BIOCLINICA INC
Form 10-Q
November 08, 2010

United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

þ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2010

or

o **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from _____ to _____

Commission File No. 001-11182
BIOCLINICA, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	11-2872047
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
826 Newtown-Yardley Road, Newtown, Pennsylvania	18940-1721
(Address of Principal Executive Offices)	(Zip Code)

(267) 757-3000
(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: þ No: o

Indicate by check mark if 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: o No: o

* The registrant has not yet been phased into the interactive data requirement.

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

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

(do not check if a smaller
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes: o No: þ

State the number of shares outstanding of each of the registrant s classes of common stock, as of October 31, 2010:

Class	Number of Shares
Common Stock, $0.00025 par value	15,184,937

BIOCLINICA, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION.	
Item 1. Financial Statements	1
CONSOLIDATED BALANCE SHEETS (unaudited) as of September 30, 2010 and December 31, 2009	2
CONSOLIDATED STATEMENTS OF INCOME (unaudited) For the Three Months Ended September 30, 2010 and 2009	3
CONSOLIDATED STATEMENTS OF INCOME (unaudited) For the Nine Months Ended September 30, 2010 and 2009	4
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) For the Nine Months Ended September 30, 2010 and 2009	5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited) For the Three and Nine Months Ended September 30, 2010 and 2009	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)	8
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	20
Overview	20
Forward Looking Statements	21
Recent Accounting Pronouncements	22
Results of Operations	23
Business Segments	28
Liquidity and Capital Resources	28
Changes to Critical Accounting Policies and Estimates	31
Item 3. Quantitative and Qualitative Disclosures About Market Risk	31
Item 4T. Controls and Procedures	33
PART II. OTHER INFORMATION.	
Item 1. Legal Proceedings	34
Item 1A. Risk Factors	34

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 43

Item 3. Defaults Upon Senior Securities 43

Item 4. (REMOVED AND RESERVED) 43

Item 5. Other Information 43

Item 6. Exhibits 43

SIGNATURES 44

PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements.

References in this Quarterly Report on Form 10-Q to BioClinica, we, us, or our refer to BioClinica, Inc., a Delaware corporation, and its subsidiaries, doing business as BioClinica.

Certain information and footnote disclosures required under generally accepted accounting principles (GAAP) in the United States of America have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission, although we believe that such financial disclosures are adequate so that the information presented is not misleading in any material respect. The following consolidated financial statements should be read in conjunction with the year-end consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

The results of operations for the interim periods presented in this Quarterly Report on Form 10-Q are not necessarily indicative of the results to be expected for the entire fiscal year.

BIOCLINICA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands)	September 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,816	$ 14,570
Accounts receivable, net	11,015	10,966
Prepaid expenses and other current assets	2,490	1,869
Deferred income taxes	3,748	3,370
Total current assets	29,069	30,775
Property and equipment, net	13,291	9,040
Intangibles, net	2,596	1,969
Goodwill	34,327	32,933
Deferred income tax	229	
Other assets	634	620
Total assets	$ 80,146	$ 75,337
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 3,830	$ 3,899
Accrued expenses and other current liabilities	3,467	4,134
Deferred revenue	13,129	14,256
Current liability for acquisition earn-out	1,257	1,184
Current maturities of capital lease obligations	36	
Total current liabilities	21,719	23,473
Long-term liability for acquisition earn-out	1,829	1,657
Long-term capital lease obligations	158	
Deferred income tax	1,831	1,167
Other liabilities	874	505
Total liabilities	$ 26,411	$ 26,802
Stockholders equity:		
Preferred stock- $0.00025 par value; authorized 3,000,000 shares, 0 issued and outstanding at September 30, 2010 and at December 31, 2009		
Common stock $0.00025 par value; authorized 36,000,000 shares, issued and outstanding 15,184,937 shares at September 30, 2010 and 14,394,374 shares at	4	4

December 31, 2009				
Common stock consideration for earn-out		1,309		1,309
Additional paid-in capital		46,419		43,104
Retained earnings		5,961		4,039
Accumulated other comprehensive income		42		79
Total stockholders equity	$	53,735	$	48,535
Total liabilities and stockholders equity	$	80,146	$	75,337

