director and the PDI Client Services Liaison. The PDI Client Services Liaison will setup / schedule these meetings and prepare the agenda. These meetings will take place from inception through the end of the Program and shall cover the following topics:
    1. Performance Update
    2. Issues, Operational Impediments
    3. Analysis and review
    4. Prepare for review with brand team
    5. Other topics as may be agreed upon from time to time

3. **Project Meetings:** These meetings are designed to provide the brand team and GCO SMS team with insights into the progress made by PDI in establishing the necessary infrastructure to provide the services by the expected start date. These meetings will include PDI's operational and support leads and will begin at Program commencement and will continue 120 days from the Program's commencement. This time frame can be lengthen or shorten as agreed upon by PFIZER & PDI. PDI's Client Services Liaison, with support from the project manager, will prepare agenda and may run these sessions in concert with a PFIZER project manager (if in place.) The topics to be covered during these meeting are as follow:
    1. Status on Hiring, Program setup, Project Plan
    2. Agree upon Key Decisions
    3. Other topics as agreed upon

4. **Team Meetings**. These meetings are designed to be standing status and operational meetings between the PFIZER brand team/ GCO SMS Team and PDI's Client Services Liaison for the purposes of updates and making key Program decisions. PDI's Client Services Liaison will prepare the agenda and run the meeting. These sessions will begin from Day 121 post Program commencement and last until the Program is fully closed. The Team may choose to conduct these meetings on a monthly basis, as shall be agreed upon by the Parties. During these meetings, the following topics will be covered/discussed:
    1. Program Update
    2. Report Review
    3. Operational Impediments
    4. Agree upon Key Decisions

5. Other topics as agreed upon

5. **GCO SMS Review:** These meeting shall occur quarterly and are designed for the PFIZER GCO SMS team and PDI to assess performance and discuss PFIZER/PDI concerns, issues, or necessary decisions to ensure effective Program operation. These meetings will be setup by PDI's Client Liaison, who will also prepare the agenda and run the meeting. Key topics will include:
    1. PDI Performance Update, Review of SLAs
    2. Finance Update
    3. Strategic decision review / issues escalated
    4. Prepare for Quarterly Review with brand team
    5. Other Topics as agreed upon

6. **Partnership Reviews.** It is anticipated that PDI will conduct quarterly partnership reviews with the larger PFIZER team and GCO SMS team that is focused more on the strategic relationship. The format for this meeting will be finalized at a later date, but it is anticipated that the PFIZER & PDI leadership team attend. While these meetings will be finalized, a key discussion point will include the following:
    1. PDI Performance Update, Review of SLAs
    2. Review of escalated issues

Escalations: Issues encountered during the normal activity of the program will be escalated or directed via the matrix detailed below.

PDI Representative	To PFIZER	To PDI
BAU activities in delivering upon the services of detailing		
Operations and daily activities	Consulted	Lead
Product Related	Lead	Consulted
Technology, Marketing Assets	Consulted	Lead
Additional Training Needs	Consulted	Lead
Lunch Meetings	Consulted	Lead
Issues with Mirrored PFIZER Representative	Consulted	Lead
Territory or target challenges	Consulted	Lead
Vacation Time	n/a	Lead
Expenses	Consulted	Lead
Compensation, Bonus, Pay	n/a	Lead
Unlisted / all other issues	TBD	

PDI DSM	To PFIZER	PDI National Sales Director
Operations and daily activities	Consulted	Lead
Product Related	Lead	Consulted
Technology, Marketing Assets	Consulted	Lead
Territory or target challenges	Consulted	Lead
Personal Vacation Time	Consulted	Lead
Representative Performance Issues	Consulted	Lead
Compliance Issues	Consulted	Lead
Compensation, Bonus, Pay	Consulted	Lead
Expenses	Consulted	Lead
Unlisted / all other issues	TBD	

