

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2013

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

(State or other jurisdiction of Incorporation or organization)

22-2919486

(I.R.S. Employer Identification No.)

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

(Address of principal executive offices and zip code)

(800) 242-7494

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

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

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

Class	Shares Outstanding November 10, 2013
Common stock, \$0.01 par value	15,155,242

PDI, Inc.
Form 10-Q for Period Ended September 30, 2013
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PDI, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited, in thousands, except share and per share data)

ASSETS	September 30, 2013	December 31, 2012
Current assets:		
Cash and cash equivalents	\$ 49,627	\$ 52,783
Short-term investments	96	92
Accounts receivable, net	4,020	10,687
Unbilled costs and accrued profits on contracts in progress	6,645	1,955
Other current assets	6,136	6,066
Total current assets	66,524	71,583
Property and equipment, net	3,122	2,396
Goodwill	2,523	2,523
Other long-term assets	1,045	1,945
Total assets	\$ 73,214	\$ 78,447
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,768	\$ 3,388
Unearned contract revenue	12,018	14,501
Accrued salary and bonus	7,631	6,674
Other accrued expenses	10,209	11,827
Total current liabilities	31,626	36,390
Long-term liabilities	5,581	6,427
Total liabilities	37,207	42,817
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, \$.01 par value; 40,000,000 shares authorized 16,281,305 and 16,063,514 shares issued, respectively; 15,149,357 and 14,965,875 shares outstanding, respectively	163	161
Additional paid-in capital	130,025	128,508
Accumulated deficit	(80,157)	(79,258)
Accumulated other comprehensive income	13	11
Treasury stock, at cost (1,131,948 and 1,097,639 shares, respectively)	(14,037)	(13,792)
Total stockholders' equity	36,007	35,630
Total liabilities and stockholders' equity	\$ 73,214	\$ 78,447

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenue, net	\$ 34,260	\$ 31,781	\$ 114,428	\$ 91,267
Cost of services	29,564	25,842	94,410	71,392
Gross profit	4,696	5,939	20,018	19,875
Compensation expense	4,231	4,075	13,300	12,726
Other selling, general and administrative expenses	2,517	2,620	7,364	8,442
Total operating expenses	6,748	6,695	20,664	21,168
Operating loss	(2,052)	(756)	(646)	(1,293)
Other income (expense), net	3	—	(30)	(15)
Loss from continuing operations before income tax	(2,049)	(756)	(676)	(1,308)
Provision for income tax	64	74	192	219
Loss from continuing operations	(2,113)	(830)	(868)	(1,527)
Loss from discontinued operations, net of tax	(28)	(189)	(31)	(204)
Net loss	\$ (2,141)	\$ (1,019)	\$ (899)	\$ (1,731)
Other comprehensive income (loss)				
Unrealized holding gain (loss) on available-for-sale securities, net	2	(1)	2	(2)
Comprehensive loss	\$ (2,139)	\$ (1,020)	\$ (897)	\$ (1,733)
Basic and diluted loss per share of common stock from:				
Continuing operations	(0.14)	\$ (0.06)	(0.06)	\$ (0.10)
Discontinued operations	(0.01)	(0.01)	—	(0.02)
Net loss per basic and diluted share of common stock	(0.15)	\$ (0.07)	(0.06)	\$ (0.12)
Weighted average number of common shares and common share equivalents outstanding:				
Basic	14,740	14,609	14,708	14,580
Diluted	14,740	14,609	14,708	14,580

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

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

	Nine Months Ended September 30,	
	2013	2012
Cash Flows From Operating Activities		
Net loss	\$ (899)	\$ (1,731)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	922	1,490
Realignment accrual accretion	106	106
Provision for bad debt	9	—
Stock-based compensation	1,519	1,520
Other changes in assets and liabilities:		
Decrease in accounts receivable	6,658	1,368
(Increase) decrease in unbilled costs	(4,690)	1,608
Decrease (increase) in other current assets	2,330	(477)
Increase in other long-term assets	—	(6)
Decrease in accounts payable	(1,620)	(985)
(Decrease) increase in unearned contract revenue	(2,483)	368
Increase (decrease) in accrued salaries and bonus	957	(1,263)
Decrease in other accrued expenses	(1,620)	(3,813)
Decrease in long-term liabilities	(952)	(1,340)
Net cash provided by (used in) operating activities	<u>237</u>	<u>(3,155)</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(1,648)	(528)
Investment in non-controlled entity	(1,500)	—
Net cash used in investing activities	<u>(3,148)</u>	<u>(528)</u>
Cash Flows From Financing Activities		
Cash paid for repurchase of restricted shares	(245)	(125)
Net cash used in financing activities	<u>(245)</u>	<u>(125)</u>
Net decrease in cash and cash equivalents	(3,156)	(3,808)
Cash and cash equivalents – beginning	52,783	64,337
Cash and cash equivalents – ending	<u>\$ 49,627</u>	<u>\$ 60,529</u>

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

PDI, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Tabular information in thousands, except per share amounts)

1. BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements and related notes (the interim financial statements) should be read in conjunction with the consolidated financial statements of PDI, Inc. and its subsidiaries (the Company or PDI) and related notes as included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission (SEC) on March 14, 2013. The interim financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States (GAAP) for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. The interim financial statements include all normal recurring adjustments that, in the judgment of management, are necessary for a fair presentation of such interim financial statements. All significant intercompany balances and transactions have been eliminated in consolidation. Operating results for the three and nine-month periods ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Estimates

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

Basic and Diluted Net Loss per Share

A reconciliation of the number of shares of common stock used in the calculation of basic and diluted loss per share for the three- and nine-month periods ended September 30, 2013 and 2012 is as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Basic weighted average number of common shares	14,740	14,609	14,708	14,580
Dilutive effect of stock-based awards	—	—	—	—
Diluted weighted average number of common shares	14,740	14,609	14,708	14,580

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

PDI, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Options	42	76	42	76
Stock-settled stock appreciation rights (SARs)	796	574	796	574
Restricted stock/units	600	632	600	632
Performance contingent SARs	280	280	280	280
	<u>1,718</u>	<u>1,562</u>	<u>1,718</u>	<u>1,562</u>

Goodwill and Other Intangible Assets

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

The Company tests goodwill and indefinite lived intangible assets for impairment at least annually (as of December 31) and whenever events or circumstances change that indicate impairment may have occurred. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others: a significant decline in expected future cash flows; a sustained, significant decline in stock price and market capitalization; a significant adverse change in legal factors or in the business climate of the pharmaceutical industry; unanticipated competition; and slower growth rates. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and our consolidated financial results. At September 30, 2013, no indicators of impairment were identified.

Cost of Services - Initial Direct Program Costs

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. 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.

At September 30, 2013 and December 31, 2012, the Company deferred \$2.3 million and \$1.8 million of initial direct program costs, respectively. For the three month and nine month periods ended September 30, 2013, the Company amortized \$0.2 million and \$0.7 million of initial direct program costs into expense, respectively. For the three and nine month periods ended September 30, 2012, the Company amortized \$0.1 million of initial direct program costs into expense.

Accounting Standards Updates

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-02, Comprehensive Income (Topic 220), "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," effective for annual and interim reporting periods beginning after December 15, 2012. The new accounting rules require all U.S. public companies to report the effect of items reclassified out of accumulated other comprehensive income on the respective line items of net income, net of tax, either on the face of the financial statements

PDI, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

where net income is presented or in a tabular format in the notes to the financial statements. Effective January 1, 2013, the Company adopted ASU No. 2013-02. The new accounting rules expand the disclosure of other comprehensive income and had no impact on the Company's results of operations and financial condition.

3. INVESTMENTS IN MARKETABLE SECURITIES

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

Available-for-sale securities consist of assets in a rabbi trust associated with the Company's deferred compensation plan. As of September 30, 2013 and December 31, 2012, the carrying value of available-for-sale securities was approximately \$96,000 and \$92,000, respectively, and is included in short-term investments. Available-for-sale securities at September 30, 2013 and December 31, 2012 consisted of \$48,000 and \$44,000, respectively, in mutual funds, and approximately \$48,000 and \$48,000, respectively, in money market accounts.

The Company's other marketable securities consist of investment grade debt instruments such as obligations of U.S. Treasury and U.S. Federal Government agencies. These investments are categorized as held-to-maturity since the Company's management has the ability and intent to hold these securities to maturity. The Company's held-to-maturity investments are carried at amortized cost which approximates fair value and are maintained in separate accounts to support the Company's letters of credit. The Company had standby letters of credit of approximately \$2.0 million as of September 30, 2013 and \$2.6 million at December 31, 2012, as collateral for its existing insurance policies and facility leases.

At September 30, 2013 and December 31, 2012, held-to-maturity investments included the following:

	September 30, 2013	Maturing		December 31, 2012	Maturing	
		within 1 year	after 1 year through 3 years		within 1 year	after 1 year through 3 years
Cash/money accounts	\$ 44	\$ 44	\$ —	\$ 76	\$ 76	\$ —
US Treasury securities	1,370	1,370	—	2,450	1,051	1,399
Government agency securities	822	822	—	1,270	881	389
Total	\$ 2,236	\$ 2,236	\$ —	\$ 3,796	\$ 2,008	\$ 1,788

At September 30, 2013 and December 31, 2012, held-to-maturity investments were recorded in the following accounts:

	September 30, 2013	December 31, 2012
Other current assets	\$ 1,349	\$ 2,008
Other long-term assets	887	1,788
Total	\$ 2,236	\$ 3,796

4. GOODWILL AND OTHER INTANGIBLE ASSETS

PDI, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

Goodwill recorded as of September 30, 2013 is attributable to the 2010 acquisition of Group DCA. As of September 30, 2013 and December 31, 2012, the carrying amount of goodwill for Group DCA was \$2.5 million.

No amortization expense was recorded in 2013 as the Company's finite lived intangible assets were written-off in the fourth quarter of 2012. Amortization expense was \$0.2 million for the three-month period ended September 30, 2012 and \$0.7 million for the nine-month period ended September 30, 2012.

**5. FACILITIES
REALIGNMENT**

The following table presents a rollforward of the Company's restructuring reserve from December 31, 2012 to September 30, 2013, of which approximately \$1.0 million is included in other accrued expenses and \$1.2 million is included in long-term liabilities as of September 30, 2013. The Company recognizes accretion expense in *Other income (expense), net* in the Condensed Consolidated Statement of Operations and Comprehensive Loss.

	Sales Services	Marketing Services	Discontinued Operations	Total
Balance as of December 31, 2012	\$ 2,027	\$ 637	\$ 615	\$ 3,279
Accretion	84	—	22	106
Adjustments	—	—	—	—
Payments	(841)	(157)	(211)	(1,209)
Balance as of September 30, 2013	\$ 1,270	\$ 480	\$ 426	\$ 2,176

**6. FAIR VALUE
MEASUREMENTS**

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

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

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

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

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

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

PDI, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

	As of September 30, 2013		Fair Value Measurements As of September 30, 2013		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents:					
Cash	\$ 12,303	\$ 12,303	\$ 12,303	\$ —	\$ —
Money market funds	37,324	37,324	37,324	—	—
Total	\$ 49,627	\$ 49,627	\$ 49,627	\$ —	\$ —
Marketable securities:					
Money market funds	\$ 48	\$ 48	\$ 48	\$ —	\$ —
Mutual funds	48	48	48	—	—
U.S. Treasury securities	1,370	1,370	1,370	—	—
Government agency securities	822	822	822	—	—
Total	\$ 2,288	\$ 2,288	\$ 2,288	\$ —	\$ —

The fair value of cash and cash equivalents and marketable securities is valued using market prices in active markets (level 1). As of September 30, 2013, the Company did not have any marketable securities in less active markets (level 2) or (level 3).

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

7. COMMITMENTS AND CONTINGENCIES

Letters of Credit

As of September 30, 2013, the Company had outstanding letters of credit of \$2.0 million as required by its existing insurance policies and facility leases. These letters of credit are supported by investments in held-to-maturity securities. See Note 3, Investments in Marketable Securities, for additional detail regarding investments in marketable securities.

Litigation

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

PDI, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

and the 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.

8. ACCRUED EXPENSES AND LONG-TERM LIABILITIES

Other accrued expenses consisted of the following as of September 30, 2013 and December 31, 2012:

	September 30, 2013	December 31, 2012
Accrued pass-through costs	\$ 1,772	\$ 3,729
Accrued reorganization expense	1,005	1,495
Self insurance accruals	841	900
Indemnification liability	875	875
All others	5,716	4,828
	<u>\$ 10,209</u>	<u>\$ 11,827</u>

Long-term liabilities consisted of the following as of September 30, 2013 and December 31, 2012:

	September 30, 2013	December 31, 2012
Rent payable	\$ 1,187	\$ 1,533
Uncertain tax positions	3,082	2,967
Restructuring	1,171	1,785
Other	141	142
	<u>\$ 5,581</u>	<u>\$ 6,427</u>

9. STOCK-BASED COMPENSATION

On April 4, 2013, under the terms of the stockholder-approved PDI, Inc. 2004 Stock Award Incentive Plan (the 2004 Plan), the Compensation and Management Development Committee of the Board (the Compensation Committee) approved grants of restricted stock to certain executive officers and members of senior management of the Company. The full Board approved the portion of these grants made to the Company's Chief Executive Officer. As part of the Company's 2012 long-term incentive plan, these grants aggregated 143,695 shares of restricted stock issued with a grant date fair value of \$5.44 per share and 396,760 SARs with grant date fair value of \$1.97.

The grant date fair values of SARs awards are determined using a Black-Scholes pricing model. Assumptions utilized in the model are evaluated and revised, as necessary, to reflect market conditions and experience. The following table provides the weighted average assumptions used in determining the fair value of the non-performance based SARs awards granted during the nine months ended September 30, 2013 and 2012:

PDI, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

	Nine Months Ended	
	<u>September 30, 2013</u>	<u>September 30, 2012</u>
Risk-free interest rate	0.33%	0.31%
Expected life (in years)	3.5	3.5
Expected volatility	49.80%	57.62%
Dividend yield	—%	—%

The Company recognized \$0.4 million and \$0.5 million of stock-based compensation expense for the three-month periods ended September 30, 2013 and 2012, respectively, and \$1.5 million for each of the nine-month periods ended September 30, 2013 and 2012.

PDI, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

10. INCOME TAXES

Generally, accounting standards require companies to provide for income taxes each quarter based on their estimate of the effective tax rate for the full year. The authoritative guidance for accounting for income taxes allows use of the discrete method when it provides a better estimate of income tax expense. Due to the Company's valuation allowance position and the existence of a deferred tax liability related to indefinite lived intangibles, it is the Company's position that the discrete method provides a more accurate estimate of income tax expense and therefore income tax expense for the current quarter has been presented using the discrete method. As the year progresses, the Company refines its estimate based on the facts and circumstances by each tax jurisdiction. The following table summarizes income tax expense on income from continuing operations and the effective tax rate for the three- and nine-month periods ended September 30, 2013 and 2012:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Provision for income tax	\$ 64	\$ 74	\$ 192	\$ 219
Effective income tax rate	(3.1)%	(9.8)%	(28.4)%	(16.7)%

Income tax expense for the nine-month periods ended September 30, 2013 and 2012 was primarily due to state and local taxes as the Company and its subsidiaries file separate income tax returns in numerous state and local jurisdictions.

11. SEGMENT INFORMATION

The accounting policies of the segments are described in Note 1 of the Company's audited consolidated financial statements in its Annual Report on Form 10-K for the year ended December 31, 2012. Corporate charges are allocated to each of the reporting segments on the basis of total salary expense. Corporate charges include corporate headquarters costs and certain depreciation expenses. Certain corporate capital expenditures have not been allocated from the Sales Services segment to the other reporting segments since it is impracticable to do so.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

	Sales Services	Marketing Services	Product Commercialization Services	Consolidated
Three months ended September 30, 2013:				
Revenue	\$ 30,748	\$ 781	\$ 2,731	\$ 34,260
Operating (loss) income	\$ (1,316)	\$ (1,177)	\$ 441	\$ (2,052)
Capital expenditures	\$ 290	\$ 402	\$ —	\$ 692
Depreciation expense	\$ 296	\$ 46	\$ 3	\$ 345

Three months ended September 30, 2012:				
Revenue	\$ 25,021	\$ 2,196	\$ 4,564	\$ 31,781
Operating (loss) income	\$ (394)	\$ (1,326)	\$ 964	\$ (756)
Capital expenditures	\$ 73	\$ 7	\$ —	\$ 80
Depreciation expense	\$ 202	\$ 60	\$ 7	\$ 269

Nine months ended September 30, 2013:				
Revenue	\$ 101,267	\$ 3,966	\$ 9,195	\$ 114,428
Operating income (loss)	\$ 31	\$ (2,378)	\$ 1,701	\$ (646)
Capital expenditures	\$ 545	\$ 1,103	\$ —	\$ 1,648
Depreciation expense	\$ 746	\$ 145	\$ 31	\$ 922

Nine months ended September 30, 2012:				
Revenue	\$ 68,539	\$ 8,061	\$ 14,667	\$ 91,267
Operating (loss) income	\$ (1,524)	\$ (2,537)	\$ 2,768	\$ (1,293)
Capital expenditures	\$ 513	\$ 15	\$ —	\$ 528
Depreciation expense	\$ 575	\$ 195	\$ 43	\$ 813

12. DISCONTINUED OPERATIONS

On December 29, 2011, we entered into an agreement to sell certain assets of our Pharmakon business unit to Informed in exchange for potential future royalty payments and a 1% ownership interest in Informed. The consolidated statement of operations reflects the presentation of Pharmakon as a discontinued operation in all periods presented.

On July 19, 2010, the Board approved closing the TVG business unit. The Company completed the closure of the TVG operations during the quarter ended September 30, 2010, including the completion of all active customer contracts. The financial statements reflect the presentation of TVG as a discontinued operation in all periods presented.

The table below presents the significant components of Pharmakon's and TVG's results included in Loss from Discontinued Operations in the Condensed Consolidated Statements of Operations and Comprehensive Loss for the three- and nine-month periods ended September 30, 2013 and 2012.

PDI, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenue, net	\$ —	\$ —	\$ —	\$ —
Loss from discontinued operations, before income tax	(27)	(188)	(27)	(200)
Provision for income tax	1	1	4	4
Loss from discontinued operations, net of tax	\$ (28)	\$ (189)	\$ (31)	\$ (204)

The major classes of assets and liabilities included in the Condensed Consolidated Balance Sheets for TVG and Pharmakon as of September 30, 2013 and December 31, 2012 are as follows:

	September 30, 2013	December 31, 2012
Current assets	\$ 23	\$ 14
Non-current assets	150	150
Total assets	\$ 173	\$ 164
Current liabilities	\$ 393	\$ 368
Non-current liabilities	768	1,006
Total liabilities	\$ 1,161	\$ 1,374

PDI, Inc.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular information in thousands, except per share amounts)

13. INVESTMENT IN NON-CONTROLLED ENTITY

In August 2013, PDI entered into a collaboration agreement with a privately held molecular diagnostics company (the Diagnostics Company) to commercialize its fully-developed, molecular diagnostic tests. Under the terms of the collaboration agreement, PDI paid an initial fee of \$1.5 million and has received an option to purchase 100% of the outstanding common stock of the Diagnostics Company. The Company also has the option to contribute an additional \$0.5 million for mutually agreed upon activities in furtherance of commercialization efforts. The option price is dependent on the achievement of certain milestones during the collaboration period (the period up to the exercise of the purchase option or termination of the collaboration agreement) and could be up to \$6.0 million if all milestones are achieved at their maximum levels. PDI can terminate the collaboration agreement if all milestones are not achieved within one year and would receive a \$1.0 million termination fee. If all milestones are achieved within one year and PDI has not exercised its option, the Diagnostics Company can require PDI to exercise the option to purchase its outstanding common stock or terminate the collaboration agreement and pay PDI a termination fee of approximately \$2.0 million. If PDI purchases the outstanding common stock of the Diagnostic Company, in addition to the option price based on the achievement of milestones, beginning in 2015, PDI would pay a royalty of 7% on annual net revenue up to \$50.0 million with escalating royalty percentages for higher annual net revenue capped at 11% for annual net revenue in excess of \$100.0 million. For competitive reasons, the name of the Diagnostic Company and the specific focus area of the initial test to be commercialized are not being disclosed at this time.

PDI has recorded the initial fee as an investment in a non-controlled entity within *Other current assets* in the Condensed Consolidated Balance Sheets in accordance with ASC 325-20 Investments Other - Cost Method Investments.

14. SUBSEQUENT EVENT

In October 2013, the Company entered into a U.S. collaboration agreement to commercialize CardioPredict™, a molecular diagnostic test developed by Transgenomic. Under the terms of the strategic collaboration agreement, the Company will be responsible for all U.S.-based marketing and promotion of CardioPredict™, while Transgenomic will be responsible for processing CardioPredict™ in its state-of-the-art CLIA lab and all customer support. Both parties will bear the cost of their respective expenses and will split profit on a formula basis. In addition, the Company will provide Transgenomic with funding support of up to 3.0 million, principally to mitigate working capital requirements.

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

FORWARD-LOOKING STATEMENTS

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

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

- 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;

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- 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 or successfully complete and integrate our diagnostic commercialization opportunities and the effects of any such items on our revenues, profitability and ongoing business;
- Our ability to meet performance goals in incentive-based arrangements with customers;
- Our ability to successfully negotiate contracts with reasonable margins and favorable payment terms;
- 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” in our Annual Report on Form 10-K for the year ended December 31, 2012, as well as other documents we file with the United States Securities and Exchange Commission (SEC) from time-to-time, for other important factors that could cause our actual results to differ materially from our current expectations as expressed in the forward-looking statements discussed in this Form 10-Q. Because of these and other risks, uncertainties and assumptions, you should not place undue reliance on these forward-looking statements. In addition, these statements speak only as of the date of the report in which they are set forth and, except as may be required by law, we undertake no obligation to revise or update publicly any forward-looking statements for any reason.

OVERVIEW

We are a leading provider of 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.

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In order to add more predictable, higher growth, higher margin business that can smooth the natural volatility of our current core businesses, and at the same time leverage the breath of our installed infrastructure and strength of our core commercialization capabilities we have recently announced a strategy to become a leading commercialization company for the molecular diagnostics industry via licensing, acquiring or partnering through our Interpace BioPharma business unit. The molecular diagnostics industry is highly fragmented with numerous strong science-based companies that have developed clinically important tests which are ready or near ready for market. A vast majority of these companies have very limited experience bringing a test to market and many of them do not have the capital to build an infrastructure to effectively commercialize their test. Due to their complexity, most molecular diagnostic tests require a specialized go-to-market strategy, which includes messaging to physicians and potentially patients, similar to launching of a new drug in the pharmaceutical market. Developing and delivering these kinds of messages, fully leveraging our extensive commercial infrastructure in an impactful, innovative and ROI centric manner is one of our strengths. 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 this strategy.

In October 2013, we entered into a U.S. collaboration agreement to commercialize CardioPredict™, a molecular diagnostic test developed by Transgenomic. Under the terms of the strategic collaboration agreement, we will be responsible for all U.S.-based marketing and promotion of CardioPredict™, while Transgenomic will be responsible for processing CardioPredict™ in its state-of-the-art CLIA lab and all customer support. Both parties will bear the cost of their respective expenses and will split profit on a formula basis. In addition, we will provide Transgenomic with funding support of up to \$3.0 million, principally to mitigate working capital requirements.

In August 2013, we entered into a collaboration agreement with a privately held molecular diagnostics company (the Diagnostics Company) to commercialize their molecular diagnostic tests. The initial test to be commercialized is fully developed. Under the terms of the collaboration agreement, we paid an initial fee of \$1.5 million and have received an option to purchase the outstanding common stock of the Diagnostics Company. The option price is dependent on the achievement of certain milestones during the collaboration period (the period up to the exercise of the purchase option or termination of the collaboration agreement) and could be up to \$6 million if all milestones are achieved at their maximum levels. We can terminate the collaboration agreement if all milestones are not achieved within one year and would receive a \$1.0 million termination fee. If all milestones are achieved within one year and we have not exercised our option, the Diagnostics Company can require us to exercise the option to purchase the outstanding stock of the Diagnostics Company or terminate the collaboration agreement and pay us a termination fee of approximately \$2.0 million. If we purchase the Diagnostic Company, in addition to the option price based on the achievement of milestones, beginning in 2015, we would pay a royalty of 7% on annual net revenue up to \$50 million with escalating royalty percentages for higher annual net revenue capped at 11% for annual net revenue in excess of \$100 million. For competitive reasons, the name of the Diagnostic Company and the specific focus area of the initial test to be commercialized are not being disclosed at this time.

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 the Annual Report on Form 10-K for the year ended December 31, 2012 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

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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 paid \$0.3 million to each of the co-CEOs in October 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 the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012 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 quarter ended September 30, 2013, our three reporting segments were as follows:

- Sales Services, which is comprised of the following business units:
 - Dedicated Sales Teams;
 - Established Relationship Teams (ERT) (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.

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Selected financial information for each of these segments is contained in Note 11, Segment Information, to these interim financial statements and in the discussion under the caption *Consolidated Results of Operations*.

Nature of Contracts by Segment

Sales Services

Contracts within our Sales Services reporting segment consist primarily of detailing agreements and are nearly all fee-for-service arrangements. The term of these contracts is typically between one and two years. On occasion, certain contracts have terms that are 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 the contract is terminated in any phase of its term, the customer is responsible for all 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.

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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 then 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 period ended September 30, 2013, 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.

CONSOLIDATED RESULTS OF OPERATIONS

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Revenue, net	100.0 %	100.0 %	100.0 %	100.0 %
Cost of services	86.3 %	81.3 %	82.5 %	78.2 %
Gross profit	13.7 %	18.7 %	17.5 %	21.8 %
Compensation expense	12.3 %	12.8 %	11.6 %	13.9 %
Other selling, general and administrative expenses	7.3 %	8.2 %	6.4 %	9.2 %
Total operating expenses	19.7 %	21.1 %	18.1 %	23.2 %
Operating loss	(6.0)%	(2.4)%	(0.6)%	(1.4)%
Other expense, net	— %	— %	— %	— %
Loss from continuing operations before income tax	(6.0)%	(2.4)%	(0.6)%	(1.4)%
Provision for income tax	0.2 %	0.2 %	0.2 %	0.2 %
Loss from continuing operations	(6.2)%	(2.6)%	(0.8)%	(1.7)%

Overview

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

Our revenue and profitability depend to a great extent on our relationships with a limited number of large pharmaceutical companies. For the nine-month period ended September 30, 2013, we had two customers that accounted for approximately 47.4% and 19.6% of our service revenue. We are likely to continue to experience a high degree of customer concentration, particularly if there is further consolidation within the pharmaceutical industry. The loss or significant reduction of business from any of our significant customers, or a decrease in demand for our services, could have a material adverse effect on our financial condition and results of operations.

Results of Continuing Operations for the Quarter Ended September 30, 2013 Compared to the Quarter Ended September 30, 2012

Revenue, net (in thousands)	Three Months Ended			
	September 30,			
	2013	2012	Change (\$)	Change (%)
Sales Services	\$ 30,748	\$ 25,021	\$ 5,727	22.9 %
Marketing Services	781	2,196	(1,415)	(64.4)%
PC Services	2,731	4,564	(1,833)	(40.2)%
Total	\$ 34,260	\$ 31,781	\$ 2,479	7.8 %

Consolidated revenue, net (revenue) for the quarter ended September 30, 2013 increased by \$2.5 million, or 7.8%, to \$34.3 million, compared to the quarter ended September 30, 2012. This increase was attributable to the significant 2012 new contract wins in our Sales Services segment being executed in 2013.

Revenue in our Sales Services segment for the quarter ended September 30, 2013 increased by \$5.7 million, or 22.9%, to \$30.7 million, compared to the quarter ended September 30, 2012. The increase in Sales Services revenue, as mentioned above, was primarily due to the significant new dedicated contract wins in 2012 being executed in 2013, partially offset by a decline in ERT revenue.

Revenue in our Marketing Services segment for the quarter ended September 30, 2013 decreased \$1.4 million, or 64.4%, to \$0.8 million, compared to the quarter ended September 30, 2012. The decrease was primarily due to fewer contract signings at our Group DCA business unit.

Revenue in our PC Services segment for the quarter ended September 30, 2013 was \$2.7 million, \$1.8 million lower than the second quarter of 2012 due to the internalization of selected commercialization activities by our customer as of October 1, 2012.

