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

FORM 10-Q

Mark One

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

For the Quarterly Period ended March 31, 2002

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-24249

PDI, INC.
(Exact name of Registrant as specified in its charter)

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

10 Mountainview Road
Upper Saddle River, New Jersey 07458
(Address of principal executive offices)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

As of May 10, 2002 the Registrant had a total of 14,014,349 shares of Common Stock, $.01 par value, outstanding.

INDEX

PDI, INC.

PART I. FINANCIAL INFORMATION

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

<TABLE>
<CAPTION>

	March 31, 2002 (unaudited)	December 31, 2001
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 147,524	$ 160,043
Short-term investments	3,397	7,387
Inventory, net	--	442
Accounts receivable, net of allowance for doubtful accounts of $1,560 and $3,692 as of March 31, 2002 and December 31, 2001, respectively	33,020	52,640
Unbilled costs and accrued profits on contracts in progress	9,357	6,898
Deferred training	4,465	5,569
Other current assets	6,336	8,101
Deferred tax asset	24,041	24,041
Total current assets	228,140	265,121
Net property, plant & equipment	22,132	21,044
Other long-term assets	15,796	16,506
Total assets	$ 266,068	$ 302,671
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 5,862	$ 9,493
Accrued rebates and sales discounts	59,381	68,403
Accrued contract losses	600	12,256
Accrued incentives	16,960	22,213
Accrued salaries and wages	10,648	7,167
Unearned contract revenue	10,338	10,878
Other accrued expenses	13,151	21,026
Total current liabilities	116,940	151,436
Long-term liabilities:		
Deferred tax liability	300	300
Total long-term liabilities	300	300
Total liabilities	$ 117,240	$ 151,736
Stockholders' equity:		
Common stock, $.01 par value, 100,000,000 shares authorized: shares issued and outstanding, March 31, 2002 - 13,969,389, December 31, 2001 - 13,968,097; restricted $.01 shares issued and outstanding, March 31, 2002 - 15,388, December 31, 2001 - 15,388	$ 140	$ 140

Preferred stock, $.01 par value, 5,000,000 shares authorized, no shares issued and outstanding	--	--
Additional paid-in capital	102,777	102,757
Additional paid-in capital, restricted	954	954
Retained earnings	45,741	48,008
Accumulated other comprehensive loss	(48)	(79)
Unamortized compensation costs	(626)	(735)
Treasury stock, at cost: 5,000 shares	(110)	(110)
Total stockholders' equity	$ 148,828	$ 150,935
Total liabilities & stockholders' equity	$ 266,068	$ 302,671

</TABLE>

The accompanying notes are an integral part of these financial statements

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

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	2002	2001
	(unaudited)	
<S>	<C>	<C>
Revenue		
Service, net	$ 68,160	$ 78,087
Product, net	5,723	94,978
Total revenue, net	73,883	173,065
Cost of goods and services		
Program expenses (including related party amounts of $97 and $414 for the periods ended March 31, 2002 and 2001, respectively)	67,277	55,395
Cost of goods sold	--	64,215
Total cost of goods and services	67,277	119,610
Gross profit	6,606	53,455
Compensation expense	7,759	11,015
Other selling, general & administrative expenses	3,325	25,728
Total selling, general & administrative expenses	11,084	36,743
Operating (loss) income	(4,478)	16,712
Other income, net	889	1,870
(Loss) income before provision for taxes	(3,589)	18,582
(Benefit) provision for income taxes	(1,322)	7,653
Net (loss) income	$ (2,267)	$ 10,929
Basic net (loss) income per share	$ (0.16)	$ 0.79
Diluted net (loss) income per share	$ (0.16)	$ 0.77
Basic weighted average number of shares outstanding	13,969	13,843
Diluted weighted average number of shares outstanding	13,969	14,133

</TABLE>

The accompanying notes are an integral part of these financial statements

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

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	2002	2001
	(unaudited)	
<S>	<C>	<C>
Cash Flows From Operating Activities		
Net (loss) income from operations	$ (2,267)	$ 10,929
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,401	878
Reserve for inventory obsolescence and bad debt	(2,132)	1,798
Amortized compensation costs	109	134
Deferred tax asset, net	--	184
Other changes in assets and liabilities:		
Decrease (increase) in accounts receivable	21,752	(12,088)
Decrease (increase) in inventory	442	(14,399)
(Increase) in unbilled costs	(2,459)	(4,165)
Decrease in deferred training	1,104	109
Decrease in other current assets	1,766	237
Decrease (increase) in other long-term assets	556	(216)
(Decrease) increase in accounts payable	(3,631)	17,626
(Decrease) increase in accrued rebates and sales discounts	(9,021)	13,651
(Decrease) in accrued contract losses	(11,656)	--
(Decrease) in accrued liabilities	(1,773)	(5,270)
(Decrease) increase in unearned contract revenue	(539)	64
(Decrease) in other current liabilities	(7,877)	(1,260)
Net cash (used in) provided by operating activities	(14,225)	8,212
Cash Flows From Investing Activities		
Sale of short-term investments	4,021	--
Purchase of short-term investments	--	(4,826)
Other investments	--	(740)
Purchase of property and equipment	(2,336)	(2,035)
Net cash provided by (used in) investing activities	1,685	(7,601)
Cash Flows From Financing Activities		
Net proceeds from exercise of stock options	21	148
Net cash provided by financing activities	21	148
Net (decrease) increase in cash and cash equivalents	(12,519)	759
Cash and cash equivalents - beginning	160,043	109,000
Cash and cash equivalents - ending	$ 147,524	$ 109,759

</TABLE>

The accompanying notes are an integral part of these financial statements

PDI, INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The accompanying unaudited interim financial statements and related notes should be read in conjunction with the 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, 2001 as filed with the Securities and Exchange Commission. The unaudited interim financial statements of the Company have been prepared in accordance with generally accepted accounting principles 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 generally accepted accounting principles for complete financial statements. The unaudited interim financial statements include all adjustments (consisting only of normal recurring adjustments) which, in the judgement of management, are necessary for a fair presentation of such financial statements. Operating results for the three-month period ended March 31, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. Certain prior period amounts have been reclassified to conform with the current presentation with no effect on financial position, net income or cash flows.