See Notes to Consolidated Financial Statements

BIOCLINICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in thousands, except per share data)	For the Three Months ended September 30, 2010	2009
Service revenues	$ 15,814	$ 14,146
Reimbursement revenues	2,352	4,227
Total revenues	18,166	18,373
Cost and expenses:		
Cost of service revenues	10,212	8,937
Cost of reimbursement revenues	2,352	4,227
Sales and marketing expenses	2,090	1,617
General and administrative expenses	2,069	1,759
Amortization of intangible assets related to acquisition	194	113
Mergers and acquisitions related costs	119	560
Total cost and expenses	17,036	17,213
Income from operations	1,130	1,160
Interest income	10	5
Interest expense	(0)	(1)
Income before income tax	1,140	1,164
Income tax provision	(426)	(463)
Net income	$ 714	$ 701
Basic income per common share	$ 0.05	$ 0.05
Weighted average number of common shares	15,174	14,367
Diluted income per common share	$ 0.05	$ 0.05
Weighted average number of diluted shares	15,796	15,146

See Notes to Consolidated Financial Statements

BIOCLINICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

(in thousands, except per share data)	For the Nine Months ended September 30, 2010	2009
Service revenues	$ 46,248	$ 42,542
Reimbursement revenues	9,413	9,964
Total revenues	55,661	52,506
Cost and expenses:		
Cost of service revenues	29,109	26,606
Cost of reimbursement revenues	9,413	9,964
Sales and marketing expenses	6,865	5,939
General and administrative expenses	6,057	5,543
Amortization of intangible assets related to acquisitions	473	344
Mergers and acquisitions related costs	635	560
Restructuring Charges		466
Total cost and expenses	52,552	49,422
Income from operations	3,109	3,084
Interest income	18	37
Interest expense	(7)	(6)
Income before income tax	3,120	3,115
Income tax provision	(1,198)	(1,099)
Net income	$ 1,922	$ 2,016
Basic income per common share	$ 0.13	$ 0.14
Weighted average number of common shares	14,958	14,346
Diluted income per common share	$ 0.12	$ 0.13
Weighted average number of diluted shares	15,730	15,161

See Notes to Consolidated Financial Statements

BIOCLINICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	For the Nine Months ended September 30, 2010	2009
Cash flows from operating activities:		
Net income	$ 1,922	$ 2,016
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization	2,501	2,109
Provision for deferred income taxes	47	(820)
Bad debt (recovery) expense, net	(9)	84
Stock based compensation expense	791	599
Accretion of acquisition earn-out	245	
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	278	1,573
(Increase) decrease in prepaid expenses and other current assets	(625)	748
Decrease in other assets	17	119
Decrease in accounts payable	(199)	(1,204)
(Decrease) increase in accrued expenses and other current liabilities	(1,136)	133
Decrease in deferred revenue	(1,127)	(1,407)
Increase (decrease) in other liabilities	368	(80)
Net cash provided by operating activities	$ 3,073	$ 3,870
Cash flows from investing activities:		
Purchases of property and equipment	$ (2,296)	$ (1,506)
Capitalized software development costs	(3,783)	(929)
Net cash received for sale of assets of discontinued operations		500
Cash paid for acquisitions, net of cash acquired		(3,144)
Net cash used in investing activities	$ (6,079)	$ (5,079)
Cash flows from financing activities:		
Proceeds from sale/leaseback	$ 195	
Payments under equipment lease obligations		(43)
Excess tax benefit related to stock options	35	
Proceeds from exercise of stock options	21	27
Net cash provided by (used in) financing activities	$ 251	$ (16)
Effect of exchange rate changes on cash	1	20
Net (decrease) in cash and cash equivalents	(2,754)	(1,205)

Cash and cash equivalents at beginning of period	14,570	14,265
Cash and cash equivalents at end of period	$ 11,816	$ 13,060
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	$ 7	$ 6
Cash paid during the period for income taxes	$ 1,802	$ 185

See Notes to Consolidated Financial Statements

BIOCLINICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Nine Months Ended September 30,	
	2010	2009
Supplemental cash flow disclosure (in thousands)		
Non cash investing and financing activities:		
Increase in property, plant and equipment acquisitions in accounts payable	$ 125	$ 0

