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

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

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

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

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

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

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

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

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

Class	**Shares Outstanding August 1, 2013**
Common stock, $0.01 par value	15,190,760

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

	June 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 51,023	$ 52,783
Short-term investments	92	92
Accounts receivable, net	6,103	10,687
Unbilled costs and accrued profits on contracts in progress	7,554	1,955
Other current assets	6,025	6,066
Total current assets	70,797	71,583
Property and equipment, net	2,775	2,396
Goodwill	2,523	2,523
Other long-term assets	1,182	1,945
Total assets	$ 77,277	$ 78,447
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,147	$ 3,388
Unearned contract revenue	11,969	14,501
Accrued salary and bonus	8,577	6,674
Other accrued expenses	10,090	11,827
Total current liabilities	33,783	36,390
Long-term liabilities	5,779	6,427
Total liabilities	39,562	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 16,319,554 and 16,063,514 shares issued, respectively; 15,190,760 and 14,965,875 shares outstanding, respectively	163	161
Additional paid-in capital	129,579	128,508
Accumulated deficit	(78,016)	(79,258)
Accumulated other comprehensive income	11	11
Treasury stock, at cost (1,128,794 and 1,097,639 shares, respectively)	(14,022)	(13,792)
Total stockholders' equity	37,715	35,630
Total liabilities and stockholders' equity	$ 77,277	$ 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) INCOME
(unaudited, in thousands, except for per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue, net	$ 37,245	$ 27,809	$ 80,168	$ 59,486
Cost of services	30,396	21,239	64,846	45,550
Gross profit	6,849	6,570	15,322	13,936
Compensation expense	4,914	4,069	9,069	8,651
Other selling, general and administrative expenses	2,782	2,817	4,847	5,822
Total operating expenses	7,696	6,886	13,916	14,473
Operating (loss) income	(847)	(316)	1,406	(537)
Other expense, net	(24)	(15)	(34)	(15)
(Loss) income from continuing operations before income tax	(871)	(331)	1,372	(552)
Provision for income tax	64	63	128	145
(Loss) income from continuing operations	(935)	(394)	1,244	(697)
Income (loss) from discontinued operations, net of tax	52	(45)	(2)	(14)
Net (loss) income	$ (883)	$ (439)	$ 1,242	$ (711)
Other comprehensive income (loss)				
Unrealized holding gain (loss) on available-for-sale securities, net	—	4	—	(1)
Comprehensive (loss) income	$ (883)	$ (435)	$ 1,242	$ (712)
Basic (loss) income per share of common stock from:				
Continuing operations	$ (0.06)	$ (0.03)	0.08	$ (0.05)
Discontinued operations	—	—	—	—
Net (loss) income per basic share of common stock	$ (0.06)	$ (0.03)	0.08	$ (0.05)
Diluted (loss) income per share of common stock from:				
Continuing operations	$ (0.06)	$ (0.03)	$ 0.08	$ (0.05)
Discontinued operations	—	—	—	—
Net (loss) income per diluted share of common stock	$ (0.06)	$ (0.03)	$ 0.08	$ (0.05)
Weighted average number of common shares and common share equivalents outstanding:				
Basic	14,713	14,569	14,691	14,553
Diluted	14,713	14,569	15,154	14,553

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

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

	Six Months Ended June 30,	
	2013	2012
Cash Flows From Operating Activities		
Net income (loss)	$ 1,242	$ (711)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	577	996
Realignment accrual accretion	71	71
Stock-based compensation	1,073	1,036
Other changes in assets and liabilities:		
Decrease in accounts receivable	4,584	727
(Increase) decrease in unbilled costs	(5,599)	378
Decrease (increase) in other current assets	804	(1,546)
Decrease in other long-term assets	—	1,018
Decrease in accounts payable	(241)	(572)
(Decrease) increase in unearned contract revenue	(2,532)	534
Increase (decrease) in accrued salaries and bonus	1,903	(2,551)
Decrease in other accrued expenses	(1,737)	(5,079)
Decrease in long-term liabilities	(719)	(1,142)
Net cash used in operating activities	(574)	(6,841)
Cash Flows From Investing Activities		
Purchase of property and equipment	(956)	(448)
Net cash used in investing activities	(956)	(448)
Cash Flows From Financing Activities		
Cash paid for repurchase of restricted shares	(230)	(110)
Net cash used in financing activities	(230)	(110)
Net decrease in cash and cash equivalents	(1,760)	(7,399)
Cash and cash equivalents – beginning	52,783	64,337
Cash and cash equivalents – ending	$ 51,023	$ 56,938