PDI National Sales Director	To PFIZER GCO SMS Lead
All Issues	**X**
PDI Representative Performance & Cooperation	**Consulted**
Enablement and Operational	**Consulted**
Direct Product Supplies	**Lead**
Technology / System Access Issues	**Consulted**
Target / Customer Issues	**Lead**
Compliance Issues	**Consulted**
Additional Territories to be filled by PDI's	**Lead**
Vacancy fills with additional PDI's	**Lead**

Key Program Decisions: Key decisions will be the responsibilities of, and will be made by the following:

	PDI	Brand Team	GCO SMS Team
Program Outsourced Service & Solution Partnership Management			Lead
Program Modifications	Consulted	Consulted	Lead
Program SLA Enforcement & Calculation	Consulted	Consulted	Lead
Program Performance Assessment	Consulted	Consulted	Lead
Program Invoice and Financial Review	Consulted		Lead
Program change orders	Consulted	Consulted	Lead
Program Termination		Lead (PFIZER Term)	Lead
Program Assessment	Consulted	Lead	Consulted
Program Delivery & Execution	Lead	Lead	Consulted
Target list, inclusions, and exclusions		Lead	
Operational Strategy / Sales Strategy	Consulted	Lead	
Lunch meeting spend, proposal		Lead	
Filling vacancies with PDI, beyond budget		Lead	Consulted
Implementation of Vacancy Coverage Representative	Lead	Lead	Consulted
Hiring, firing, and HR related issues	Lead		
Representative Vacation	Lead		
Pay, benefits, bonus	Lead		

6.0 Resource Team, Time Commitment and Assumptions

[***]

*** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.

7.0	Program Time Line

Milestone:	Timeline :
SOW Effective Date (start up activities begin)	[***]
Program Start Date.	[***]
PFIZER option to notify PDI of Program delay or termination	[***]
PDI Representatives Training	[***]
Representative First Day in Field	[***]
Planned Product Approval	[***]
Program End Date	[***]

8.0	**Risks and Assumptions** Please describe in as much detail as possible known project risks and assumptions

[***] See Section 15, Term and Termination, for scenarios and assumptions.

9.0	Financials

PFIZER and PDI have agreed upon the cost per position for year one of the Program, as outlined in the rate card (Exhibit A.1). Based upon the rate card and the PDI resources outlined in Section 6.0, a Program Budget attached hereto as Exhibit A.2. The Program Budget is comprised of three types of costs: initial setup costs, ongoing deployment fees and Estimated Pass-Thru Costs. The Program Budget is funded up to the estimated budget amount set out in Exhibit A.2. If Pfizer requests that PDI undertake additional activities beyond the Program Budget, a change order to this SOW will be triggered to define the activity and incremental expenses. The final Program Budget will be adjusted, and mutually agreed upon, if the Program Start Date changes.

The Program Budgets for 2014 and 2015 outlined in Exhibit A.2 are based upon an estimated inflationary increase of [***]

Invoicing

[***]

Reconciliation

[***]

Unbudgeted Costs

PFIZER will be responsible for payment to PDI of the following expenses that are not included in the 2012 Program Budget:

- [***]

These costs, if required, will be invoiced with the actual Pass Thru expenses as noted above.

Any adjustments resulting from [***] will be made in subsequent billings. At the end of the Term, any unearned expenses shall be returned to Pfizer within [***].

Timeline: [***]

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Purchase Orders

PFIZER will provide PDI with a Purchase Order # for all verified and contracted work. This Purchase Order number will need to be referenced in all invoices, including and specific charge, department, or account codes as advised.

Additional Field Force Positions

If PFIZER asks that PDI add, and PDI subsequently adds, additional Representatives or Managers to the Program, each position will be invoiced to Pfizer based on the cost for the respective position outlined in the rate card (Exhibit A.1).

At-Risk Management Fees: PDI will bill post quarterly reviews, net of penalties, if any.

Invoice Submissions

PFIZER recommends submitting invoices via the OB10 system. If PDI is not yet enabled to submit invoices via OB10, as a part of this program - PFIZER's procurement will help enable PDI to enable this invoicing channel.