2. Ceftin Contract Termination

In October 2000, the Company entered into an agreement with GlaxoSmithKline (GSK) for the exclusive U.S. marketing, sales and distribution rights for Ceftin(R) Tablets and Ceftin(R) for Oral Suspension, two dosage forms of a cephalosporin antibiotic, which agreement was terminated as of February 28, 2002 by mutual agreement of the parties. The agreement had a five-year term but was cancelable by either party without cause on 120 days notice. From October 2000 through February 2002, the Company marketed and sold Ceftin products, primarily to wholesale drug distributors, retail chains and managed care providers.

On August 21 2001, the U.S. Court of Appeals overturned a preliminary injunction granted by the New Jersey District Court, which allowed for the entry of a generic competitor to Ceftin immediately upon approval by the FDA. The affected Ceftin patent had previously been scheduled to run through July 2003. As a result of this decision and its impact on future sales, in the third quarter of 2001, PDI recorded a charge to cost of goods sold and a related reserve of $24.0 million representing the anticipated future loss to be incurred by the Company under the Ceftin agreement as of September 30, 2001. The recorded loss was calculated as the excess of estimated costs that PDI was contractually obligated to incur to complete its obligations under the arrangement, over the remaining estimated gross profits to be earned under the contract from selling the inventory. These costs primarily consisted of amounts paid to GSK to reduce purchase commitments, estimated committed sales force, selling and marketing costs through the effective date of the termination, distribution costs, and fees to terminate existing arrangements. The Ceftin agreement was terminated by the Company and GSK under a mutual termination agreement entered into in December 2001. Under the termination agreement, the Company agreed to perform its marketing and distribution services through February 28, 2002. The Company also maintained responsibility for sales returns for product sold until the expiration date of the product sold, estimated to be December 31, 2004, and certain administrative functions regarding Medicaid rebates.

As of March 31, 2002, the Company had approximately $600,000 remaining of the Ceftin contract loss reserve which consisted primarily of the remaining estimated selling, general and administrative costs required to be incurred pursuant to the contract termination, primarily relating to the Company's obligation to administer product sales returns. While the Company has certain performance requirements as discussed above, it had no remaining Ceftin inventory purchase commitments as of March 31, 2002. The Company also had

approximately $59.4 million in sales discounts, rebates and return reserves related to Ceftin at March 31, 2002 for estimated settlement of these obligations through the contract termination date.

3. Charter Amendment

On October 1, 2001 the Company effected an amendment to its Certificate of Incorporation (a) changing the Company's name from Professional Detailing, Inc. to PDI, Inc., and (b) increasing the Company's authorized common stock from 30 million shares to 100 million shares. These changes were approved by the Company's stockholders at the Company's 2001 annual meeting of stockholders.

4. Repurchase Program

On September 21, 2001, the Company announced that its Board of Directors had unanimously authorized management to repurchase up to $7.5 million of its common stock. Subject to availability, the transactions may be made from time to time in the open market or directly from stockholders at prevailing market prices that the Company deems appropriate. The repurchase program was implemented to ensure stability of the trading in PDI's common shares in light of the September 11, 2001 terrorist activity. In October 2001, 5,000 shares were repurchased in open market transaction for a total of $110,000.

5. New Business

LifeCycle Ventures, Inc., (LCV) was incorporated in June 2000 as a wholly owned subsidiary of PDI. The LCV service offering provides pharmaceutical manufacturers with a new approach toward managing the resource constraints inherent in a large product portfolio. The mounting pressure to launch new drugs and quickly maximize sales of products in the growth phase of their lifecycles often leaves other products that could benefit from intensified sales and marketing efforts. LCV helps to maximize the sales and profit potential of these products by fully or partially funding and managing the marketing, sales and distribution efforts for the products in return for performance based compensation. LCV was merged into PDI, Inc. effective December 31, 2001.

In May 2001, the Company entered into an agreement with Novartis Pharmaceuticals Corporation (Novartis) for the U.S. sales, marketing and promotion rights for Lotensin(R) and Lotensin HCT(R), which agreement runs through December 31, 2003. Pursuant to this agreement, the Company provides promotional, selling and marketing for Lotensin, as well as brand management. In exchange, the Company is entitled to receive a split of incremental net sales above specified baselines. Also pursuant to this agreement the Company copromotes Lotrel(R) in the U.S. for which it is entitled to be compensated on a fee for service basis with potential incentive payments based upon achieving certain net total prescriptions (TRx) objectives. Novartis has retained certain regulatory responsibilities for Lotensin and Lotrel and ownership of all intellectual property. Additionally, Novartis will continue to manufacture and distribute the products. In the event the Company's estimates of the demand for Lotensin are not accurate or more sales and marketing resources than anticipated are required, the Novartis transaction could have a material adverse impact on the Company's results of operations, cash flows and liquidity. During the three months ended March 31, 2002, the Company's efforts on this contract did result in an operating loss because the sales of Lotensin did not exceed the specified baselines by an amount sufficient to cover its operating costs. While the Company currently estimates that future revenues will exceed costs associated

with this agreement, there is no assurance that actual revenues will exceed costs; in which event the activities covered by this agreement would continue to yield an operating loss.

In October 2001, the Company entered into an agreement with Eli Lilly and Company (Eli Lilly) to copromote Evista(R) in the U.S. Evista is approved in the U.S. for the prevention and treatment of osteoporosis in postmenopausal women. Under the terms of the agreement, the Company provides sales representatives to copromote Evista to U.S. physicians. These sales representatives augment the Eli Lilly sales force promoting Evista. Under this agreement, the Company is entitled to be compensated based on net sales achieved above a predetermined level. The agreement does not provide for the direct reimbursement of expenses the Company incurs. The Eli Lilly arrangement is a performance based contract

which extends through December 31, 2003, subject to earlier termination upon the occurrence of specific events. PDI's compensation is earned as a percentage of net factory sales above contractual baselines. To the extent that such baselines are not exceeded, which has been the case since the inception of the agreement, including the three months ended March 31, 2002, the Company receives no revenue. Further, the Company is required to commit a certain level of spending for promotional and selling activities including but not limited to sales representatives. These costs could range from $9.0 million to $12.0 million per quarter. Under the contract with Eli Lilly, the sales force assigned to Evista may also be used to promote other products, including products covered by other PDI copromotion arrangements which may allow the Company to generate additional revenue and absorb a portion of the costs related to the sales force. In the event the Company's estimates of the demand for Evista are not accurate, the Eli Lilly transaction could have a material adverse impact on its results of operations, cash flows and liquidity. While the Company currently estimates that its future revenues from Evista sales will exceed its costs associated with this agreement, there is no assurance that actual revenues will exceed costs; in which event the activities covered by this agreement would continue to yield an operating loss.