The accompanying notes are an integral part of these 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-month period ended June 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 six-month periods ended June 30, 2013 and 2012 is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Basic weighted average number of common shares	14,713	14,569	14,691	14,553
Dilutive effect of stock-based awards	—	—	463	—
Diluted weighted average number of common shares	14,713	14,569	15,154	14,553

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:

(Tabular information in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Options	50	84	50	84
Stock-settled stock appreciation rights (SARs)	901	582	711	582
Restricted stock/units	665	647	129	647
Performance contingent SARs	280	280	280	280
	1,896	1,593	1,170	1,593

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 June 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 June 30, 2013 and December 31, 2012, the Company deferred \$2.2 million and \$1.8 million of initial direct program costs, respectively. For the three month and six month periods ended June 30, 2013, the Company amortized \$0.2 million and \$0.5 million into expense, respectively. For the three month period ended June 30, 2012, \$ 0.1 million of initial direct program costs were amortized to 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 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.

(Tabular information in thousands, except per share amounts)

3. INVESTMENTS IN MARKETABLE SECURITIES

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

Available-for-sale securities consist of assets in a rabbi trust associated with the Company's deferred compensation plan. As of June 30, 2013 and December 31, 2012, the carrying value of available-for-sale securities was approximately $92,000 and $92,000, respectively, and is included in short-term investments. Available-for-sale securities at June 30, 2013 and December 31, 2012 consisted of $44,000 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 $2.2 million as of June 30, 2013 and $2.6 million at December 31, 2012, as collateral for its existing insurance policies and facility leases.

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

		Maturing			Maturing	
	June 30, 2013	within 1 year	after 1 year through 3 years	December 31, 2012	within 1 year	after 1 year through 3 years
Cash/money accounts	$ 8	$ 8	$ —	$ 76	$ 76	$ —
US Treasury securities	2,417	1,900	517	2,450	1,051	1,399
Government agency securities	827	827	—	1,270	881	389
Total	$ 3,252	$2,735	$ 517	$ 3,796	$2,008	$ 1,788

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

	June 30, 2013	December 31, 2012
Other current assets	$ 2,228	$ 2,008
Other long-term assets	1,024	1,788
Total	$ 3,252	$ 3,796

4. GOODWILL AND OTHER INTANGIBLE ASSETS

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

(Tabular information in thousands, except per share amounts)

There is no amortization expense in 2013 as the Company's intangible assets were written-off in the fourth quarter of 2012. Amortization expense was $0.2 million for the three-month period ended June 30, 2012 and $0.5 million for the six-month period ended June 30, 2012.

5. FACILITIES REALIGNMENT

The following table presents a rollforward of the Company's restructuring reserve from December 31, 2012 to June 30, 2013, of which approximately $1.1 million is included in other accrued expenses and $1.3 million is included in long-term liabilities as of June 30, 2013. The Company recognizes accretion expense in *Other expense, net* in the Condensed Consolidated Statement of Operations and Comprehensive (Loss) Income.

	Sales Services	Marketing Services	Discontinued Operations	Total
Balance as of December 31, 2012	$ 2,027	$ 637	$ 615	$ 3,279
Accretion	56	—	15	71
Adjustments	—	—	—	—
Payments	(669)	(103)	(153)	(925)
Balance as of June 30, 2013	$ 1,414	$ 534	$ 477	$ 2,425

6. FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

(Tabular information in thousands, except per share amounts)

	As of June 30, 2013		Fair Value Measurements As of June 30, 2013		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents:					
Cash	$ 9,194	$ 9,194	$ 9,194	$ —	$ —
Money Market Funds	41,829	41,829	41,829	—	—
Total	$ 51,023	$ 51,023	$ 51,023	$ —	$ —
Marketable securities:					
Money Market Funds	$ 48	$ 48	$ 48	$ —	$ —
Mutual Funds	44	44	44	—	—
U.S. Treasury securities	2,417	2,417	2,417	—	—
Government agency securities	827	827	827	—	—
Total	$ 3,336	$ 3,336	$ 3,336	$ —	$ —

The fair value of cash and cash equivalents and marketable securities is valued using market prices in active markets (level 1). As of June 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 June 30, 2013, the Company had outstanding letters of credit of $2.2 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 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.