All invoices will be sent to the following address:

[***]

When submitting invoices, in tandem to OB10, a PDF copy of all invoices submitted, an Excel spreadsheet detailing each invoice, and a copy of the OB10 confirmation will be sent to the *FE Program Lead* via e-mail: name.name@pfizer.com

Payment Terms, Late Payments, and Payment Issues

Payment terms are [***], unless otherwise agreed to and noted. Included as Exhibit A.2 is an estimate for budgeting purposes only. Invoices will be sent monthly with actual charges for the correct personnel on staff for that month, as well as, pass-through costs expended.

10.0	**PDI Resources and Access to PFIZER Facilities and Systems**

10.1Physical Access:

Resource name	On-site or off-site	Access to which facilities	Weekend access required? (Yes or No)
Client Services Liaison	On-site	New York	No
project manager	On-site	New York	No

10.2Technical Access: List all PFIZER computer networks and systems PDI will need access to.	
Entity (e.g. specific server, application, PFIZER intranet, etc.)	**Reason for access** (just a brief explanation)

***** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

11.0	**Acceptance and Performance Measuring/Reporting** PFIZER shall have the right to review, evaluate and/or test any work provided by PDI to determine whether or not such Work conforms with this SOW in all material respects. If PFIZER determines that any such Work fails so to conform in any material respect, then the provisions of Master Services Agreement shall apply.

Performance measurement and reports will be managed in accordance with the Governance procedures detailed in Section 5. Detailed Reports and SLAs are attached as Exhibits.

12.0	**Change Control Processes**

Changes to the program and/or this SOW will be managed in accordance with the Governance procedures detailed in Section 5 . PFIZER will maintain ownership of this SOW, while either party can make modifications subject to acceptance and modifications

13.0	**Additional Special Circumstances**

INTENTIONALLY LEFT BLANK

14.0	**Attachments / Exhibits**
A1	Program Position Rate Card
A3	Program Budget
A3	Program [***]
B	Key Performance Indicators, Service Levels Agreements and Management fee at Risk
C	Field Force Role Profiles
D	List of Territories
E	Sales Operating Model
F	Training

15.0	**Term and Termination**

This Agreement shall become effective on October 2, 2012. As of that date, the activities defined in the table below will begin. [***]. In the event PFIZER terminates this SOW for any reason prior to [***], PFIZER may do so upon [***] prior written notice to PDI. PFIZER will pay PDI for any activities performed as of the date of termination including the activities outlined below. With regards to recruiting and setup activities, activities will cease as of the date of the termination notice, as further outlined in the table below. The recruiting fees for this Program [***]. In the event PFIZER terminates this SOW for any reason on or before [***], PFIZER will pay PDI for all recruiting activities [***], though such amounts will be prorated based on the work completed through the date of termination.

Q4 Activity	Activity Start Date	Activity End Date	Estimated PFIZER liability	Comments -
Initial Recruiting	10/2/2012	12/26/2012	[***]	[***]
NSD/RSD offer extended	10/2/2012	12/31/2012	[***]	Efforts should occur evenly over this period, and will end with 30 days notice of termination.
DSM's offer extended, internal support	10/31/2012	12/31/2012	[***]	Efforts should occur evenly over this period, and will end with [***] of termination.

***** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Computer/iPads ordered	10/2/2012	10/2/2012	[***]	Equipment ordered, left unopened. Full amount owed to PDI as of the date that PDI receives notice of termination.
Computer/iPads opened	10/25/2012	10/25/2012	[***]	Equipment opened and set up begins. Full amount owed to PDI as of the date that PDI receives notice of termination.
Other Setup Activities- (Data, Reporting, IC, etc)	10/2/2012	12/15/2012	[***]	Efforts should occur evenly over period, and will end upon notice of termination.
Project Manager	10/15/2012	1/25/2013	[***]	Efforts should occur evenly over period, and will end upon notice of termination.
Veeva/iPad configuration	10/22/2012	12/15/2012	[***]	Efforts should occur evenly over period, and will end upon notice of termination.
Equipment setup	11/1/2012	12/15/2012	[***]	Efforts should occur evenly over period, and will end upon notice of termination.
Software Licenses	11/1/2012	11/1/2012	[***]	Non-SFA licenses ordered. Full amount owed to PDI as of the date that PDI receives notice of termination.
Representatives offer extended	12/3/2012	12/31/2012	[***]	Training - last week of December
Fleet Vehicles ordered	n/a	n/a	[***]	Parties agree to wait until January to order fleet vehicles, unless an earlier date is mutually agreed upon
			[***]	
Total			**[***]**	