Cost of services (in thousands)	Three Months Ended			
	September 30,			
	2013	2012	Change (\$)	Change (%)
Sales Services	\$ 26,710	\$ 20,864	\$ 5,846	28.0 %
Marketing Services	791	1,775	(984)	(55.4)%
PC Services	2,063	3,203	(1,140)	(35.6)%
Total	\$ 29,564	\$ 25,842	\$ 3,722	14.4 %

Consolidated cost of services for the quarter ended September 30, 2013 increased by \$3.7 million, or 14.4%, to \$29.6 million, compared to the quarter ended September 30, 2012. This increase was primarily due to contracts within our Sales Services segment that were won in 2012 and executed in 2013, partially offset by a reduction of costs in our PC Services and Marketing Services segments.

Cost of services in our Sales Services segment for the quarter ended September 30, 2013 increased by \$5.8 million, or 28.0%, to \$26.7 million, compared to the quarter ended September 30, 2012. This increase was directly attributable to the increase in revenue from the 2012 contract wins discussed above.

Cost of services in our Marketing Services segment for the quarter ended September 30, 2013 decreased by \$1.0 million, or 55.4%, to \$0.8 million, compared to the quarter ended September 30, 2012. This decrease was attributable to the decline in revenue discussed above and the actions we have taken to lower the cost structure in our Group DCA business unit in an effort to realign the cost structure with the current level of business.

Cost of services in our PC Services segment for the quarter ended September 30, 2013 decreased \$1.1 million, or 35.6%, to \$2.1 million, compared to the quarter ended September 30, 2012. This decrease was directly attributable to the decline in revenue discussed above.

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Gross profit (in thousands)

Three Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2013	\$ 4,038	13.1%	\$ (10)	(1.3)%	\$ 668	24.5%	\$ 4,696	13.7%
2012	4,157	16.6%	421	19.2 %	1,361	29.8%	5,939	18.7%
Change	\$ (119)		\$ (431)		\$ (693)		\$ (1,243)	

Consolidated gross profit for the quarter ended September 30, 2013 decreased by \$1.2 million, or 20.9%, to \$4.7 million, compared to the quarter ended September 30, 2012. The change in consolidated gross profit was primarily attributable to the decreases in revenue within our PC Services and Marketing Services segments.

The gross profit percentage in our Sales Services segment for the quarter ended September 30, 2013 decreased to 13.1%, from 16.6% in the quarter ended September 30, 2012. The decrease was due to new business being won with lower profit margins from competitive pricing pressures and the reduction in revenue in our ERT business unit over its fixed management costs.

The gross profit percentage in our Marketing Services segment for the quarter ended September 30, 2013 decreased to (1.3)%, from 19.2% in the quarter ended September 30, 2012. The negative gross profit percentage for the quarter is primarily attributable to certain fixed cost of services over a lower revenue base.

The gross profit percentage in our PC Services segment for the quarter ended September 30, 2013 decreased to 24.5%, from 29.8% in the quarter ended September 30, 2012. The decrease was primarily due to the change in profitability on the mix of services performed after our customer internalized certain activities as of October 1, 2012.

Compensation expense (in thousands)

Three Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2013	\$ 3,441	11.2%	\$ 670	85.8%	\$ 120	4.4%	\$ 4,231	12.3%
2012	3,100	12.4%	753	34.3%	222	4.9%	4,075	12.8%
Change	\$ 341		\$ (83)		\$ (102)		\$ 156	

Consolidated compensation expense for the quarter ended September 30, 2013 increased \$0.2 million, to \$4.2 million, as compared to the quarter ended September 30, 2012. This increase was primarily due to severance of \$0.3 million. As a percentage of consolidated revenue, consolidated compensation expense decreased to 12.3% for the quarter ended September 30, 2013, from 12.8% for the quarter ended September 30, 2012. The decrease in consolidated compensation expense as a percent of consolidated revenue was a result of the increase in consolidated revenue more than offsetting the increase in consolidated compensation costs.

Compensation expense in our Sales Services segment for the quarter ended September 30, 2013 increased to \$3.4 million, compared to the quarter ended September 30, 2012. This increase was primarily due to the severance mentioned above. As a percentage of segment revenue, compensation expense decreased 1.2%, to 11.2% for the quarter ended September 30, 2013, from 12.4% for the quarter ended September 30, 2012, primarily due to the increase in Sales Services segment revenue.

Compensation expense in our Marketing Services segment for the quarter ended September 30, 2013 decreased by \$0.1 million, to \$0.7 million, compared to the quarter ended September 30, 2012. As a percentage of segment revenue, compensation expense increased 51.5%, to 85.8% for the quarter ended September 30, 2013, from 34.3% for the quarter ended September 30, 2012. The increase in segment compensation expense as a percent of segment revenue was a result of the decrease in segment revenue more than offsetting the decrease in segment compensation costs.

Compensation expense in our PC Services segment for both periods represents the allocated cost of corporate support activities.

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Other selling, general and administrative expenses (in thousands)

Three Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2013	\$ 1,913	6.2%	\$ 497	63.6%	\$ 107	3.9%	\$ 2,517	7.3%
2012	1,451	5.8%	994	45.3%	175	3.8%	2,620	8.2%
Change	\$ 462		\$ (497)		\$ (68)		\$ (103)	

Consolidated other selling, general and administrative expenses for the quarter ended September 30, 2013 remained essentially flat when compared to the quarter ended September 30, 2012. As a percentage of consolidated revenue, consolidated other selling, general and administrative expenses decreased to 7.3% for the quarter ended September 30, 2013, from 8.2% in the quarter ended September 30, 2012, due primarily to the increase in consolidated revenue.

Other selling, general and administrative expenses in our Sales Services segment for the quarter ended September 30, 2013 increased by \$0.5 million, to \$1.9 million, compared to the quarter ended September 30, 2012, primarily due to a \$0.5 million increase in allocated corporate legal and consulting costs related to entering into a collaboration agreement with a privately held molecular diagnostics company to commercialize their molecular diagnostic tests and entering into a U.S. collaboration agreement to commercialize CardioPredict™, a molecular diagnostic test developed by Transgenomic. These collaboration agreements are part of our announced strategy of in-licensing, acquiring or partnering of products. As a percentage of segment revenue, other selling, general and administrative expenses increased 0.4%, to 6.2% for the quarter ended September 30, 2013, from 5.8% in the quarter ended September 30, 2012, due to the increase in compensation expense.

Other selling, general and administrative expenses in our Marketing Services segment for the quarter ended September 30, 2013 decreased by \$0.5 million compared to the quarter ended September 30, 2012, primarily due to the decreases in amortization expense and facility costs as well as a decrease in allocated corporate costs. Other selling, general and administrative expenses as a percentage of revenue increased 18.3%, to 63.6% for the quarter ended September 30, 2013, from 45.3% in the quarter ended September 30, 2012, due to the decrease in revenue.

Other selling, general and administrative expense in our PC Services segment for the quarters ended September 30, 2013 and September 30, 2012 of \$0.1 million and \$0.2 million, respectively, represents the allocated cost of corporate support activities.

Operating loss

We had operating losses of \$2.1 million and \$0.8 million for the quarters ended September 30, 2013 and 2012, respectively. The increase in operating loss was due to lower margins on revenue, the increase in compensation expense and the expenditures related to our strategy of in-licensing, acquiring or partnering of products.

Provision for income tax

We had income tax expense of approximately \$0.1 million for each of the quarters ended September 30, 2013 and September 30, 2012. Income tax expense for both quarters was primarily due to state and local taxes as we and our subsidiaries file separate income tax returns in numerous state and local jurisdictions.

Results of Continuing Operations for the Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

Revenue, net (in thousands)	Nine Months Ended September 30,		Change (\$)	Change (%)
	2013	2012		
Sales Services	\$ 101,267	\$ 68,539	\$ 32,728	47.8 %
Marketing Services	3,966	8,061	(4,095)	(50.8)%
PC Services	9,195	14,667	(5,472)	(37.3)%
Total	\$ 114,428	\$ 91,267	\$ 23,161	25.4 %

Consolidated revenue for the nine months ended September 30, 2013 increased by \$23.2 million, or 25.4%, to \$114.4 million, compared to the nine months ended September 30, 2012. This increase was attributable to the significant 2012 new contract wins in our Sales Services segment being executed in 2013.

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Revenue in our Sales Services segment for the nine months ended September 30, 2013 increased by \$32.7 million, or 47.8%, to \$101.3 million, compared to the nine months ended September 30, 2012. The increase in Sales Services revenue, as mentioned above, was primarily due to the significant new contract wins in 2012 being executed in 2013.

Revenue in our Marketing Services segment for the nine months ended September 30, 2013 decreased by \$4.1 million, or 50.8%, to \$4.0 million, compared to the nine months ended September 30, 2012. The decrease was primarily due to fewer contract signings at our Group DCA business unit.

Revenue in our PC Services segment for the nine months ended September 30, 2013 was \$9.2 million, \$5.5 million lower than the nine months ended September 30, 2012 due to the internalization of selected commercialization activities by our customer as of October 1, 2012.

Cost of services (in thousands)

	Nine Months Ended September 30,		Change (\$)	Change (%)
	2013	2012		
Sales Services	\$ 84,658	\$ 55,401	\$ 29,257	52.8 %
Marketing Services	2,954	5,370	(2,416)	(45.0)%
PC Services	6,798	10,621	(3,823)	(36.0)%
Total	<u>\$ 94,410</u>	<u>\$ 71,392</u>	<u>\$ 23,018</u>	32.2 %

Consolidated cost of services for the nine months ended September 30, 2013 increased by \$23.0 million, or 32.2%, to \$94.4 million, compared to the nine months ended September 30, 2012. This increase was primarily due to contracts within our Sales Services segment that were won in 2012 and executed in 2013, partially offset by a reduction of costs in our PC Services and Marketing Services segments.

Cost of services in our Sales Services segment for the nine months ended September 30, 2013 increased by \$29.3 million, or 52.8%, to \$84.7 million, compared to the nine months ended September 30, 2012. This increase was directly attributable to the increase in revenue discussed above.

Cost of services in our Marketing Services segment for the nine months ended September 30, 2013 decreased by \$2.4 million, or 45.0%, to \$3.0 million, compared to the nine months ended September 30, 2012. The decrease was attributable to our emphasis on cost savings initiatives as we continue to right-size the structure of our Group DCA business unit in an effort to realign the cost structure with the current level of business and anticipated launch of future products.

Cost of services in our PC Services segment for the nine months ended September 30, 2013 was \$6.8 million, a decrease of \$3.8 million compared to the nine months ended September 30, 2012. This decrease was directly attributable to the decline in revenue discussed above.

Gross profit (in thousands)

Nine Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2013	\$ 16,609	16.4%	\$ 1,012	25.5%	\$ 2,397	26.1%	\$ 20,018	17.5%
2012	13,138	19.2%	2,691	33.4%	4,046	27.6%	19,875	21.8%
Change	<u>\$ 3,471</u>		<u>\$ (1,679)</u>		<u>\$ (1,649)</u>		<u>\$ 143</u>	

Consolidated gross profit for the nine months ended September 30, 2013 increased by \$0.1 million, or 0.7%, to \$20.0 million, compared to the nine months ended September 30, 2012. The change in consolidated gross profit was primarily attributable to the increase in revenue in our Sales Services segment partially offset by the declines in revenue in our Marketing Services and PC Services segments.

The gross profit percentage in our Sales Services segment for the nine months ended September 30, 2013 decreased to 16.4%, from 19.2% in the nine months ended September 30, 2012. This decrease was due to new business being won with lower profit margins resulting from competitive pricing pressures and the reduction in revenue in our Established Relationship Teams business unit relative its fixed management costs.

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The gross profit percentage in our Marketing Services segment for the nine months ended September 30, 2013 decreased to 25.5%, from 33.4% in the nine months ended September 30, 2012. The decrease in gross profit percentage was due to the decline in Group DCA revenue partially offset by the cost savings from actions we have taken to right-size the structure of the business unit.

The gross profit percentage in our PC Services segment for the nine months ended September 30, 2013 remained relatively consistent at 26.1%, compared to the nine months ended September 30, 2012.

Compensation expense (in thousands)

Nine Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2013	\$ 10,935	10.8%	\$ 1,980	49.9%	\$ 385	4.2%	\$ 13,300	11.6%
2012	9,720	14.2%	2,307	28.6%	699	4.8%	12,726	13.9%
Change	\$ 1,215		\$ (327)		\$ (314)		\$ 574	

Consolidated compensation expense for the nine months ended September 30, 2013 increased by \$0.6 million, to \$13.3 million, as compared to the nine months ended September 30, 2012. The increase was attributable to severance costs of \$0.7 million. As a percentage of consolidated revenue, consolidated compensation expense decreased to 11.6% for the nine months ended September 30, 2013, from 13.9% for the nine months ended September 30, 2012, primarily due to the increase in consolidated revenue.

Compensation expense in our Sales Services segment for the nine months ended September 30, 2013 increased by \$1.2 million, to \$10.9 million, as compared to the nine months ended September 30, 2012. This increase was primarily attributable to allocated corporate bonus and severance costs. As a percentage of segment revenue, compensation expense decreased 3.4%, to 10.8% for the nine months ended September 30, 2013, from 14.2% for the nine months ended September 30, 2012, due to the increase in segment revenue.

Compensation expense in our Marketing Services segment for the nine months ended September 30, 2013 decreased by \$0.3 million, to \$2.0 million, compared to the nine months ended September 30, 2012. As a percentage of segment revenue, compensation expense increased 21.3%, to 49.9% for the nine months ended September 30, 2013, from 28.6% for the nine months ended September 30, 2012. The increase in segment compensation expense as a percent of segment revenue was a result of the decrease in revenue within the segment more than offsetting the decrease in compensation costs from our cost savings initiatives.

Compensation expense in our PC Services segment for the nine months ended September 30, 2013 and the nine months ended September 30, 2012 is attributable to the allocated costs of corporate support activities in each of the respective periods.

Other selling, general and administrative expenses (in thousands)

Nine Months Ended September 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2013	\$ 5,643	5.6%	\$ 1,410	35.6%	\$ 311	3.4%	\$ 7,364	6.4%
2012	4,942	7.2%	2,921	36.2%	579	3.9%	8,442	9.2%
Change	\$ 701		\$ (1,511)		\$ (268)		\$ (1,078)	

Consolidated other selling, general and administrative expenses for the nine months ended September 30, 2013 decreased by \$1.1 million, to \$7.4 million, compared to the nine months ended September 30, 2012. The decrease was primarily driven by a decrease in amortization expense of \$0.7 million and a decrease in facility costs and depreciation expense of \$0.6 million. As a percentage of consolidated revenue, consolidated other selling, general and administrative expenses decreased to 6.4% for the nine months ended September 30, 2013, from 9.2% in the nine months ended September 30, 2012, due to the increase in consolidated revenue and the decrease in consolidated other selling, general and administrative expenses.

Other selling, general and administrative expenses in our Sales Services segment for the nine months ended September 30, 2013 increased by \$0.7 million, to \$5.6 million, compared to the nine months ended September 30, 2012, primarily due to an increase in allocated corporate legal and consulting costs as we have intensified our announced strategy of in-licensing, acquiring or partnering of products. As a percentage of segment revenue, other selling, general and administrative expenses decreased 1.6%, to 5.6% for the nine months ended September 30, 2013, from 7.2% in the nine months ended September 30, 2012, due to the increase in segment revenue.

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Other selling, general and administrative expenses in our Marketing Services segment for the nine months ended September 30, 2013 decreased by \$1.5 million compared to the nine months ended September 30, 2012, primarily due to a decrease in amortization expense of \$0.7 million at Group DCA, a decrease in marketing costs of \$0.3 million and a decrease in facility costs and depreciation expense of \$0.2 million. Other selling, general and administrative expenses as a percentage of revenue decreased 0.6%, to 35.6% for the nine months ended September 30, 2013, from 36.2% in the nine months ended September 30, 2012, due to the aforementioned decrease in Group DCA other selling, general and administrative expenses.

Other selling, general and administrative expense in our PC Services segment for the nine months ended September 30, 2013 and nine months ended September 30, 2012 is attributable to the allocated cost of corporate support activities in each of the respective periods.

Operating loss

We had operating losses of \$0.6 million and \$1.3 million for the nine months ended September 30, 2013 and 2012, respectively. The decrease in the operating loss was primarily due to increased revenue with a lower gross profit percentage in our Sales Services segment and the overall reduction in operating expenses.

Provision for income tax

We had income tax expense of approximately \$0.2 million for both the nine months ended September 30, 2013 and 2012. Income tax expense for the nine months ended September 30, 2013 and 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.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2013, we had cash and cash equivalents and short-term investments of approximately \$49.7 million and working capital of \$34.9 million, compared to cash and cash equivalents and short-term investments of approximately \$52.9 million and working capital of approximately \$35.2 million at December 31, 2012. As of September 30, 2013, we had no commercial debt.

For the nine-month period ended September 30, 2013, net cash provided by operating activities was \$0.2 million, compared to \$3.2 million of net cash used in operating activities for the nine-month period ended September 30, 2012. The main components of net cash provided by operating activities during the nine-month period ended September 30, 2013 were a decrease in accounts receivable of \$6.7 million and a decrease in other current assets of \$2.3 million, offset by a net loss of \$0.9 million, an increase in unbilled receivables of \$4.7 million and a decrease in unearned contract revenue of \$2.5 million. The increase in unbilled costs and decrease in accounts receivable is primarily due to changes of billing terms in contracts with our largest customer that resulted in an additional 25 days to 30 days to collect receivables for the majority of the amounts billed to this customer. The main components of cash used in operating activities during the nine-month period ended September 30, 2012 were a decrease in accrued expenses of \$3.8 million as well as a decrease in long-term liabilities of \$1.3 million. The decrease in accrued expenses was primarily driven by payments of severance and close-out costs associated with the sale of our Pharmakon business unit in December 2011, the right-sizing of the Group DCA business unit and a scheduled \$1.5 million payment to buyout the contingent earn-out fee under the Group DCA purchase agreement. Partially offsetting these uses of cash were a \$1.6 million decrease in unbilled receivables and a decrease in accounts receivable of \$1.4 million.

As of September 30, 2013 and December 31, 2012, we had \$6.6 million and \$2.0 million of unbilled costs and accrued profits on contracts in progress, respectively. When services are performed in advance of billing, the value of such services is recorded as unbilled costs and accrued profits on contracts in progress. Normally all unbilled costs and accrued profits are earned and billed within 12 months from the end of the respective period. As of September 30, 2013 and December 31, 2012, we had \$12.0 million and \$14.5 million of unearned contract revenue, respectively. When we bill clients for services before they have been completed, billed amounts are recorded as unearned contract revenue and are recorded as income when earned.

For the nine-month period ended September 30, 2013, we had net cash used in investing activities of \$3.1 million compared to \$0.5 million of cash used in investing activities during the nine-month period ended September 30, 2012. The investment in the non-controlled entity in 2013 and the capital expenditures in both the nine-month period ended September 30, 2013 and 2012, were funded out of available cash.

For the nine-month period ended September 30, 2013 and September 30, 2012, net cash used in financing activities consisted of shares of our stock that were delivered to us and included in treasury stock for the payment of taxes resulting from the vesting of restricted stock.

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 now anticipate consolidated 2013 revenue to be 20% higher than 2012 revenue. We do however anticipate gross profit percentage to be lower in recently won business resulting in 2013 gross profit being up to 5% 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, and at the same time leverage the breath of our installed infrastructure and strength of our core commercialization capabilities we have recently announced a strategy to become a leading commercialization company for the molecular diagnostics industry via in-licensing, acquiring or partnering through our Interpace BioPharma business unit. 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. In connection with this strategy we have entered into two collaboration agreements since August 2013.

In August 2013, we entered into a collaboration agreement with a privately held molecular diagnostics company (the Diagnostics Company) to commercialize its molecular diagnostic tests. The initial test to be commercialized is fully developed. Under the terms of the collaboration agreement, we paid an initial fee of \$1.5 million and have received an option to purchase 100% of the outstanding common stock of the Diagnostics Company. We also have the option to contribute an additional \$0.5 million for mutually agreed upon activities in furtherance of commercialization efforts. The option price is dependent on the achievement of certain milestones during the collaboration period (the period up to the exercise of the purchase option or termination of the collaboration agreement) and could be up to \$6 million if all milestones are achieved at their maximum levels. We can terminate the collaboration agreement if all milestones are not achieved within one year and would receive a \$1.0 million termination fee. If all milestones are achieved within one year and we have not exercised our option, the Diagnostics Company can require us to exercise the option to purchase the common stock of the Diagnostics Company or terminate the collaboration agreement and pay us a termination fee of approximately \$2.0 million. If we purchase the Diagnostic Company, in addition to the option price based on the achievement of milestones, beginning in 2015, we would pay a royalty of 7% on annual net revenue up to \$50 million with escalating royalty percentages for higher annual net revenue capped at 11% for annual net revenue in excess of \$100 million.

In October 2013, we entered into a U.S. collaboration agreement to commercialize CardioPredict™, a molecular diagnostic test developed by Transgenomic. Under the terms of the strategic collaboration agreement, we will be responsible for all U.S.-based marketing and promotion of CardioPredict™, while Transgenomic will be responsible for processing CardioPredict™ in its state-of-the-art CLIA lab and all customer support. Both parties will bear the cost of their respective expenses and will split profit on a formula basis. In addition, we will provide Transgenomic with funding support of up to \$3.0 million, principally to mitigate working capital requirements.

To date we have used a portion of our cash for this strategy. We will continue to use a portion of our cash, supplemented by additional financings, if necessary, to further this strategy as these opportunities may require up-front investment. We are actively seeking opportunities of this kind, and see the potential to complete other deals over the longer term. We are refocusing resources internally and will be adding both internal and external resources to move this strategy forward.

Next, in order to further differentiate our core offerings, we have begun, and will continue, to make significant investment in systems and equipment in 2013 to advance these core offerings. 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 are investing in and plan to 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 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 anticipate committing \$4 million to \$5 million to support these three areas in 2013, which does not include any amounts invested for product in-licensing, acquisitions or partnering. We expect that at least half of what we spend will be expensed

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in 2013. Through September 30, 2013, we have spent almost \$3 million to support these areas. Our primary sources of liquidity are cash generated from our operations and available cash and cash equivalents. These sources of liquidity are needed to fund our working capital requirements, contractual obligations and estimated capital expenditures of approximately \$2.0 million to \$2.5 million in 2013. We expect working capital requirements to increase as other new customer contracts, similar to contracts with our largest customer, may generally provide for longer than historical payment terms.

Considering the information provided above, we anticipate full year 2013 operations will result in a loss and full year 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 may require alternative forms of financing to achieve our strategic plan of product in-licensing, acquisitions or partnering.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

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

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

Changes in internal controls

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

Item 5. Other Information

The Board of Directors adopted an amendment to the Company’s By-laws on November 6, 2013 to replace the “advance notice provisions” with which stockholders of the Company must comply in order to propose business to be brought at the annual meeting of stockholders, or to propose a nominee for election as director at the annual meeting of stockholders.

Under the replaced provisions, a stockholder was required to provide the Company with advance notice of an item of business or director nominee no earlier than 60 days nor later than 30 days before the annual meeting date. However, if the Company provided less than 40 days notice of the annual meeting date, then the stockholders’ notice must be given to the Company no later than 10 days after publication of the meeting date.

The amended provisions require advance notice to be given by the stockholder to the Company at least 90 and no more than 120 days before the anniversary of the Company’s previous annual meeting date. Further, stockholders giving such advance notice must disclose certain information concerning themselves such as material pending litigation, relationships between the stockholder and the Company and its affiliates, any material interest of the stockholder in, and any contract or agreement with the Company, its affiliates, or any of its principal competitors.

Any stockholder giving advance notice of a proposed item of business to be brought before the annual meeting must describe the item of business, the reasons for bringing such item before the meeting and any interest of the stockholder in such item of business. Also, the proponent must provide a description of any material arrangements or understandings of the proposing stockholder and any other person in connection with such item of business.

Any stockholder giving advance notice to propose a nominee for director at the annual meeting must also give disclosure of the information described above with respect to the stockholder. In addition, to be a valid nomination for director, the proposed candidate must deliver the Company’s written questionnaire for director nominees, a written representation and agreement on the Company’s form that the candidate is not and will not become party to any agreement, arrangement or understanding (i) as to how such nominee will act or vote on any issue or question before the directors, (ii) concerning voting that could limit the nominee’s ability to comply with the fiduciary duties of directors under applicable law, or (iii) with respect to direct or indirect compensation. Further, the candidate must deliver an agreement to comply with applicable Company policies and guidelines for directors with respect to matters such as corporate governance, conflict of interest, confidentiality and stock trading.

Item 6. Exhibits

Exhibit No.	Description
3(ii)	Amendment to By-Laws
10.1*	Collaboration Agreement dated as of August 19, 2013
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
101	The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2013 formatted in XBRL (Extensible Business Reporting Language) and furnished electronically herewith: (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Operations; (iii) the Condensed Consolidated Statements of Cash Flows; and (iv) the Notes to Condensed Consolidated Financial Statements.

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* Portions of this agreement have been omitted from the filed Exhibit, and filed separately with the Commission together with a Request for Confidential Treatment.

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SIGNATURES

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

Date: November 13, 2013

PDI, Inc.

(Registrant)

/s/ Nancy S. Lurker

Nancy S. Lurker

Chief Executive Officer

/s/ Jeffrey Smith

Jeffrey Smith

Chief Financial Officer

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Amendment to By-Laws

Adopted by Action of the Board of Directors on November 6, 2013

The By-laws of PDI, Inc. (formerly known as Professional Detailing, Inc.) are hereby amended as follows.

Article I, Section G, Subsection 6 of the By-laws, is hereby amended and replaced in its entirety with the following:

6. ADVANCE NOTICE OF BUSINESS AND NOMINATIONS FOR DIRECTOR TO BE BROUGHT BEFORE A MEETING

(a) Notice of Business to be Brought Before a Meeting.

(1) At an annual or special meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (A) specified in a notice of meeting given by or at the direction of the Board of Directors, (B) if not specified in a notice of meeting, otherwise brought before the meeting by the Board of Directors or the Chairman of the Board of Directors or (C) otherwise properly brought before the meeting by a stockholder present in person who (i) was a beneficial owner of shares of the Corporation both at the time of giving the notice provided for in this subsection (a) and at the time of the meeting, (ii) is entitled to vote at the meeting, and (iii) has complied with this subsection (a) in all applicable respects or (iv) in lieu of clauses (i)-(iii) has properly made such proposal in accordance with Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (as so amended and inclusive of such rules and regulations, the "*Exchange Act*"). The foregoing clause (C) shall be the exclusive means for a stockholder to propose business to be brought before an annual meeting of the stockholders. The only matters that may be brought before a special meeting are the matters specified in the notice of meeting given by or at the direction of the Board of Directors, and stockholders shall not be permitted to propose business to be brought before a special meeting of the stockholders. For purposes of this subsection (a), "present in person" shall mean that the stockholder proposing that the business be brought before the annual meeting of the Corporation, or, if the proposing stockholder is not an individual, a qualified representative of such proposing stockholder, appear at such annual meeting. A "qualified representative" of such proposing stockholder shall be, if such proposing stockholder is (i) a general or limited partnership, any general partner or person who functions as a general partner of the general or limited partnership or who controls the general or limited partnership, (ii) a corporation or a limited liability company, any officer or person who functions as an officer of the corporation or limited liability company or any officer, director, general partner or person who functions as an officer, director or general partner of any entity ultimately in control of the corporation or limited liability company or (iii) a trust, any trustee of such trust. Stockholders seeking to nominate persons for election to the Board of Directors must comply with subsection

(b) and subsection (c) and this subsection (a) shall not be applicable to nominations except as expressly provided in subsection (b) and subsection (c).

(2) For business to be properly brought before an annual meeting by a stockholder, the stockholder must (i) provide Timely Notice (as defined below) thereof in writing and in proper form to the Secretary of the Corporation and (ii) provide any updates or supplements to such notice at the times and in the forms required by this subsection (a). To be timely, a stockholder's notice must be delivered to, or mailed and received at, the principal executive offices of the Corporation not less than ninety (90) days nor more than one hundred twenty (120) days prior to the one-year anniversary of the preceding year's annual meeting; *provided, however*, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the ninetieth (90th) day prior to such annual meeting or, if later, the tenth (10th) day following the day on which public disclosure of the date of such annual meeting was first made (such notice within such time periods, "*Timely Notice*"). In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of Timely Notice as described above.