(Tabular information in thousands, except per share amounts)

8. ACCRUED EXPENSES AND LONG-TERM LIABILTIES

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

	June 30, 2013	December 31, 2012
Accrued pass-through costs	$ 2,762	$ 3,729
Accrued reorganization expense	1,085	1,495
Self insurance accruals	967	900
Indemnification liability	875	875
All others	4,401	4,828
	$ 10,090	$ 11,827

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

	June 30, 2013	December 31, 2012
Rent payable	$ 1,255	$ 1,533
Uncertain tax positions	3,043	2,967
Restructuring	1,340	1,785
Other	141	142
	$ 5,779	$ 6,427

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 six months ended June 30, 2013 and 2012:

(Tabular information in thousands, except per share amounts)

	Six Months Ended	
	June 30, 2013	June 30, 2012
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 $0.7 million and $0.6 million of stock-based compensation expense for the three-month periods ended June 30, 2013 and 2012, respectively, and $1.1 million and $1.0 million for the six-month periods ended 2013 and 2012, respectively.

(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 (loss) income from continuing operations and the effective tax rate for the three- and six-month periods ended June 30, 2013 and 2012:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Provision for income tax	$ 64	$ 63	$ 128	$ 145
Effective income tax rate	(7.3)%	(19.0)%	9.3%	(26.3)%

Income tax expense for the six-month periods ended June 30, 2013 and 2012 was primarily due to state taxes.

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.

(Tabular information in thousands, except per share amounts)

	Sales Services	Marketing Services	Product Commercialization Services	Consolidated
Three months ended June 30, 2013:				
Revenue	$ 32,294	$ 1,644	$ 3,307	$ 37,245
Operating (loss) income	$ (1,017)	$ (518)	$ 688	$ (847)
Capital expenditures	$ 86	$ 425	$ —	$ 511
Depreciation expense	$ 216	$ 48	$ 25	$ 289
Three months ended June 30, 2012:				
Revenue	$ 20,149	$ 2,802	$ 4,858	$ 27,809
Operating (loss) income	$ (560)	$ (744)	$ 988	$ (316)
Capital expenditures	$ 435	$ 3	$ —	$ 438
Depreciation expense	$ 171	$ 67	$ 30	$ 268
Six months ended June 30, 2013:				
Revenue	$ 70,519	$ 3,185	$ 6,464	$ 80,168
Operating income (loss)	$ 1,347	$ (1,201)	$ 1,260	$ 1,406
Capital expenditures	$ 255	$ 701	$ —	$ 956
Depreciation expense	$ 450	$ 99	$ 28	$ 577
Six months ended June 30, 2012:				
Revenue	$ 43,518	$ 5,865	$ 10,103	$ 59,486
Operating (loss) income	$ (1,130)	$ (1,211)	$ 1,804	$ (537)
Capital expenditures	$ 440	$ 8	$ —	$ 448
Depreciation expense	$ 373	$ 135	$ 36	$ 544

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 Income (loss) from Discontinued Operations in the Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income for the three- and six-month periods ended June 30, 2013 and 2012.

(Tabular information in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue, net	$ —	$ —	$ —	$ —
Income (loss) from discontinued operations, before income tax	53	(44)	—	(11)
Provision for income tax	1	1	2	3
Income (loss) from discontinued operations, net of tax	$ 52	$ (45)	$ (2)	$ (14)

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

	June 30, 2013	December 31, 2012
Current assets	$ 16	$ 14
Non-current assets	150	150
Total assets	$ 166	$ 164
Current liabilities	$ 412	$ 368
Non-current liabilities	810	1,006
Total liabilities	$ 1,222	$ 1,374

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;
- Early termination of a significant services contract, the loss of one or more of our significant customers or a material reduction in service revenues from such customers;
- Our ability to obtain additional funds in order to implement our business model and strategy;
- Our ability to successfully identify, complete and integrate any future acquisitions and the effects of any such acquisitions on our ongoing business;
- Our ability to 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.