For illustrative purposes, the approximate liability of PFIZER at varying points in time would be as follows:

- Cumulative as of October 15, 2012: $[***]
- Cumulative as of October 31, 2012: $[***]
- Cumulative as of November 15, 2012: $[***]
- Cumulative as of November 30, 2012: $[***]
- Cumulative as of December 15, 2012: $[***]
- Cumulative as of December 31, 2012: $[***]

The amounts above are estimates, based on the date that PDI receives notice of termination, and include work through the end of each stated period. Depending on the timing of the notice during a period, up to an incremental $[***] may be owed to PDI to cover the [***] after the notice has been provided to PDI. The amounts billed under this provision will be reduced for any payments made previously by Pfizer relating to the activities specified above.

[***].

The Program is expected to terminate December 31, 2015. Effective as of [***], PFIZER may, for any reason, choose to terminate this SOW upon [***] written notice of termination to PDI. Should PFIZER terminate the Program at any point during the period beginning January 1, 2013 and ending December 31, 2013, for any reason, PFIZER shall pay PDI a [***].

***** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

16.0	Acceptance

PFIZER INC.	PDI, INC.
Signature	Signature
William Kennally Name	Jeffrey Smith Name
Regional President Title	Chief Financial Officer Title
Date	Date

Exhibit A1: Program Position Rate Card

[***]

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Exhibit A.2: Program Budget

[***]

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Exhibit A.3: Program [***]

[***]

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Exhibit B: Performance Measurement

QUALITATIVE MEASURES:

[***]

Scoring:

1. ***Qualitative*** - Each qualitative standard is scored at year/project end, based on stakeholder input:
   5 = Consistent, exceptional level of performance
   4 = Frequent, high level of performance
   3 = Generally acceptable level of performance
   2 = Somewhat unacceptable level of performance
   1 = Consistently unacceptable level of performance

   Final Qualitative Sub-score *= weighted avg of scores for qualitative measures only, calculated at yr end or project end* **<3.0** - Unacceptable. Remediation plan may be put in place.

Ongoing Tracking & Performance Evaluation:

PDI progress against agreed standards will be tracked as follows:

- Monthly reporting- Monthly tracking or reporting of data related to performance against standards provided by the PDI to business team contact(s) and PDI operations.
- Quarterly business review meetings- structured conversations about PDI's progress using the monthly reporting to drive the dialog. Feedback on qualitative measures should also be provided.

The qualitative measures are an assessment of the overall Program performance that are not tied to any financial metrics.

QUANTITATIVE MEASURES:

The quantitative measures allows for a portion of the management fee to be put at risk based on the following agreed upon performance metrics.

Management Fee at Risk:

The following is a summary of the mutually agreed upon business metrics:

[***][(1)]

Review and Tracking

1. Defined during Quarterly Meetings with GCO SMS Team, both PFIZER and PDI will use the same methodology and agree upon results.
2. While calculating in good faith, should PFIZER and PDI not be able to agree upon the impact of each measure as defined and agreed upon, both parties will schedule a 1 (one) hour meeting between the Parties within 30 days, whereby a resolution must be agreed upon.
3. Any financial adjustments that result from the performance measurement outlined herein will be accounted for [***] as outlined in Section 9.

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

(1) Four pages were omitted and filed separately with the Secretary of the Securities and Exchange Commission pursuant to the application for confidential treatment.