(3) To be in proper form for purposes of this subsection (a), a stockholder's notice to the Secretary shall set forth:

(A) As to each Proposing Person (as defined below), (i) the name and address of such Proposing Person (including, if applicable, the name and address that appear on the Corporation's books and records); and (ii) the class or series and number of shares of the Corporation that are, directly or indirectly, owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Exchange Act) by such Proposing Person (the disclosures to be made pursuant to the foregoing clauses (i) and (ii) are referred to as "*Stockholder Information*");

(B) As to each Proposing Person, (i) any material pending or threatened legal proceeding in which such Proposing Person is a party or material participant involving the Corporation or any of its officers or directors, or any affiliate of the Corporation, (ii) any other material relationship between such Proposing Person, on the one hand, and the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation, on the other hand, (iii) any direct or indirect material interest in any material contract or agreement of such Proposing Person with the Corporation, any affiliate of the Corporation or any principal competitor of the Corporation (including, for example, any employment agreement or consulting agreement) and (iv) any other information relating to such Proposing Person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such Proposing Person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act (the disclosures to be made pursuant to the foregoing clauses (i) through (iv) are referred to as "*Disclosable Interests*"); *provided, however*, that Disclosable Interests shall not include any such disclosures with respect to the ordinary course business activities of any broker, dealer, commercial bank, trust company or other nominee who is a Proposing Person solely as a result of being the stockholder directed to prepare and submit the notice required by these Bylaws on behalf of a beneficial owner; and

(C) As to each item of business that the stockholder proposes to bring before the annual meeting, (i) a brief description of the business desired to be brought before the annual meeting, the reasons for conducting such business at the annual meeting and any material interest in such business of each Proposing Person, (ii) the text of the proposal or business (including the text of any resolutions proposed for consideration), and (iii) a reasonably detailed description of all agreements, arrangements and understandings (x) between or among any of the Proposing Persons or (y) between or among any Proposing Person and any other person or entity (including their names) in connection with the proposal of such business by such stockholder; and (iv) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act.

For purposes of this subsection (a), the term “*Proposing Person*” shall mean (i) the stockholder providing the notice of business proposed to be brought before an annual meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the business proposed to be brought before the annual meeting is made, and (iii) any participant (as defined in paragraphs (a)(ii)-(vi) of Instruction 3 to Item 4 of Schedule 14A) with such stockholder in such solicitation or associate (within the meaning of Rule 12b-2 under the Exchange Act for purposes of these Bylaws) of such stockholder or beneficial owner.

(4) A Proposing Person shall update and supplement its notice to the Corporation of its intent to propose business at an annual meeting, if necessary, so that the information provided or required to be provided in such notice pursuant to this subsection (a) shall be true and correct as of the record date for notice of the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for notice of the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting or, if practicable, any adjournment or postponement thereof (and, if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed) (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(5) Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at an annual meeting that is not properly brought before the meeting in accordance with this subsection (a). The presiding officer of the meeting shall, if the facts warrant, determine that the business was not properly brought before the meeting in accordance with this subsection (a), and if he or she should so determine, he or she shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

(6) This subsection (a) is expressly intended to apply to any business proposed to be brought before an annual meeting of stockholders other than any proposal made in accordance with Rule 14a-8 under the Exchange Act and included in the Corporation’s proxy statement. In addition to the requirements of this subsection (a)

with respect to any business proposed to be brought before an annual meeting, each Proposing Person shall comply with all applicable requirements of the Exchange Act with respect to any such business. Nothing in this subsection (a) shall be deemed to affect the rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

(7) For purposes of these Bylaws, "*public disclosure*" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Exchange Act.

(b) Notice of Nominations for Election to the Board of Directors.

(1) Nominations of any person for election to the Board of Directors at an annual meeting may be made at such meeting only (A) by or at the direction of the Board of Directors, including by any committee or persons authorized to do so by the Board of Directors or these bylaws, or (B) by a stockholder present in person (i) who was a beneficial owner of shares of the Corporation both at the time of giving the notice provided for in this Section (b) and at the time of the meeting, (ii) is entitled to vote at the meeting, and (iii) has complied with this Section (b) and Section (c) as to such notice and nomination. For purposes of this Section (b), "present in person" shall mean that the stockholder proposing that the business be brought before the meeting of the Corporation, or, if the proposing stockholder is not an individual, a qualified representative (as such term is defined in Section (a)(1) above) of such stockholder, appear at such meeting. The foregoing clause (B) shall be the exclusive means for a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting or special meeting.

(2) For a stockholder to make any nomination of a person or persons for election to the Board of Directors at an annual meeting, the stockholder must (A) provide Timely Notice (as defined in Section (a)(2) thereof in writing and in proper form to the Secretary of the Corporation, (B) provide the information, agreements and questionnaires with respect to such stockholder and its candidate for nomination as required to be set forth by this subsection (b) and subsection (c) and (C) provide any updates or supplements to such notice at the times and in the forms required by this subsection (b) and subsection (c).

(3) If the election of directors is a matter specified in the notice of meeting given by or at the direction of the Board of Directors, then for a stockholder to make any nomination of a person or persons for election to the Board of Directors at such special meeting, the stockholder must (A) provide timely notice thereof in writing and in proper form to the Secretary of the Corporation at the principal executive offices of the Corporation, (B) provide the information with respect to such stockholder and its candidate for nomination as required by this subsection (b) and (C) provide any updates or supplements to such notice at the times and in the forms required by this subsection (b). To be timely, a stockholder's notice for nominations to be made at a special meeting must be delivered to, or mailed and received at, the principal executive offices of the Corporation not earlier than the one hundred twentieth (120th) day prior to such special meeting and not later than the ninetieth (90th) day prior to such special meeting

or, if later, the tenth (10th) day following the day on which public disclosure (as defined in Subsection (a)(7)) of the date of such special meeting was first made

(4) In no event shall any adjournment or postponement of an annual meeting or special meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above.

(5) To be in proper form for purposes of this subsection (b), a stockholder's notice to the Secretary shall set forth:

(A) As to each Nominating Person (as defined below), the Stockholder Information (as defined in subsection (a)(3)), except that for purposes of this subsection (b) the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in subsection (a)(3));

(B) As to each Nominating Person, any Disclosable Interests (as defined in subsection (a)(3)), except that for purposes of this subsection (b) the term "Nominating Person" shall be substituted for the term "Proposing Person" in all places it appears in subsection (a)(3) and the disclosure with respect to the business to be brought before the meeting in subsection (a)(3) shall be made with respect to the election of directors at the meeting);

(C) As to each candidate whom a Nominating Person proposes to nominate for election as a director, (i) all information with respect to such candidate for nomination that would be required to be set forth in a stockholder's notice pursuant to this subsection (b) and subsection (c) if such candidate for nomination were a Nominating Person, (ii) all information relating to such candidate for nomination that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if elected), (iii) a description of any direct or indirect material interest in any material contract or agreement between or among any Nominating Person, on the one hand, and each candidate for nomination or his or her respective associates or any other participants in such solicitation, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if such Nominating Person were the "registrant" for purposes of such rule and the candidate for nomination were a director or executive officer of such registrant (the disclosures to be made pursuant to the foregoing clauses (i) through (iii) are referred to as "*Nominee Information*"), and (iv) a completed and signed questionnaire, representation and agreement as provided in subsection (c); and

For purposes of this subsection (b), the term "*Nominating Person*" shall mean (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice of the nomination proposed to be made at the meeting is made, and (iii) any associate of such stockholder or beneficial owner or any other participant in such solicitation.

(6) A stockholder providing notice of any nomination proposed to be made at a meeting shall further update and supplement such notice, if necessary,

so that the information provided or required to be provided in such notice pursuant to this subsection (b) shall be true and correct as of the record date for notice of the meeting and as of the date that is ten (10) business days prior to the meeting or any adjournment or postponement thereof, and such update and supplement shall be delivered to, or mailed and received by, the Secretary at the principal executive offices of the Corporation not later than five (5) business days after the record date for notice of the meeting (in the case of the update and supplement required to be made as of such record date), and not later than eight (8) business days prior to the date for the meeting (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting or any adjournment or postponement thereof).

(7) In addition to the requirements of this subsection (b) with respect to any nomination proposed to be made at a meeting, each Nominating Person shall comply with all applicable requirements of the Exchange Act with respect to any such nominations.

(c) Additional Requirements For Valid Nomination of Candidates to Serve as Director and, If Elected, to Be Seated as Directors.

(1) To be eligible to be a candidate for election as a director of the Corporation at an annual meeting a candidate must be nominated in the manner prescribed in subsection (b) the candidate for nomination, whether nominated by the Board of Directors or by a stockholder of record, must have previously delivered (in accordance with the time period prescribed for delivery in a notice to such candidate given by or on behalf of the Board of Directors), to the Secretary at the principal executive offices of the Corporation, (A) a completed written questionnaire (in a form provided by the Corporation) with respect to the background, qualifications, stock ownership and independence of such proposed nominee and (B) a written representation and agreement (in form provided by the Corporation) that such candidate for nomination (i) is not and, if elected as a director during his or her term of office, will not become a party to (x) any agreement, arrangement or understanding with, and has not given and will not give any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of the Corporation, will act or vote on any issue or question (a “*Voting Commitment*”) or (y) any Voting Commitment that could limit or interfere with such proposed nominee’s ability to comply, if elected as a director of the Corporation, with such proposed nominee’s fiduciary duties under applicable law, (ii) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation or reimbursement for service as a director and (iii) if elected as a director of the Corporation, will comply with all applicable corporate governance, conflict of interest, confidentiality, stock ownership and trading and other policies and guidelines of the Corporation applicable to directors and in effect during such person’s term in office as a director (and, if requested by any candidate for nomination, the Secretary of the Corporation shall provide to such candidate for nomination all such policies and guidelines then in effect);

(2) The Board of Directors may also require any proposed candidate for nomination as a Director to furnish such other information as may reasonably be requested by the Board of Directors in writing prior to the meeting of stockholders at which such candidate’s nomination is to be acted upon in order for the Board of Directors to determine the

eligibility of such candidate for nomination to be an independent director of the Corporation in accordance with the Corporation's corporate governance guidelines.

(3) No candidate shall be eligible for nomination as a director of the Corporation unless such candidate for nomination and the Nominating Person seeking to place such candidate's name in nomination has complied with subsection (b) and this subsection (c), as applicable. The presiding officer at the meeting shall, if the facts warrant, determine that a nomination was not properly made in accordance with subsection (b) and this subsection (c), and if he or she should so determine, he or she shall so declare such determination to the meeting, the defective nomination shall be disregarded and any ballots cast for the candidate in question (but in the case of any form of ballot listing other qualified nominees, only the ballots cast for the nominee in question) shall be void and of no force or effect.

(4) Notwithstanding anything in these Bylaws to the contrary, no candidate for nomination shall be eligible to be seated as a director of the Corporation unless nominated and elected in accordance with this subsection (c).

Except as amended by the foregoing provisions, the By-laws remain in full force and effect.

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 [*].**

COLLABORATION AGREEMENT

By and Between

[***]

and

PDI, INC.

Dated as of August 19, 2013

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

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EXHIBITS

Exhibit A Form of Stock Purchase Agreement

Exhibit B Representations and Warranties concerning [***]

Exhibit C Promissory Note

COLLABORATION AGREEMENT

COLLABORATION AGREEMENT, dated as of August 19, 2013 (the “Effective Date”), by and between [***], a Delaware corporation (“[***]”) and PDI, INC., a Delaware corporation (“PDI”).

STATEMENT

A. [***] is an emerging molecular diagnostics company focusing on [***].

B. [***].

C. PDI is a provider of outsourced commercial services to pharmaceutical, biotechnology and medical device clients in the United States and offers a broad range of sales support services, clinical educator services, digital communications, tele-detailing and full-service product commercialization solutions.

D. PDI and [***] desire to collaborate on the commercialization of [***] pursuant to the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, PDI and [***] hereby agree as follows:

Article 1

DEFINITIONS

1.1 DEFINITIONS

In this Agreement, the following terms have the meanings specified or referred to in this Section 1.1 and shall be equally applicable to both the singular and plural forms. Any agreement referred to below shall mean such agreement as amended, supplemented and modified from time to time to the extent permitted by the applicable provisions thereof and by this Agreement.

“**Acquisition**” has the meaning set forth in Section 3.5(a) below.

“**Alternative Transaction**” has the meaning set forth in Section 8.6.

“**Affiliate**” of any Person shall mean any other Person which directly or indirectly controls, is controlled by or is under common control with, such Person. The term “control” (including its correlative meanings “controlled by” and “under common control with”) means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

“**Agreement**” means this Collaboration Agreement (including all Exhibits hereto other than Exhibit A) as it may be amended from time to time.

“**Anniversary Date**” has the meaning set forth in Section 2.1 below.

“**Applicable Law**” means any United States or foreign statute, law (including the common law), ordinance, rule, code, or regulation that applies in whole or in part to, as the case may be, [***] or PDI or any of their respective businesses, properties or assets. Any reference to any federal, provincial, state,

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local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

“**Business Day**” means any day of the year on which national banking institutions in New Jersey are open to the public for conducting business and are not required or authorized to close.

“**Claim Notice**” has the meaning set forth in Section 9.5(a).

“**Closing**” has the meaning set forth in Section 3.5(a).

“**Closing Conditions**” has the meaning set forth in Section 3.4.

“**Closing Date**” has the meaning set forth in Section 3.5(b).

“**Code**” means the United States Internal Revenue Code of 1986, as amended.

“**[***]**” has the meaning set forth in Section 4.1(b)(i).

“**Commercialization**” has the meaning set forth in Section 2.1(b).

“**Confidentiality Agreement**” means the Confidential Disclosure Agreement dated May 7, 2013 between PDI and [***].

“**Cornell License Agreements**” means [***].

“**Cornell Rights**” has the meaning set forth in the definition of [***].

“**Effective Date**” has the meaning set forth in the introductory paragraph to this Agreement.

[***].

[***].

“**Expenses**” means all reasonable out-of-pocket expenses incurred in connection with defending any claim, action, suit or proceeding incident to any matter indemnified hereunder (including court filing fees, court costs, arbitration or mediation fees or costs, and reasonable fees and disbursements of legal counsel).

“**GAAP**” means United States generally accepted accounting principles as in effect from time to time.

“**Government Program**” means any program administered by any Governmental Body applicable to [***].

“**Governmental Body**” means any United States or foreign government, whether federal, state, municipal or local, or other governmental, legislative, executive or judicial authority, commission or regulatory body.

[***].

“**Indemnification Threshold**” has the meaning set forth in Section 9.4(a).

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“Indemnified Party” has the meaning set forth in Section 9.5(a).

“Indemnitor” has the meaning set forth in Section 9.5(a).

“Intellectual Property” means all trademarks, trademark applications, trade names, copyrights, copyright applications, patents and patent applications (and all royalty, license or other agreements regarding such intellectual property), logos, licenses, trade secrets, internet domain names owned or reserved, Software owned or licensed, Technology owned or licensed and other rights and registrations.

[***].

[***].

“Legal Proceeding” means any action, suit, proceeding, hearing, mediation, claim (including any counterclaim), written notice or other written assertion of legal liability or investigation of, in, or before any Governmental Body or before any arbitrator.

“Licensed Method” means any method that is claimed in Patent Rights, the use of which would constitute, but for the license granted to [***] under the Cornell License Agreements, an infringement, an inducement to infringe or contributory infringement, of any Patent Rights.

“Licensed Product” means any service, composition or product that is claimed in Patent Rights, or that is produced or enabled by a Licensed Method, or the manufacture, use, sale, offer for sale, or importation of which would constitute, but for the license granted to [***] under the Cornell License Agreements, an infringement, an inducement to infringe or contributory infringement, of any Patent Rights.

“Losses” means any and all losses, costs, obligations, liabilities, settlement payments, awards, judgments, fines, penalties, damages (including incidental damages, but excluding indirect, consequential, exemplary and punitive damages except to the extent such damages are payable to a third party), reasonable expenses, deficiencies, debts, adverse claims or other charges (whether in contract, tort, strict liability or otherwise).

“Material Adverse Change” means any change, effect, event, occurrence or state of facts that is materially adverse to (a) the business, properties, assets, financial condition, prospects or results of operations of [***], taken as a whole or (b) the ability of [***] to perform its obligations under this Agreement or to consummate the transactions contemplated hereby; provided, however, any adverse change, effect or circumstance resulting from general economic factors affecting the economy as a whole, to the extent that such factors do not have a disproportionate effect on [***] relative to other companies operating in the molecular diagnostics industry, that materially impair [***] ability to conduct its operations shall not be deemed in themselves, either alone or in combination, to constitute, and shall not be taken into account in determining whether there has been, a Material Adverse Change.

[***] has the meaning set forth in Section 4.1(a)(i).

“Milestone Payment” or **“Milestone Payments”** have the meanings set forth in Article 4.

“Net Revenue” means the total of the gross revenue actually collected on Licensed Products sold or leased by PDI (or its Affiliates), or any Affiliate of such party, as applicable), or any combination thereof, less the sum of the following deductions: cash, trade, or quantity discounts; sales, use, tariff,

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import/export duties or other excise taxes imposed on particular sales; transportation charges; or credits to customers because of rejections or returns.

“**NY CLIA Approval**” means that a CLIA application (Form CMS-116) has been completed and it and all accompanying documents have been submitted to and accepted by the New York State Department of Health (the “**NYDOH**”) for a laboratory facility selected by [***] (and approved by PDI, such approval not to be unreasonably withheld) and the NYDOH has issued (i) a certificate of compliance (containing a CLIA number) with all applicable CLIA requirements to such laboratory authorizing it to conduct the [***] tests, or (ii) waivers necessary to enable the commencement of commercialization of the [***] tests in New York.

“**Option Conditions**” has the meaning set forth in Section 3.3 below.

“**Order**” means any order, judgment, injunction, decree, award, ruling, doctrine, assessment, arbitration award, charge or writ of any court, tribunal or other Governmental Body or arbitrator.

“**Ordinary Course**” means any transaction relating to [***] which constitutes an ordinary day-to-day business activity of [***] reasonably consistent with past practice of [***].

“**Organic Documents**” means, with respect to a corporation, such corporation’s charter or certificate of incorporation and by-laws, or, with respect to a general or limited partnership, such partnership’s general or limited partnership agreement, or, with respect to a limited liability company, such limited liability company’s certificate of formation and operating agreement.

“**Parties**” means PDI and [***], collectively, and “**Party**” means any one of them.

“**Patent Rights**” shall have the meaning ascribed to it in the [***].

“**PDI**” has the meaning set forth in the introductory paragraph to this Agreement.

“**PDI Call Option**” has the meaning set forth in Section 3.1.

“**PDI Call Option Expiration Date**” has the meaning set forth in Section 3.1.

“**PDI Commercialization Expenditures**” has the meaning set forth in Section 2.1(e).

“**PDI Documents**” has the meaning set forth in Section 6.1(b).

“**PDI Indemnitees**” has the meaning set forth in Section 9.2.

“**Person**” means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or other entity.

“[***]” has the meaning set forth in the introductory paragraph to this Agreement.

“[***] **Documents**” means all agreements, documents, or instruments or certificates contemplated by this Agreement or to be executed by [***] in connection with the transactions contemplated by this Agreement.

“[***] **Indemnitees**” has the meaning set forth in Section 9.3.

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“**[***] Put Option**” has the meaning set forth in Section 3.2.

“**[***] Put Option Expiration Date**” has the meaning set forth in Section 3.2.

“**[***] Shareholders**” shall mean the shareholders of [***].

“**Promissory Note**” has the meaning set forth in Section 10.2(a).

“**Representatives**” has the meaning set forth in Section 8.6.

“**Royalty Payments**” has the meaning set forth in Section 5.1.

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

“**Security Interest**” means any mortgage, pledge, lien, deed of trust, claim, lease, option, right of first refusal, easement, servitude, proxy, voting trust or agreement, transfer restriction under any shareholder or similar agreement, encumbrance, charge, or other security interest, restriction or limitation.

“**[***]**” has the meaning set forth in Section 4.2(a).

“**Sensitivity Rating**” means a rating to determine sensitivity utilizing true positives divided by the sum of true positives and false negatives times one hundred (100).

“**Shares**” shall mean all of the issued and outstanding capital stock of [***].

“**Software**” means computer programs, whether in source code or object code, databases, and all descriptions, flow-charts and other work product used to design, plan, organize and develop any of the foregoing; and all documentation including user manuals and other training documentation related to any of the foregoing.

“**Specificity Milestone Payment**” has the meaning set forth in Section 4.2(b).

“**Stock Purchase Agreement**” has the meaning set forth in Section 3.5(a).

“**Stock Purchase Price**” means the total Milestone Payments payable under Article 4 subject to any adjustments to such purchase price as set forth in the Stock Purchase Agreement.

“**Specificity Rating**” means a rating to determine specificity utilizing true negatives divided by the sum of false positives and true negatives times one hundred (100).

“**Technology**” means, collectively, designs, formulae, procedures, methods, techniques, ideas, know-how, results of research and development, Software, inventions, apparatus, creations, works of authorship and other similar materials, and all recordings, graphs, drawings, reports, analyses, and other writings, and any other embodiments of the above, in any form whether or not specifically listed herein.

“**Third Party Claim**” has the meaning set forth in Section 9.6(a).

“**Third Party Infringement**” has the meaning set forth in the definition of [***].

“**[***] Study**” means a study to be conducted after the Effective Date, using a minimum number of human subjects to be agreed to by the Parties, to test the [***] when compared to other technologies,

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diagnostic tests or products, the results of which shall be statistically significant and the cost of which shall not exceed \$[***].

“[***] **Validation**” shall mean a Validation Study completed and ready for submission to New York State by [***] (or an equivalent New York State-certified organization), which has been reviewed and approved by PDI before submission, showing that the [***] assay meets analytical and clinical validation requirements using standard and well-accepted NY CLIA approval guidelines and NY CLIA submission standards.

“[***] **Agreement**” has the meaning set forth in Section 8.9.

1.2 CONSTRUCTION

The Parties have participated jointly in the negotiation and preparation of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

1.3. HEADINGS

The division of this Agreement into articles, sections, subsections, and exhibits and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The article, section, subsection and exhibit headings in this Agreement are not intended to be full or precise descriptions of the text to which they refer and are not to be considered part of this Agreement.

1.4. NUMBER AND GENDER

In this Agreement, words in the singular include the plural and vice-versa and words in one gender include all genders.

1.5. KNOWLEDGE

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the “Knowledge” of a natural Person, it shall be deemed to refer to knowledge of such Person after due inquiry, and where any representation or warranty contained in this Agreement is expressly qualified by reference to the “Knowledge” of a Person that is not an individual, it shall be deemed to refer to the knowledge after due inquiry of such Person’s directors and executive officers (including, in the case of [***]) and all other officers and managers having responsibility relating to the applicable matter.

1.6. STATUTES

Unless specified otherwise, reference in this Agreement to a statute refers to that statute or to any amended or restated legislation of comparable effect. Reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

1.7. “INCLUDING”, “HEREIN” AND REFERENCES

The word “including” means “including without limitation” and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it. All

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uses of the words “herein”, “hereto”, “hereof”, “hereby” and “hereunder” and similar expressions refer to this Agreement and not to any particular section or portion of it. References to an Article, Section, Subsection or Exhibit refer to the applicable article, section, subsection or exhibit of this Agreement.

Article 2
COLLABORATION

2.1. COLLABORATION EFFORTS.

(a) Each of the parties shall use commercially reasonable efforts to achieve Commercialization on or before the first anniversary of the Effective Date (the “**Anniversary Date**”). The Parties will work together to agree upon the general approach and timing of achieving each of the elements comprising Commercialization as set forth in Section 2.1(b), with the understanding that any activity included within such general approach that will require material commitments, obligations, expenditures or deployment of other resources shall be undertaken only with the concurrence of both Parties. Except with respect to achieving [***] NY CLIA Approval and [***], PDI shall have the right to take the lead in such efforts and [***] agrees to support PDI in such efforts as may reasonably be requested by PDI, and not to pursue any such efforts unilaterally without prior consultation with and authorization by PDI as to any such efforts. None of the Parties guaranty, or provide any assurances to the other Party, that Commercialization can or will be achieved by the Anniversary Date or any time thereafter. PDI and [***] shall keep each other reasonably informed on the Parties’ collaboration efforts and activities and any actual and anticipated material delays in connection therewith.

(b) For purposes of this Agreement, the term “**Commercialization**” shall mean satisfaction of each and every of the following (unless waived by the Parties in writing in accordance with Section 11.9):

- (i) [***].
- (ii) [***].
- (iii) [***].
- (iv) [***].
- (v) [***].
- (vi) [***].
- (vii) [***].
- (viii) [***].

(c) The Parties will commence efforts to achieve [***] as soon as reasonably possible following the Effective Date; provided, however, the Parties shall agree upon the approach to obtaining such [***] and neither Party will engage in any substantive discussions or negotiations with third parties or otherwise commit to any obligations with regard to [***], without the other Party’s prior consent. PDI shall not be responsible to incur any costs, expenses or other obligations in connection with achieving [***] for purposes of achieving Commercialization.

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(d) The Parties will begin the process of planning and preparing for the [***] as soon as reasonably possible following the Effective Date.

(e) Notwithstanding any of the foregoing, in no event shall PDI be obligated to expend in excess of \$500,000, in the aggregate, which expenditures shall be for mutually agreed upon activities in furtherance of Commercialization efforts (such amount actually expended, whether greater or less than \$500,000, the “**PDI Commercialization Expenditures**”). The PDI Commercialization Expenditures shall be primarily used for the [***] and establishing the reimbursement amount for commercial use of the [***] diagnostic test from Medicare and a nationally recognized third party insurance company. In no event shall PDI be obligated to initiate the [***] or otherwise incur any obligations, costs or expense unless and until [***] has been achieved or to pursue the [***] if and so long as the [***] is not continuing; provided, however, in the event of any delay or interruption in the [***] because of the lack of [***] may pursue any agreed-upon activities related to the [***] using its own funds, subject to reimbursement by PDI promptly after the achievement of [***] (so long as such reimbursement together with PDI’s other expenditures in furtherance of Commercialization efforts do not exceed \$[***]).

(f) Subject to the provisions of Section 2.1(e), PDI shall reimburse [***] for any and all amounts expended by [***] in furtherance of Commercialization, if and to the extent that PDI has agreed in writing to reimburse [***] for same; provided, however, that prior written approval of PDI shall not be required with respect to any individual expenditure if the amount expended by [***] does not exceed \$15,000, unless a series of individual expenditures would exceed \$35,000 in the aggregate. Expenditures by [***] that do not require prior written approval are still subject to the provisions of Section 2.1(e). As to any such reimbursable amounts, [***] shall submit itemized invoices to PDI on a monthly basis, together with appropriate supporting documentation, with respect to any amounts due to [***] pursuant to this Section 2.1(f). PDI shall pay each invoice submitted by [***] within thirty (30) days of PDI’s receipt of such invoice. [***] shall deliver all invoices to PDI, and PDI shall make all payments to [***], at the Parties’ respective addresses set forth in Section 11.6. In the event a dispute arises between the Parties regarding any portion of any invoice, PDI shall pay all undisputed portions of the invoice(s) while withholding payment of the disputed portions pending good faith resolution by the Parties, and such withholding shall not constitute a breach of this Agreement.

(g) At any time following achievement of [***], the Parties may agree (but shall not be obligated to agree) that PDI may begin limited marketing and/or promotional efforts in connection with the Licensed Product, the parameters and cost of which are to be agreed upon in advance by the Parties. PDI agrees to pay its own costs and expenses associated with its marketing and promotional efforts pursuant to this Section 2.1(g) and such costs and expenses shall not be considered PDI Commercialization Expenditures for purposes of this Agreement. The Parties agree that any and all proceeds generated by PDI’s marketing and/or promotional efforts shall be paid to PDI until such time as all costs and expenses incurred by PDI in connection with such marketing and promotional efforts have been paid in full, and any remaining profits shall be shared equally by the Parties, until either the Closing or the termination of this Agreement pursuant to Section 10.2.

2.2. COMPENSATION FOR COLLABORATION.

As full compensation to [***] for its obligations and collaboration efforts under this Article 2 and for granting the PDI Call Option under Article 3, upon execution and delivery of this Agreement, PDI shall pay [***] the sum of One Million Five Hundred Thousand Dollars (\$1,500,000.00), payable in U.S. Dollars by wire transfer to a [***] U.S. bank account pursuant to wire instructions to be provided by [***]. [***] shall use a portion of these funds to pay and satisfy [***]’s liabilities and obligations due as of the Effective Date, or which become due hereafter, to Cornell University. [***] shall pay Cornell

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University all outstanding amounts, including all principal and accrued and unpaid interest, under any and all convertible notes issued by [***] to Cornell University or its Affiliates, within three (3) Business Days from the effective date of the Cornell License Agreements.