6. Acquisition

On September 10, 2001, the Company acquired 100% of the capital stock of InServe Support Solutions ("InServe") in a transaction treated as an asset acquisition for tax purposes. InServe is a nationwide supplier of supplemental field-staffing programs for the medical device and diagnostics industries ("MD&D"). The acquisition has been accounted for as a purchase, subject to the provisions of SFAS 141 and SFAS 142. The net assets of InServe on the date of acquisition were approximately $1.3 million. The Company made payments to the Seller at closing of $8.5 million, net of cash acquired. Additionally, the Company put $3.0 million in escrow related to contingent payments payable during 2002 if certain defined benchmarks are achieved. The Company expects all benchmark performance criteria, except those related to certain financial measures in the amount of $265,265, will be achieved in 2002. In connection with this transaction, the Company recorded $7.9 million in goodwill, which is included in other long-term assets, and the remaining purchase price was allocated to identifiable assets and liabilities acquired.

The following unaudited pro forma results of operations for the quarter ended March 31, 2001 assume that the Company and InServe had been combined as of the beginning of the period presented. The pro forma results include estimates and assumptions which management believes are reasonable. However, pro forma results are not necessarily indicative of the results which would have occurred if the acquisition had been consummated as of the dates indicated, nor are they necessarily indicative of future operating results.

	Three Months Ended March 31, 2001
	(in thousands, except for per share data) (unaudited)
Net sales - pro forma	$ 175,210
Net income - pro forma	$ 11,004
Pro forma diluted earnings per share	$ 0.78

7. Other Investments

During the three months ended March 31, 2001, the Company made an additional investment of approximately $740,000 in convertible preferred stock of In2Focus, Inc., a United Kingdom contract sales company, bringing the total investment as of March 31, 2001 to $1.5 million. During the remainder of 2001, an additional investment of approximately $400,000 was made, raising PDI's

ownership to approximately 12%. The Company recorded its investment under the cost method. In light of the negative operating cash flows and the uncertainty of achieving positive future results, the Company concluded as of December 31, 2001, that its investment related to in2Focus was other than temporarily impaired and was written down to zero, its current estimated net realizable value.

8. Inventory

At March 31, 2002, there was a zero inventory balance due to the sale of all remaining inventory prior to the cancellation of PDI's distribution agreement with GSK for Ceftin. For the three months ended March 31, 2001, inventory was valued at the lower of cost or fair value. Cost was determined using the first in, first out costing method. Inventory consisted of only finished goods and was recorded net of a provision for obsolescence.

9. New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." Under these new standards, all acquisitions subsequent to June 30, 2001 must be accounted for under the purchase method of accounting, and purchased goodwill is no longer amortized over its useful life. Rather, goodwill will be subject to a periodic impairment test based upon its fair value. Under these pronouncements, the Company's goodwill of approximately $11.0 million will no longer be amortized; but will be subject to an annual impairment test. The Company will assess the impairment under SFAS 142 by June 30, 2002.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"). SFAS 143 establishes accounting standards for recognition and measurement of a liability for the costs of asset retirement obligations. Under SFAS 143, the costs of retiring an asset will be recorded as a liability when the retirement obligation arises, and will be amortized to expense over the life of the asset.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets and discontinued operations.

The adoption of these accounting pronouncements did not have a material effect on the consolidated financial position and results of operations. PDI adopted these statements effective January 1, 2002.

In April 2002, the FASB issued Statement No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." The Statement updates, clarifies and simplifies existing accounting pronouncements.

The Company does not expect the adoption of this accounting pronouncement to have a material effect, if any, on the consolidated financial position and results of operations.

10. Historical and Pro Forma Basic and Diluted Net Income/Loss Per Share

Historical and pro forma basic and diluted net income/loss per share is calculated based on the requirements of SFAS No. 128, "Earnings Per Share."

A reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the quarters ended March 31, 2002 and 2001 is as follows:

	Three Months Ended March 31,	
	2002	2001

	(in thousands)	
Basic weighted average number of common shares outstanding	13,969	13,843
Dilutive effect of stock options	--	290
Diluted weighted average number of common shares outstanding	13,969	14,133

At March 31, 2002, 1,040,885 stock options were excluded from the computation of diluted earnings per share due to their antidilutive effect. At March 31, 2001, 276,735 stock options were excluded from the computation of diluted earnings per share due to their antidilutive effect.

11. Short-Term Investments

At March 31, 2002, short-term investments were $3.4 million, including approximately $916,000 of investments classified as available for sale securities. At March 31, 2001, short-term investments were $9.7 million, including approximately $840,000 of investments classified as available for sale securities. The unrealized after-tax gain/(loss) on the available for sale securities is included as a separate component of stockholders' equity as accumulated other comprehensive income (loss). All other short-term investments are stated at cost, which approximates fair value.

12. Other Comprehensive Income (Loss)

A reconciliation of net income (loss) as reported in the Consolidated Statements of Operations to Other comprehensive income (loss), net of taxes is presented in the table below.

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	2002	2001
	(thousands)	
<S>	<C>	<C>
Net (loss) income	$(2,267)	$ 10,929
Other comprehensive income, net of tax:		
Unrealized holding loss on available-for-sale securities arising during period	(67)	(108)
Reclassification adjustment for losses included in net (loss) income	20	17
Other comprehensive (loss) income	$(2,314)	$ 10,838

</TABLE>

13. Commitments and Contingencies

The Company is engaged in the business of detailing pharmaceutical products, and, through LCV was also in the business of distributing product under the Ceftin agreement. Such activities could expose the Company to risk of liability for personal injury or death to persons using such products. The Company seeks to reduce its potential liability under its service agreements through measures such as contractual indemnification provisions with clients (the scope of which may vary from client to client, and the performances of which are not secured) and insurance. The Company could, however, also be held liable for errors and omissions of its employees in connection with the services it performs that are outside the scope of any indemnity or insurance policy. The Company could be materially adversely affected if it were required to pay damages or incur defense costs in connection with a claim that is outside the

scope of the indemnification agreements; 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.