Exhibit C - Role Profiles

National Sales Director
Education and Position Requirements
[***]
Job Responsibilities, Skills and Knowledge
Demonstrated ability to partner in developing strategies and execution to deliver sales results, experience in selling neuroscience preferred Participate in the development of strategic and tactical plans and execute those plans to meet or exceed sales goals Drive the strategy and sales including hiring, training & development, resource & succession planning, allocations and overall performance management of the sales force Focus on sales results, people development, and meeting / exceeding client contractual requirements Build and maintain client interactions and relationships internally and externally in order to maximize opportunities for potential new business and expanding current business relationships Execute comprehensive strategic and tactical plans to support the short and long term sales and revenue plans of the client Manage client requests or conflicts and proactively problem-solve for the solution that best balances the client relationship Create an environment that enables the program's regional sales director, district sales managers, and representatives to achieve greater results in alignment with client expectations Define program performance indicators and assess skills and competencies of sales team to meet / exceed expectations and contractual requirements. Diligently monitor performance metrics Efficiently manage budget and resources within the scope of the PDI business model and expense policy guidelines Monitor sales data, market share, and target audience control at regional and division levels Identify areas of opportunity for PDI services with a focus on maximum return to enhance the business Demonstrate PDI key values and behaviors

***** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Regional Sales Director
Education and Position Requirements
[***]
Job Responsibilities, Skills and Knowledge
Provide guidance, training and direction to direct reports regarding sales strategy, call planning, call frequency, market share productivity and execution of action plans Maintain a fully staffed and productive region. Manage vacancies and turnover though active involvement in the talent acquisition process Apply a thorough understanding of pharmaceutical industry, managed care, account management and marketing concepts related to the promotion of primary care or specialty products Monitor sales data, market share and target audience control at regional and division level Accountability for regional sales objectives and manage to the development of regional business objectives Ensure that regional and district budgets and expenses are managed within mandated guidelines Conduct meetings to train and motivate direct reports and representatives within region Successfully execute sales force effectiveness strategies Build and maintain client relationships in order to maximize opportunities for potential new business Maintain a close network with key customer base including physicians, pharmacists, nursing personnel and business administrators through field visits and projects as needed Proactively identify problems/opportunities and solutions for process/performance improvement Conduct and provide meaningful field evaluations and deliver coaching to District Sales Managers within region Demonstrate PDI key values and behaviors

District Sales Manager
Education and Position Requirements
[***]

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Job Responsibilities, Skills and Knowledge
Responsible for overall staff supervision and management within given territory Maintain a fully staffed and productive region, by managing vacancies and turnover though active involvement in the recruitment and selection process Thorough understanding of Pharmaceutical Industry, account management and marketing concepts related to the promotion of primary care or specialty products Accountability for district sales objectives and manages to the development of district business objectives. Consistently meet and exceed sales goals within district Utilize effective sales techniques in order to influence targeted primary care or specialty physicians Manage district to achieve daily sales call activity / client deliverables by helping to gain access to prescribing decision makers and influencing purchasing decisions within the primary care markets Positively impact sales in district, display knowledge of key customers, plan, analyze and act upon sales and competitive data within geography Possess solid knowledge and understanding of all assigned products, disease states, treatment regimes, competitor products, market and industry Maintain current and competent working knowledge of product line to educate customer and increase customer's likeliness to prescribe the product Conduct and provide meaningful field evaluations and complete necessary call reports, including record of call and weekly call reports, other paperwork and expense reports within specified timeframes Manage administrative responsibilities, including pre-call planning, territory management and material inventory Deliver customized presentations and organize events based on customer's needs Manage representative call expectations for required face to face calls Proactively identify problems / opportunities and solutions for process / performance improvement Build strong relationships and customer loyalty Demonstrate PDI key values and behaviors
Sales Representative
Education and Position Requirements
[***]