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 proprietary software, DIAGRAM ™, to deliver non-personal selling solutions via interactive communications exchanges that accommodate the schedules of healthcare providers. Group DCA's proprietary software also yields meaningful response data that allows customers the opportunity to better understand the needs and opinions of their audiences and, in turn, the opportunity to market to their audiences more effectively. With the combination of PDI's traditional outsourced promotional services and Group DCA's online interactive engagements, HCP communications, Sales Rep digital selling tools, patient education, and other digital communications, we are better positioned to offer customers increased insight and greater engagement, resulting in integrated information and more impactful messages being delivered to healthcare providers across multiple communication channels.

We paid cash (net) of approximately $23.9 million for Group DCA, of which $1.3 million was placed in escrow. The escrow amount of $1.3 million was paid out during the quarter ended June 30, 2012. The purchase agreement also provided for the former members of Group DCA to earn up to an additional $30.0 million from the date of acquisition through December 31, 2012. These payouts were to be based on Group DCA's achievement of revenue and gross profit metrics and ranged up to: $5.0 million in the period ended December 31, 2010; and $12.5 million in each of the years ending December 31, 2011 and 2012. The metrics for payments related to the periods ended December 31, 2010 were not achieved. In November 2011, we announced the retirement of the Group DCA co-CEOs as of December 31, 2011 and announced that we amended the Group DCA purchase agreement to negotiate a buy out of the contingent earn-out fee. Under the amendment, we paid $3.4 million to buy out the contingent earn-out fee under the purchase agreement in 2012. Pursuant to their respective retirement agreements, we will pay $0.3 million to each of the co-CEOs in the fourth quarter of 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 June 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.

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 terminated, the customer is responsible for work completed to date, plus the cost of any nonrefundable commitments we made on their behalf. There is significant customer concentration within our Group DCA business unit.

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

PC Services

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

Due to the success of the program and to allow our customer to begin their long-term plan of building their own capabilities in the United States, this customer advised us that they wished to internalize selected commercialization activities as of October 1, 2012 and at the same time, extend other activities 6 months past the 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 June 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 June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue, net	100.0 %	100.0 %	100.0 %	100.0 %
Cost of services	81.6 %	76.4 %	80.9 %	76.6 %
Gross profit	18.4 %	23.6 %	19.1 %	23.4 %
Compensation expense	13.2 %	14.6 %	11.3 %	14.5 %
Other selling, general and administrative expenses	7.5 %	10.1 %	6.0 %	9.8 %
Total operating expenses	20.7 %	24.8 %	17.4 %	24.3 %
Operating (loss) income	(2.3)%	(1.2)%	1.7 %	(0.9)%
Other expense, net	(0.1)%	(0.1)%	— %	— %
(Loss) income from continuing operations before income tax	(2.3)%	(1.2)%	1.7 %	(0.9)%
Provision for income tax	0.2 %	0.2 %	0.2 %	0.2 %
(Loss) income from continuing operations	(2.5)%	(1.4)%	1.6 %	(1.2)%

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

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.

Revenue, net (in thousands)	Three Months Ended June 30,			
	2013	2012	Change ($)	Change (%)
Sales Services	$ 32,294	$ 20,149	$ 12,145	60.3 %
Marketing Services	1,644	2,802	(1,158)	(41.3)%
PC Services	3,307	4,858	(1,551)	(31.9)%
Total	$ 37,245	$ 27,809	$ 9,436	33.9 %

Consolidated revenue, net (revenue) for the quarter ended June 30, 2013 increased by $9.4 million, or 33.9%, to $37.2 million, compared to the quarter ended June 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 June 30, 2013 increased by $12.1 million, or 60.3%, to $32.3 million, compared to the quarter ended June 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 quarter ended June 30, 2013 decreased $1.2 million, or 41.3%, to $1.6 million, compared to the quarter ended June 30, 2012. The decrease was primarily due to a decline in revenue at our Group DCA business unit of $1.2 million as a result of fewer contract signings.