In January and February 2002, the Company, its chief executive officer and its chief financial officer were served with three complaints that were filed in the U.S. District Court for the District of New Jersey alleging violations of the Securities Act of 1934 (the "1934 Act"). These complaints were brought as purported shareholder class actions under Sections 10(b) and 20(a) of the 1934 Act and Rule 10b-5 promulgated thereunder. Each of the complaints alleges a purported class period which runs from May 22, 2001 through November 12, 2001; seeks to represent a class of stockholders who purchased shares of the Company's common stock during that period; and seeks money damages in unspecified amounts and litigation expenses including attorneys' and experts' fees.

Each of these three complaints contain substantially similar allegations, the essence of which is that the defendants intentionally or recklessly made false or misleading public statements and omissions concerning the Company's financial condition and prospects with respect to its marketing of Ceftin in connection with the October 2000 distribution agreement with GlaxoSmithKline, as well as its marketing of Lotensin and Lotrel in connection with the May 2001 distribution agreement with Novartis Pharmaceuticals Corporation.

The Company believes that each of these three complaints will ultimately be consolidated into one action. As of this filing, it has not yet answered any of the complaints, and discovery has not yet commenced. The Company believes that the allegations in these complaints are without merit and it intends to defend these actions vigorously.

The Company has been named as a defendant in several lawsuits, including a class action matter, alleging claims arising from the use of the prescription compound Baycol that was manufactured by Bayer Pharmaceuticals and marketed by the Company on Bayer's behalf. In August 2001, Bayer announced that it was voluntarily withdrawing Baycol from the U.S. market. The Company intends to defend these actions vigorously and has asserted a contractual right of indemnification against Bayer for all costs and expenses it incurs related to these proceedings.

Other than the foregoing, the Company is not currently a party to any material pending litigation and it is not aware of any material threatened litigation.

14. Segment Information

The Company operates under two reporting segments: sales and marketing services, and PDI Pharma, both of which have been changed since the December 31, 2001 financial presentation. Since the termination of the Ceftin contract and the elimination of product sales, effective February 28, 2002, the shift in management's focus on the business has been to view the traditional fee for service type arrangements (offered by the "sales and marketing services" segment) in the aggregate and to view the performance based contracts - those for which the Company is compensated based largely on the performance of the products that it is responsible for marketing and selling ("PDI Pharma" segment) - also in the aggregate. The sales and marketing services segment includes the Company's CSO business units; the Company's marketing services business unit, which includes marketing research and medical education and communication services; and the Company's medical device and diagnostics business unit. The PDI Pharma segment includes the Company's LifeCycle Extension services, product commercialization services and copromotion services, including product sales. The segment information from prior periods has been restated to conform to the current year's presentation.

The "sales and marketing services" segment combines and replaces the "contract sales" and "marketing services" reporting segments included in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001. Both of the current segments replace the "contract sales and marketing services"

and "product sales and distribution" reporting segments included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

The accounting policies of the segments are described in note 1. Segment data includes a charge allocating all corporate headquarters costs to each of the operating segments on the basis of revenue.

	Three Months Ended March 31,	
	2002	2001
	(thousands)	
Revenue		
Sales and marketing services	$ 56,457	$ 94,699
PDI Pharma	17,550	95,756
Total	$ 74,007	$ 190,455
Revenue, intersegment		
Sales and marketing services	$ 124	$ 17,390
PDI Pharma	--	--
Total	$ 124	$ 17,390
Revenue, less intersegment		
Sales and marketing services	$ 56,333	$ 77,309
PDI Pharma	17,550	95,756
Total	$ 73,883	$ 173,065
EBIT		
Sales and marketing services	$ 3,020	$ 11,886
PDI Pharma	(4,999)	7,157
Corporate charges	(2,499)	(2,331)
Total	$ (4,478)	$ 16,712
EBIT, intersegment		
Sales and marketing services	$ (69)	$ 2,928
PDI Pharma	(55)	(2,928)
Corporate charges	124	--
Total	$ --	$ --
EBIT, less intersegment, before corporate allocations		
Sales and marketing services	$ 2,965	$ 8,958
PDI Pharma	(4,944)	10,085
Corporate charges	(2,499)	(2,331)
Total	$ (4,478)	$ 16,712
Corporate allocations		
Sales and marketing services	$ (1,905)	$ (1,041)
PDI Pharma	(594)	(1,290)
Corporate charges	2,499	2,331
Total	$ --	$ --

EBIT, less corporate allocations		
Sales and marketing services	$ 1,060	$ 7,917
PDI Pharma	(5,538)	8,795
Corporate charges	--	--
Total	$ (4,478)	$ 16,712
Reconciliation of EBIT to income before provision for income taxes		
Total EBIT for operating groups	$ (4,478)	$ 16,712
Other income, net	889	1,870
Income before provision for income taxes	$ (3,589)	$ 18,582

	Three Months Ended March 31,	
	2002	2001
	(thousands)	
Capital expenditures		
Sales and marketing services	$2,395	$1,877
PDI Pharma	--	158
Total	$2,395	$2,035
Depreciation expense		
Sales and marketing services	$1,220	$ 755
PDI Pharma	28	4
Total	$1,248	$ 759

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Various statements made in this Quarterly Report on Form 10-Q are "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The forward-looking statements included in this report are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving judgements 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. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of these assumptions could prove inaccurate and, therefore, we cannot assure you that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included in this report, the inclusion of these statements should not be interpreted by anyone that our objectives and plans will be achieved. Factors that could cause actual results to differ materially from those expressed or implied by forward-looking statements include, but are

not limited to, the factors set forth in "Certain Factors That May Affect Future Growth," under Part I, Item 1, of the Company's Annual Report on Form 10-K for the year ended December 31, 2001 as filed with the Securities and Exchange Commission.