	For the Nine Months Ended September 30,	
	2010	2009
Acquired business (in thousands)		
Accounts receivable	$ 309	$ 934
Prepaid and other current assets		55
Property and equipment	91	
Other assets	33	
Customer relationships	100	
Technology	1,000	
Goodwill, including workforce	1,394	2,248
Current liabilities assumed	(459)	(93)
Common stock issued	(2,468)	
Cash paid for acquired business, net of cash acquired	$	$ 3,144

See Notes to Consolidated Financial Statements

BIOCLINICA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

	For the Three Months Ended September 30,	
	2010	2009
Statement of comprehensive income (in thousands)		
Net income	$ 714	$ 701
Equity adjustment from foreign currency translation	166	60
Total comprehensive income	$ 880	$ 761

	For the Nine Months Ended September 30,	
	2010	2009
Statement of comprehensive income (in thousands)		
Net income	$ 1,922	$ 2,016
Equity adjustment from foreign currency translation	(37)	(8)
Total comprehensive income	$ 1,885	$ 2,008

See Notes to Consolidated Financial Statements

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 Interim Financial Statements

Basis of Presentation.

The financial statements included in this Quarterly Report on Form 10-Q have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP in the United States of America have been condensed or omitted pursuant to such rules and regulations. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2009.

In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting solely of those which are of a normal recurring nature, necessary for a fair statement of the results for the interim periods.

Interim results are not necessarily indicative of results for the full fiscal year.

Acquisitions.

On March 25, 2010, the Company acquired substantially all of the assets of privately held TranSenda International, LLC (TranSenda) for total consideration of $2,468,000. The opening balance sheet of TranSenda has been recorded on a preliminary basis as of September 30, 2010. The Consolidated Statement of Income for the nine months ended September 30, 2010 excludes the financial results of TranSenda from the acquisition date of March 25, 2010 through March 31, 2010 due to immateriality of TranSenda s results of operations for that period.

Functional Currency.

The functional currency for our French and Netherlands operations is the Euro based on the Company s initial and periodic evaluations of economic factors as set forth in FASB ASC 830, *Foreign Currency Matters*.

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 2 Stockholders Equity Rollforward

The following summarizes the activity of the Stockholders equity accounts for the period from December 31, 2009 through September 30, 2010:

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Common Stock Consideration for Earn-out	Accumulated (Deficit) Retained Earnings	Other Comprehensive Gain (Loss)	Stockholders Equity
Balance at December 31, 2008	14,341	$ 4	$ 42,270	$	$ 1,080	$ 58	$ 43,412
Stock options exercised	38		31				31
Restricted shares issued	15		(31)				(31)
Stock consideration for acquisitions				1,309			1,309
Stock based compensation			790				790
Tax benefit on exercise of stock options			44				44
Equity adjustment for foreign currency translation						21	21
Net income					2,959		2,959
Balance at December 31, 2009	14,394	$ 4	$ 43,104	$ 1,309	$ 4,039	$ 79	$ 48,535
Stock options exercised	213		21				21
Stock consideration for acquisitions	578		2,468				2,468
Stock based compensation			791				791
Tax benefit on exercise of stock options			35				35
Equity adjustment from foreign currency translation						(37)	(37)
Net income					1,922		1,922
Balance at September 30, 2010	15,185	$ 4	$ 46,419	$ 1,309	$ 5,961	$ 42	$ 53,735

Note 3 Earnings Per Share

Basic income per common share for the three and nine months ended September 30, 2010 and 2009 was calculated based upon net income divided by the weighted average number of shares of the Company s common stock outstanding during the relevant period. Diluted income per share for the three and nine months ended September 30, 2010 and 2009 was calculated based upon net income divided by the weighted average number of shares of the Company s common stock outstanding during the relevant period, adjusted for dilutive securities using the treasury method.