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Job Responsibilities, Skills and Knowledge
Consistently meet and exceed established program sales goals and market share targets within territory by delivering sales programs and utilizing effective sales techniques and promotional materials in order to influence targeted Primary Care Physicians Achieve daily sales call activity / client deliverables by gaining access to prescribing decision makers and influencing purchasing decisions Possess solid knowledge and understanding of all assigned products, disease states, treatment and competitor products Maintain current and competent working knowledge of product line to educate customer and increase customer's likeliness to prescribe the product Produce high quality territory management activities, including pre - call planning, material inventory, call reports and expense reports Deliver sales presentations and utilize effective sales techniques in order to influence target primary care physicians Positively impact sales in territory, display knowledge of key customers, plan, analyze and act upon sales data within geography Meet call expectations for all required physician face-to-face calls Facilitate and organize events based on customer's needs Build strong relationships and customer loyalty Demonstrate PDI key values and behaviors

Exhibit D - List of Territories

Exhibit E

SALES OPERATING MODEL

[***]

*** **Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

Exhibit F

Training

Current Pfizer Compliance and PDI new hire course requirements:

PDI's Document Retention Policy		
PDI's Policy on Insider Trading and Unauthorized Disclosures		
PDI Whistleblower Policy		
LAV17: Harassment in the Workplace		
PDI Employee Handbook		
PDI-Memo Understanding - PDI's Memorandum of Understanding with Respect to Services Performed for Clients of PDI, Inc.		
PDI Media Relations Policy		
PDI's Code of Conduct and Exam	Compliance	Yes
PDI Edcars User Guide		
PDI's Travel & Entertainment Expense Policy & Quiz		
PDI - Approved Materials Policy		
Promotional Considerations for Pharmaceutical Sales Representatives		
OIG Compliance Program Guidance for Pharmaceutical Manufacturers -- Field Force		
HIPAA and Privacy Guidelines for Pharmaceutical Sales Representatives		
Basics of PhRMA Code		
PDI's PDMA Sample Storage Location Form		
PDI's PDMA Policies and Procedures Manual & Exam		
PDI-Pfizer Migraine Compliance Presentation		
[***]		

***** Confidential material which has been omitted and filed separately with the Securities and Exchange Commission.**

In addition to core training and the onboarding of Representatives and Managers, PDI will leverage its Career Compass program to foster their personal growth and development.

Through ongoing business needs assessments, PDI will collaborate with PFIZER to also rollout broad based programs to the entire team that address the issues as a group. Below is a summary of PDI materials and information currently available that have been utilized in this way in the past.

Sales Representatives

Time Management - Territory Optimization: Developing a Strategic Action Plan /
Identification of Important Geographies
Advanced Selling Skills/Consultative Selling/High Impact Role Plays
DISC Communications Model - Adapting to a Physician's Communication Style
Establishing Two Way Dialogue (Approaching Dialogue from a Physician's Perspective)
Reimbursement
Closing the Call/Securing a Firm Commitment
Are You Ending your Own Call?
Pfizer Customer Focus Selling Approach (CFSA) Workshops

- US Healthcare Trends
- Total Office Call

District Sales Managers

In-Field Coaching: Building from Strengths
Managerial Courage - Emotional Intelligence (Pfizer Specific Program)
DISC / Situational Self Leadership
Self Coaching Evaluation and Checklist
Coaching From a Distance - Overcoming Challenges with Distance Learning
Objection Handling
Building Strong Relationships with Team Members
Advanced Adobe Training to Enhance District Interaction
Train-the-Trainer Sessions for District Workshops

- US Healthcare Trends
- Total Office Call

AMENDMENT NO. 1
TO
AMENDED AND RESTATED MASTER SERVICES AGREEMENT

This Amendment No. 1 (this "Amendment") effective September 22, 2011 ("Effective Date") to the Amended and Restated Master Services Agreement dated as of September 23, 2009 ("Agreement") hereby modifies and amends that certain Agreement between Pfizer, Inc. ("Pfizer") and PDI, Inc. with offices at Morris Corporate Center 1, 300 Interpace Parkway, Parsippany, NJ 07056 ("PDI").