Overview

We are an innovative sales and marketing company serving the pharmaceutical, biotech, and medical devices and diagnostics industries. Partnering with clients, we provide product-specific programs designed to maximize profitability throughout a product's lifecycle from pre-launch through maturity. We are recognized as an industry leader based on our track record of innovation and our ability to keep pace in a rapidly changing industry. We leverage our expertise in sales, brand management and product marketing, marketing research, medical education, medical affairs, and managed markets and trade relations to help meet strategic objectives and provide incremental value for product sales. We operate under two reporting segments: sales and marketing services and PDI Pharma. Within our two reporting segments we provide the following services:

- Sales and marketing services:
  - dedicated contract sales services;
  - shared contract sales services;
  - medical device and diagnostics sales and marketing services;
  - marketing research and consulting services (TVG); and
  - medical education and communication services (TVG).
- PDI Pharma:
  - LifeCycle Extension services (LCXT);
  - product commercialization services (PCS);and
  - copromotion services.

Our contracts within the LCXT, PCS and copromotion subcategories are more heavily performance based and have a higher risk potential and correspondingly an opportunity for higher profitability. These contracts involve significant startup expenses and a greater risk of operating losses. These contracts normally require significant participation from our LCV and TVG professionals whose skill sets include marketing, brand management, trade relations and marketing research.

Sales and Marketing Services

Given the customized nature of our business, we utilize a variety of contract structures. Historically, most of our product detailing contracts were fee for services, i.e., the client pays a fee for a specified package of services. These contracts typically include operational benchmarks, such as a minimum number of sales representatives or a minimum number of calls. Also, our contracts might have a lower base fee offset by built-in incentives we can earn based on our performance. In these situations, we have the opportunity to earn additional fees based on enhanced program results.

Our product detailing contracts generally are for terms of one to three years and may be renewed or extended. However, the majority of these contracts are terminable by the client for any reason on 30 to 90 days notice. These contracts typically, but not always, provide for termination payments in the event they are terminated by the client without cause. While the cancellation of a contract by a client without cause may result in the imposition of penalties on the client, these penalties may not act as an adequate deterrent to the termination of any contract. In addition, we cannot assure you that these penalties will offset the revenue we could have earned under the contract or the costs we may incur as a result of its termination. The loss or termination of a large contract or the loss of multiple contracts could adversely affect our

future revenue and profitability. As an example, in February 2002, Bayer notified us that they were exercising their right to terminate their contract with us without cause. Contracts may also be terminated for cause if we fail to meet stated performance benchmarks. To date, no programs have been terminated for cause.

On September 10, 2001, we acquired InServe Support Solutions (InServe) in a transaction treated as an asset acquisition for tax purposes. The acquisition was accounted for as a purchase in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) 141 and SFAS 142. The net assets of InServe on the date of acquisition were approximately $1.3 million. At closing, we paid the former stockholders of InServe $8.5 million, net of cash acquired. Additionally, we deposited $3.0 million in escrow related to contingent payments payable during 2002 if certain defined benchmarks are achieved. In connection with this transaction, we recorded $7.9 million in goodwill, which is included in other long-term assets, and the remaining purchase price was allocated to identifiable assets and liabilities acquired.

InServe is a leading nationwide supplier of supplemental field-staffing programs for the medical device and diagnostics industries. InServe provides hands-on clinical education and after-sales support to maximize product utilization and customer satisfaction. InServe's clients include many of the leading medical device and diagnostics companies, including Becton Dickinson, Roche Diagnostics and Johnson & Johnson.

PDI Pharma

Beginning with the fourth quarter of 2000 we have entered into a number of significant performance based contracts and we use a variety of structures for such contracts. Our agreement with GlaxoSmithKline (GSK) regarding Ceftin(R) was a marketing and distribution contract, under which we had the exclusive right to market and distribute the designated Ceftin products in the U.S. The agreement had a five-year term but was cancelable by either party without cause on 120 days notice. The agreement was terminated by mutual consent, effective February 28, 2002. Contracts such as the Ceftin agreement, which require us to purchase and distribute product, have a greater number of risk factors than a traditional fee for service contract. Any future agreement that involves in-licensing or product acquisition would have similar risk factors.

In May 2001, we entered into an agreement with Novartis Pharmaceuticals Corporation (Novartis) for the U.S. sales, marketing and promotion rights for Lotensin(R) and Lotensin HCT(R), which agreement runs

through December 31, 2003. Under this agreement, we provide promotional, selling and marketing for Lotensin, as well as brand management. In exchange, we are entitled to receive a split of incremental net sales above specified baselines. Also under this agreement with Novartis, we copromote Lotrel(R) in the U.S. for which we are entitled to be compensated on a fee for service basis with potential incentive payments based upon achieving certain net total prescriptions (TRx) objectives. Novartis has retained regulatory responsibilities for Lotensin and Lotrel and ownership of all intellectual property. Additionally, Novartis will continue to manufacture and distribute the products. In the event our estimates of the demand for Lotensin are not accurate or more sales and marketing resources than anticipated are required, the Novartis transaction could have a material adverse impact on our results of operations, cash flows and liquidity. During the three months ended March 31, 2002, our efforts on this contract did result in an operating loss because the sales of Lotensin did not exceed the specified baselines by an amount great enough to cover our operating costs. While we currently estimate that future revenues will exceed costs associated with this agreement, there is no assurance that actual revenues will exceed costs; in which event the activities covered by this agreement would continue to yield an operating loss.

In October 2001, we entered into an agreement with Eli Lilly to copromote Evista in the U.S. Evista is approved in the U.S. for the prevention and treatment of osteoporosis in postmenopausal women. Under the terms of the agreement, we provide a sales representatives to copromote Evista to U.S. physicians. Our sales representatives augment the Eli Lilly sales force promoting Evista. Under this agreement, we are entitled to be compensated based on net sales achieved above a predetermined level. The agreement does not

provide for the direct reimbursement of expenses we incur.