Revenue in our PC Services segment for the quarter ended June 30, 2013 was $3.3 million, $1.6 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 June 30,			
	2013	2012	Change ($)	Change (%)
Sales Services	$ 27,042	$ 16,121	$ 10,921	67.7 %
Marketing Services	1,006	1,767	(761)	(43.1)%
PC Services	2,348	3,351	(1,003)	(29.9)%
Total	$ 30,396	$ 21,239	$ 9,157	43.1 %

Consolidated cost of services for the quarter ended June 30, 2013 increased by $9.2 million, or 43.1%, to $30.4 million, compared to the quarter ended June 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 June 30, 2013 increased by $10.9 million, or 67.7%, to $27.0 million, compared to the quarter ended June 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 June 30, 2013 decreased by $0.8 million, or 43.1%, to $1.0 million, compared to the quarter ended June 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 June 30, 2013 decreased $1.0 million, or 29.9%, to $2.3 million, compared to the quarter ended June 30, 2012. This decrease was directly attributable to the decline in revenue discussed above.

Gross profit (in thousands)

Three Months Ended June 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2013	$ 5,252	16.3%	$ 638	38.8%	$ 959	29.0%	$ 6,849	18.4%
2012	4,028	20.0%	1,035	36.9%	1,507	31.0%	6,570	23.6%
Change	$ 1,224		$ (397)		$ (548)		$ 279	

Consolidated gross profit for the quarter ended June 30, 2013 increased by $0.3 million, or 4.2%, to $6.8 million, compared to the quarter ended June 30, 2012. The change in consolidated gross profit was primarily attributable to the increase in revenue in our Sales Services segment being partially offset by 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 June 30, 2013 decreased to 16.3%, from 20.0% in the quarter ended June 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 June 30, 2013 increased to 38.8%, from 36.9% in the quarter ended June 30, 2012. The gross profit percentage increase was due to the lower cost structure in our Group DCA business unit from actions we have taken to realign the cost structure to the current level of business. We have and will continue to take actions related to realigning the cost structure of our Group DCA business unit with the level of business if and when necessary.

The gross profit percentage in our PC Services segment for the quarter ended June 30, 2013 decreased to 29.0%, from 31.0% in the quarter ended June 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 June 30,		Sales Services	% of Sales		Marketing Services	% of Sales		PC Services	% of Sales		Total	% of Sales
2013	$	4,105	12.7%	$	658	40.0%	$	151	4.6%	$	4,914	13.2%
2012		3,018	15.0%		763	27.2%		288	5.9%		4,069	14.6%
Change	$	1,087		$	(105)		$	(137)		$	845	

Consolidated compensation expense for the quarter ended June 30, 2013 increased $0.8 million, to $4.9 million, as compared to the quarter ended June 30, 2012. This increase was primarily due to accrued executive severance of $0.3 million and a $0.4 million increase in bonus expense. As a percentage of consolidated revenue, consolidated compensation expense decreased to 13.2% for the quarter ended June 30, 2013, from 14.6% for the quarter ended June 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 June 30, 2013 increased to $4.1 million, compared to the quarter ended June 30, 2012. This increase was primarily due to the accrued executive severance and bonus expense mentioned above. As a percentage of segment revenue, compensation expense decreased 2.3%, to 12.7% for the quarter ended June 30, 2013, from 15.0% for the quarter ended June 30, 2012, primarily due to the increase in Sales Services segment revenue.

Compensation expense in our Marketing Services segment for the quarter ended June 30, 2013 decreased by $0.1 million, to $0.7 million, compared to the quarter ended June 30, 2012. As a percentage of segment revenue, compensation expense increased 12.8%, to 40.0% for the quarter ended June 30, 2013, from 27.2% for the quarter ended June 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.

Other selling, general and administrative expenses (in thousands)

Three Months Ended June 30,		Sales Services	% of Sales		Marketing Services	% of Sales		PC Services	% of Sales		Total	% of Sales
2013	$	2,164	6.7%	$	498	30.3%	$	120	3.6%	$	2,782	7.5%
2012		1,570	7.8%		1,016	36.3%		231	4.8%		2,817	10.1%
Change	$	594		$	(518)		$	(111)		$	(35)	

Consolidated other selling, general and administrative expenses for the quarter ended June 30, 2013 remained essentially flat when compared to the quarter ended June 30, 2012. As a percentage of consolidated revenue, consolidated other selling, general and administrative expenses decreased to 7.5% for the quarter ended June 30, 2013, from 10.1% in the quarter ended June 30, 2012, due to the increase in consolidated revenue.