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The computation of basic income per common share and diluted income per common share was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income basic and diluted	$ 714	$ 701	$ 1,922	$ 2,016
Denominator basic:				
Weighted average number of common shares	15,174	14,367	14,958	14,346
Basic income per common share	$ 0.05	$ 0.05	$ 0.13	$ 0.14
Denominator diluted:				
Weighted average number of common shares	15,174	14,367	14,958	14,346
Common share equivalents of outstanding stock options	394	383	453	420
Common share equivalents of unrecognized compensation expense	228	396	319	395
Weighted average number of dilutive common equity shares	15,796	15,146	15,730	15,161
Diluted income per common share	$ 0.05	$ 0.05	$ 0.12	$ 0.13

Options to purchase 576,000 and 624,000 shares of BioClinica s common stock respectively, had been excluded from the calculation of diluted earnings per common share for the nine months ended September 30, 2010 and September 30, 2009, respectively, as they were all antidilutive. Options to purchase 779,000 and 643,000 shares of BioClinica s common stock respectively, had been excluded from the calculation of diluted earnings per common share for the three months ended September 30, 2010 and September 30, 2009, respectively, as they were all antidilutive.

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 4 Commitments and Contingencies

On March 4, 2009, the Company entered into an employment agreement with its President and Chief Executive Officer effective March 1, 2009 and expires on February 28, 2012. In addition, the Company has employment agreements with both its Chief Financial Officer and the President of the eClinical services division. The Chief Financial Officer s agreement expires February 5, 2011 and is renewable on an annual basis. The President of the eClinical services division s agreement expires September 30, 2011 and is renewable on an annual basis. The aggregate amount due from January 1, 2010 through the expiration under these agreements was $1.3 million.

On May 5, 2010, the Company entered into an unsecured, committed line of credit with PNC Bank, expiring May 5, 2012. Under the credit agreement, the Company has the ability to borrow $7.5 million at interest rates equal to LIBOR plus 1.75%. In addition, the Company pays a fee of 0.25% per annum on the loan commitment regardless of usage. The credit agreement requires compliance with certain covenants, including maintaining a minimum stockholders equity of $35 million. As of September 30, 2010, the Company had no borrowings under this line of credit and was compliant with the covenants.

Note 5 Accounts Receivable and Allowance for Doubtful Accounts

The Company maintains allowances for doubtful accounts on a specific identification method for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of its customers were to deteriorate, resulting in an impairment of its customers ability to make payments, additional allowances may be required. The Company does not have any off-balance-sheet credit exposure related to its customers, and the trade accounts receivable do not bear interest.

(in thousands)	September 30, 2010	December 31, 2009
Billed trade accounts receivable	$ 10,640	$ 10,164
Unbilled trade accounts receivable	362	747
Other	13	55
Total Receivables	$ 11,015	$ 10,966

Allowance Rollforward (in thousands):	
Balance at January 1, 2010	$ 9
Additions	0
Write offs (Recoveries)	(9)
Balance at September 30, 2010	$ 0

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 6 Income Taxes

The Company records a valuation allowance to reduce its deferred tax assets to an amount that is more likely than not to be realized. In assessing the need for the valuation allowance, the Company considers future taxable income and on-going prudent and feasible tax planning strategies. In the event that the Company was to determine that, in the future, it would be able to realize the deferred tax assets in excess of its net recorded amount, an adjustment to the deferred tax asset would be made, thereby increasing net income in the period such determination was made. Likewise, should the Company determine that it is more likely than not that it will be unable to realize all or part of the net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged, thereby decreasing net income in the period such determination was made.

As of December 31, 2009, the Company had $1.1 million in accumulated tax losses in the United States, which included allowable deductions related to exercised employee stock options, generating federal and state net operating loss (NOL) credit carryforwards. Under limitations imposed by Internal Revenue Code Section 382, certain potential changes in ownership of the Company, which may be outside the Company s knowledge or control, may restrict future utilization of these carryforwards. Due to such ownership changes that have occurred in prior years, the Company estimated that this $1.1 million federal net operating loss will likely expire unused, in the years 2010 through 2022, due to the Internal Revenue Code Section 382 limitations.

The Company has foreign NOL carryforwards from its French subsidiary of $415,000 as of September 30, 2010 and $575,000 as of December 31, 2009. GAAP requires that the Company establish a valuation allowance for any portion of its deferred tax assets for which management believes that it is more likely than not the Company will be unable to utilize the asset to offset future taxes. The Company will continue to evaluate the potential use of its deferred tax assets and the need for a valuation allowance by considering future taxable income and on-going prudent and feasible tax planning strategies. Subsequent revisions to the estimated realizable value of the deferred tax assets could cause the provision for income taxes to vary significantly from period to period, although the cash tax payments would remain unaffected until the NOL credit carryforward is fully utilized or has expired. At September 30, 2010, the Company does not have a valuation allowance recorded for this foreign NOL.