The Eli Lilly arrangement contract is a performance based contract for a term through December 31, 2003, subject to earlier termination upon the occurrence of specific events. Our compensation is earned as a percentage of net factory sales above contractual baselines. To the extent that such baselines are not exceeded, which has been the case since the inception of the agreement, including the three months ended March 31, 2002, we receive no revenue. Further, we are required to commit a certain level of spending for promotional and selling activities including but not limited to sales representatives. These costs could range from $9.0 million to $12.0 million per quarter. The sales force assigned to Evista may be used to promote other products, including products covered by other PDI copromotion arrangements, which may allow us to generate additional revenue to cover the costs of the sales force. In the event our estimates of the demand for Evista are not accurate, the Eli Lilly transaction could have a material adverse impact on our results of operations, cash flows and liquidity. While we currently estimate that future revenues to us from Evista sales will exceed our costs associated with this agreement, there is no assurance that actual revenues will exceed costs; in which event the activities covered by this agreement would continue to yield an operating loss.

We have also entered other performance based agreements that do not require the distribution, in-licensing or ownership of product. An important performance parameter is normally the level of sales attained by the product while we have marketing or promotional responsibility.

Revenues and expenses

Our revenues and cost of goods and services are classified between service and product sales for reporting purposes. Historically, we have derived a significant portion of our service revenue from a limited number of clients. However, concentration of business in the pharmaceutical outsourcing industry is common and we believe that pharmaceutical companies will continue to outsource large projects as the pharmaceutical outsourcing industry continues to demonstrate an ability to successfully implement large programs. Accordingly, we are likely to continue to experience significant client concentration in future periods. Our three largest clients accounted for approximately 63.7% and 64.6% of our service revenue for the three months ended March 31, 2002 and 2001, respectively. For the three months ended March 31, 2002 and 2001, product revenue from sales of Ceftin primarily came from three major customers who accounted for approximately 70.5% and 70.9% respectively, of total net product revenue. Of the $5.7

million recorded as product revenue for the three months ended March 31, 2002, only approximately $716,000 was from the sale of inventory. The balance of $5.0 million resulted from the net positive adjustments recorded in sales returns and allowances, discounts and rebates accounts for the first quarter of 2002 that have occurred as we continue to satisfy our liabilities relating to the previous reserves recorded as a result of Ceftin sales in prior periods. Because those reserves were initially set up as estimates, using historical data and other information, there may be both positive and negative adjustments made as the liabilities are settled in future periods and such adjustment will be reflected in product revenue with the classification of such accruals when initially recorded.

Service revenue and program expenses

Sales and marketing services revenue is earned primarily by performing product detailing programs and other marketing and promotional services under contracts. Revenue is recognized as the services are performed and the right to receive payment for the services is assured. Revenue is recognized net of any potential penalties until the performance criteria eliminating the penalties have been achieved. Bonus and other performance incentives as well as termination payments are recognized as revenue in the period earned and when payment of the bonus, incentive or other payment is assured. Under performance based contracts revenue is recognized when the performance based parameters are attained.

Program expenses consist primarily of the costs associated with executing product detailing programs, performance based contracts or other sales and

marketing services identified in the contract. Program expenses include personnel costs and other costs, including facility rental fees, honoraria and travel expenses, associated with executing a product detailing or other marketing or promotional program, as well as the initial direct costs associated with staffing a product detailing program. Personnel costs, which constitute the largest portion of program expenses, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the sales representatives and sales managers and professional staff who are directly responsible for executing a particular program. Initial direct program costs are those costs associated with initiating a product detailing program, such as recruiting, hiring and training the sales representatives who staff a particular product detailing program. All personnel costs and initial direct program costs, other than training costs, are expensed as incurred for service offerings. Training costs include the costs of training the sales representatives and managers on a particular product detailing program so that they are qualified to properly perform the services specified in the related contract. Training costs are deferred and amortized on a straight-line basis over the shorter of the life of the contract to which they relate or 12 months. Expenses related to the product detailing of products we distribute such as Ceftin (as discussed below under Product revenue and cost of goods sold) are recorded as a selling expense and are included in other selling, general and administrative expenses in the consolidated statements of operations.

As a result of the revenue recognition and program expense policies described above, we may incur significant initial direct program costs before recognizing revenue under a particular product detailing program. We typically receive an initial contract payment upon commencement of a product detailing program as compensation for recruiting, hiring and training services associated with staffing that program. In these cases, the initial payment is recorded as revenue in the same period in which the costs of the services are expensed. Our inability to specifically negotiate in our product detailing contracts payments that are specifically attributable to recruiting, hiring or training services could adversely impact our operating results for periods in which the costs associated with the product detailing services are incurred.

Product revenue and cost of goods sold

Product revenue is recognized when products are shipped and title to products is transferred to the customer. Provision is made at the time of sale for all discounts and estimated sales allowances. We prepare our estimates for sales returns and allowances, discounts and rebates based primarily on historical experience updated for changes in facts and circumstances, as appropriate.

Cost of goods sold includes all expenses for both product distribution costs and manufacturing costs of product sold. Inventory is valued at the lower of cost or fair value. Cost is determined using the first in, first out costing method. Inventory consists of only finished goods. Cost of goods sold and gross margin on sales could fluctuate based on our quantity of product purchased, and our contractual unit costs including applicable discounts, as well as fluctuations in the selling price for our products including applicable discounts.

Corporate overhead

Selling, general and administrative expenses (SG&A) include compensation and general corporate overhead. Compensation expense consists primarily of salaries, bonuses, training and related benefits for senior management and other administrative, marketing, finance, information technology and human resources personnel who are not directly involved with executing a particular program. Other selling, general and administrative expenses include corporate overhead such as facilities costs, depreciation and amortization expenses and professional services fees; and with respect to product that we distribute, other SG&A also includes product detailing, marketing and promotional expenses.