Article 3
CALL AND PUT OPTIONS

3.1. PDI CALL OPTION. PDI shall have the option (but not the obligation) to acquire one hundred percent (100%) of the Shares, which option may be exercised, so long as no notice of termination pursuant to Section 10.2(f) shall be pending, by PDI at any time during the term of this Agreement (whether or not Commercialization shall have been achieved) prior to the date that is the second anniversary date of the Effective Date (the “**PDI Call Option Expiration Date**”), by PDI providing written notice of such exercise to [***] at any time on or before the PDI Call Option Expiration Date (the “**PDI Call Option**”). If PDI exercises the PDI Call Option on or before the PDI Call Option Expiration Date, then the [***] Shareholders shall be required to sell all of their Shares to PDI for the Stock Purchase Price.

3.2. [*] Put Option.** [***] shall have the option (but not the obligation) to require PDI to acquire one hundred percent (100%) of the Shares, which option may be exercised by [***] at any time during the term of this Agreement following satisfaction of the Option Conditions (and provided such Option Conditions remain satisfied at the time of exercise) and prior to the date that is the second anniversary date of the Effective Date (the “[***] Put Option Expiration Date”), by [***] providing written notice of such exercise to PDI at any time on or before the [***] Put Option Expiration Date (the “[***] Put Option”). If [***] exercises the [***] Put Option, then PDI shall be required to purchase all (but not less than all) of the Shares, from the [***] Shareholders, for the Stock Purchase Price, and in such event the [***] Shareholders shall be required to sell all of the Shares to PDI for the Stock Purchase Price.

3.3. [*] PUT OPTION - CONDITIONS TO EXERCISE.**

[***]’s right to exercise the [***] Put Option shall be subject to and conditioned upon complete satisfaction of each and every of the following conditions (collectively, the “**Option Conditions**”) (unless waived by the Parties in writing in accordance with Section 11.9):

(a) Achievement of Commercialization; provided, however, that there is also Commercialization as of the date of exercise of the [***] Put Option;

(b) the representations and warranties set forth in or referred to in Article 7 and/or Exhibit B shall be true and correct in all material respects, in each case, as of the date of this Agreement and (except for matters which PDI has approved in advance) as of the date of the exercise of the [***] Put Option, in each case as though made at and as of each such date, except to the extent such representations and warranties expressly speak as of an earlier date (in which case such representations and warranties shall be true and correct in all material respects on and as of such earlier date);

(c) [***] shall have performed and complied with all obligations and agreements required hereunder in all material respects through the date of exercise of the [***] Put Option, and no notice of termination pursuant to Section 10.2(e) shall be pending;

(d) there shall not have been or occurred, as of the date of exercise of the [***] Put Option, any Material Adverse Change;

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(e) no Legal Proceeding shall be pending before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an Order would (i) prevent consummation of any of the Acquisition or other transactions contemplated by this Agreement, (ii) cause the Acquisition or the other transactions contemplated by this Agreement to be rescinded following consummation or (iii) affect adversely the right of PDI to own the Shares and to control [***]; and

(f) [***] shall have delivered a certificate to PDI signed by [***] as an officer of [***], dated as of the date of the exercise of the Put Option, stating that to its Knowledge, the Option Conditions set forth in this Section 3.3 have all been satisfied.

3.4. [*] PUT OPTION - CONDITIONS TO CLOSING.**

After [***]'s exercise of the [***] Put Option, the obligation of PDI to consummate the Acquisition shall be subject to and conditioned upon complete satisfaction of each and every of the following conditions (collectively, the **“Closing Conditions”**) (unless waived by the Parties in writing in accordance with Section 11.9):

(a) Achievement of Commercialization; provided, however, that there is also Commercialization as of the Closing Date;

(b) the representations and warranties set forth in or referred to in Article 7 and/or Exhibit B shall be true and correct in all material respects, in each case (except for matters which PDI has approved in advance), as of the Closing Date, as though made at and as of the Closing Date, except to the extent such representations and warranties expressly speak as of an earlier date (in which case such representations and warranties shall be true and correct in all material respects on and as of such earlier date);

(c) [***] shall have performed and complied with all obligations and agreements required hereunder in all material respects through the Closing Date, and no notice of termination pursuant to Section 10.2(e) shall be pending;

(d) there shall not have been or occurred, as of the Closing Date, any Material Adverse Change;

(e) no Legal Proceeding shall be pending before any court or quasi-judicial or administrative agency of any federal, state, local, or foreign jurisdiction or before any arbitrator wherein an Order would (i) prevent consummation of any of the Acquisition or other transactions contemplated by this Agreement, (ii) cause the Acquisition or the other transactions contemplated by this Agreement to be rescinded following consummation or (iii) affect adversely the right of PDI to own the Shares and to control [***];

(f) [***] shall have delivered a certificate to PDI signed by [***] as an officer of [***], dated as of the Closing Date, stating that to its Knowledge, the Closing Conditions set forth in this Section 3.4 have all been satisfied; and

(g) such other conditions as may be set forth in the Stock Purchase Agreement.

3.5. STOCK PURCHASE AGREEMENT; CLOSING.

(a) In connection with the closing of the sale and purchase of the Shares (the **“Closing”**) following the exercise of the PDI Call Option or [***] Put Option, as the case may be (the

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“**Acquisition**”), each of the Parties shall execute and deliver a stock purchase agreement in form and substance attached hereto as Exhibit A (the “**Stock Purchase Agreement**”). Any such Acquisition shall be accomplished pursuant to the terms of the Stock Purchase Agreement.

(b) The Closing of the Acquisition shall take place at the office of Norris, McLaughlin & Marcus, P.A. (or such other place as may be agreed to by the Parties in writing), at 10:00 a.m. local time, on a date to be specified by the parties (the “**Closing Date**”), which date shall be no later than fifteen (15) Business Days following the exercise of either the PDI Call Option or the [***] Put Option, as the case may be, or such sooner date as the Parties may agree.

Article 4 **MILESTONES**

Subject to the terms hereof, if the Closing of the Acquisition occurs following exercise of either the PDI Call Option or the [***] Put Option, as the case may be, then PDI shall pay to [***] for further distribution to the [***] Shareholders certain milestone payments in accordance with the Stock Purchase Agreement and the terms set forth below (each a “**Milestone Payment**” and collectively, the “**Milestone Payments**”). For the avoidance of doubt, no Milestone Payment otherwise specified in this Article 4 shall be payable unless the Closing shall have also occurred contemporaneously, following exercise of either the PDI Call Option or the [***] Put Option. Any Extension Fee paid under Section 10.2(c) shall be deemed a partial prepayment of the Milestone Payments otherwise due under this Article 4.

4.1. [***].

- (a) [***]
 - (i) [***].
 - (ii) [***].
 - (iii) [***].

- (b) [***]
 - (i) [***].
 - (ii) [***].
 - (iii) [***].

4.2. [***].

- (a) [***]
 - (i) [***].
- (b) [***]
 - (i) [***].
 - (ii) [***].

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4.3. [***]. [***].

4.4. [***]. [***].

4.5. **TOTAL MILESTONE PAYMENTS; SET OFF.** In no event shall the total Milestone Payments (including any Extension Fee paid pursuant to Section 10.2(c) exceed \$6,000,000 in the aggregate. In addition, the total Milestone Payments payable by PDI shall be reduced by any and all payments made by PDI or its Affiliate(s) directly or indirectly through [***] to any third party (or parties) in connection with achieving and maintaining [***], either prior to Closing, or after Closing if required by commitments or contractual obligations made or agreed to by [***] prior to Closing, but including only payments that are reduced to a set or fixed known amount, and payable on a date certain, at the time of entering into the commitment to make such payments. Notwithstanding any other provision herein to the contrary, there shall be no reduction to the Milestone Payments under this Section 4.5 (i) on account of the \$1,500,000 payable to [***] under Section 2.2, or (ii) payments made to Cornell University under the Cornell License Agreements. Subject to Section 9.4(d), nothing in this Section 4.5 shall limit the PDI Indemnitees' rights to indemnification pursuant to Article 9.

Article 5

ROYALTIES

5.1. **ROYALTY PAYMENTS.** Subject to the terms hereof, if (and only if) the Closing of the Acquisition occurs following exercise of either the PDI Call Option or the [***] Put Option, as the case may be, then PDI shall pay [***] for further distribution to the [***] Shareholders royalty payments in accordance with the terms set forth below (collectively, the "**Royalty Payments**").

(a) A royalty based on the Net Revenue for each calendar year beginning January 1, 2015, by PDI and/or its Affiliate(s) as follows:

(i) 7.0% on such Net Revenue up to and equal to \$50 million in each such calendar year;

(ii) 9.0% on such Net Revenue greater than \$50 million and up to and equal to \$100 million in each such calendar year; and

(iii) 11% on such Net Revenue greater than \$100 million in each such calendar year.

(b) The Royalty Payments payable by PDI shall be reduced by any and all payments made or to be made at or after Closing by PDI or its Affiliate(s), directly or indirectly through [***], to any third party (or parties) in connection with achieving and maintaining [***], if required by commitments or contractual obligations made or agreed to by [***] prior to Closing, except to the extent that such amounts were withheld from the Milestone Payments in accordance with Section 4.5. If any payments to third parties as described above result in a reduction in royalty payments to Cornell University under the Cornell License Agreements as a result of the provisions in the Cornell License Agreements that permit reductions due to royalties paid to third parties (the amount of such reduction, the "Cornell Adjustment Amount"), then the Cornell Adjustment Amount shall be credited against any amount by which the Royalty Payments would otherwise be reduced under this Section 5.1(b). For the avoidance of doubt, in no event shall the aggregate amount of any reductions to the Royalties Payments under this Section 5.1(b) plus the Cornell Adjustment Amount exceed the amount of any payments made by PDI or its Affiliate(s), directly or indirectly through [***], to any third party (or parties) in connection with achieving and

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maintaining [***]. Subject to Section 9.4(d), nothing in this Section 5.1(b) shall limit the PDI Indemnitees' rights to indemnification pursuant to Article 9.

(c) Without the prior written consent of [***], neither PDI nor its Affiliates shall transfer, assign, sell, license or sub-license any rights under the Cornell License Agreements, including the Patent Rights, except (i) to an organization that PDI reasonably believes is capable of long-term performance of PDI's obligations under this Article 5 and (ii) in such a way that requires any such transferee, assignee, purchaser, licensee or sub-licensee (collectively, a "Successor") to assume, for the benefit of the [***] Shareholders, obligations of reporting, payment, record-keeping and audit equivalent to those imposed on PDI under this Article 5 (and subject to the same terms and other limitations herein), but for purposes of calculating the Royalty Payments payable by such Successor following such transfer, assignment, sale, license or sub-license of any rights under the Cornell License Agreements, as to any such Successor, such Successor's equivalent "Net Revenue" shall be calculated based upon the sales or leases of Licensed Products by such party and its Affiliates; provided, however, that notwithstanding such transfer, assignment, sale, license or sub-license of any rights under the Cornell License Agreements, PDI's obligations hereunder shall continue with respect to and to the extent of any rights under the Cornell License Agreements retained by PDI; provided further that in no event shall any such transfer, assignment, sale, license or sub-license be done for the purpose of adversely affecting the economic benefits to which the [***] Shareholders would otherwise be entitled under this Agreement.

5.2. ROYALTY REPORTING AND PAYMENT.

(a) Reporting. Commencing thirty days after the close of the calendar quarter beginning January 1, 2015, PDI shall submit to [***] quarterly reports describing the Net Revenue during the most recently completed calendar quarter and the Royalty Payments payable with respect thereto. If no amount is collected during any reporting period, a written statement to that effect shall be delivered to [***] within thirty days after the close of the applicable calendar quarter.

(b) Payment.

(i) With the delivery of each report required under Section 5.2(a), PDI shall pay the Royalty Payments shown as due on such report.

(ii) All royalties due shall be paid in United States dollars.

(iii) Any Royalty Payment payable under this Agreement, when overdue, shall bear interest at a rate per annum of three percent (3%) in excess of the Prime Rate as published by "The Wall Street Journal" at the time such payment is due and until payment is received by [***]. The accrual of such interest shall not foreclose [***] or the [***] Shareholders from exercising any other rights he or they may have resulting from the failure of PDI and/or its Affiliates to make the payment when due.

5.3. TERM OF ROYALTY. Royalty Payments under this Article 5 shall be payable with respect to each calendar quarter through December 31, 2034, and the remaining obligations of PDI (and/or its Affiliates) under this Article 5 shall expire upon PDI's satisfaction of all reporting and payment obligations with respect to such Royalty Payments; provided, however, Section 5.4 shall continue beyond such expiration in accordance with its terms. Notwithstanding any other provision herein to the contrary, if [***] or any of his Affiliates breach any of the covenants contained in Section 5.3 of the Stock Purchase Agreement related to non-competition or non-solicitation, after PDI provides written notice of

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such breach to [***],[***]'s pro rata portion of the Royalty Payments otherwise payable hereunder shall thereafter be paid into escrow until the claim of breach is resolved by (a) written agreement of PDI and [***] or (b) a final, non-appealable judgment or decree of any Governmental Body. If such resolution contemplates the payment of damages by [***] to PDI and/or its Affiliates, the funds paid into escrow shall be released first to PDI in an amount equal to the amount of such damages, and the remaining escrow funds, if any, shall then promptly be released to [***]. Notwithstanding the foregoing, all funds paid into escrow shall promptly be released to [***] if the dispute has not been resolved within 180 days after delivery by PDI of a notice of breach to [***], or such longer period as PDI and [***] may agree, if prior to the conclusion of such period neither PDI nor [***] has commenced a Legal Proceeding with respect to the alleged breach.

5.4. RECORDS & AUDITS.

(a) PDI shall keep, and shall require its Affiliates to keep, accurate and correct records of all Licensed Products manufactured, used, and sold and all Net Revenue relating thereto. Such records shall be retained by PDI for at least three (3) years following the conclusion of the reporting period to which such records relate.

(b) PDI shall make all records relating to Net Revenue available during normal business hours for inspection and audit, upon the reasonable request and at the sole expense of [***], by a Certified Public Accountant reasonably selected by [***] for the sole purpose of verifying Net Revenue amounts for the applicable reporting period. Any such request for inspection and audit shall be made within three years after the close of the applicable reporting period or periods to be examined. PDI may require, in its reasonable discretion, that such Certified Public Accountants execute a confidentiality agreement in a customary form prior to being provided access to such PDI's records. If the audit discloses a deficiency in the amounts owed to the [***] Shareholders under this Agreement, PDI shall pay to [***] such deficiency plus interest thereon in accordance with Section 5.2(b)(iii). In addition, if the audit discloses an underpayment of amounts owed in excess of five percent (5%) of the actual amount owed, PDI shall also reimburse [***] for the reasonable costs and expenses associated with the audit.

Article 6 **REPRESENTATIONS AND WARRANTIES OF PDI CONCERNING THE** **TRANSACTION**

6.1. REPRESENTATIONS AND WARRANTIES OF PDI

PDI represents and warrants to [***] that:

(a) Organization of PDI. PDI is a corporation duly formed, validly existing, and in good standing under the laws of Delaware.

(b) Authorization of Transaction. PDI has full power and authority to execute and deliver this Agreement and each other agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by PDI in connection with the transactions contemplated by this Agreement (the "**PDI Documents**") and to perform its obligations hereunder or thereunder and to consummate the transactions contemplated hereby. This Agreement has been, and each of PDI Documents will be at or prior to the Closing, duly and validly executed and delivered by PDI and (assuming due authorization, execution and delivery by each other party thereto) this Agreement constitutes, and each of PDI Documents when so executed and delivered will constitute, the valid and legally binding obligation of PDI, enforceable in accordance with their respective terms and conditions.

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(c) Noncontravention.

- (i) Neither the execution and the delivery of this Agreement nor any of PDI Documents, nor the consummation of the transactions contemplated hereby, will violate any Applicable Law to which PDI is subject or any provision of its Organic Documents.
- (ii) Neither the execution and the delivery of this Agreement nor any of PDI Documents, nor the consummation of the transactions contemplated hereby, will conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which PDI is a party or by which it is bound or to which any of its assets are subject. Except for any filing requirements in connection with applicable securities laws, PDI does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Person or Governmental Body in connection with the execution and delivery of this Agreement or in order for the Parties to consummate the transactions contemplated by this Agreement.

(d) Brokers' Fees. PDI has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which [***] could become liable or obligated.

(e) Litigation. There is no Legal Proceeding against PDI or to which PDI is otherwise a party that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement or the Stock Purchase Agreement. To PDI's Knowledge, no event has occurred or circumstances exist that does or could result in or serve as a basis for any such Legal Proceeding.

(f) Sufficiency of Funds. At the Effective Date, and at such time as payment may be required to be made by PDI under this Agreement (including, without limitation, the Closing Date), PDI will have sufficient funds available to it to permit PDI to pay all amounts payable to [***], including all amounts payable pursuant to Article 2 and the Stock Purchase Price.

(g) Purchase for Investment. All Shares purchased by PDI pursuant to this Agreement and the Stock Purchase Agreement are being acquired for investment only and not with a view to any public distribution thereof. PDI shall not offer to sell or otherwise dispose of, or sell or otherwise dispose of, the Shares so acquired by it in violation of any of the registration requirements of the Securities Act of 1933.

Article 7

REPRESENTATIONS AND WARRANTIES CONCERNING [*]**

[***] hereby represents and warrants to PDI that the representations and warranties set forth on Exhibit B attached hereto are true and correct. The inclusion of any information in any section of the exhibits hereto or any other document delivered by [***] pursuant to this Agreement shall not be deemed to be an admission or evidence of the materiality of such item, nor shall it establish a standard of materiality for any purpose whatsoever.

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

Article 8
COVENANTS

The Parties agree as follows with respect to the period between the Effective Date and any termination or expiration of this Agreement in accordance with its terms.

8.1. OPERATION AND PRESERVATION OF BUSINESS

(a) Except as otherwise expressly provided in this Agreement or with the prior written consent of PDI, [***] will not engage in any practice, take any action, or enter into any transaction outside the Ordinary Course. Without limiting the generality of the foregoing, [***] will not (i) engage in any practice, take any action, or enter into any transaction or agreement of the sort described in Section 7.9 of Exhibit B, and (ii) fail to comply in all material respects with all Applicable Laws.

(b) [***] will use all commercially reasonable efforts to keep the business and properties of [***] in all material respects in the state as of the date hereof, including its present operations, physical facilities, working conditions, and relationships with lessors, licensors, suppliers, customers, and employees.

8.2. ACCESS TO INFORMATION

[***] will permit PDI and representatives of PDI to have access at all reasonable times, and in a manner so as not to interfere with the normal business operations of [***], to all premises, properties, personnel, books, records (including Tax and Tax related records), contracts, and documents of or pertaining to [***]. All information received by PDI and representatives of PDI in the course of the reviews contemplated by this Section 8.2 and which is “Confidential Information”, as that term is defined in the Confidentiality Agreement, shall be subject to the terms of the Confidentiality Agreement.

8.3. NOTICE OF DEVELOPMENTS

[***] will give written notice to PDI, as promptly as reasonably possible upon becoming aware of: (i) any fact, change, condition, circumstance, event, occurrence or non-occurrence or development that has caused or is reasonably likely to cause any of the representations and warranties in this Agreement to be untrue or inaccurate in any material respect at any time after the Effective Date and prior to the Closing, or to cause a Material Adverse Change (ii) any material failure on its part to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder, or (iii) the institution of or the threat of institution of any Legal Proceeding against [***] or any of the [***] Shareholders related to this Agreement or the transactions contemplated hereby; provided that the delivery of any notice pursuant to this Section 8.3 shall not limit or otherwise affect the Option Conditions, the remedies available hereunder to PDI or the representations or warranties of [***].

8.4. REPORTING

[***] shall provide semiannually to PDI copies of its regularly prepared financial statements and summaries of all material decisions and undertakings made by [***] management during the preceding semiannual period.

8.5. LEGAL PROCEEDINGS

In the event any Legal Proceeding described in Section 3.3(e) above is commenced by any Governmental Body or third party, [***] agrees, at PDI’s written request, to cooperate with PDI and use

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all commercially reasonable efforts to defend such Legal Proceeding and, if an Order is issued in any such Legal Proceeding, to use all commercially reasonable efforts to have such Order lifted.

8.6. EXCLUSIVITY

(a) During the term of this Agreement, [***] will not, and will not permit any of the Affiliates, shareholders, directors, officers, employees, representatives or agents of [***] (collectively the “**Representatives**”), to directly or indirectly (i) solicit, initiate, facilitate or encourage discussions, negotiations or submissions of any proposal or offer from any Person with respect to the acquisition of any capital stock or other equity interests of [***], or any substantial portion of the assets of [***] (including any acquisition structured as a merger, consolidation, or share exchange) (an “**Alternative Transaction**”) or (ii) participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, authorize, recommend, propose to enter into or facilitate or assist in any other manner any effort or attempt by any Person to do or seek any of the foregoing or (iii) enter into any Alternative Transaction.

(b) During the term of this Agreement, [***] shall notify PDI orally and in writing promptly (but in no event later than 24 hours) after receipt by [***] or any of the Representatives of any proposal or offer from any Person other than PDI to effect an Alternative Transaction or any request for non-public information relating to [***] or for access to the properties, books or records of [***] by any Person other than PDI.

(c) [***] shall (and shall cause its Representatives to) immediately cease and cause to be terminated any existing discussions or negotiations with any Persons (other than PDI) conducted heretofore with respect to any Alternative Transaction. [***] agrees not to release any third party from the confidentiality and standstill provisions of any agreement to which [***] is a party.

8.7. RESTRICTIVE LEGEND

Within five (5) Business Days after the Effective Date, [***] shall cause the following restrictive legend to be endorsed on each certificate representing the Shares:

“The shares of stock represented by this certificate are subject to restrictions on transfer, as contained in a Collaboration Agreement dated August 19, 2013, as the same may be amended from time to time.”

8.8. [*] MASTER SERVICES AGREEMENT**

[***] shall, within ninety (90) days following the Effective Date, execute an agreement with [***] (“[***]”)[***] (the “[***]”), which deletes in its entirety Section 14 of the [***] and otherwise eliminates any and all exclusivity rights of [***] under the [***]. The deadline established by the preceding sentence may be extended by [***] if delays are caused by [***], so long as [***] continues to use commercially reasonable efforts to effectuate the amendment as soon as reasonably possible and keeps PDI reasonably informed of the status of the negotiations, and the amendment in any event is executed before the Closing Date. [***] shall not otherwise amend or terminate the [***], without the prior written consent of PDI. [***] shall deliver a copy of all such amendment to PDI within five (5) Business Days after same has been executed.

8.9. [*] AGREEMENT**

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[***] shall, within ninety (90) days following the Effective Date, terminate that certain engagement letter between [***] and [***] (the “[***]”), in accordance with its terms.

8.10. [*] CONSULTING AGREEMENT**

[***] shall, prior to Closing, terminate any and all oral agreements between [***] and [***] such that [***] has no further liabilities or obligations to [***] under such oral agreements.

8.11. FINANCIAL INFORMATION AND TAXES

(a) [***] shall, within forty-five (45) days following the Effective Date, deliver to PDI the following financial statements for [***] (collectively the “**Financial Statements**”): (i) unaudited balance sheet, statement of income, and statement of cash flow, as of and for the fiscal year ended December 31, 2012; and (ii) unaudited balance sheet, statement of income, and statement of cash flow (the “**Most Recent Financial Statements**”) as of and for the 7 months ended July 31, 2013. [***] covenants and agrees that each of the Financial Statements will be complete and correct in all material respects, will be prepared on a consistent basis throughout the periods covered thereby and will present fairly the financial condition of [***] as of such dates and the results of operations of [***] for such periods; provided, however, the Most Recent Financial Statements will be subject to normal year-end adjustments. [***] covenants and agrees that the liabilities reflected on the balance sheets included within the Financial Statements shall not be materially greater than the liabilities reflected on the corresponding statements of liabilities referred to in Section 7.8 of Exhibit B.

(b) [***] shall, within forty-five (45) days following the Effective Date, file all Tax Returns (as such term is defined in Exhibit B) for 2012 and shall pay all Taxes (as such term is defined in Exhibit B) payable by [***] for 2012. [***] shall deliver a copy of all such Tax Returns to PDI within five (5) Business Days after same have been filed.

Article 9

REMEDIES FOR BREACHES OF THIS AGREEMENT

9.1. SURVIVAL OF REPRESENTATIONS AND WARRANTIES

The representations and warranties in this Agreement and in any certificate delivered pursuant hereto shall survive the Effective Date and terminate at the close of business on the Closing; provided, however, that if the Closing does not occur, such representations and warranties shall survive the Effective Date and terminate (a) at the close of business on the date one year following the termination or expiration of this Agreement, or (b) in the case of the representations and warranties of [***] contained in Sections 7.1 through 7.4(a) (inclusive), 7.5, 7.7, 7.12 and 7.21 of Exhibit B and of PDI contained in Sections 6.1(a)-(c)(i) (inclusive) and 6.1(d)-(g) (inclusive), until 60 days after the expiration of the applicable underlying statute of limitations; provided, however, that any obligations under Section 9.2 or 9.3 shall not terminate with respect to any Losses and Expenses as to which the Person to be indemnified shall have given notice (stating in reasonable detail the basis of the claim for indemnification) to the indemnifying party in accordance with Section 9.4(a) before the termination of the applicable period for survival of the representation and warranty pursuant to this Section 9.1.

9.2. INDEMNIFICATION OF PDI

[***] shall defend and indemnify PDI, its Affiliates and each of their officers, directors, employees, stockholders, agents and representatives (collectively, the “**PDI Indemnitees**”) against and

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hold them harmless from any Losses and Expenses suffered or incurred by any such PDI Indemnitee arising from, relating to or otherwise:

(a) based upon, attributable to or resulting from the failure of any representation or warranty made by [***] in this Agreement or in any [***] Document to be true and correct in all respects as of the date hereof and at and as of the Closing Date;

(b) based upon, attributable to or resulting from any breach of any covenant or other agreement of [***] under this Agreement or any [***] Document; and

(c) based upon, attributable to or resulting from any and all amounts now or hereafter payable by [***] under the [***] Agreement.

9.3. INDEMNIFICATION OF [*]**

PDI shall defend and indemnify [***] and its Affiliates, agents, attorneys, representatives, successors and permitted assigns (collectively, the “[***] Indemnitees”) against and hold them harmless from any Losses and Expenses suffered or incurred by any such [***] Indemnitee arising from, relating to or otherwise:

(a) based upon, attributable to or resulting from the failure of any representation or warranty made by PDI in this Agreement or in any PDI Document, as the case may be, to be true and correct in all respects as of the date hereof and at and as of the Closing Date; and

(b) based upon, attributable to or resulting from any breach of any covenant or other agreement of PDI under this Agreement or any PDI Document.

9.4. LIMITATIONS OF INDEMNIFICATION FOR BREACHES OF REPRESENTATIONS AND WARRANTIES

(a) No Indemnitor shall have any liability under Sections 9.2(a) or 9.3(a) unless the aggregate of all Losses and Expenses relating thereto for which such Indemnitor would, but for this proviso, be liable to indemnify all Indemnified Parties exceeds on a cumulative basis Fifty Thousand Dollars (\$50,000) (the “**Indemnification Threshold**”), and then only to the extent the aggregate amount of such Losses and Expenses exceed the Indemnification Threshold.

(b) The aggregate amount of all Losses and Expenses for which any Indemnitor shall be liable pursuant to Sections 9.2(a) or 9.3(a), other than Third Party Claims, shall not exceed in the aggregate the sum of (i) One Million Five Hundred Thousand Dollars (\$1,500,000), plus (ii) the PDI Commercialization Expenditures, plus (iii) the Extension Fee if paid pursuant to Section 10.2(c); provided, however, that the limitation on [***]’s liability set forth in this Section 9.4(b) shall be reduced by the amount of any termination fee actually paid by [***] under the applicable promissory note pursuant to Section 10.2.

(c) The limitations on indemnification set forth in Sections 9.4(a) and 9.4(b) shall not apply to Losses and Expenses related to the failure to be true and correct of any of the representations and warranties contained in Sections 6.1(a)-(c)(i) (inclusive) and 6.1(d)-(g) (inclusive) and Sections 7.1 through 7.4(a) (inclusive), 7.5, 7.7, 7.12 and 7.21 of Exhibit B.

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(d) In the event a Party is entitled to recover the same Losses under more than one provision of this Agreement, such Party shall only be permitted to recover such Losses one time, and without duplication.