Other selling, general and administrative expenses in our Sales Services segment for the quarter ended June 30, 2013 increased by $0.6 million, to $2.2 million, compared to the quarter ended June 30, 2012, primarily due to an $0.5 million 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 1.1%, to 6.7% for the quarter ended June 30, 2013, from 7.8% in the quarter ended June 30, 2012, due to the increase in segment revenue.

Other selling, general and administrative expenses in our Marketing Services segment for the quarter ended June 30, 2013 decreased by $0.5 million compared to the quarter ended June 30, 2012, primarily due to the decreases 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 decreased 6.0%, to 30.3% for the quarter ended June 30, 2013, from 36.3% in the quarter ended June 30, 2012, due to the decreases in the aforementioned costs.

Other selling, general and administrative expense in our PC Services segment for the quarters ended June 30, 2013 and June 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 $0.8 million and $0.3 million for the quarters ended June 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 June 30, 2013 and June 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 Six Months Ended June 30, 2013 Compared to the Six Months Ended June 30, 2012

Revenue, net (in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Change ($)	Change (%)
Sales Services	$ 70,519	$ 43,518	$ 27,001	62.0 %
Marketing Services	3,185	5,865	(2,680)	(45.7)%
PC Services	6,464	10,103	(3,639)	(36.0)%
Total	$ 80,168	$ 59,486	$ 20,682	34.8 %

Consolidated revenue for the six months ended June 30, 2013 increased by $20.7 million, or 34.8%, to $80.2 million, compared to the six months ended June 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 six months ended June 30, 2013 increased by $27.0 million, or 62.0%, to $70.5 million, compared to the six months ended June 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 six months ended June 30, 2013 decreased by $2.7 million, or 45.7%, to $3.2 million, compared to the six months ended June 30, 2012. The decrease was primarily due to a decline in revenue at our Group DCA business unit of $2.7 million as a result of fewer contract signings.

Revenue in our PC Services segment for the six months ended June 30, 2013 was $6.5 million, $3.6 million lower than the six months ended June 30, 2012 due to the internalization of selected commercialization activities by our customer as of October 1, 2012.

Cost of services (in thousands)	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012	Change ($)	Change (%)
Sales Services	$ 57,948	$ 34,537	$ 23,411	67.8 %
Marketing Services	2,163	3,595	(1,432)	(39.8)%
PC Services	4,735	7,418	(2,683)	(36.2)%
Total	$ 64,846	$ 45,550	$ 19,296	42.4 %

Consolidated cost of services for the six months ended June 30, 2013 increased by $19.3 million, or 42.4%, to $64.8 million, compared to the six months ended June 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 six months ended June 30, 2013 increased by $23.4 million, or 67.8%, to $57.9 million, compared to the six months ended June 30, 2012. This increase was directly attributable to the increase in revenue discussed above.

Cost of services in our Marketing Services segment for the six months ended June 30, 2013 decreased by $1.4 million, or 39.8%, to $2.2 million, compared to the six months ended June 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.

Cost of services in our PC Services segment for the six months ended June 30, 2013 was $4.7 million, a decrease of $2.7 million compared to the six months ended June 30, 2012. This decrease was directly attributable to the decline in revenue discussed above.

Gross profit (in thousands)

Six Months Ended June 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2013	$ 12,571	17.8%	$ 1,022	32.1%	$ 1,729	26.7%	$ 15,322	19.1%
2012	8,981	20.6%	2,270	38.7%	2,685	26.6%	13,936	23.4%
Change	$ 3,590		$ (1,248)		$ (956)		$ 1,386	

Consolidated gross profit for the six months ended June 30, 2013 increased by $1.4 million, or 9.9%, to $15.3 million, compared to the six months ended June 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 within our Marketing Services and PC Services segments.

The gross profit percentage in our Sales Services segment for the six months ended June 30, 2013 decreased to 17.8%, from 20.6% in the six months ended June 30, 2012. This decrease was due to new business being won with lower profit margins from competitive pricing pressures and the reduction in revenue in our Established Relationship Teams business unit over its fixed management costs.