Consolidated Results of Operations

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

	Three Months Ended March 31,	
	2002	2001
Revenue		
Service, net	92.3%	45.1%
Product, net	7.7	54.9
Total revenue, net	100.0%	100.0%
Cost of goods and services		
Program expenses	91.1	32.0
Cost of goods sold	--	37.1
Total cost of goods and services	91.1	69.1
Gross profit	8.9	30.9
Compensation expense	10.5	6.4
Other selling, general and administrative expenses	4.5	14.8
Total selling, general and administrative expenses	15.0	21.2
Operating (loss) income	(6.1)	9.7
Other income, net	1.2	1.1
(Loss) income before provision for income taxes	(4.9)	10.8
(Benefit) provision for income taxes	(1.8)	4.4
Net (loss) income	(3.1)%	6.4%

Revenue. Net revenue for the quarter ended March 31, 2002 was $73.9 million, 57.3% less than net revenue of $173.1 million for the quarter ended March 31, 2001. Net revenue from the sales and marketing services segment for the quarter ended March 31, 2002 was $56.3 million, $21.0 million less than net revenue of $77.3 million from those segments for the comparable prior year period. This decrease was primarily attributable to the loss of one large CSO contract, and the reduction in size or nonrenewal of several others, generally reflecting continued slower demand for traditional contract sales services. Net PDI Pharma revenue for the quarter ended March 31, 2002 was $17.6 million, of which $5.7 million was product revenue. Within product revenue, approximately $716,000 was attributable to sales of Ceftin and $5.0 million was attributable to the changes in estimates related to sales allowances and returns, discounts

and rebates recorded on previous Ceftin sales. As during the fourth quarter of 2001, sales of Evista were below the contractual baseline and therefore we did not earn any revenue from that contract during the current quarter. The balance of $11.9 million was from other performance based contracts. PDI Pharma revenue for the three months ended March 31, 2001 was $95.8 million; of that amount, net product revenue was $95.0 million and the approximately $800,000 remaining revenue was from other performance based contracts.

Cost of goods and services. Cost of goods and services for the quarter ended March 31, 2002 was $67.3 million, 43.8% less than cost of goods and services of $119.6 million for the quarter ended March 31, 2001. The decrease is primarily attributable to the termination of the Ceftin contract and the related cost of goods sold. As a percentage of total net revenue, cost of goods and services increased to 91.1% for the quarter ended March 31, 2002 from 69.1% in the comparable prior year period. This increase was primarily attributable to the negative gross profit associated with the Eli Lilly and Novartis contracts. Program expenses (i.e., cost of services) associated with the sales and marketing services segment for the quarter ended March 31, 2002 were $43.5 million, 20.9% less than program expenses of $55.0 million for the prior year period. As a percentage of sales and marketing services segment revenue, program expenses for the quarters ended March 31, 2002 and 2001 were 77.2% and 71.1%, respectively, primarily due to higher program costs for the marketing services provided by the TVG businesses. Cost of goods and services associated with the PDI Pharma segment was $23.8 million and $64.6 million for the quarters ended March 31, 2002 and 2001, respectively. As a percentage of PDI Pharma revenue,

cost of goods and services for the quarters ended March 31, 2002 and 2001 were 135.4% and 67.5%, respectively. To date the revenues earned from the performance based contracts for Eli Lilly and Novartis have fallen short of sales and marketing costs associated with those contracts. Performance based contracts can achieve a gross profit percentage above our historical averages for contract sales programs if the performance of the product(s) meets or exceeds expectations, but can be below normal gross profit standards if the performance of the product falls short of expectations, as was the case for the fourth quarter of 2001 and the current quarter. While we currently estimate that future revenues will exceed costs associated with these agreements, there is no assurance that actual revenues will exceed costs; in which event the activities covered by these agreements would continue to yield an operating loss.

Compensation expense. Compensation expense for the quarter ended March 31, 2002 was $7.8 million, 29.6% less than $11.0 million for the comparable prior year period. As a percentage of total net revenue, compensation expense increased to 10.5% for the quarter ended March 31, 2002 from 6.4% for the quarter ended March 31, 2001. Compensation expense for the quarter ended March 31, 2002 attributable to the sales and marketing services segment was $6.6 million compared to $9.6 million for the quarter ended March 31, 2001. As a percentage of net revenue from the sales and marketing services segment, compensation expense decreased to 11.6% for the quarter ended March 31, 2002 from 12.5% for the quarter ended March 31, 2001. Compensation expense for the quarter ended March 31, 2002 attributable to the PDI Pharma segment was $1.2 million, or 6.8% of PDI Pharma revenue, compared to $1.4 million, or 1.4% in the prior year period. In future periods we expect the staffing for this segment to increase as capabilities are added. The increase in compensation expense as a percentage of revenue in the current period for the PDI Pharma segment was due to the termination of the Ceftin agreement, which led to lower revenues in the first quarter, while compensation expense remained relatively fixed.

Other selling, general and administrative expenses. Total other selling, general and administrative expenses were $3.3 million for the quarter ended March 31, 2002, 87.1% less than other selling, general and administrative expenses of $25.7 million for the quarter ended March 31, 2001. As a percentage of total net revenue, total other selling, general and administrative expenses decreased to 4.5% for the quarter ended March 31, 2002 from 14.8% for the quarter ended March 31, 2001. Other selling, general and administrative expenses attributable to sales and marketing services segment for the quarter ended March 31, 2002 were $5.2 million, an increase of 8.8% over other selling, general and administrative expenses of $4.8 million attributable to that segment for the comparable prior year period. As a percentage of net revenue from sales and marketing services, other selling, general and administrative expenses were 9.1% and 6.2% for the quarters ended March 31, 2002 and 2001, respectively. This increase was primarily due

to continued discretionary expenditures in information technology resulting in increased depreciation expense. Other selling, general and administrative expenses attributable to the PDI Pharma segment for the quarter ended March 31, 2002 consisted of a credit of $1.9 million, which was comprised of a $2.1 million reversal of a prior bad debt reserve accrual related to certain Ceftin product sales which were subsequently settled favorably. This was partially offset by other expenses for data costs and professional fees. This net credit in selling, general and administrative expenses significantly impacted the total other selling, general and administrative expenses as a percentage of total net revenue. As discussed previously, approximately $12.3 million of committed selling expenses were included in the determination of the loss on the Ceftin contract which was recorded through cost of goods sold in the third quarter 2001. Furthermore, during the first quarter the costs related to the Ceftin sales force were recorded as a selling and administrative expense. Other selling, general and administrative expenses for the Ceftin product consisted primarily of field selling costs, direct marketing expenses, business insurance and professional fees. We believe that we currently have adequate reserves to cover losses for bad debts and do not anticipate any material increases during the remainder of 2002.