(e) Notwithstanding the foregoing, this Section 9.4 shall not (i) limit the rights of the Parties to seek equitable remedies (including specific performance or injunctive relief) or (ii) apply in respect of any claim of fraud, including any tort claim or cause of action based upon, arising out of or related to any intentional misrepresentation made in or in connection with this Agreement or as an inducement to enter into this Agreement.

(f) Subject to Section 9.4(d), the Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims on the part of any other Party hereto in connection with the transactions contemplated by this Agreement for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Article 9.

9.5. NOTICE OF CLAIM

(a) Any Party seeking indemnification hereunder (the “**Indemnified Party**”) shall give to the Party obligated to provide indemnification to such Indemnified Party (the “**Indemnitor**”) a notice (a “**Claim Notice**”) describing in reasonable detail the facts giving rise to any claim for indemnification hereunder and shall include in such Claim Notice a reference to the provision of this Agreement, [***] Document or PDI Document upon which such claim is based; provided, that a Claim Notice in respect of any Legal Proceeding by or against a third Person as to which indemnification will be sought shall be given, promptly after the action or suit is commenced; and provided, further, that failure to give such notice shall not relieve the Indemnitor of its obligations hereunder except to the extent it shall have been actually prejudiced by such failure.

(b) After the giving of any Claim Notice pursuant hereto, the amount of indemnification to which an Indemnified Party shall be entitled under this Article 9 shall be determined: (i) by the written agreement between the Indemnified Party and the Indemnitor; (ii) by a final judgment or decree of any Governmental Body of competent jurisdiction; or (iii) by any other means to which the Indemnified Party and the Indemnitor shall agree. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined. Following such determination of the amount of indemnification, the Indemnified Party shall forward to the Indemnitor written notice of any sums due and owing by the Indemnitor and the Indemnitor shall pay all of such sums so due and owing within 5 Business Days by wire transfer of immediately available funds.

9.6. THIRD PERSON OR GOVERNMENTAL BODY CLAIMS

(a) The Indemnitor shall have the right to conduct and control, through counsel of its choosing, who is reasonably satisfied to the Indemnified Party, the defense, compromise or settlement of any third Person or Governmental Body claim, action or suit (a “**Third Party Claim**”) against any Indemnified Party as to which indemnification will be sought by such Indemnified Party from such Indemnitor hereunder. If the Indemnitor acknowledges its obligation and elects to defend against, compromise, or, settle any Third Party Claim which relates to any Losses indemnified by it hereunder, it shall within five (5) days of the Indemnified Party’s claim notice with respect to such Third Party Claim in accordance with Section 9.5(a) (or sooner, if the nature of the Third Party Claim so requires) notify the Indemnified Party of its intent to do so; provided, that the Indemnitor must conduct the defense of the

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Third Party Claim actively and diligently thereafter in order to preserve its rights in this regard. If the Indemnitor elects not to defend against, negotiate, settle or otherwise deal with any Third Party Claim which relates to any Losses indemnified against hereunder or fails to notify the Indemnified Party of its election as herein provided, the Indemnified Party may defend against, negotiate, settle or otherwise deal with such Third Party Claim. If the Indemnified Party defends any Third Party Claim, then the Indemnitor shall promptly reimburse the Indemnified Party, for reasonable attorneys' fees and other expenses of defending such Third Party Claim upon submission of periodic bills. The Parties shall, in connection with any Third Party Claim the Indemnitor has elected to defend against, compromise or settle, furnish such records, information as may be reasonably requested by the in connection therewith. The Indemnified Party may participate, through counsel chosen by it and at its own expense, in the defense of any Third Party Claim as to which the Indemnitor has so elected to conduct and control the defense compromise or settlement thereof; provided, however, that such Indemnified Party shall be entitled to participate in any such defense with separate counsel at the expense of the Indemnitor, and all reasonable attorneys' fees and costs of defense incurred in the defense thereof will be paid promptly, if (i) so requested by the Indemnitor to participate or (ii) in the reasonable opinion of counsel to the Indemnified Party, a conflict or potential conflict exists between the Indemnified Party and the Indemnitor that would make such separate representation advisable; and provided, further, that the Indemnitor shall not be required to pay for more than one such counsel for all Indemnified Parties in connection with any Third Party Claim. Notwithstanding anything in this Section 9.6 to the contrary, neither the Indemnitor nor the Indemnified Party shall, without the written consent of the other party, settle or compromise any Third Party Claim or permit a default or consent to entry of any judgment unless the claimant or claimants and such party provide to such other party an unqualified release from all liability in respect of the Third Party Claim.

(b) Notwithstanding the provisions of Section 9.6(a), in the event of any claim for injunctive or other equitable relief against PDI that would if successful reasonably be expected to have a material and continuing effect on [***], and for which PDI would be entitled to indemnification, PDI may assume the defense of such claim at the cost and expense of [***].

9.7. CALCULATION OF LOSSES

Notwithstanding anything to the contrary set forth herein, solely for purposes of Section 9.2 in determining the amount of any Losses and Expenses suffered or incurred by any PDI Indemnitee related to a breach of any representation or warranty of [***], but not whether there has occurred any such breach, the representations and warranties set forth in this Agreement shall be considered without regard to any "material," "Material Adverse Change" or similar qualifications set forth therein.

Article 10

TERM AND TERMINATION

10.1 TERM OF AGREEMENT

This Agreement shall commence on the Effective Date and continue until the earlier of the Closing Date or a termination in accordance with Section 10.2 below.

10.2. TERMINATION OF AGREEMENT

This Agreement may be terminated as provided below:

(a) PDI shall have the right to terminate this Agreement, at any time after the Anniversary Date, upon thirty (30) days' prior written notice to [***], in the event that Commercialization is not

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achieved on or before the Anniversary Date, or in the event PDI determines, in good faith, that Commercialization cannot be reasonably achieved within the Anniversary Date. In the event of such termination, [***] shall be obligated to pay PDI the sum of One Million Dollars (\$1,000,000) pursuant to a promissory note in the form attached hereto as Exhibit C (the “**Promissory Note**”); provided, however, the principal amount of the Promissory Note shall be increased by the amount of any Extension Fee paid pursuant to Section 10.2(c). The Promissory Note shall bear interest at five percent (5%) per annum. Subject to the provisions below, the Promissory Note shall be a five (5) year note, with no payment of principal or interest due during the first twenty-four (24) months, and the cumulative balance payable in thirty-six (36) consecutive, equal monthly installments of principal and interest, commencing on the first day of the twenty-fifth (25th) full calendar month following the date of the termination notice. The Promissory Note will be subject to acceleration as set forth therein, including in the event of the receipt by [***] of \$7,500,000 in funding on a cumulative basis (whether in the form of equity capital or other indebtedness convertible into equity capital), and can be prepaid at any time, in whole or in part, without penalty or premium. In addition, in the event of the receipt by [***] of \$5,000,000 in funding on a cumulative basis (whether in the form of equity capital or other indebtedness convertible into equity capital) during the first twenty-four months, payment of the Promissory Note in consecutive, equal monthly installments of principal and interest will commence on the first day of the next calendar month following the date of such funding, with the monthly payment computed so that the Promissory Note will be fully amortized and paid in sixty (60) months after its initial issuance.

(b) [***] shall have the right to terminate this Agreement, at any time prior to the exercise of the PDI Call Option, upon thirty (30) days’ prior written notice to PDI, in the event that Commercialization is achieved and PDI neither has exercised the PDI Call Option nor elects to so exercise before the expiration of such 30-day termination notice period. In the event of such termination, [***] shall be obligated to pay PDI the sum of (i) One Million Five Hundred Thousand Dollars (\$1,500,000), plus (ii) the PDI Commercialization Expenditures, plus (iii) any Extension Fee paid pursuant to Section 10.2(c), the aggregate of such amounts to be paid pursuant to a promissory note identical to the Promissory Note except that the principal amount shall be the amount stated in this paragraph.

(c) [***] shall have the right to terminate this Agreement, at any time prior to the exercise of the PDI Call Option, upon thirty (30) days’ prior written notice to PDI, in the event that Commercialization is not achieved within twelve months after the Effective Date, and PDI neither has exercised the PDI Call Option nor elects to so exercise before the expiration of such 30-day termination notice period. In the event of such termination, [***] shall be obligated to pay PDI the sum of One Million Dollars (\$1,000,000) pursuant to a promissory note identical to the Promissory Note required by Section 10.2(a). PDI shall have the right to extend for six (6) months the effective date of termination under this Section 10.2(c) by making a payment to [***] of Five Hundred Thousand Dollars (\$500,000) (the “**Extension Fee**”) before the expiration of such 30-day termination notice period. If the Extension Fee is paid, and if thereafter a Closing occurs, then the Extension Fee shall be deemed a prepayment of Milestone Payments, and the amount due at Closing for Milestone Payments shall be reduced by the amount of the Extension Fee. In the event there is no Closing and termination occurs after payment of the Extension Fee, the amount of the promissory note required by this Section 10.2(c) shall be increased to One Million Five Hundred Thousand Dollars (\$1,500,000). Payment of the Extension Fee, and the resulting extension of the effective date of termination, shall not prevent PDI from exercising its rights to terminate under Section 10.2(a) during such extended termination period.

(d) PDI and [***] shall have the right to terminate this Agreement by mutual written consent at any time;

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(e) PDI shall have the right to terminate this Agreement upon sixty (60) days' prior written notice to [***] in the event of a material breach by [***] of any of its representations, warranties or covenants contained in this Agreement. Upon the expiration of such notice period, this Agreement shall terminate without the need for further action by either Party; provided, however, that if the breach upon which such notice of termination is based shall have been cured by [***] within such sixty (60) day period, to the reasonable satisfaction of PDI, then such notice of termination shall be deemed rescinded, and this Agreement shall continue in full force and effect.

(f) [***] may terminate this Agreement upon sixty (60) days' prior written notice to PDI in the event of a material breach by PDI of any of its representations, warranties or covenants contained in this Agreement. Upon the expiration of such notice period, this Agreement shall terminate without the need for further action by either party; provided, however, that if the breach upon which such notice of termination is based shall have been cured within such sixty (60) day period, to the reasonable satisfaction of [***], then such notice of termination shall be deemed rescinded, and this Agreement shall continue in full force and effect.

(g) On the date that is the second anniversary date of the Effective Date, this Agreement, if not previously terminated in accordance with its terms, shall automatically terminate if, prior to such date, PDI has not exercised the PDI Call Option and [***] has not exercised the [***] Put Option.

(h) Except as expressly provided otherwise in Section 9.4(b), and subject to Section 9.4(d), no termination in accordance with this Section 10.2 (or payment of any promissory note required by Section 10.2(a) or 10.2(b)) shall limit any rights to indemnification pursuant to Article 9.

10.3. SURVIVAL

The provisions of Article 9, Article 10 and Article 11 shall survive the termination or expiration of this Agreement; provided, however, that in the event of a Closing of the Acquisition, only the provisions of Article 5 and Article 11 shall survive termination or expiration of this Agreement, each in accordance with its terms.

Article 11 MISCELLANEOUS

11.1 PRESS RELEASES AND PUBLIC ANNOUNCEMENTS

No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of PDI and [***]; provided, however, that any Party may make any public disclosure it believes in good faith is required by Applicable Law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use all commercially reasonable efforts to advise the other Parties prior to making the disclosure).

11.2. NO THIRD PARTY BENEFICIARIES

Except as specifically provided in Section 11.4, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

11.3. ENTIRE AGREEMENT

This Agreement (including the documents referred to herein), the [***] Documents, the PDI Documents and the Confidentiality Agreement constitute the entire understanding and agreement among

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Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, or ordinary mail, but not electronic mail or messaging), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

11.7. GOVERNING LAW

This Agreement, and all claims or causes of action that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or covenant made in or in connection with this Agreement or as an inducement to enter into this Agreement), shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to contracts made and performed in such State without giving effect to any choice or conflict of law provision or rule (whether of the State of New Jersey or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New Jersey.

11.8. SUBMISSION TO JURISDICTION; CONSENT TO SERVICE OF PROCESS

(a) The Parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of any federal or state court located within the State of New Jersey over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby and each Party hereby irrevocably agrees that all claims in respect of such dispute or any suit, action proceeding related thereto may be heard and determined in such courts. The Parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the Parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the Parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by delivery of a copy thereof in accordance with the provisions of Section 11.8.

(c) THE PARTIES TO THIS AGREEMENT EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. THE PARTIES TO THIS AGREEMENT EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

11.9. AMENDMENTS AND WAIVERS

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No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties hereto. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. No action taken pursuant to this Agreement, including any investigation by or on behalf of any Party, shall be deemed to constitute a waiver by the Party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. No failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

11.10 SEVERABILITY

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

11.11. EXPENSES Each Party will bear its and their own costs and expenses (including legal fees and expenses) incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and each other agreement, document and instrument contemplated by this Agreement.

11.12. [*]**

(a) The Parties acknowledge and agree that certain rights granted to [***] pursuant to a certain Amended and Restated License Agreement between [***] [***] (the “[***]”), have potential value that is not readily ascertainable as of the Effective Date. Accordingly, the Parties agree that any actions taken by [***] or PDI after the Effective Date to monetize such rights under the [***] License (including, without limitation, commercialization efforts, the initiation of any Legal Proceeding and any favorable resolution of such Legal Proceeding, or the transfer, assignment, sale, licensing or sub-licensing of such rights) shall be for the mutual benefit of PDI and the [***] Shareholders. Accordingly, the Parties agree that any and all proceeds generated by such monetization efforts under the [***] License shall be used first to reimburse any actual, out-of-pocket expenses paid by PDI, [***] and/or [***] in furtherance of such monetization efforts (including any payments made to [***] License) (all such amounts to be reimbursed pro rata based on the total amount of expenses paid by each) until such time as all costs and expenses incurred by PDI, [***] [***] in connection with such monetization efforts have been paid in full, and any remaining profits shall be split [***] (in his capacity as a representative of the [***] Shareholders for further distribution to the [***] Shareholders). For purposes of the preceding sentence, “proceeds” generated by such monetization efforts shall not include increased sales of Licensed Products resulting from the [***] License, such as, for example, limiting sales of products that would otherwise compete with Licensed Products.

(b) Without the prior written consent of [***], neither PDI nor its Affiliates shall transfer, assign, sell, license or sub-license any rights under the [***] License, except (i) to an organization that PDI reasonably believes is capable of long-term performance of PDI’s obligations under this Section 11.12 and (ii) in such a way that requires any such transferee, assignee, purchaser, licensee or sub-licensee to assume, for the benefit of the [***] Shareholders, obligations equivalent to those imposed on PDI under this Section 11.12 (and subject to the same terms and other limitations herein); provided,

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

however, that notwithstanding such transfer, assignment, sale, license or sub-license of any rights under the [***] License, PDI's obligations hereunder shall continue with respect to and to the extent of any rights under the [***] License retained by PDI; provided further that in no event shall any such transfer, assignment, sale, license or sub-license be done for the purpose of adversely affecting the economic benefits to which the [***] Shareholders would otherwise be entitled under this Section 11.12.

[signature page follows]

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

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed the day and year first above written.

[***]

PDI, INC.

By: _____

By: _____

Print Name: _____

Print Name _____

Title: _____

Title _____

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

Shareholder Joinder

Each of the undersigned hereby joins in the foregoing Agreement for the limited purposes as set forth in this Shareholder Joinder. Each of the undersigned represents and warrants that he or she owns the number of shares of common stock of [***] (“Shares”) specified on Attachment 1 to this Shareholder Joinder, and that such Shares are free and clear of any liens or encumbrances, restrictions on transfer, legal requirements or proceedings, or prior agreements or commitments would that limit the ability of such undersigned to sign this Shareholder Joinder or sell such Shares to PDI, or require such undersigned to give notice to or obtain consent from any third party in connection with the Agreement or such sale. Based on the undersigned’s independent investigation, which has included the opportunity to engage in due diligence and review publicly available information regarding PDI, each of the undersigned expects to benefit from the Agreement. In order to induce PDI to enter into the Agreement, each of the undersigned hereby consents to the Agreement, agrees not to transfer or encumber any of his or her Shares except as may be consented to in writing by PDI, confirms his or her consent to the PDI Call Option and the [***] Put Option, including all provisions in the Agreement and Exhibit A of the Agreement relating thereto, agrees to be bound by such provisions as if he or she were each individually a party to the Agreement, and consents to the specific enforcement of such provisions against himself or herself. Each of the undersigned further agrees to be bound by the exclusivity provision in Section 8.6 of the Agreement. Each of the undersigned confirms that he or she has no claim or dispute with [***] or any shareholder, director or officer of [***] relating in any way to [***] or its business or operations.

By signing this Shareholder Joinder, each of the undersigned acknowledges and confirms that (1) all agreements, oral or written, between such undersigned and [***] have terminated, either by their terms or by agreement of the parties thereto, except to the extent any obligations of such undersigned under any such agreements by their terms survive termination of the agreement, (2) such undersigned’s interest in his or her Shares is fully vested as of the Effective Date and (3) other than such undersigned’s ownership of Shares as specified on Attachment 1 hereto, such undersigned has no right to or interest in any equity securities, including options to acquire any equity securities, of [***].

This Shareholder Joinder is binding on each of the undersigned, and PDI may rely on the representations and agreements of each such undersigned in connection with its decision to enter into the Agreement.

Each of the undersigned agree and acknowledge that their respective counsel have reviewed, or have had the opportunity to review, this Shareholder Joinder and the terms herein.

IN WITNESS WHEREOF, the undersigned hereto have executed this Shareholder Joinder as of the Effective Date of the Agreement.

_____	_____
[***]	[***]
_____	_____
[***]	[***]

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

Attachment 1

List of Stockholders

<u>Name of Stockholder</u>	<u>Number of Shares Owned</u>	<u>Percentage Ownership</u>
[***]	1,864,300	90.5%
[***]	103,000	5.0%
[***]	61,800	3.0%
[***]	30,900	1.5%
<u>Total:</u>	2,060,000	100%

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

**EXHIBIT A
STOCK PURCHASE AGREEMENT**

[Exhibit A to Collaboration Agreement]

STOCK PURCHASE AGREEMENT

Dated as of _____, _____

By and Among

[PDI, INC.], Buyer

And the Shareholders of

[*], Sellers**

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

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STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT, dated as of _____, ____ by and among [**PDI, INC.**, a Delaware corporation] (the “**Buyer**”) and the individuals identified on the signature page hereto (collectively, the “**Sellers**”).

WHEREAS, Sellers own 100% of the issued and outstanding shares (the “**Shares**”) of [***], a Delaware corporation (the “**Company**”); and

WHEREAS, Sellers desire to sell to the Buyer, and the Buyer desires to purchase from Sellers, all of each Sellers’ respective Shares, upon the terms and subject to the conditions set forth in this Agreement, so that the Buyer will become the owner of all of the issued and outstanding Shares of the Company.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereinafter set forth, the Buyer and the Sellers hereby agree as follows:

Article 1 DEFINITIONS

1.1 DEFINITIONS

In this Agreement, the following terms have the meanings specified or referred to in this Section 1.1 and shall be equally applicable to both the singular and plural forms. Any agreement referred to below shall mean such agreement as amended, supplemented and modified from time to time to the extent permitted by the applicable provisions thereof and by this Agreement.

“**Affiliate**” means, with respect to any Person, any other Person that directly or indirectly controls, is controlled by or is under common control with such Person. The term “control” (including its correlative meanings “controlled by” and “under common control with”) means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise).

“**Agreement**” means this Stock Purchase Agreement, including all exhibits hereto, as it may be amended from time to time.

“**Applicable Law**” means any United States or foreign statute, law (including the common law), ordinance, rule, code, or regulation that applies in whole or in part to, as the case may be, the Company, the Buyer or Sellers or any of their respective businesses, properties or assets. Any reference to any federal, provincial, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

“**Business Day**” means any day of the year on which national banking institutions in New Jersey are open to the public for conducting business and are not required or authorized to close.

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

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

“Buyer Documents” has the meaning set forth in Section 3.2(b).

“Buyer Indemnitees” has the meaning set forth in Section 7.2.

“Claim Notice” has the meaning set forth in Section 7.5(a).

“Closing” has the meaning set forth in Section 2.3.

“Closing Consideration” has the meaning set forth in Section 2.2(a).

“Closing Date” has the meaning set forth in Section 2.3.

“Code” means the United States Internal Revenue Code of 1986, as amended.

“Collaboration Agreement” means that certain Collaboration Agreement between PDI, Inc. and the Company, dated August __, 2013, to which this Agreement is Exhibit A.

“Company” has the meaning set forth in the second paragraph of this Agreement.

“Company Documents” has the meaning set forth in Section 4.2.

“Company GAAP Liabilities” means, without duplication, all liabilities of the Company as of the Closing Date (i) for indebtedness or (ii) that would have been disclosed on a balance sheet of the Company prepared according to GAAP as of the Closing Date, including without limitation accounts payable, accrued but unpaid expenses, and other liabilities.

“Confidential Information” has the meaning set forth in Section 1 of the Confidential Disclosure Agreement dated May 7, 2013 between Buyer and the Company, as applicable to information relating to the businesses and affairs of the Company.

“Expenses” means all reasonable out-of-pocket expenses incurred in connection with defending any claim, action, suit or proceeding incident to any matter indemnified hereunder (including court filing fees, court costs, arbitration or mediation fees or costs, and reasonable fees and disbursements of legal counsel).

“FIRPTA Certificate” means a statement complying with the relevant provisions of the Treasury Regulations under Code Section 1445 certifying as to a Seller’s non-foreign status.

“Fundamental Representations” means the representations Sections 7.1 through 7.5 (inclusive), 7.7, 7.12, and 7.21 of Exhibit B to the Collaboration Agreement.

“GAAP” means United States generally accepted accounting principles as in effect from time to time.

“Governmental Body” means any United States or foreign government, whether federal, state, municipal or local, or other governmental, legislative, executive or judicial authority, commission or regulatory body.

“[***]” means [***], an individual and the principal stockholder of the Company.

“**Indebtedness**” of any Person means, without duplication, (i) the principal, accreted value, accrued and unpaid interest, prepayment and redemption premiums or penalties (if any), unpaid fees or expenses and other monetary obligations in respect of (A) indebtedness of such Person for money borrowed and (B) indebtedness evidenced by notes, debentures, bonds or other similar instruments for the payment of which such Person is responsible or liable; (ii) all obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations of such Person and all obligations of such Person under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the Ordinary Course (other than the current liability portion of any indebtedness for borrowed money)); (iii) all obligations of such Person under leases required to be capitalized in accordance with GAAP; (iv) all obligations of such Person for the reimbursement of any obligor on any letter of credit, banker’s acceptance or similar credit transaction; (v) all obligations of such Person under interest rate or currency swap transactions (valued at the termination value thereof); (vi) the liquidation value, accrued and unpaid dividends, prepayment or redemption premiums and penalties (if any), unpaid fees or expenses and other monetary obligations in respect of any redeemable preferred stock of such Person; (vii) all obligations of any other Persons of the type referred to in clauses (i) through (vi), the payment of which such Person is responsible or liable, directly or indirectly, as obligor, guarantor, surety or otherwise, including guarantees of such obligations; and (viii) all obligations of the type referred to in clauses (i) through (vii) of other Persons secured by (or for which the holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Security Interest on any property or asset of such Person (whether or not such obligation is assumed by such Person).

“**Indemnification Threshold**” has the meaning set forth in Section 7.4(a).

“**Indemnified Party**” has the meaning set forth in Section 7.5(a).

“**Indemnitor**” has the meaning set forth in Section 7.5(a).

“**IRS**” means the Internal Revenue Service.

“**Legal Proceeding**” means any action, suit, proceeding, hearing, mediation, claim (including any counterclaim), notice or other assertion of legal liability or investigation of, in, or before any Governmental Body or before any arbitrator.

“**Litigating Party**” has the meaning set forth in Section 5.2.

“**Losses**” means any and all losses, costs, obligations, liabilities, settlement payments, awards, judgments, fines, penalties, damages (including incidental damages, but excluding indirect, consequential, exemplary and punitive damages except to the extent such damages are payable to a third party), reasonable expenses, deficiencies, debts, adverse claims or other charges (whether in contract, tort, strict liability or otherwise).

“**Material Adverse Change**” means any change, effect, event, occurrence or state of facts that is materially adverse to (a) the business, properties, assets, financial condition, prospects or results of operations of the Company, taken as a whole or (b) the ability of the

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

Company to perform its obligations under this Agreement or to consummate the transactions contemplated hereby; provided, however, any adverse change, effect or circumstance resulting from general economic factors affecting the economy as a whole, to the extent that such factors do not have a disproportionate effect on the Company relative to other companies operating in the molecular diagnostics industry, that materially impair the Company's ability to conduct its operations shall not be deemed in themselves, either alone or in combination, to constitute, and shall not be taken into account in determining whether there has been, a Material Adverse Change.

“Net Milestone Payments” means the aggregate amount of the Milestone Payments (as defined in the Collaboration Agreement) payable to the Sellers pursuant to Article 4 of the Collaboration Agreement (net of any reduction required by Section 4.5 of the Collaboration Agreement or any Extension Fee paid pursuant to Section 10.2(c) of the Collaboration Agreement), which amount is equal to \$[_____].

“Ordinary Course” means any transaction relating to the Company which constitutes an ordinary day-to-day business activity of the Company reasonably consistent with past practice of the Company.

“Organic Documents” means, with respect to a corporation, such corporation's charter or certificate of incorporation and by-laws, or, with respect to a general or limited partnership, such partnership's general or limited partnership agreement, or, with respect to a limited liability company, such limited liability company's certificate of formation and operating agreement.

“Parties” means the Buyer and the Sellers, collectively, and **“Party”** means any one of them.

“Person” means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization or other entity.

“Post-Closing Tax Period” means any taxable period beginning after the Closing Date and the portion of any Straddle Period ending after the Closing Date.

“Pre-Closing Tax Period” means any taxable period ending on or before the Closing Date and the portion of any Straddle Period ending on the Closing Date.

“Restricted Business” means any business or other enterprise involved in the development or commercialization of any products, services or technology for, or related to, diagnosis of [***] or diagnosis of [***].

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

“Security Interest” means any mortgage, pledge, lien, deed of trust, claim, lease, option, right of first refusal, easement, servitude, proxy, voting trust or agreement, transfer restriction under any shareholder or similar agreement, encumbrance, charge, or other security interest, restriction or limitation.

“Seller Documents” has the meaning set forth in Section 3.1(a).

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

“**Seller Indemnitees**” has the meaning set forth in Section 7.3.

“**Seller Representative**” has the meaning set forth in Section 8.1.

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

“**Shares**” has the meaning set forth in the recitals of this Agreement.

“**Straddle Period**” has the meaning set forth in Section 5.5(c)(i).

“**Tax**” means (i) any federal, state, local or foreign net income, alternative or add-on minimum, gross income, gross receipts, property, sales, franchise, use, value added, transfer, gains, capital gains, license, excise, employment, payroll, withholding, capital, ad valorem, profits, inventory, capital stock, social security, unemployment, severance, stamp, occupation, estimated or minimum tax, or any other tax, custom duty, governmental fee or other like assessment or charge of any kind whatsoever, (ii) any interest, penalty, fine, addition to tax or additional amount imposed by any Governmental Body in connection with any item described in clause (i) and (iii) any liability in respect of any item described in clause (i) or (ii) payable by reason of contract, assumption, transferee liability, operation of law, Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision under law) or otherwise.

“**Tax Claim**” has the meaning set forth in Section 5.5(f).

“**Tax Return**” means any return, report or similar statement required to be filed with respect to any Taxes (including any attached schedules), including any information return, claim for refund, amended return and declaration of estimated Tax.

“**Taxing Authority**” means the IRS and any other Governmental Body responsible for the administration of any Tax.

“**Third Party Claim**” has the meaning set forth in Section 7.6(a).

“**Total Consideration**” means the sum of (i) One Million Five Hundred Thousand Dollars (\$1,500,000), (ii) the PDI Commercialization Expenditures (as defined in the Collaboration Agreement), (iii) the Closing Consideration and (iv) the Royalty Payments (as defined in the Collaboration Agreement).

“**Treasury Regulations**” means the U.S. Department of Treasury regulations promulgated under the Code, including any successor provisions thereto.

1.2 CONSTRUCTION

The Parties have participated jointly in the negotiation and preparation of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

1.3 HEADINGS

The division of this Agreement into articles, sections, subsections, and exhibits and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The article, section, subsection and exhibit headings in this Agreement are not intended to be full or precise descriptions of the text to which they refer and are not to be considered part of this Agreement.

1.4 NUMBER AND GENDER

In this Agreement, words in the singular include the plural and vice-versa and words in one gender include all genders.