1. The parties intend to extend the length of the term of the Agreement for a period of three (3) years. Accordingly, Section 8.1 of Agreement is hereby amended by deleting Section 8.1 in its entirety and replacing it with the following:

   "8.1 Term. The term of this Agreement shall commence as of the Effective Date and shall remain in effect through the fifth anniversary of the Effective Date unless earlier terminated in accordance with its terms. Notwithstanding the foregoing, in the event that a Task Order has a term that exceeds the term of this Agreement, the parties agree that the term of this Agreement shall be extended until such time as all Services under the applicable Task Order have been completed or the Task Order has been terminated in accordance with the terms of this Agreement"

2. Section 12.7 shall be amended to replace PDI's corportate address and fax number with:

   Morris Corporate Center 1
   300 Interpace Parkway
   Parsippany, NJ 07056
   Fax No.: 862-207-7899

3. Exhibit D to the "Addendum to Amended and Restated Master services agreement between Pfizer Inc. And PDI, Inc., Compliance With Corporate Integrity Agreement and Related Oblications" shall be deleted in its entirety and replaced with the attached Exhibit D.

4. All other terms and conditions in Agreement that are not hereby amended shall remain in full force and effect.

5. In the event of a conflict between the provisions contained in the body of this Agreement and any such Task Order or exhibit, the terms in the Task Order or exhibit shall control.

IN WITNESS WHEREOF, the parties have each caused this Amendment to the Agreement to be executed by their respective, duly authorized representatives as of the Effective Date.

PDI Inc.	Pfizer Inc.
By: _____	By: _____
Name:Nancy Lurker	Name:_____
Title:CEO	Title:_____

EXHIBIT D to COMPLIANCE ADDENDUM

CONTRACTOR COMPLIANCE LIAISON

Chief Compliance Officer
PDI, Inc.
300 Interpace Parkway
Parsippany, NJ 07056
973-795-7777

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

PDI, Inc.
Parsippany, New Jersey

We hereby consent to the incorporation by reference in the Registration Statements on Form S3 (No. 333-174348) and Forms S8 (No. 333-61231, 333-60512, 333-123312, and 333-177969) of PDI, Inc. of our report dated March 15, 2013, relating to the consolidated financial statements and financial statement schedule, which appear in this Form 10-K.

/s/BDO USA, LLP

Woodbridge, New Jersey
March 15, 2013

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-61231) pertaining to the 1998 stock option plan of PDI, Inc.,
2. Registration Statement (Form S-8 No. 333-60512) pertaining to the 2000 Omnibus Incentive Plan of PDI, Inc.,
3. Registration Statement (Form S-8 No. 333-123312) pertaining to the amended and restated 2004 Stock Award and Incentive Plan of PDI, Inc.;
4. Registration Statement (Form S-8 No. 333-177969) pertaining to the amended and restated 2004 Stock Award and Incentive Plan; and
5. Registration Statement (Form S-3 No. 333-174348) pertaining to the registration of common stock, preferred stock, debt securities, warrants and units

of our report dated March 9, 2012, with respect to the consolidated financial statements and schedule of PDI, Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2011.

/s/ Ernst & Young LLP

MetroPark, New Jersey
March 15, 2013

Exhibit 31.1

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

I, Nancy S. Lurker, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2012 of PDI, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2013

/s/ Nancy S. Lurker
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Jeffrey E. Smith, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2012 of PDI, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2013

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

Exhibit 32.1

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

In connection with the Annual Report of PDI, Inc. (the "Company") on form 10-K for the fiscal year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nancy S. Lurker, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

Date: March 15, 2013

/s/ Nancy S. Lurker
Chief Executive Officer
(Principal Executive Officer)

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

Exhibit 32.2

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

In connection with the Annual Report of PDI, Inc. (the "Company") on form 10-K for the fiscal year ended December 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey E. Smith, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

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

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

Date: March 15, 2013

/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.