The gross profit percentage in our Marketing Services segment for the six months ended June 30, 2013 decreased to 32.1%, from 38.7% in the six months ended June 30, 2012. The decrease in gross profit percentage was due to the decline in Group DCA revenue partially offset by the actions we have taken to reduce the business unit's cost structure.

The gross profit percentage in our PC Services segment for the six months ended June 30, 2013 remained relatively consistent at 26.7%, compared to the six months ended June 30, 2012.

Compensation expense (in thousands)

Six Months Ended June 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2013	$ 7,494	10.6%	$ 1,310	41.1%	$ 265	4.1%	$ 9,069	11.3%
2012	6,620	15.2%	1,554	26.5%	477	4.7%	8,651	14.5%
Change	$ 874		$ (244)		$ (212)		$ 418	

Consolidated compensation expense for the six months ended June 30, 2013 increased by $0.4 million, to $9.1 million, as compared to the six months ended June 30, 2012. The increase was primarily attributable to accrued executive severance costs of $0.3 million. As a percentage of consolidated revenue, consolidated compensation expense decreased to 11.3% for the six months ended June 30, 2013, from 14.5% for the six months ended June 30, 2012, primarily due to the increase in consolidated revenue.

Compensation expense in our Sales Services segment for the six months ended June 30, 2013 increased by $0.9 million, to $7.5 million, as compared to the six months ended June 30, 2012. This increase was primarily attributable to allocated corporate bonus and accrued executive severance costs. As a percentage of segment revenue, compensation expense decreased 4.6%, to 10.6% for the six months ended June 30, 2013, from 15.2% for the six months ended June 30, 2012, due to the increase in segment revenue.

Compensation expense in our Marketing Services segment for the six months ended June 30, 2013 decreased by $0.2 million, to $1.3 million, compared to the six months ended June 30, 2012. As a percentage of segment revenue, compensation expense increased 14.6%, to 41.1% for the six months ended June 30, 2013, from 26.5% for the six months ended June 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 six months ended June 30, 2013 and the six months ended June 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)

Six Months Ended June 30,	Sales Services	% of Sales	Marketing Services	% of Sales	PC Services	% of Sales	Total	% of Sales
2013	$ 3,730	5.3%	$ 913	28.7%	$ 204	3.2%	$ 4,847	6.0%
2012	3,491	8.0%	1,927	32.9%	404	4.0%	5,822	9.8%
Change	$ 239		$ (1,014)		$ (200)		$ (975)	

Consolidated other selling, general and administrative expenses for the six months ended June 30, 2013 decreased by $1.0 million, to $4.8 million, compared to the six months ended June 30, 2012. The decrease was primarily driven by a decrease in amortization expense of $0.5 million and a decrease in facility costs and depreciation expense of $0.5 million. As a percentage of consolidated revenue, consolidated other selling, general and administrative expenses decreased to 6.0% for the six months ended June 30, 2013, from 9.8% in the six months ended June 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 six months ended June 30, 2013 increased by $0.2 million, to $3.7 million, compared to the six months ended June 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 2.7%, to 5.3% for the six months ended June 30, 2013, from 8.0% in the six months ended June 30, 2012, due to the increase in segment revenue.

Other selling, general and administrative expenses in our Marketing Services segment for the six months ended June 30, 2013 decreased by $1.0 million compared to the six months ended June 30, 2012, primarily due to a decrease in amortization expense of $0.5 million at Group DCA 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 4.2%, to 28.7% for the six months ended June 30, 2013, from 32.9% in the six months ended June 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 six months ended June 30, 2013 and six months ended June 30, 2012 is attributable to the allocated cost of corporate support activities in each of the respective periods.

Operating income (loss)

We had operating income of $1.4 million and an operating loss $0.5 million for the six months ended June 30, 2013 and 2012, respectively. The increase in operating income was primarily due to increased revenue and gross profit in our Sales Services segment and the overall reduction in operating expenses.

Provision for income tax

We had income tax expense of approximately $0.1 million for both the six months ended June 30, 2013 and 2012. Income tax expense for the six months ended June 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 June 30, 2013, we had cash and cash equivalents and short-term investments of approximately $51.1 million and working capital of $37.0 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 June 30, 2013, we had no commercial debt.