1.5 KNOWLEDGE

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the “Knowledge” of a natural Person, it shall be deemed to refer to knowledge of such Person after due inquiry, and where any representation or warranty contained in this Agreement is expressly qualified by reference to the “Knowledge” of a Person that is not an individual, it shall be deemed to refer to the knowledge after due inquiry of such Person’s directors and executive officers (including, in the case of the Company, [***]) and all other officers and managers having responsibility relating to the applicable matter.

1.6 STATUTES

Unless specified otherwise, reference in this Agreement to a statute refers to that statute or to any amended or restated legislation of comparable effect. Reference to any federal, state, local or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

1.7 “INCLUDING”, “HEREIN” AND REFERENCES

The word “including” means “including without limitation” and shall not be construed to limit any general statement which it follows to the specific or similar items or matters immediately following it. All uses of the words “herein”, “hereto”, “hereof”, “hereby” and “hereunder” and similar expressions refer to this Agreement and not to any particular section or portion of it. References to an Article, Section, Subsection or Exhibit refer to the applicable article, section, subsection or exhibit of this Agreement.

Article 2 PURCHASE AND SALE; CLOSING

2.1 PURCHASE AND SALE OF SHARES

Upon the terms and subject to the conditions of this Agreement, on the Closing Date each Seller shall sell, transfer, assign, convey and deliver to Buyer, and Buyer shall purchase from each Seller, all of such Seller’s Shares, free and clear of any and all Security Interests.

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

2.2 PURCHASE PRICE

(a) In consideration for the Shares, at the Closing, the Buyer will pay the following (collectively, the “Closing Consideration”):

(i) to the Sellers an aggregate cash amount equal to (i) the Net Milestone Payments, minus (ii) the aggregate amount of the Company GAAP Liabilities, and minus (iii) the amounts payable under Section 2(a)(ii); and

(ii) to each Person set forth on Exhibit 2.2(a), the amount set forth opposite such Person’s name; provided, however, that in no event shall the amounts payable under this Section 2(a)(ii) exceed an amount equal to the Net Milestone Payments minus the Company GAAP Liabilities.

(b) The Buyer shall pay to [***] in his capacity as Seller Representative for further distribution to the Sellers at the Closing, the Net Milestone Payments, by wire transfer of immediately available funds to the accounts in the United States specified by [***] in writing to the Buyer at least three (3) Business Days prior to the Closing.

(c) In the event any Company GAAP Liabilities are identified within two (2) years after Closing that were not deducted from the Net Milestone Payments as required by Section 2.2(a), Sellers shall reimburse Buyer for each and every such Company GAAP Liability within five (5) Business Days after receiving the Buyer’s written demand therefor. Subject to Section 7.4(d), the foregoing does not limit or modify the indemnification obligations in Article 7.

2.3 CLOSING; CLOSING DATE

The closing of the transactions contemplated by this Agreement (the “**Closing**”) shall take place concurrently with the execution hereof at the offices of [***] at [address] (or at such other place as shall be agreed upon by the parties hereto in writing) at 10:00 a.m. (local time) on the date hereof (the “**Closing Date**”), unless another time or date is agreed to in writing by the Parties hereto.

2.4 DELIVERIES AT THE CLOSING

At the Closing, (i) the Sellers will deliver to the Buyer the various certificates, instruments, and documents referred to in Section 6.1 below, including duly executed instruments of transfer or assignment representing all of his or her Shares, (ii) the Buyer will deliver to the Sellers the various certificates, instruments, and documents referred to in Section 6.2 below, and (iii) the Buyer will deliver to [***] in his capacity as Seller Representative for further distribution to each of the Sellers the amounts required pursuant to Section 2.2(b) above.

2.5 CONDITIONS TO THE SELLERS' OBLIGATIONS AT CLOSING

The obligations of the Sellers to sell the Shares to the Buyer at the Closing are subject to PDI’s full payment of all undisputed invoices, and the Parties’ good faith resolution of all disputed invoices, submitted by [***] to PDI pursuant to Section 2.1(f) of the Collaboration Agreement.

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

Article 3

REPRESENTATIONS AND WARRANTIES CONCERNING THE TRANSACTION

3.1 REPRESENTATIONS AND WARRANTIES OF THE SELLERS

Each of the Sellers represents and warrants to the Buyer that, with respect to himself or herself:

(a) Authorization of Transaction. The Seller has full power and authority to execute and deliver this Agreement and each other agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by the Seller in connection with the transactions contemplated by this Agreement (the “**Seller Documents**”) and to perform his or her obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been, and each of the Seller Documents will be at or prior to the Closing, duly and validly executed and delivered by the Seller and (assuming due authorization, execution and delivery by the Buyer) this Agreement constitutes, and each of the Seller Documents when so executed and delivered will constitute, the valid and legally binding obligation of the Seller, enforceable in accordance with their respective terms and conditions.

(b) Noncontravention.

(i) Except as disclosed in Exhibit 3.1(b), neither the execution and the delivery of this Agreement nor any of the Seller Documents, nor the consummation of the transactions contemplated hereby or thereby, will violate any Applicable Law to which the Seller is subject.

(ii) Except as disclosed in Exhibit 3.1(b), neither the execution and the delivery of this Agreement nor any of the Seller Documents, nor the consummation of the transactions contemplated hereby or thereby, will conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any agreement, contract, lease, license, instrument, or other arrangement to which the Seller is a party or by which he or she is bound or to which any of his or her assets are subject. Except as otherwise disclosed in Exhibit 3.1(b), the Seller does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Person or Governmental Body in connection with the execution and delivery of this Agreement and the Seller Documents or in order for the Parties to consummate the transactions contemplated by this Agreement.

(c) Brokers’ Fees. Except as disclosed in Exhibit 3.1(c), the Seller has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

(d) Ownership. Except as disclosed in Exhibit 3.1(d), (i) the Seller holds of record and owns beneficially his or her Shares, free and clear of any restrictions on transfer (other than any restrictions under the Securities Act, state securities laws and restrictions in favor of Buyer pursuant to the Collaboration Agreement), Security Interests, options, warrants, purchase rights, contracts, commitments, equities, claims, and demands, and holds no other rights to acquire any additional capital stock or other equity interests from the Company, (ii) the Seller is not a party

to any option, warrant, purchase right, or other contract or commitment that could require the Seller to sell, transfer, or otherwise dispose of any capital stock or other equity interests of the Company (other than those in favor of Buyer under this Agreement and the Collaboration Agreement), (iii) the Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any capital stock or other equity interests of the Company and (iv) the Seller has the power and authority to sell, transfer, assign and deliver the Shares, and such delivery will convey to Buyer good and marketable title to such Shares, free and clear of any and all Security Interests.

(e) No Claims or Disputes. No Seller currently has any claim or dispute with any other Seller, the Company or any of the Company's managers or any other Person of any nature relating in any way to the Company, the business and operations of the Company or such Seller's ownership of Shares in the Company, including, but not limited to, disputes concerning wages, taxes and distributions. There is no Legal Proceeding pending, or to the Knowledge of the Seller threatened, against the Seller or to which the Seller is otherwise a party relating to this Agreement or the Seller Documents or the transactions contemplated hereby.

(f) Litigation. There is no Legal Proceeding against Seller or to which Seller is otherwise a party that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. To the Seller's Knowledge, no event has occurred or circumstances exist that does or could result in or serve as a basis for any such Legal Proceeding.

3.2 REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Sellers that:

(a) Organization of the Buyer. The Buyer is a corporation duly formed, validly existing, and in good standing under the laws of Delaware.

(b) Authorization of Transaction. The Buyer has full power and authority to execute and deliver this Agreement and each other agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by the Buyer in connection with the transactions contemplated by this Agreement (the "**Buyer Documents**") and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been, and each of the Buyer Documents will be at or prior to the Closing, duly and validly executed and delivered by the Buyer and (assuming due authorization, execution and delivery by each other Party thereto) this Agreement constitutes, and each of the Buyer Documents when so executed and delivered will constitute, the valid and legally binding obligation of the Buyer, enforceable in accordance with their respective terms and conditions.

(c) Noncontravention.

(i) Neither the execution and the delivery of this Agreement nor any of the Buyer Documents, nor the consummation of the transactions contemplated hereby or thereby, will violate any Applicable Law to which the Buyer is subject or any provision of its Organic Documents.

(ii) Neither the execution and the delivery of this Agreement nor any of the Buyer Documents, nor the consummation of the transactions contemplated hereby or thereby, will conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument, or other arrangement to which the Buyer is a party or by which it is bound or to which any of its assets are subject. Except as otherwise disclosed in Exhibit 3.2(c), the Buyer does not need to give any notice to, make any filing with, or obtain any authorization, consent, or approval of any Person or Governmental Body in connection with the execution and delivery of this Agreement and the Buyer Documents or in order for the Parties to consummate the transactions contemplated by this Agreement.

(d) Brokers' Fees. The Buyer has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement for which any Seller could become liable or obligated.

(e) Litigation. There is no Legal Proceeding against Buyer or to which Buyer is otherwise a party that challenges or seeks to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. To the Buyer's Knowledge, no event has occurred or circumstances exist that does or could result in or serve as a basis for any such Legal Proceeding.

(f) Sufficiency of Funds. At the Closing Date, and at such time as payment may be required to be made by the Buyer under this Agreement and/or the Collaboration Agreement, the Buyer will have sufficient funds available to it to permit the Buyer to pay all amounts payable to the Sellers, including the Closing Consideration.

(g) Investment Intent. The Shares are being purchased for the Buyer's own account, for investment purposes only and not with the view to, or for resale in connection with, any distribution or public offering thereof (within the meaning of such terms in the Securities Act). The Buyer understands that the Shares have not been registered under the Securities Act and cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is available. The Buyer is an "accredited investor" within the meaning of Rule 501 under the Securities Act.

(h) Disclosure of Information. The Buyer has had an opportunity to discuss the Company's business, management, and financial affairs with the Company's management. The foregoing, however, does not limit or modify the representations and warranties of the Company in Article 4 of this Agreement or the right of the Buyer to rely thereon.

Article 4

REPRESENTATIONS AND WARRANTIES CONCERNING THE COMPANY

[***] represents and warrants to the Buyer that:

4.1 ORGANIZATION, QUALIFICATION, AND CORPORATE POWER

The Company is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and duly authorized to conduct business and in good standing under the laws of each jurisdiction where qualification is required, except for jurisdictions where the

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

failure to be so qualified would not cause the Company to experience a Material Adverse Change. The Company has full power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it. Exhibit 4.1 lists the directors and officers of the Company.

4.2 AUTHORIZATION OF TRANSACTION

The Company has full power and authority to execute and deliver each agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by it in connection with the transactions contemplated by this Agreement (collectively, the “**Company Documents**”), and to perform its obligations thereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of each of the Company Documents, and the consummation of the transactions contemplated thereby, have been duly authorized and approved by all required action on the part of the Company. Each of the Company Documents will be at or prior to the Closing, duly and validly executed and delivered by the Company, and (assuming due authorization, execution and delivery by Buyer) each of the Company Documents to which the Company is a party, when so executed and delivered, will constitute, the valid and legally binding obligation of the Company, enforceable in accordance with their respective terms and conditions.

4.3 CAPITALIZATION

The entire authorized capital stock of the Company consists of 10,000,000 voting shares of Common Stock, of which 2,060,000 shares of Common Stock are issued and outstanding as of the date hereof. All of the issued and outstanding shares of Common Stock have been duly authorized, are validly issued, fully paid, and nonassessable, are held of record by the Sellers as disclosed in Exhibit 4.3 and were not issued to or acquired by the Sellers in violation of any Applicable Law applicable to the Company, or of any agreement to which the Company is a party, or of any preemptive rights granted by the Company or, to the Knowledge of the Company, any other Person. Except as disclosed in Exhibit 4.3, (i) no shares of capital stock or other equity interests of the Company are reserved for issuances or are held as treasury shares, (ii) there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments relating to the capital stock or other equity interests of the Company, granted by the Company or, to the Knowledge of the Company, any other Person, (iii) there are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar rights with respect to the Company, (iv) there are no obligations, contingent or otherwise, of the Company or, to the Knowledge of the Company, any of the Sellers or any other Persons, to purchase, redeem or otherwise acquire any capital stock or other equity interests of the Company, (v) there are no agreements or understandings, including voting trusts and proxies, among or by the Company and any of the Sellers or any other Persons with respect to the Company, and (vi) there are no dividends which have accrued or have been declared but are unpaid on the capital stock or other equity interests of the Company.

4.4 NONCONTRAVENTION

(a) Except as disclosed in Exhibit 4.4, neither the execution and the delivery of this Agreement or the Company Documents, nor the consummation of the transactions contemplated hereby, will violate any Applicable Law to which the Company is subject or any provision of the Organic Documents of the Company.

(b) Except as disclosed in Exhibit 4.4, neither the execution and the delivery of this Agreement or the Company Documents, nor the consummation of the transactions contemplated hereby, will conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any material agreement, contract, lease, license, instrument, or other arrangement to which the Company is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Security Interest upon any of its assets). Except as disclosed in Exhibit 4.4, the Company does not need to give any notice to, make any filing with, or obtain any authorization, consent (all of which have already been obtained), or approval of any Person or Governmental Body in connection with the execution and delivery of this Agreement and the Company Documents and in order for the Parties to consummate the transactions contemplated by this Agreement.

4.5 BROKERS' FEES

Except as disclosed in Exhibit 4.5, the Company has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

4.6 OTHER MATTERS

Attached hereto as Exhibit 4.6 is an update to the representations contained in Exhibit B to the Collaboration Agreement and updated counterparts of the exhibits to the Collaboration Agreement referred to in Exhibit B of the Collaboration Agreement. The representations and warranties in Exhibit 4.6 are true and correct, in each case, as of the date of this Agreement and as of the Closing as though made at and as of the Closing, except to the extent such representations and warranties expressly speak as of an earlier date (in which case such representations and warranties are true and correct on and as of such earlier date).

4.7 PERFORMANCE UNDER COLLABORATION AGREEMENT

The Company has complied in all material respects with the terms and conditions of the Collaboration Agreement, the Company is not in material breach or default under the Collaboration Agreement, and no event has occurred which with notice or lapse of time would constitute a material breach or default, or permit termination, modification, or acceleration, under the Collaboration Agreement.

Article 5 POST-CLOSING COVENANTS

The Parties agree as follows with respect to the period following the Closing.

5.1 ACCESS TO RECORDS

After the Closing, Buyer will cause the Company to allow the Seller Representative to inspect, for all proper purposes, any and all books and records of the Company existing on the Closing Date as may be reasonably required in order to allow the Sellers to comply with their obligations to Buyer or third parties in connection with any Legal Proceedings, except that Buyer shall not be required to provide access to such books and records in connection with a dispute between Buyer and the Company and/or any Seller; provided, that such access will be upon reasonable prior written notice, during normal business hours, at Sellers' expense and conducted in a manner so as not to unreasonably interfere with the Company's business.

5.2 LITIGATION SUPPORT

In the event and for so long as any Party (the "**Litigating Party**") is actively contesting or defending against any Legal Proceeding in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Company, each of the other Parties will reasonably cooperate with the Litigating Party and his or its counsel in the contest or defense, and make available their personnel and provide such testimony and access to their books and records as shall be reasonably necessary in connection with the contest or defense, all at the sole cost and expense of the Litigating Party (except as otherwise provided in Article 7), provided that this Section 5.2 shall not apply in respect of any Legal Proceeding brought against the Litigating Party by any other Party hereto.

5.3 NON-COMPETITION; NON-SOLICITATION

(a) [***] agrees that for a period of three (3) years from and after the Closing Date, neither he nor any of his Affiliates shall, directly or indirectly, own, manage, engage in, operate, control, work for, consult with, render services for, do business with, maintain any interest in (proprietary, financial or otherwise) or participate in the ownership, management, operation or control of, any business, whether in corporate, proprietorship or partnership form or otherwise, engaged in a Restricted Business; provided, however, that the restrictions contained in this Section 5.3(a) shall not restrict the acquisition by [***] or any of his Affiliates, directly or indirectly, of less than 2% of the outstanding capital stock of any publicly traded company engaged in a Restricted Business.

(b) [***] agrees that for a period of three (3) years from and after the Closing Date, neither he nor any of his Affiliates shall, directly or indirectly: (i) cause, solicit, induce or encourage any employees of the Company to leave such employment or hire, employ or otherwise engage any such individual; or (ii) cause, induce or encourage any material actual or prospective client, customer, supplier, or licensor of the Company (including any existing or former customer of the Company and any Person that becomes a client or customer of the Company after the Closing) or any other Person who has a material business relationship with the Company to terminate or modify any such actual or prospective relationship.

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

5.4 CONFIDENTIALITY

Each of the Sellers will treat and hold as confidential all of the Confidential Information, refrain from using any of the Confidential Information except in connection with this Agreement, Article 5 of the Collaboration Agreement and/or Section 11.12 of the Collaboration Agreement, and deliver promptly to the Buyer or destroy, at the request and option of the Buyer, all tangible embodiments of the Confidential Information which are in his or its possession; provided, however, that the Sellers may retain, and shall have no obligation to return to Buyer or destroy, any information provided to the Sellers pursuant to Article 5 of the Collaboration Agreement or generated in connection with the undertakings described in Section 11.12 of the Collaboration Agreement. In the event that any of the Sellers is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information, that Seller will notify the Buyer promptly of the request or requirement so that the Buyer may seek an appropriate protective order or waive compliance with the provisions of this Section 5.4 at the Buyer's expense.

5.5 TAX MATTERS

(a) Tax Indemnity.

(i) The Sellers hereby agree collectively, in proportion to their respective pro rata share of the Total Consideration, to be liable for and to indemnify and hold the Buyer Indemnitees harmless from and against, and pay to the Buyer Indemnitees, the amount of any and all Losses in respect of (i) all Taxes of the Company (or any predecessor thereof) for any Pre-Closing Tax Period (determined as provided in Section 5.5(c)); (ii) the failure of any of the representations and warranties contained in Section 7.12 of Exhibit 4.6 to be true and correct in all respects (determined without regard to any qualification related to materiality or Knowledge contained therein) or the failure to perform any covenant contained in this Agreement with respect to Taxes; and (iii) any failure by the Sellers to timely pay any and all Taxes required to be borne by the Sellers pursuant to Section 8.12.

(ii) The Buyer hereby agrees to be liable for and to indemnify and hold the Seller Indemnitees harmless from and against, and pay to the Seller Indemnitees, the amount of any and all Losses in respect of (x) all Taxes of the Company (or any predecessor thereof) for any Post-Closing Tax Period; and (y) the failure of the Buyer to perform any covenant contained in this Agreement with respect to Taxes.

(b) Tax Returns; Payment of Taxes.

(i) Prior to the Closing Date, the Company shall timely prepare and file with the appropriate Taxing Authorities all Tax Returns required to be filed on or before the Closing Date and shall pay all Taxes due with respect to such Tax Returns or owed (whether or not shown to be due on any Tax Returns).

(ii) Buyer shall cause the Company to timely prepare and file with the appropriate Taxing Authorities all Tax Returns related to the Company not described in subsection (i) above and, subject to the rights to payment from the Sellers under subsection (iii)

below, shall cause the Company to pay all Taxes due with respect to such Tax Returns or owed (whether or not shown to be due on any Tax Returns). In the case of any Tax Return required to be filed pursuant to this subsection (ii) that reflects Taxes that are the subject of indemnification by the Sellers under Section 5.5(a), above, Buyer shall provide the Seller Representative at least fifteen (15) Business Days before filing with copies of such completed Tax Returns, along with supporting workpapers, for the review and approval of the Seller Representative, such approval not to be unreasonably withheld or delayed. The Seller Representative and the Buyer shall attempt in good faith to resolve any disagreements regarding such Tax Returns prior to the due date for filing. In the event that the Seller Representative and the Buyer are unable to resolve any dispute with respect to such Tax Returns prior to the due date for filing, such dispute shall be resolved pursuant to Section 5.5(g), which resolution shall be binding on the parties.

(iii) Not later than ten (10) Business Days prior to the due date for the payment of Taxes on any Tax Returns for which the Buyer has filing responsibility pursuant to subsection (ii), the Sellers shall pay to the Buyer the amount of Taxes owed by the Sellers, as reasonably determined by the Buyer in accordance with the provisions of Section 5.5(a) and 5.5(c). No payment pursuant to this subsection (iii) shall excuse the Sellers from their indemnification obligations pursuant to Section 5.5(a) if the amount of Taxes for which Sellers are liable under this Agreement as ultimately determined (on audit or otherwise) for the periods covered by such Tax Returns exceeds the amount of the Sellers' payment under this Section 5.5(b)(iii). If the amount of Taxes for which Sellers are liable under this Agreement as ultimately determined (on audit or otherwise) for the periods covered by such Tax Returns is less than the amount of the Sellers' payment under this Section 5.5(b)(iii), the Buyer shall reimburse to Sellers the amount of such overpayment not later than ten (10) Business Days following the date of such ultimate determination.

(c) Allocations; Straddle Period.

(i) In any case in which a Tax is assessed with respect to a taxable period that includes the Closing Date (but does not begin or end on that day) (a "**Straddle Period**"), the Taxes of the Company, if any, attributable to a Straddle Period shall be allocated (i) to Sellers for the period up to and including the close of business on the Closing Date, and (ii) to Buyer for the period subsequent to the Closing Date. Any allocation of income or deductions required to determine any Taxes attributable to a Straddle Period shall be made by means of a closing of the books and records of the Company as of the close of business on the Closing Date, provided that exemptions, allowances or deductions that are calculated on an annual basis (including, but not limited to, depreciation and amortization deductions) shall be allocated between the period ending on the Closing Date and the period after the Closing Date in proportion to the number of days in each such period.

(ii) To the extent that Taxes are not apportioned pursuant to Section 5.5(c)(i) using the closing of the books method, such as in the case of real, personal and intangible property Taxes, the amount of these Taxes shall be allocated to the Pre-Closing and Post-Closing Tax Periods based on a fraction, the denominator of which is the number of days during such Tax Period and the numerator of which is the number of days in the Straddle Period.

(d) Cooperation. The Seller Representative, the Company, and the Buyer shall reasonably cooperate, and shall cause their respective Affiliates, officers, employees, agents, auditors and representatives reasonably to cooperate, in preparing and filing all Tax Returns (including amended Tax Returns, if any) and any other matters relating to Taxes, including maintaining and making available to each other all records necessary in connection with Taxes and in resolving Tax Claims.

(e) Tax Refunds. Any refund received by the Company of Taxes attributable to a Pre-Closing Tax Period (determined in accordance with Section 5.5(c)) shall be for the account of the Sellers; provided, however, that the Sellers shall not be entitled to any refund of Taxes to the extent such refund is attributable to the carryback of losses arising in or attributable to a taxable period (including the portion of any Straddle Period) beginning after the Closing Date to a Pre-Closing Tax Period. All other Company Tax refunds, including those described in clauses (i) and (ii) above, shall be for the account of the Buyer. The Buyer shall, and shall cause the Company to, forward any Tax refund received by the Company to which the Sellers may be entitled in accordance with this Section 5.5(e) to the Seller Representative for further distribution to the Sellers as promptly after such receipt as is commercially practicable.

(f) Tax Audits.

(i) If notice of any judicial, administrative or arbitral actions, suits, mediation, investigation, inquiry, proceedings or claims (including counterclaims) by or before any Taxing Authority with respect to Taxes of the Company (a “**Tax Claim**”) shall be received by any Party for which the other Party would be liable pursuant to Section 5.5(a), the notified Party shall notify such other Party in writing of such Tax Claim; provided, however, that the failure of the notified Party to give the other Party notice as provided herein shall not relieve such failing Party of its obligations under this Section 5.5 except to the extent that the other Party is actually and materially prejudiced thereby.

(ii) The Seller Representative shall have the sole right to represent the interests of the Company in any Tax Claim relating exclusively to taxable periods ending on or before the Closing Date if and to the extent the Sellers are potentially liable for any Taxes resulting therefrom, and to employ counsel of their choice at their expense; provided, however, that the Seller Representative may not agree to a settlement or compromise thereof without the prior written consent of the Buyer, which consent shall not be unreasonably withheld or delayed; and provided, further, that if such Tax Claim involves an issue that recurs in a Post-Closing Tax Period of Buyer, the Company or any of their respective Affiliates or otherwise could adversely affect the Buyer, the Company or any or their respective Affiliates for a Post-Closing Tax Period, then (A) the Seller Representative and the Buyer shall jointly control the defense and settlement or compromise of any such Tax Claim and each Party shall cooperate with the other Party at its own expense, and (B) there shall be no settlement or closing or other agreement with respect thereto without the written consent of each of the Buyer and the Seller Representative, which consents shall not be unreasonably withheld or delayed.

(iii) In the case of any Tax Claim not described in (ii) above, the Buyer shall have the right, at the expense of the Sellers to the extent such Tax Claim is subject to indemnification by the Sellers pursuant to Section 5.5(a) hereof, to represent the interests of the

Company; provided that in the case of any Tax Claim that is the subject of indemnification under Section 5.5(a), Buyer shall not settle such claim without the written consent of the Seller Representative, which consent shall not be unreasonably withheld or delayed.

(g) Disputes. Any dispute as to any matter covered under this Section 5.5 shall be resolved by an independent accounting firm mutually acceptable to the Seller Representative and the Buyer. The fees and expenses of such accounting firm shall be borne equally by the Sellers, on the one hand, and Buyer on the other. If any dispute with respect to a Tax Return is not resolved prior to the due date of such Tax Return, such Tax Return shall be filed in the manner which the Party responsible for preparing such Tax Return deems correct.

(h) Exclusivity. The indemnification provided for in this Section 5.5 shall be the sole remedy for any claim in respect of Taxes. In the event of a conflict between the provisions of this Section 5.5, on the one hand, and the provisions of Article 7, on the other, the provisions of this Section 5.5 shall control. For the avoidance of doubt, the limitations contemplated in Section 7.4 shall not apply to any recovery under Section 5.5(a) hereof.

Article 6

DELIVERABLES AT CLOSING

6.1 SELLERS' DELIVERABLES

The obligation of the Buyer to consummate the transactions to be performed by it in connection with the Closing is subject to delivery of the following documents by Sellers:

(a) a certificate of an officer of the Company dated as of the Closing Date and certifying (i) that correct and complete copies of its Organic Documents are attached thereto, (ii) that correct and complete copies of each resolution of its board of directors approving the Company Documents to which it is a party and authorizing the execution thereof and the consummation of the transactions contemplated thereby are attached thereto and (iii) the incumbency and signatures of the persons authorized to execute and deliver the Company Documents on behalf of the Company;

(b) the resignations, effective as of the Closing, and release of claims to fees or expenses of each director and officer of the Company whose resignation has been requested by the Buyer;

(c) duly executed instruments of assignment or transfer from each Seller with respect to all of his or her Shares;

(d) a FIRPTA Certificate in form and substance satisfactory to the Buyer; and

(e) such other documents and instruments as may be required by any other provision of this Agreement or as may reasonably be required to consummate the transactions contemplated by this Agreement, each in form and substance reasonably satisfactory to the Buyer.

The Buyer may waive any of the foregoing deliverables specified in this Section 6.1 if it executes a writing so stating at or prior to the Closing.

6.2 BUYER'S DELIVERABLES

The obligation of the Sellers to consummate the transactions to be performed by them in connection with the Closing is subject to Buyer's payment of the Closing Consideration as provided in Section 2.2 and delivery of the following documents by Buyer:

(a) a certificate of an officer of the Buyer dated as of the Closing Date and certifying (i) that correct and complete copies of its Organic Documents are attached thereto, (ii) that correct and complete copies of each resolution of its board of directors approving the Buyer Documents to which it is a party and authorizing the execution thereof and the consummation of the transactions contemplated thereby are attached thereto and (iii) the incumbency and signatures of the persons authorized to execute and deliver the Buyer Documents on behalf of the Buyer;

(b) such other documents and instruments as may be required by any other provision of this Agreement or as may reasonably be required to consummate the transactions contemplated by this Agreement, each in form and substance reasonably satisfactory to the Sellers.

The Sellers may waive any of the foregoing deliverables condition specified in this Section 6.2 if they execute a writing so stating at or prior to the Closing.