Operating (loss) income. There was an operating loss for the quarter ended March 31, 2002 of $4.5 million, compared to operating income of $16.7 million for the quarter ended March 31, 2001. Operating income for the quarter ended March 31, 2002 for the sales and marketing services segment was $1.1 million, or

86.6% less than the sales and marketing services operating income for the quarter ended March 31, 2001 of $7.9 million. As a percentage of net revenue from the sales and marketing services segment, operating income for that segment decreased to 1.9% for the quarter ended March 31, 2002, from 10.2% for the comparable prior year period. The operating loss was primarily the result of losses generated by the performance based contracts in 2002. There was an operating loss for the PDI Pharma segment for the quarter ended March 31, 2002 of $5.6 million, compared to operating income of $8.8 million for the prior year period, all of which was attributable to the Ceftin contract.

Other income, net. Other income, net, for the quarters ended March 31, 2002 and 2001 was $889,000 and $1.9 million, respectively, and was comprised primarily of interest income due to lower available cash balances and significantly lower interest rates.

(Benefit) provision for income taxes. There was an income tax benefit of $1.3 million for the quarter ended March 31, 2002, compared to income tax expense of $7.6 million for the quarter ended March 31, 2001, which consisted of Federal and state corporate income taxes. The effective tax rate for the quarter ended March 31, 2002 was 36.9%, compared to an effective tax rate of 41.2% for the quarter ended March 31, 2001.

Net (loss) income. There was a net loss for the quarter ended March 31, 2002 of $2.3 million, compared to net income of $10.9 million for the quarter ended March 31, 2001 due to the factors discussed previously.

Liquidity and capital resources

As of March 31, 2002, we had cash and cash equivalents and short-term investments of approximately $150.9 million and working capital of $111.2 million compared to cash and cash equivalents and short-term investments of approximately $119.4 million and working capital of $129.8 million at March 31, 2001.

For the three months ended March 31, 2002, net cash used in operating activities was $14.2 million, compared to $8.2 million cash provided by operating activities for the same period in 2001. The main components of cash used in operating activities were a net loss from operations of $2.3 million, along with a net negative non-cash adjustment for depreciation, amortization, reversal of a bad debt reserve and the amortization of deferred compensation costs of approximately $622,000 and a negative cash impact of $11.3 million from changes in "Other assets and liabilities." During the fourth quarter of 2001 we agreed with GSK to terminate the Ceftin marketing and distribution agreement as of February 28, 2002, thus the

decline in inventory and the reduction in accounts receivable, accrued rebates and discounts, accrual for contract losses, and other liability accounts were associated with the winding down of Ceftin activities. The balances in "Other changes in assets and liabilities" may fluctuate depending on a number of factors, including seasonality of product sales, the number and size of programs, contract terms and other timing issues; these fluctuations may vary in size and direction each reporting period.

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. When services are performed in advance of billing, the value of such services is recorded as unbilled costs and accrued profits. As of March 31, 2002, we had $10.3 million of unearned contract revenue and $9.4 million of unbilled costs and accrued profits. Substantially all deferred and unbilled costs and accrued profits are earned or billed, as the case may be, within 12 months of the end of the respective period.

For the three months ended March 31, 2002, net cash provided by investing activities was $1.7 million, comprised of the sale of $4.0 million of short-term investments, partially offset by $2.3 million in additions to property, plant and equipment.

For the three months ended March 31, 2002, net cash provided by financing activities was approximately $21,000. This increase in cash is due to the net proceeds received from the exercise of common stock options by employees.

Capital expenditures during the three months ended March 31, 2002 and 2001 were $2.3 million and $2.0 million, respectively, and were funded out of cash generated from operations.

We entered a credit agreement dated as of March 30, 2001 with a syndicate of banks, for which PNC Bank, National Association acted as Administrative and Syndication Agent, that provided for both a three-year, $30 million unsecured revolving credit facility and a one-year, renewable, $30 million unsecured revolving credit facility. The credit facilities were structured to accommodate certain provisions within the Ceftin agreement. Borrowings under the agreement bore interest equal to either an average London interbank offered rate (LIBOR) plus a margin ranging from 1.5% to 2.25%, depending on our ratio of funded debt to earnings before interest, taxes depreciation and amortization (EBITDA); or the greater of prime or the federal funds rate plus a margin ranging from zero to 0.25%, depending on our ratio of funded debt to EBITDA. We were required to pay a commitment fee quarterly in arrears for each of the long-term and short-term credit facilities. These fees range from 0.175% to 0.325% for the long-term credit facility and from 0.25% to 0.40% for the short-term credit facility, depending on our ratio of funded debt to EBITDA. The credit agreement contained customary affirmative and negative covenants including financial covenants requiring the maintenance of a specified consolidated minimum fixed charge coverage ratio, a maximum leverage ratio, a minimum consolidated net worth and a capital expenditure limitation (as defined in the agreement). At December 31, 2001, we were in compliance with these covenants, except for the minimum fixed charge coverage ratio. Since the inception of these credit facilities there have been no draw downs and there was no outstanding balance as of December 31, 2001. In light of the Ceftin agreement termination, we terminated these credit facilities, effective April 2002. We are currently working with the banks to obtain an asset based credit facility.

We believe that our cash and cash equivalents and future cash flows generated from operations will be sufficient to meet our foreseeable operating and capital requirements for the next twelve months. We continue to evaluate and review acquisition candidates and financing opportunities in the ordinary course of business.

Part II - Other Information

Item 1 - Not Applicable

Item 2 - Not Applicable

Item 3 - Not Applicable

Item 4 - Not Applicable

Item 5 - Not Applicable

Item 6 - Reports on Form 8-K

During the three months ended March 31, 2002, the Company filed the following reports on Form 8-K:

Date	Item	Description
February 4, 2002	5	Bayer Contract Termination
February 19, 2002	5	Earnings Press Release

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

May 15, 2002 PDI, INC.

By: /s/ Charles T. Saldarini

Charles T. Saldarini
Chief Executive Officer

By: /s/ Bernard C. Boyle

Bernard C. Boyle
Chief Financial and Accounting Officer