For the six-month period ended June 30, 2013, net cash used in operating activities was $0.6 million, compared to $6.8 million of net cash used in operating activities for the six-month period ended June 30, 2012. The main components of cash used in operating activities during the six-month period ended June 30, 2013 were net income of $1.2 million, a decrease in accounts receivable of $4.6 million offset by an increase in unbilled receivables of $5.6 million and a decrease in current liabilities of $2.6 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. The main components of cash used in operating activities during the six-month period ended June 30, 2012 were a decrease in accrued expenses of $5.1 million as well as a decrease in accrued salaries and bonus of $2.6 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 $1.0 million decrease in other long-term assets and a decrease in accounts receivable of $0.7 million.

As of June 30, 2013 and December 31, 2012, we had $7.6 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 June 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 six-month period ended June 30, 2013, we had net cash used in investing activities of $1.0 million compared to $0.4 million of cash used in investing activities during the six-month period ended June 30, 2012. All capital expenditures were funded out of available cash.

For the six-month periods ended June 30, 2013 and June 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 anticipate consolidated 2013 revenue to be 25% higher than 2012 revenue. We do however anticipate gross profit percentage to be lower in recently won business resulting in 2013 gross profit being 10% below that of 2012. Before any investment in the business, we anticipate combined 2013 compensation expense and other selling, general and administrative expenses to be marginally higher than 2012. With that said, in 2013, we expect to invest in several areas that will proactively leverage our core strengths, help differentiate us and intensify our competitive position in the market.

First, in order to add more predictable, higher growth, higher margin business that can smooth the natural volatility of our current core businesses, we have intensified our previously announced strategy of in-licensing, acquiring or partnering of products 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.

We are prepared 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 at least one during 2013 and multiple deals over the longer term. We will be refocusing resources internally and adding both internal and external resources to move this strategy forward.

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

Finally, we 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 are prepared to commit $4 to $5 million to support these three areas in 2013, which does not include any amounts invested for product in-licensing, acquisitions or partnering. While we will capitalize some of these expenses initially, we expect that at least half of what we spend will be expensed in 2013. Our primary sources of liquidity are cash generated from our operations and available cash and cash equivalents. These sources of liquidity are needed to fund our working capital requirements, contractual obligations and estimated capital expenditures of approximately $2.0 million to $3.0 million in 2013. We expect our working capital requirements to increase as a result of new customer contracts generally providing for longer than historical payment terms.

Considering the information provided above, we anticipate 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 will likely require alternative forms of financing to achieve our strategic plan of product in-licensing, acquisitions or partnering.

Our revenue and profitability depend to a great extent on our relationships with a limited number of large pharmaceutical companies. For the six-month period ended June 30, 2013, we had two customers that accounted for approximately 44.9% and 18.5% 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.

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

There have been no material changes to the risk factors discussed in Part I, "Item 1A. Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2012 (Form 10-K). You should carefully consider the risks described in our Form 10-K, which could materially affect our business, financial condition or future results. The risks described in our Form 10-K are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition, and/or results of operations. If any of the risks actually occur, our business, financial condition, and/or results of operations could be negatively affected.

Item 5. Other Information

The Board of Directors adopted an amendment to the Company's By-laws effective May 8, 2013. The amendment replaces Article II, Section B of the By-laws to confirm that the Board of Directors, acting by majority vote, has the authority to increase or decrease the number of directors constituting the full Board of Directors from time to time, subject to a minimum number of five directors. Prior to the amendment, the By-laws were silent as to such authority.

Item 6. Exhibits

Exhibit No.	Description
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 June 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.

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: August 5, 2013	PDI, Inc.
	(Registrant)
	/s/ Nancy S. Lurker
	Nancy S. Lurker Chief Executive Officer
	/s/ Jeffrey Smith
	Jeffrey Smith Chief Financial Officer

Exhibit 31.1

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

I, Nancy S. Lurker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 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: August 5, 2013

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

Exhibit 31.2

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

I, Jeffrey E. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 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: August 5, 2013

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

Exhibit 32.1

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

In connection with the Quarterly Report of PDI, Inc. (the "Company") on form 10-Q for the period ended June 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: August 5, 2013

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

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

Exhibit 32.2

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

In connection with the Quarterly Report of PDI, Inc. (the “Company”) on form 10-Q for the period ended June 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: August 5, 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.