Article 7 REMEDIES FOR BREACHES OF THIS AGREEMENT

7.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES

The representations and warranties in this Agreement and in any certificate delivered pursuant hereto shall survive the Closing and shall terminate at the close of business on the date two (2) years following the Closing Date, except that the representations and warranties of the Sellers contained in Sections 7.11 and 7.14 of Exhibit 4.6 and in Section 4.7 hereof shall survive the Closing and shall terminate at the close of business on the date three (3) years following the Closing Date, and except further that the representations and warranties of the Sellers contained in Sections 3.1(a), (b)(i) and (c)-(f), 4.1, 4.2, 4.3, 4.4(a), 4.5 and 4.6 to the extent such Section 4.6 relates to the Fundamental Representations, and of the Buyer contained in Sections 3.2(a)-(c)(i) and (d)-(h), shall survive until 90 days after the expiration of the applicable underlying statute of limitations; provided, however, that any obligations under Section 7.2 or 7.3 shall not terminate with respect to any Losses and Expenses as to which the Person to be indemnified shall have given notice (stating in reasonable detail the basis of the claim for indemnification) to the identifying party in accordance with Section 7.4(a) before the termination of the applicable period for survival of the representation and warranty pursuant to this Section 7.1.

7.2 INDEMNIFICATION OF BUYER

(a) Each Seller shall severally (but not jointly) defend and indemnify the Buyer, its Affiliates (including the Company) and each of their officers, directors, employees, stockholders, agents and representatives (collectively, the “**Buyer Indemnitees**”) against and hold them harmless from any Losses and Expenses suffered or incurred by any such Buyer Indemnitee arising from, relating to or otherwise:

- i. based upon, attributable to or resulting from the failure of any representation or warranty made by such Seller in Section 3.1 or in any Seller Document of such Seller to be true and correct in all respects as of the date hereof and at and as of the Closing Date;
- ii. based upon, attributable to or resulting from any breach of any covenant or other agreement of such Seller under this Agreement or any Seller Document of such Seller; or
- iii. based upon, attributable to or resulting from an exercise of the [***] Put Option that is not in compliance with the Option Conditions, as such terms are defined in the Collaboration Agreement.

(b) [***] shall defend and indemnify the Buyer Indemnitees against and hold them harmless from any Losses and Expenses suffered or incurred by any such Buyer Indemnitee arising from, relating to or otherwise:

- i. based upon, attributable to or resulting from the failure of any representation or warranty made by [***] in Article 4 of this Agreement or by the Company in any Company Document, as the case may be, to be true and correct in all respects as of the date hereof and at and as of the Closing Date;
- ii. any claim in relation to Taxes, as provided in Section 5.5; and
- iii. based upon, attributable to or resulting from any and all amounts now or hereafter payable by the Company under that certain engagement letter between the Company and [***], a division of the [***], dated [***], 2012.

7.3 INDEMNIFICATION OF SELLERS

The Buyer shall defend and indemnify the Sellers and their respective Affiliates, agents, attorneys, representatives, successors and permitted assigns (collectively, the “**Seller Indemnitees**”) against and hold them harmless from any Losses and Expenses suffered or incurred by any Seller arising from, relating to or otherwise:

- (a) based upon, attributable to or resulting from the failure of any representation or warranty made by the Buyer in this Agreement or in any Buyer Document, as the case may be, to be true and correct in all respects as of the date hereof and at and as of the Closing Date;

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

(b) based upon, attributable to or resulting from any breach of any covenant or other agreement of the Buyer under this Agreement or any Buyer Document; and

(c) based upon, attributable to or resulting from any breach of any covenant or other agreement of the Buyer under Sections 5.1(c) or 11.12 of the Collaboration Agreement.

7.4 LIMITATIONS ON INDEMNIFICATION FOR BREACHES OF REPRESENTATIONS AND WARRANTIES

(a) [***] shall not have any liability under Section 7.2(b)(i) unless the aggregate of all Losses and Expenses relating thereto for which [***] would, but for this proviso, be liable to indemnify all Indemnified Parties exceeds on a cumulative basis Fifty Thousand Dollars (\$50,000) (the “**Indemnification Threshold**”), and then only to the extent the aggregate amount of such Losses and Expenses exceed the Indemnification Threshold.

(b) The aggregate amount of all Losses and Expenses for which (i) the Sellers in the aggregate shall be liable pursuant to Sections 7.2(a) or 7.2(b) shall not exceed the Total Consideration and (ii) any Seller individually shall be liable pursuant to Sections 7.2(a) shall not exceed such Seller’s pro rata portion of the Total Consideration. The aggregate amount of all Losses and Expenses for which Buyer shall be liable pursuant to 7.3 shall not exceed the Total Consideration.

(c) The limitations on indemnification set forth in Sections 7.4(a) and Section 7.4(b) shall not apply to Losses and Expenses related to the failure to be true and correct of any of the representations and warranties contained in Sections 3.1(a), 3.1(b)(i), 3.1(c)-(f), 3.2(a)-(c)(i), 3.2(d)-(h), 4.1, 4.2, 4.3, 4.4(a), 4.5 and 4.6 to the extent such Section 4.6 relates to the Fundamental Representations.

(d) In the event a Party is entitled to recover the same Losses under more than one provision of this Agreement, such Party shall only be permitted to recover such Losses one time, and without duplication.

(e) Notwithstanding the foregoing, this Section 7.4 shall not (i) limit the rights of the Parties to seek equitable remedies (including specific performance or injunctive relief) or (ii) apply in respect of any claim of fraud, including any tort claim or cause of action based upon, arising out of or related to any intentional misrepresentation made in or in connection with this Agreement or as an inducement to enter into this Agreement.

(f) Subject to Section 7.4(d), the Parties acknowledge and agree that their sole and exclusive remedy with respect to any and all claims on the part of any other Party hereto in connection with the transactions contemplated by this Agreement for any breach of any representation, warranty, covenant, agreement or obligation set forth herein or otherwise relating to the subject matter of this Agreement, shall be pursuant to the indemnification provisions set forth in this Article 7.

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

7.5 NOTICE OF CLAIM

(a) Any Party seeking indemnification hereunder (the “**Indemnified Party**”) shall give to the Party obligated to provide indemnification to such Indemnified Party (the “**Indemnitor**”) a notice (a “**Claim Notice**”) describing in reasonable detail the facts giving rise to any claim for indemnification hereunder and shall include in such Claim Notice a reference to the provision of this Agreement, Seller Document, Company Document or Buyer Document upon which such claim is based; provided, that a Claim Notice in respect of any Legal Proceeding by or against a third Person as to which indemnification will be sought shall be given, promptly reasonable after the action or suit is commenced; and provided, further, that failure to give such notice shall not relieve the Indemnitor of its obligations hereunder except to the extent it shall have been actually prejudiced by such failure.

(b) After the giving of any Claim Notice pursuant hereto, the amount of indemnification to which an Indemnified Party shall be entitled under this Article 7 shall be determined: (i) by the written agreement between the Indemnified Party and the Indemnitor; (ii) by a final judgment or decree of any Governmental Body of competent jurisdiction; or (iii) by any other means to which the Indemnified Party and the Indemnitor shall agree. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all appeals taken shall have been finally determined. Following such determination of the amount of indemnification, the Indemnified Party shall forward to the Indemnitor written notice of any sums due and owing by the Indemnitor and the Indemnitor shall pay all of such sums so due and owing within five (5) Business Days by wire transfer of immediately available funds.

7.6 THIRD PERSON OR GOVERNMENTAL BODY CLAIMS

(a) The Indemnitor shall have the right to conduct and control, through counsel of its choosing, who is reasonably satisfied to the Indemnified Party, the defense, compromise or settlement of any third Person or Governmental Body claim, action or suit (a “**Third Party Claim**”) against any Indemnified Party as to which indemnification will be sought by such Indemnified Party from such Indemnitor hereunder. If the Indemnitor acknowledges its obligation and elects to defend against, compromise, or, settle any Third Party Claim which relates to any Losses indemnified by it hereunder, it shall within five (5) Business Days of the Indemnified Party’s claim notice with respect to such Third Party Claim in accordance with Section (a) (or sooner, if the nature of the Third Party Claim so requires) notify the Indemnified Party of its intent to do so; provided, that the Indemnitor must conduct the defense of the Third Party Claim actively and diligently thereafter in order to preserve its rights in this regard. If the Indemnitor elects not to defend against, negotiate, settle or otherwise deal with any Third Party Claim which relates to any Losses indemnified against hereunder or fails to notify the Indemnified Party of its election as herein provided, the Indemnified Party may defend against, negotiate, settle or otherwise deal with such Third Party Claim. The Parties shall, in connection with any Third Party Claim the Indemnitor has elected to defend against, compromise or settle, furnish such records, information as may be reasonably requested by the in connection therewith. The Indemnified Party may participate, through counsel chosen by it and at its own expense, in the defense of any Third Party Claim as to which the Indemnitor has so elected to conduct and control the defense compromise or settlement thereof; provided, however, that such Indemnified

Party shall be entitled to participate in any such defense with separate counsel at the expense of the Indemnitor, if (i) so requested by the Indemnitor to participate or (ii) in the reasonable opinion of counsel to the Indemnified Party, a conflict or potential conflict exists between the Indemnified Party and the Indemnitor that would make such separate representation advisable; and provided, further, that the Indemnitor shall not be required to pay for more than one such counsel for all Indemnified Parties in connection with any Third Party Claim. Notwithstanding anything in this Section 7.6 to the contrary, neither the Indemnitor nor the Indemnified Party shall, without the written consent of the other party, settle or compromise any Third Party Claim or permit a default or consent to entry of any judgment unless the claimant or claimants and such party provide to such other party an unqualified release from all liability in respect of the Third Party Claim.

(b) Notwithstanding the provisions of Section (a), in the event of any claim for injunctive or other equitable relief against the Buyer that would if successful reasonably be expected to have a material and continuing effect on the Company, and for which the Buyer would be entitled to indemnification, the Buyer may assume the defense of such claim at the cost and expense of the Sellers.

7.7 PURCHASE PRICE ADJUSTMENT

Any indemnification payment made by the Buyer or any Seller under this Article 7 or Section 5.5 shall be treated by the Buyer and the Sellers as an adjustment to the Closing Consideration for federal, state and local Tax purposes.

7.8 CALCULATION OF LOSSES

Notwithstanding anything to the contrary set forth herein, solely for purposes of Section 7.2 in determining the amount of any Losses and Expenses suffered or incurred by any Buyer Indemnitee related to a breach of any representation or warranty of any Seller, but not whether there has occurred any such breach, the representations and warranties set forth in this Agreement shall be considered without regard to any “material,” “Material Adverse Change” or similar qualifications set forth therein.

7.9 NO CONTRIBUTION

The Sellers shall have no right of contribution or other recourse against the Company or its directors, officers, employees, Affiliates, agents, attorneys, representatives, assigns or successors for any Third Party Claims asserted by the Buyer, it being acknowledged and agreed that the covenants and agreements of the Company are solely for the benefit of the Buyer.

7.10 OFFSET RIGHTS

Buyer shall have the right to set off any amounts owed by the Sellers to Buyer under this Agreement against any amounts owed by Buyer to the Sellers under the Collaboration Agreement. If PDI intends to exercise such right, it shall provide written notice to the Seller Representative, and if the Seller Representative disputes PDI’s notice, the amount claimed to be subject to set-off shall thereafter be paid by PDI into escrow until the claim is resolved by (a) written agreement of PDI and the Seller Representative, or (b) a final, non-appealable judgment

or decree of any Governmental Body. If such resolution upholds the set-off in whole or in part, the funds paid into escrow shall be released first to PDI in an amount equal to the amount of such determination, and the remaining escrow funds, if any, shall then promptly be released to the Seller Representative. If such resolution denies the set-off, the funds paid into escrow shall promptly be released to the Seller Representative. Notwithstanding the foregoing, all funds paid into escrow shall promptly be released to the Seller Representative if the dispute has not been resolved within 180 days after delivery by PDI of the applicable set-off notice to the Seller Representative, or such longer period as PDI and the Seller Representative may agree, if prior to the conclusion of such period neither PDI nor the Seller Representative has commenced a Legal Proceeding with respect to the claimed set-off.

Article 8 MISCELLANEOUS

8.1 SELLER REPRESENTATIVE

(a) By virtue of the adoption of this Agreement by the Sellers other than [***], and without further action of any such Seller, each such Seller shall be deemed to have irrevocably constituted and appointed [***] (and by execution of this Agreement [***] hereby accepts such appointment) as agent and attorney-in-fact (in such capacity, the “**Seller Representative**”) for and on behalf of the Sellers (in their capacity as such), with full power of substitution, to act in the name, place and stead of each Seller with respect to and in connection with and to facilitate the consummation of the transactions contemplated hereby, including the taking by the Seller Representative of any and all actions and the making of any decisions required or permitted to be taken by the Seller Representative under Section 2.2 or Article 7. The power of attorney granted in this Section 8.1 is coupled with an interest and is irrevocable, may be delegated by the Seller Representative and shall survive the death or incapacity of each Seller. No bond shall be required of the Seller Representative, and the Seller Representative shall receive no compensation for his services.

(b) The Seller Representative shall not be liable to any Person for any act taken in good faith and in the exercise of his reasonable judgment and arising out of or in connection with the acceptance or administration of his duties under this Agreement (it being understood that any act done or omitted pursuant to the advice of legal counsel shall be conclusive evidence of such good faith and reasonable judgment), and shall not be liable for, and may seek indemnification from the Sellers for, any Losses incurred by the Seller Representative, except to the extent of any Losses actually incurred as a proximate result of the gross negligence or bad faith of the Seller Representative. The Seller Representative shall be entitled to recover any out-of-pocket costs and expenses reasonably incurred by the Seller Representative in connection with actions taken by the Seller Representative pursuant to the terms of Section 2.2 or Article 7 of this Agreement or Article 5 or Section 11.12 of the Collaboration Agreement (including the payment of brokers’ fees and expenses, the hiring of legal counsel and the incurring of legal fees and costs), from the Sellers jointly and severally, including, without limitation, by deducting such costs and expenses from amounts otherwise distributable to the Sellers.

(c) From and after the date of this Agreement, any decision, act, consent or instruction of the Seller Representative with respect to Section 2.2 or Article 7 shall constitute a

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decision of all Sellers and shall be final, binding and conclusive upon each Seller, and the Buyer may rely upon any decision, act, consent or instruction of the Seller Representative as being the decision, act, consent or instruction of each Seller. Buyer is hereby relieved from any liability to any Person for any acts done by Buyer in accordance with any such decision, act, consent or instruction of the Seller Representative.

8.2 PRESS RELEASES AND PUBLIC ANNOUNCEMENTS

No Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement without the prior written approval of the Buyer and the Seller Representative; provided, however, that any Party may make any public disclosure it believes in good faith is required by Applicable Law or any listing or trading agreement concerning its publicly-traded securities (in which case the disclosing Party will use all commercially reasonable efforts to advise the other Parties prior to making the disclosure).

8.3 NO THIRD-PARTY BENEFICIARIES

Except as specifically provided in Section 8.5, this Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns.

8.4 ENTIRE AGREEMENT

This Agreement (including the documents referred to herein), the Seller Documents, the Company Documents, the Buyer Documents and the Confidentiality Agreement constitute the entire understanding and agreement among the Parties with respect to the subject matter hereof and supersede any prior understandings, agreements, or representations by or among the Parties, written or oral, to the extent they related in any way to the subject matter hereof.

8.5 SUCCESSION AND ASSIGNMENT

This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests, or obligations hereunder without the prior written approval of the other Parties; provided, however, that the Buyer may (i) assign this Agreement and/or any or all of its rights and interests hereunder to any entity with which it may merge or consolidate, or which acquires all or substantially all of its business and assets, (ii) assign this Agreement and/or any or all of its rights and interests hereunder to one or more of its Affiliates, and/or (iii) designate one or more of its Affiliates to perform its obligations hereunder. In addition, rights provided to Sellers under this Agreement are not transferrable or assignable under any circumstance without a written opinion of counsel for Buyer that such transfer or assignment complies with applicable securities laws.

8.6 COUNTERPARTS

For the convenience of the Parties, this agreement may be executed in counterparts and by facsimile or email exchange of pdf signatures, each of which counterpart shall be deemed to

be an original, and both of which taken together, shall constitute one agreement binding on the Parties.

8.7 NOTICES

All notices, requests, demands, claims, and other communications hereunder will be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given if (and then two (2) Business Days after) it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

IF TO THE SELLERS:

[***]

IF TO THE BUYER:

[PDI, Inc.]

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

Attn: Jeffrey Smith., CFO

COPY TO:

Thompson Hine LLP
335 Madison Avenue
12th Floor
New York, NY 10017-4611

Attn: Faith L. Charles, Esq.

COPY TO:

Norris McLaughlin & Marcus, P.A.
721 Route 202-206, Suite 200
Bridgewater, NJ 08807

Attn: David Blatteis, Esq.

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, or ordinary mail, but not electronic mail or messaging), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any Party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other Parties notice in the manner herein set forth.

8.8 GOVERNING LAW

This Agreement, and all claims or causes of action that may be based upon, arise out of or relate to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or covenant made in or in connection with this Agreement or as an inducement to enter into this Agreement), shall be governed by and construed in accordance with the laws of the State of New Jersey applicable to contracts made and performed in such State without giving effect to any choice or conflict of law provision or rule (whether of the State of New Jersey or any other

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jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of New Jersey.

8.9 SUBMISSION TO JURISDICTION; CONSENT TO SERVICE OF PROCESS

(a) The Parties hereto hereby irrevocably submit to the non-exclusive jurisdiction of any federal or state court located within the State of New Jersey over any dispute arising out of or relating to this Agreement or any of the transactions contemplated hereby and each Party hereby irrevocably agrees that all claims in respect of such dispute or any suit, action proceeding related thereto may be heard and determined in such courts. The Parties hereby irrevocably waive, to the fullest extent permitted by applicable law, any objection which they may now or hereafter have to the laying of venue of any such dispute brought in such court or any defense of inconvenient forum for the maintenance of such dispute. Each of the Parties hereto agrees that a judgment in any such dispute may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Each of the Parties hereto hereby consents to process being served by any party to this Agreement in any suit, action or proceeding by delivery of a copy thereof in accordance with the provisions of Section 8.7.

(c) THE PARTIES TO THIS AGREEMENT EACH HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (i) ARISING UNDER THIS AGREEMENT OR (ii) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. THE PARTIES TO THIS AGREEMENT EACH HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT THE PARTIES TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OF A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

8.10 AMENDMENTS AND WAIVERS

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each of the Parties hereto. No waiver by any Party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence. No action taken pursuant to this Agreement, including any investigation by or on behalf of any Party, shall be deemed to constitute a waiver by the Party taking such action of compliance with any representation, warranty, covenant or agreement contained herein. No failure on the part of any Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of

such right, power or remedy by such Party preclude any other or further exercise thereof or the exercise of any other right, power or remedy. All remedies hereunder are cumulative and are not exclusive of any other remedies provided by law.

8.11 SEVERABILITY

Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

8.12 EXPENSES

Each Party will bear its and their own costs and expenses (including legal fees and expenses) incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and each other agreement, document and instrument contemplated by this Agreement. All transfer Taxes and other expenses required to complete the sale of the Shares shall be borne by the Sellers.

8.13 FURTHER ASSURANCES

The Parties will from time to time do and perform such additional acts and execute and deliver such additional documents and instruments as may be required by Applicable Law or reasonably requested by any Party to establish, maintain or protect its rights and remedies or to effect the intents and purposes of this Agreement and the other documents delivered in connection with the Closing. Without limiting the generality of the foregoing, each party agrees to endorse (if necessary) and deliver to the other, promptly after its receipt thereof, any payment or document which it receives after the Closing Date and which is the property of the other.

8.14 RELEASE

Effective as of the Closing, each [***] Shareholder on behalf of himself or herself and his or her respective Affiliates hereby releases, remises and forever discharges, to the extent permitted by law, any and all rights and claims that he or she has had, now has or might now have against the Company, except with respect to or in connection with (a) matters which such [***] Shareholder is entitled to indemnification pursuant to this Agreement, (b) indemnification as an officer or director arising under the Company's Certificate of Incorporation or Bylaws, the Delaware General Corporation Law or any insurance policy, (c) obligations of the Company under this Agreement, Article 5 or Section 11.12 of the Collaboration Agreement, or any other document or instrument executed and delivered by the Company pursuant to this Agreement and (d) accrued but unpaid compensation payable to any [***] Shareholder in his or her capacity as a consultant of the Company in the ordinary course of their consultancy for periods prior to the Closing provided same is disclosed at Closing as a Company GAAP Liability or on Exhibit 2.2(a). Each [***] Shareholder has been advised by, or has had the opportunity to be advised by and has waived such opportunity, independent legal counsel and is familiar with the provisions of certain state laws that provide, in effect, that a general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the

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release, which if known by him or her must have materially affected his or her settlement with the debtor.

8.15 INCORPORATION OF EXHIBITS

The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed the day and year first above written.

SELLERS:

BUYER:

[***]

[PDI, INC.]

By:

[***]

Title:

[***]

[***]

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EXHIBIT 3.1(b)

None

EXHIBIT 3.1(c)

See Engagement letter, between [***] and [***], a division of the [***], dated [***], 2012.

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EXHIBIT 3.1(d)

None

EXHIBIT 3.2(c)

None

EXHIBIT 4.3

None

EXHIBIT 4.4

None

EXHIBIT B
REPRESENTATIONS AND WARRANTIES CONCERNING [*]**

Capitalized terms used in this Exhibit B are defined as follows:

“Confidential Information” shall mean “Confidential Information” as such term is defined in the Confidentiality Agreement.

“Environmental Law” means any Applicable Law that relates to Hazardous Substances, pollution or protection of the environment or natural resources, including without limitation any Applicable Law relating to the generation, use, processing, treatment, storage, discharge, release, transport or disposal of Hazardous Substances.

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

“Financial Statements” has the meaning set forth in Section 7.8.

“Hazardous Substance” means any substance that constitutes, in whole or in part, a pollutant, contaminant or toxic or hazardous or extremely hazardous substance or waste under, or the generation, use, processing, treatment, storage, release, transport or disposal of which is regulated by, any Applicable Law, including but not limited to petroleum, petroleum hydrocarbons, petroleum products or petroleum by-products, radioactive substances, asbestos or asbestos-containing materials, gasoline, diesel fuel, pesticides, radon, urea formaldehyde, mold, lead or polychlorinated biphenyls (“PCBs”).

“Health Care Laws” means:

(i) the statutes, rules and regulations applicable to the regulatory authority of the Food and Drug Administration;

(ii) all federal and state fraud and abuse Laws promulgated thereunder, including, but not limited to, the federal Anti-Kickback Statute (42 U.S.C. §1320a-7(b)), the Stark Law (42 U.S.C. §1395nn and §1395(q)), the civil False Claims Act (31 U.S.C. §3729 et seq.), Sections 1320a-7 and 1320a-7a of Title 42 of the United States Code;

(iii) Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. Sections 1320d through d-8 (collectively, “HIPAA”);

(iv) Medicare (Title XVIII of the Social Security Act);

(v) Medicaid (Title XIX of the Social Security Act); and

(vi) any other applicable federal, state or local health care Laws, manual provisions, policies and administrative guidance.

“IRS” means the Internal Revenue Service.

“Medicaid Audits” has the meaning set forth in Section 7.11(f).

“Most Recent Financial Statements” has the meaning set forth in Section 7.8 below.

“Most Recent Fiscal Month End” has the meaning set forth in Section 7.8 below.

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“Most Recent Fiscal Year End” has the meaning set forth in Section 7.8 below.

“Permits” means any approvals, authorizations, consents, licenses, permits or certificates of a Governmental Body.

“Permitted Exceptions” means (a) materialmen’s, workers’ and similar liens arising or incurred in the Ordinary Course that are not material to the business or operations of [***] or financial condition of [***] property so encumbered and that are not resulting from a breach, default or violation by [***] of any agreement, contract, lease, license, instrument, or other arrangement to which [***] is a party or by which it is bound or to which any of its assets are subject or any Applicable Law, (b) liens for Taxes not yet due and payable or for Taxes that the taxpayer is contesting in good faith through appropriate proceedings and (c) zoning and other land use regulations by any Governmental Body of record not interfering with the Ordinary Course or detracting from the use, occupancy, value or marketability of [***]’s assets, provided that such regulations have not been violated.

“Product Liability” has the meaning set forth in Section 7.24.

“[*] Benefit Plans”** has the meaning set forth in Section 7.21.

“[*] Documents”** has the meaning set forth in Section 7.2

“Related Person” has the meaning set forth in Section 7.23.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Tax” means (i) any federal, state, local or foreign net income, alternative or add-on minimum, gross income, gross receipts, property, sales, franchise, use, value added, transfer, gains, capital gains, license, excise, employment, payroll, withholding, capital, ad valorem, profits, inventory, capital stock, social security, unemployment, severance, stamp, occupation, estimated or minimum tax, or any other tax, custom duty, governmental fee or other like assessment or charge of any kind whatsoever, (ii) any interest, penalty, fine, addition to tax or additional amount imposed by any Governmental Body in connection with any item described in clause (i) and (iii) any liability in respect of any item described in clause (i) or (ii) payable by reason of contract, assumption, transferee liability, operation of law, Treasury Regulation Section 1.1502-6(a) (or any predecessor or successor thereof or any analogous or similar provision under law) or otherwise.

“Tax Return” means any return, report or similar statement required to be filed with respect to any Taxes (including any attached schedules), including any information return, claim for refund, amended return and declaration of estimated Tax.

“Taxing Authority” means the IRS and any other Governmental Body responsible for the administration of any Tax.

“Treasury Regulations” means the U.S. Department of Treasury regulations promulgated under the Code, including any successor provisions thereto.

7.1 Organization, Qualification, And Corporate Power

[***] is a corporation duly organized, validly existing and in good standing under the laws of Delaware, and duly authorized to conduct business and in good standing under the laws of each jurisdiction where qualification is required, except for jurisdictions where the failure to be so qualified

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would not cause [***] to experience a Material Adverse Change. [***] has full power and authority to carry on the businesses in which it is engaged and to own and use the properties owned and used by it. Exhibit 7.1 lists the directors and officers of [***].

7.2 Authorization of Transaction

[***] has full power and authority to execute and deliver this Agreement and each other agreement, document, or instrument or certificate contemplated by this Agreement or to be executed by it in connection with the transactions contemplated by this Agreement (collectively, the “[***] Documents”), and to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement and each of [***] Documents, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized and approved by all required action on the part of [***]. This Agreement has been, and each of [***] Documents will be at or prior to the Closing, duly and validly executed and delivered by [***], and (assuming due authorization, execution and delivery by PDI) this Agreement constitutes, and each of [***] Documents to which [***] is a party, when so executed and delivered, will constitute, the valid and legally binding obligation of [***], enforceable in accordance with their respective terms and conditions.

7.3 Capitalization

The entire authorized capital stock of [***] consists of 10,000,000 voting shares of Common Stock, of which 2,060,000 shares of Common Stock are issued and outstanding as of the date hereof. All of the issued and outstanding shares of Common Stock have been duly authorized, are validly issued, fully paid, and nonassessable, are held of record by the [***] Shareholders listed on Exhibit 7.3 and were not issued to or acquired by the [***] Shareholders in violation of any Applicable Law, or of any agreement to which [***] is a party, or of any preemptive rights granted by [***] or, to the Knowledge of [***], any other Person. Except as disclosed in Exhibit 7.3, (i) no shares of capital stock or other equity interests of [***] are reserved for issuances or are held as treasury shares, (ii) there are no outstanding or authorized options, warrants, purchase rights, subscription rights, conversion rights, exchange rights, or other contracts or commitments relating to the capital stock or other equity interests of [***], granted by [***] or, to the Knowledge of [***], any other Person, (iii) there are no outstanding or authorized stock appreciation, phantom stock, profit participation, or similar profit-sharing rights with respect to [***], (iv) there are no obligations, contingent or otherwise, of [***] to purchase, redeem or otherwise acquire any capital stock or other equity interests of [***] or, to the Knowledge of [***], any of the [***] Shareholders or any other Person, (v) there are no agreements or understandings, including voting trusts and proxies, among or by [***] and any of the [***] Shareholders or any other Persons with respect to [***], and (vi) there are no dividends which have accrued or have been declared but are unpaid on the capital stock or other equity interests of [***].

7.4 Noncontravention

(a) Except as disclosed in Exhibit 7.4, neither the execution and the delivery of this Agreement or the [***] Documents, nor the consummation of the transactions contemplated hereby, will violate any Applicable Law to which [***] is subject or any provision of the Organic Documents of [***].

(b) Except as disclosed in Exhibit 7.4, neither the execution and the delivery of this Agreement or the [***] Documents, nor the consummation of the transactions contemplated hereby, will conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice or consent under any

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material agreement, contract, lease, license, instrument, or other arrangement to which [***] is a party or by which it is bound or to which any of its assets is subject (or result in the imposition of any Security Interest upon any of its assets). Except as disclosed in Exhibit 7.4, [***] does not need to give any notice to, make any filing with, or obtain any authorization, consent (all of which have already been obtained), or approval of any Person or Governmental Body in connection with the execution and delivery of this Agreement and [***] Documents and in order for the Parties to consummate the transactions contemplated by this Agreement.

7.5 Brokers' Fees

Except as disclosed in Exhibit 7.5, [***] has no liability or obligation to pay any fees or commissions to any broker, finder, or agent with respect to the transactions contemplated by this Agreement.

7.6 Reserved

7.7 Subsidiaries

[***] has no subsidiaries and does not directly or indirectly own any share capital, voting securities or other equity interests of any other Person.

7.8 Financial Statements

Attached hereto as Exhibit 7.8 are the following financial statements (collectively the "**Financial Statements**"): (i) internal unaudited statements of liabilities as of and for the fiscal year ended December 31, 2012 (the "**Most Recent Fiscal Year End**") for [***]; and (ii) internal unaudited statement of liabilities (the "**Most Recent Financial Statements**") as of and for the 7 months ended July 31, 2013 (the "**Most Recent Fiscal Month End**") for [***]. Each of the Financial Statements is complete and correct in all material respects and presents fairly the financial condition of [***] as of such dates; provided, however, the Most Recent Financial Statements are subject to normal year-end adjustments.

7.9 Events Subsequent To Most Recent Fiscal Year End

Since the Most Recent Fiscal Year End, except as disclosed in Exhibit 7.9, (i) [***] has conducted its business only in the Ordinary Course, and (ii) [***] has not experienced any Material Adverse Change. Without limiting the generality of the foregoing, except as disclosed in Exhibit 7.9, since that date:

- (i) [***] has not sold, leased, transferred, assigned or otherwise disposed of, any assets, tangible or intangible, outside the Ordinary Course or, in any event, assets valued in excess of \$10,000 individually or \$25,000 in the aggregate;
- (ii) [***] has not acquired any assets, tangible or intangible, outside the Ordinary Course or, in any event, assets valued in excess of \$10,000 individually or \$25,000 in the aggregate;
- (iii) [***] has not entered into any agreement, contract, lease, or license outside the Ordinary Course or, in any event, any agreement, contract, lease, or license with a value in excess of \$10,000 individually or \$25,000 in the aggregate;
- (iv) no party (including [***]) has accelerated, terminated, made material modifications to, or cancelled any material agreement, contract, lease, or license to which [***] is a party

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or by which it is bound (including but not limited to the Cornell License Agreements and the [***] JV Agreement);

- (v) [***] has not imposed any Security Interest upon any of its assets, tangible or intangible, other than Permitted Exceptions;
- (vi) [***] has not made or committed to make any capital expenditures outside the Ordinary Course or in any event in excess of \$10,000 individually or \$25,000 in the aggregate;
- (vii) [***] has not made any capital investment in, or any loan to, any other Person;
- (viii) [***] has not created, incurred, assumed, or guaranteed or otherwise become liable or responsible with respect to more than \$10,000 in aggregate indebtedness for borrowed money and capitalized lease obligations;
- (ix) there has been no change made or authorized in the Organic Documents of [***]
;
- (x) [***] has not made any loan to, or entered into any other transaction with, the [***] Shareholders or any of its directors, officers, Affiliates or employees;
- (xi) [***] has not entered into any employment contract or collective bargaining agreement, written or oral, or modified the terms of any such existing contract or agreement;
- (xii) [***] has not granted any increase in the base compensation of any of its directors, officers, and employees outside the Ordinary Course or, in any event, any increase in excess of \$25,000 individually or \$50,000 in the aggregate;
- (xiii) [***] not has awarded or paid any bonuses to employees of [***]
;
- (xiv) [***] has not adopted, amended, modified, or terminated any bonus, profit-sharing, incentive, severance, retention, termination, change in control or other plan, contract, or commitment for the benefit of any of its directors, officers, and employees (or taken any action to adopt any [***] Benefit Plan);
- (xv) [***] has not made any other material change in employment terms for any of its managers, directors, officers, and employees;
- (xvi) [***] has not instituted or settled any Legal Proceeding;
- (xvii) there has been no material change in the accounting or Tax reporting principles, methods or policies of [***] and [***] has not made a request to any Taxing Authority to change its Tax reporting principles;
- (xviii) [***] has not made, changed, rescinded or revoked any Tax election, settled or compromised any Tax claim or liability or entered into a settlement or compromise in relation to any Tax claim or liability;
- (xix) [***] has not prepared or filed any Tax Return (or any amendment thereof) except a Tax Return prepared in a manner consistent with past practice and in respect of which [***] has complied with Applicable Law; and
- (xx) [***] has not committed to any of the foregoing.

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

7.10 Undisclosed Liabilities

Except as set forth on Exhibit 7.10, [***] has no material liability (whether known or unknown, asserted or unasserted, absolute or contingent, accrued or unaccrued, liquidated or unliquidated or due or to become due, including any liability for Taxes) except for (i) liabilities disclosed in the Financial Statements and (ii) liabilities which have arisen after the Most Recent Fiscal Month End in the Ordinary Course.

7.11 Legal Compliance

(a) Except as disclosed in Exhibit 7.11, [***] complies and at all times has complied in all material respects with all Applicable Laws, and no Legal Proceeding has been filed or commenced against [***] alleging any failure so to comply or any liability pursuant to any Applicable Law. To the Knowledge of [***], [***] is not under investigation with respect to the violation of any Applicable Law.

(b) Other than filings made with the State of Delaware relating to its incorporation, [***] has not obtained, and does not own or hold, any Permits and, to the Knowledge of [***], [***]’s activities to date do not require any such Permits.

(c) [***] has not contracted with Government Programs. Neither [***] nor any of its employees have been excluded, suspended, debarred or otherwise declared ineligible to participate in any Government Program.

(d) During the past three years, [***] has filed, obtained, maintained or submitted all material reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments as required by any Applicable Laws, and all such reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments were complete and correct in all material respects on the date filed (or were corrected or supplemented by a subsequent submission).

(e) The operation of [***]’s business is in compliance with applicable Environmental Law in all material respects, and [***] has been in compliance with, and has no liabilities under any Environmental Law. To the Knowledge of [***], there are no facts, circumstances or conditions existing, initiated or occurring prior to the Closing that have or will result in a liability, loss to or claim against PDI under any Environmental Law.

(f) Without limiting the generality of Section 7.11(a) or otherwise:

(i) No Violations. [***] has not violated in any material respect the Medicare and Medicaid provisions of the Social Security Act, the anti-kickback provisions of the Social Security Act, the Stark anti-referral provisions of the Social Security Act, the False Claims Act, or the Civil Monetary Penalty Law of the Social Security Act or the applicable recordkeeping, inventory and other requirements and regulations of the U.S. Food and Drug Administration or the U.S. Drug Enforcement Administration. [***] is not party to a Corporate Integrity Agreement, consent order, consent decree or other settlement agreement with any Governmental Body.

(ii) State Licensure. Except for a business license in the State of Delaware, [***] has not obtained any licenses in any state and [***]’s activities to date do not require any such license.

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- (iii) Medicaid. [***] is not subject to any current or ongoing Medicaid program audits (“Medicaid Audits”) and has not been subject in the past to any Medicaid Audits.
- (iv) No Actions - Governmental Body. No action is pending by any Governmental Body that would result in the exclusion of [***] from any Medicaid program. To the Knowledge of [***] , no action or investigation is threatened by any Governmental Body that would result in the exclusion of [***] from any Medicaid program and there have been no inspections, inquiries or audits made or conducted by any Governmental Body regarding [***] .
- (v) Reimbursement - Governmental Body. [***] has not requested reimbursement under any Government Program.
- (vi) Third-Party Payment Programs. [***] is not a participant in any third-party payment programs and [***] is not a participating provider of services, in whole or in part, in any Government Program.

7.12 Tax Matters

Except as disclosed in Exhibit 7.12:

(a) The jurisdictions in which [***] is required to file a Tax Return are listed on Exhibit 7.12. All Tax Returns required to be filed on or before the Closing Date by or on behalf of [***] (i) have been prepared in the manner required by Applicable Law; (ii) have been duly and timely filed with the appropriate Taxing Authority in all jurisdictions in which such Tax Returns are required to be filed (after giving effect to any valid extensions of time in which to make such filings); (iii) accurately reflect the liability for Taxes of [***] ; and (iv) are true, complete and correct in all material respects. All Taxes payable by or on behalf of [***] with respect to such Tax Returns have been fully and timely paid. With respect to any period for which Tax Returns have not yet been filed or for which Taxes are not yet due or owing, [***] has made due and sufficient accruals for such Taxes in the Most Recent Financial Statements and its books and records. All required estimated Tax payments sufficient to avoid any underpayment penalties or interest have been made by or on behalf of [***] .

(b) [***] has complied in all material respects with all Applicable Laws relating to the withholding and payment of Taxes and has duly and timely withheld and paid over to the appropriate Taxing Authority all amounts required to be so withheld and paid under all Applicable Laws.

(c) [***] (nor any other Person on its behalf) has not (i) agreed to, and is not required to, make any adjustments pursuant to Section 481(a) of the Code or any similar provision of law nor to the Knowledge of [***] has any Taxing Authority proposed any such adjustment; (ii) submitted any application to any Taxing Authority requesting permission for any changes in accounting methods; (iii) executed or entered into a closing agreement pursuant to Section 7121 of the Code or any similar provision of law; (iv) requested any extension of time within which to file any Tax Return, which Tax Return has since not been filed; (v) been granted any extension or waiver for the assessment or collection of Taxes, which Taxes have not since been paid; (vi) granted to any Person any power of attorney that is currently in force with respect to any Tax matter, or (vii) received any rulings of, or made any requests for rulings with, any Taxing Authority that are, or if issued would be, binding on [***] after the Closing Date.

(d) To the Knowledge of [***] , no audits, investigations or examinations by any Taxing Authority of the Tax Returns of [***] have been conducted or are currently in progress, and [***] has

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not received any notice from any Taxing Authority that it intends to conduct such an audit or investigation. To the Knowledge of [***], no state of facts exists or has existed that would constitute grounds for the assessment of any liability for Taxes with respect to periods that have not been audited by any Taxing Authority.

(e) [***] is not a party to any Tax sharing, allocation, indemnity or similar agreement or arrangement (whether or not written) pursuant to which it will have any obligation to make any payments after the Closing Date.

(f) There are no liens or judgments as a result of any unpaid Taxes upon any of the assets of [***].

(g) No claim has been made by a Taxing Authority with respect to [***] in a jurisdiction where [***] does not file Tax Returns such that it is or may be subject to taxation by that jurisdiction.

(h) [***] has not ever been a member of any consolidated, combined, affiliated, unitary or similar group for any Tax purposes.

(i) There is no taxable income of [***] that will be required under applicable Tax law to be reported by PDI or any of its Affiliates, including [***], for a taxable period beginning after the Closing Date which taxable income was realized (and reflects economic income) arising prior to the Closing Date.

(j) [***] has not, nor has it ever had, a permanent establishment in any country other than the United States.

(k) [***] has not engaged in any “reportable transactions” as defined in Treasury Regulation Section 1.6011-4(b).

(l) PDI has been provided correct and complete copies of all federal income Tax Returns filed by or on behalf of [***], examination reports, and statements of deficiencies assessed against or agreed to by [***] with respect to taxable periods ended on or after December 31, 2010.

7.13 Real Property

Except as disclosed in Exhibit 7.13, [***] has not at any time owned, operated or leased any real property.

7.14 Intellectual Property

(a) There is no Legal Proceeding pending or, to the Knowledge of [***], threatened, by any third party before any court or tribunal (including, without limitation, the United States Patent and Trademark Office or equivalent authority anywhere in the world) relating to any of [***]’s Intellectual Property or Technology, nor has [***] received within the three years prior to the date hereof any charge, complaint, claim, demand, or notice alleging any such interference, infringement, misappropriation, or violation (including any claim that [***] must license or refrain from using any Intellectual Property rights of any third party) or challenging the validity, enforceability, use or exclusive ownership of any Intellectual Property or Technology owned by or licensed to [***]. Within the three years prior to the date hereof, [***] has not brought any Legal Proceeding (other than claims that have been resolved to [***]’s satisfaction) against any Person for infringing, misappropriating, or violating any Intellectual Property owned by or licensed to [***], and, to the Knowledge of [***], no third party has interfered with, infringed upon, misappropriated, or violated any Intellectual Property of [***].

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

(b) All licenses or other agreements under which [***] is granted rights in Intellectual Property are listed in Exhibit 7.14. All such licenses or other agreements are in full force and effect, there is no material default by [***], and to [***]'s Knowledge, by any other party thereto and, except as set forth in Exhibit 7.14, all of the rights of [***] thereunder are freely assignable. [***] is not making unlawful use of any Intellectual Property granted to it under any such licenses or other agreements. True, complete and correct copies of all such licenses or other agreements, and any amendments thereto, have been provided to PDI.

(c) Except as set forth on Exhibit 7.14, [***] has not granted or licensed any Intellectual Property rights to any Person.

(d) Exhibit 7.14 sets forth a complete and accurate list of (i) registered trademarks or service marks with respect to any of its Intellectual Property, (ii) pending applications for any trademark or service mark with respect to any of its Intellectual Property, (iii) domain names registered by [***], or (iv) trade names, fictitious names, unregistered trademarks, or unregistered service marks that are used by [***] in connection with any of its business.

(e) Except as set forth on Exhibit 7.14, [***] owns all right, title and interest in and to, or has valid and continuing rights to use, sell and license, all Intellectual Property, Software and other Technology used in the conduct of the business and operations of [***] as presently conducted and as currently proposed to be conducted, free and clear of all Security Interests or obligations to others. As of the Effective Date, and subsequent to the Effective Date to the Knowledge of [***], [***] has not interfered with, infringed upon, misappropriated, or violated any Intellectual Property or Technology of any third party. Without limiting any of the foregoing, except as set forth on Exhibit 7.14, as of the Effective Date, and subsequent to the Effective Date to the Knowledge of [***], the business and operations of [***], and its Technology, products, services, and the designing, development, manufacturing, reproduction, use, marketing, sale, distribution, maintenance and modification of any of the foregoing as presently performed and as currently contemplated to be performed do not infringe upon, misappropriate or otherwise violate any Intellectual Property of any third party.

(f) Except as set forth in Exhibit 7.14 or with respect to licenses of Software (i) generally available for an annual or one-time license fee of no more than \$10,000 in the aggregate, (ii) distributed as "freeware" or (iii) distributed via Internet access without charge and for use without charge, [***] does not own or license any Software. Following the Closing, [***] will have the right to exercise all of its current rights under agreements granting rights to it with respect to Intellectual Property to the same extent and in the same manner it would have been able to had the transactions contemplated by this Agreement not occurred, and without the payment of any additional consideration as a result of such transactions and without the necessity of any third party consent as a result of such transactions (and any such consents disclosed on Exhibit 7.14 have already been obtained).

(g) [***] has taken adequate measures, consistent with standard practices in the industry in which [***] operates, to protect the confidentiality of all trade secrets owned by [***] that are material to its business as currently conducted. [***] has executed valid written agreements with all of its past and present employees, consultants and independent contractors pursuant to which such employees, consultants and independent contractors have agreed to hold all of [***]'s trade secrets and confidential information in confidence both during and after the period during which they provided services to [***]. No trade secrets or other confidential information owned by [***] that is material to its business as currently conducted and as proposed to be conducted has been disclosed or authorized to be disclosed by [***] to any of its employees, consultants or independent contractors other than pursuant to a written non-disclosure or confidentiality agreement. No consultant or independent contractor of [***] is, as a result of or in the course of such consultant's or independent contractor's engagement by [***], in default

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or breach of any material term of any consulting agreement, non-disclosure agreement, assignment of invention agreement or similar agreement.

(h) The information technology systems of [***], including the relevant Software and hardware, are adequate for the business as presently conducted. The information technology systems of [***] have not suffered any material failure within the two (2) years prior to the date hereof.

(i) The information technology systems of [***] are reasonably secure against intrusion. [***] has not suffered any security breaches within the past two years that have resulted in a third party obtaining access to any confidential information of [***] or any of its customers or suppliers.

(j) [***] is in compliance in all material respects with any posted privacy policies and any laws or regulations relating to personally identifiable information.

7.15 Tangible Assets

[***] has no material tangible assets or properties.

7.16 Contracts

(a) Exhibit 7.16 lists, by reference to the applicable subsection of this Section 7.16, the following contracts and other agreements to which [***] is a party or by which any of its assets is bound:

- (i) any agreement (or group of related agreements) for the lease of personal property to or from any Person providing for lease payments in excess of \$15,000 per annum;
- (ii) any agreement (or group of related agreements) for the purchase or sale of raw materials, commodities, supplies, products, or other personal property, or for the furnishing or receipt of services, the performance of which will involve consideration in excess of \$25,000 or require performance by any party more than one year from the date hereof;
- (iii) any agreement concerning a partnership or joint venture, strategic alliance, licensing arrangement or sharing of profits or proprietary information;
- (iv) any agreement (or group of related agreements) under which [***] has created, incurred, assumed, or guaranteed any indebtedness or under which it has imposed a Security Interest on any of its assets, tangible or intangible;
- (v) any confidentiality, nonsolicitation or noncompetition agreement or any agreement containing a nonsolicitation or noncompetition covenant;
- (vi) any agreement with any of the [***] Shareholders or any Affiliate thereof or any current or former officer, director, member or Affiliate of [***];
- (vii) any profit sharing, equity option, equity purchase, equity appreciation, deferred compensation, severance, or other plan or arrangement for the benefit of [***]'s current or former managers, directors, officers, and employees and any agreements providing for severance, retention, change in control or other similar payments;
- (viii) any collective bargaining agreement and any agreements with any labor union or association representing any employee of [***];

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- (ix) any agreement for the employment of any individual providing annual compensation in excess of \$25,000, any agreement with independent contractors or consultants (or similar arrangements) that provide for annual compensation in excess of \$25,000, and any agreements with employees or independent contractors or consultants that are not cancellable without penalty or further payment and without more than 30 days notice;
- (x) any agreement under which [***] has advanced or loaned any amount to any Person;
- (xi) any agreement for the sale of any of the assets of [***] other than in the Ordinary Course or for the grant to any Person of any preferential rights to purchase any of its assets;
- (xii) any agreement relating to the acquisition (by merger, purchase of equity or assets or otherwise) by [***] of any operating business or material assets or the capital stock or equity of any Person;
- (xiii) outstanding agreements of guaranty, surety or indemnification, direct or indirect of [***]
;
- (xiv) any agreement under which the consequences of a default or termination could be a Material Adverse Change;
- (xv) any leases of personal property involving annual payments in excess of \$15,000 relating to personal property used in [***]'s business or to which [***] is a party or by which its properties or assets are bound; or
- (xvi) any other agreement (or group of related agreements) the performance of which involves consideration in excess of \$25,000 in any fiscal year.

(b) PDI has received a correct and complete copy of each written agreement listed in Exhibit 7.16 (as amended to date) and a written summary setting forth the material terms and conditions of each oral agreement referred to therein. With respect to each such agreement: (i) the agreement is legal, valid, binding, enforceable (except (1) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (2) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (3) insofar as indemnification and contribution provisions may be limited by applicable law), and in full force and effect and, immediately following the consummation of the transactions contemplated in this Agreement, will be in full force and effect without penalty or other adverse consequence; (ii) neither [***] nor to the Knowledge of [***], any other party, is in material breach or default, and no action or omission by [***] and, to the Knowledge of [***], no other event has occurred which with notice or lapse of time would constitute a material breach or default, or permit termination, modification, or acceleration, under the agreement, and (iii) no party has exercised any termination rights with respect thereto and no party has given notice of any material dispute. That certain Summary of Material Terms of a Agreement by [***] and [***], dated [***], 2013, is non-binding on [***].

7.17 Powers Of Attorney

There are no outstanding powers of attorney executed on behalf of [***].

7.18 Insurance

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

(a) Exhibit 7.18 sets forth the following information with respect to each insurance policy (including policies providing property, casualty, liability, and workers' compensation coverage and bond and surety arrangements) with respect to which [***] is a party, a named insured, or otherwise the beneficiary of coverage:

- (i) the name of the insurer, the name of the policyholder, and the name of each covered insured;
- (ii) the policy number and the period of coverage;
- (iii) the scope (including an indication of whether the coverage is on a claims made, occurrence, or other basis) and amount of coverage;
- (iv) the annual premium;
and
- (v) whether the policy may be terminated on the consummation of the transactions contemplated hereby.

(b) With respect to each such insurance policy: (i) the policy is legal, valid, binding, enforceable, and in full force and effect; (ii) all premiums with respect thereto covering all periods up to and including the Closing Date have been, or will have been as of the Closing Date, paid (iii) neither [***] nor to the Knowledge of [***], any other party to the policy is in breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred which, with notice or lapse of time would constitute such a breach or default, or permit termination, modification, or acceleration, under the policy, and (iv) except as set forth on Exhibit 7.18, to the Knowledge of [***], no event relating to [***] has occurred which could reasonably be expected to result in a retroactive upward adjustment or a prospective upward adjustment in the premium payable under the policy.

(c) [***] has insurance policies in effect for such amounts as are sufficient for all requirements of Applicable Laws and all agreements to which it is a party or by which it is bound.

7.19 Litigation

(a) There is no (i) Legal Proceeding pending or, to the Knowledge of [***], threatened against [***] (or to the Knowledge of [***], pending or threatened, against any of the officers, directors or employees of [***] with respect to their business activities on behalf of [***]), or to which [***] is otherwise a party.

(b) [***] is not subject to any outstanding Order nor is [***] in breach or violation of any Order.

7.20 Employees

(a) Exhibit 7.20 sets forth a correct and complete list of (i) all employees of [***]; (ii) all managers, directors and executive officers (vice president or higher) of [***], (iii) all consultants and contractors to [***] during the fiscal year ended December 31, 2012, (iv) the current job title of each such Person described in clauses (i) and (ii) above, and (v) the amount of compensation (including bonuses and commissions) paid to each such Person during the fiscal year ended December 31, 2012.

(b) [***] is not and has not been a party to or bound by any collective bargaining agreement. [***] is, and has at all times been, in compliance, in all material respects, with all Applicable Laws

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concerning employment and employment practices, terms and conditions of employment, wages, hours of work and occupational safety and health, and is not engaged in any “unfair labor practices” (as defined in the National Labor Relations Act or other applicable laws).

7.21 Employee Benefits

There is no (i) employee welfare benefit plan (as defined in Section 3(1) of ERISA); (ii) employee pension benefit plan (as defined in Section 3(2)(A) of ERISA); (iii) contract, program, policy or arrangement which provides for a deferred compensation benefit currently sponsored, maintained or contributed to by [***] or any [***] Affiliate or with respect to which [***] or any [***] Affiliate may have any liability and there is no employment, severance, change in control (as such term is interpreted for purposes of section 409A of the Code) or similar agreement to which [***] or any [***] Affiliate is a party (collectively, the “[***] Benefit Plans”).

7.22 Guaranties

[***] is not a guarantor or otherwise responsible for any liability or obligation (including indebtedness) of any other Person.

7.23 Certain Business Relationships With [*]**

Except as disclosed in Exhibit 7.23, to the Knowledge of [***] , none of the [***] Shareholders nor any employee, officer, manager, director or partner of [***] , any member of their respective immediate families or any of their respective Affiliates (each such Person a “**Related Person**”), (i) is, or has been in within the 12 months prior to the date hereof, involved in any business arrangement or relationship with [***] (whether written or oral), (ii) owes any material amount to [***] , nor does [***] owe any material amount to, or has committed to make any loan or extend or guarantee credit to or for the benefit of, any Related Person, (iii) owns any asset, tangible or intangible, which is used in the business of [***] (iv) has any material claim or cause of action against [***] or (v) owns any direct or indirect interest of any kind in, or controls or is a manager, director, officer, employee or partner of, or consultant to, or lender to or borrower from or has the right to participate in the profits of, any Person which is a competitor, supplier, customer, landlord, tenant, creditor or debtor of [***] .

7.24 Product Warranties And Liabilities

(a) [***] does not manufacture any products.

(b) [***] has not distributed, sold, leased, or delivered any product or service and has not committed or agreed to do any of the forgoing.

7.25 Books And Records

The books and records of [***] are correct and complete in all material respects and the signatures appearing on all documents contained therein are the true signatures of the person purporting to have signed the same. All actions reflected in said books and records were duly and validly taken in material compliance with the laws of the applicable jurisdiction and no meeting of the board of directors of [***] or any committee thereof has been held for which minutes have not been prepared and are not contained in the minute books. To the extent that they exist, all personnel files, reports, strategic planning documents, financial forecasts, accounting and tax records and all other records of every type and description that relate to the business of [***] have been prepared and maintained in accordance with good business practices and, where applicable, in conformity with applicable laws and regulations. All

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such books and records have been made available to PDI and, or in connection with the Closing, will be provided to PDI.

7.26 Disclosure

The representations and warranties of [***] contained in the Collaboration Agreement (including this Exhibit B) do not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements and information contained herein not misleading. To the Knowledge of [***], there are no facts which [***] has not disclosed to PDI in writing which could, individually or in the aggregate, reasonably be expected to cause [***] to experience a Material Adverse Change.

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EXHIBIT C

PROMISSORY NOTE

Principal: \$

Date:

***] (hereinafter called the "Maker"), for value received, hereby promises to pay to the order of PDI, Inc. (which, together with its successors and assigns, will be called the "Payee"), the principal amount of Dollars (\$), plus interest at the rate of five percent (5%) per annum on the principal amount outstanding from time to time, from the date hereof until this Note shall have been paid in full.

Subject to the provisions below, no payment of principal or interest shall be due for the first twenty-four (24) months from the date hereof. A payment of principal and interest in the amount of \$ shall be due on the first day of the twenty-fifth calendar month following the date of this Note, and a like amount shall be due on the first day of each month thereafter until , when the unpaid balance of principal and all accrued and unpaid interest shall be due in full.

The maturity of this Note shall be accelerated, and the unpaid balance of principal and all accrued and unpaid interest shall be due in full, within five (5) business days following receipt by the Maker of \$7,500,000 in funding on a cumulative basis (whether in the form of equity capital or other indebtedness convertible into equity capital).

In addition, in the event of the receipt by the Maker of \$5,000,000 in funding on a cumulative basis (whether in the form of equity capital or other indebtedness convertible into equity capital) during the first twenty-four months from the date hereof, payment of this Note in consecutive, equal monthly installments of principal and interest will commence on the first day of the next calendar month following the date of such funding, with the monthly payment computed so that this Note will be fully amortized and paid in sixty (60) months after the date hereof.

All payments on this Note shall be made in lawful money of the United States at the office of the Payee at , or such other place as the Payee may designate to the Maker in writing from time to time. Each payment shall be applied first to accrued and unpaid interest, and the balance to the outstanding principal hereof.

This Note shall be prepayable at any time in whole or in part, without penalty or premium.

If any of the following events shall occur, that is to say (i) if a default shall occur in the payment of any amount due hereunder and such default shall not be cured within ten (10) days after such due date; or (ii) if the Maker shall become insolvent or make an assignment for the benefit of creditors; or (iii) if a case shall be commenced with respect to the Maker (whether voluntary or involuntary) under any federal or state bankruptcy or insolvency law; or (iv) if a custodian, receiver, trustee or other similar official shall be appointed for the Maker or for any substantial part of its property; then, and in any such event, the outstanding principal balance hereof, together with all accrued and unpaid interest, shall at the option of the Payee become immediately due and payable.

The Maker agrees to pay all costs (including attorneys' fees) reasonably incurred by the Payee in collecting this Note following a default hereunder.

Presentment for payment, demand, protest, notice of protest and notice of dishonor are hereby waived by all parties to this Note, whether Maker, endorser, guarantor or surety.

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No provision of this Note may be changed or waived orally, but only by an instrument in writing signed by the party to be charged by such change or waiver.

This Note shall be construed and enforced in accordance with the laws of the State of New Jersey.

IN WITNESS WHEREOF, the Maker has executed this Note as of the day and year first above written.

[***]

By: _____

Print Name: _____

Title: _____

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

I, Nancy S. Lurker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 of PDI, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2013

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

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

I, Jeffrey E. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 of PDI, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2013

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

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

In connection with the Quarterly Report of PDI, Inc. (the "Company") on form 10-Q for the period ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nancy S. Lurker, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 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.

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

In connection with the Quarterly Report of PDI, Inc. (the "Company") on form 10-Q for the period ended September 30, 2013 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: November 13, 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.