Our deferred tax assets are primarily comprised of the temporary book to tax differences related to deferred revenue.

The tax benefit of the stock option deductions have been recorded to additional paid-in capital in the amount of $35,000 and $0 for the nine months ended September 30, 2010 and 2009, respectively.

The Company recognizes contingent liabilities for any tax related exposures when those exposures are more likely than not to occur.

The Company has not provided for U.S. federal income and foreign withholding taxes on approximately $2.0 million of undistributed earnings from its non-U.S. operations as of September 30, 2010 because such earnings are intended to be reinvested indefinitely outside of the United States.

There were no material unrecognized tax benefits as of September 30, 2010 and December 31,

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

2009. We do not expect the unrecognized tax benefit to materially change during the next 12 months. Any interest and penalties incurred on settlements of outstanding tax positions would be recorded as a component of tax expense. We file our tax returns as prescribed by the tax laws of the jurisdictions in which we operate. Our federal tax return for the 2009 year is subject to examination. Our state taxes for years 2000 through 2008 are subject to examination. Our foreign taxes for years 2002 through 2008 are subject to examination by the respective authorities.

Note 7 Acquisitions

2010 Acquisition

On March 25, 2010, the Company acquired substantially all of the assets of privately held TranSenda International, LLC (TranSenda). Headquartered in Bellevue, WA, TranSenda is a provider of clinical trial management software (CTMS) solutions. TranSenda s suite of web-based, Office-Smart CTMS solutions creates efficiencies for trial operations through interoperability with Microsoft Office tools. With this acquisition, BioClinica enhanced its ability to serve customers throughout the clinical research process with technologies that include improved efficiencies by reducing study durations and costs through integrated operational management. The acquisition was made pursuant to an Asset Purchase Agreement, dated March 25, 2010, by and between the Company and TranSenda (the Purchase Agreement). Pursuant to the terms of the Purchase Agreement, the Company purchased and acquired from TranSenda all rights, title and interest of TranSenda in and to the Purchased Assets (as defined in the Purchase Agreement) and assumed the Assumed Liabilities (as defined in the Purchase Agreement) of TranSenda.

As consideration for the Purchased Assets and Assumed Liabilities, the Company paid 577,960 shares of common stock, par value $0.00025 per share, of the Company, valued at a volume weighted average price per share equal to $4.325560, and subject to a post-closing adjustment based on the Final Closing Net Working Capital (as defined in the Purchase Agreement). Pursuant to the terms of the Purchase Agreement, 15% of the aggregate consideration is to be held in escrow to cover any potential indemnification claims under the Purchase Agreement for a period of 12 months following the Closing Date (as defined in the Purchase Agreement). As part of the Purchase Agreement, TranSenda agreed not to directly or indirectly offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any shares of the Company s common stock received pursuant to the Purchase Agreement for a period beginning on the date the Purchase Agreement was executed and continuing to and including the date 12 months after such date. The Company recorded the fair value of the acquisition of $2,468,000 based on the Company s market value of $4.27 for the stock consideration on March 25, 2010, the date of acquisition.

Pro Forma Results. The following schedule includes consolidated statements of income data for the unaudited pro forma results for the nine months ended September 30, 2010 and 2009 as if the TranSenda acquisition had occurred as of the beginning of the periods presented after giving effect to certain adjustments. The unaudited pro forma information is provided for illustrative purposes only and is not indicative of the results of operations or financial condition that would have been achieved if the TranSenda acquisition would have taken place at the beginning of the periods presented and should not be taken as indicative of our future consolidated results of operations or financial condition. Pro forma adjustments are tax-effected at our effective tax rate.

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

	Nine Months Ended September 30,	
(in thousands except per share data)	2010	2009
Total revenue	$ 55,892	$ 53,129
Income from operations	2,436	829
Net Income	1,505	557
Basic earnings per share	$ 0.10	$ 0.04
Diluted earnings per share	$ 0.10	$ 0.04

In connection with the acquisition of TranSenda, the Company performed an evaluation of the guidance included in FASB ASC 280, *Segment Reporting* (FASB ASC 280) and FASB ASC 350, *Intangibles - Goodwill and Other* (FASB ASC 350). Based on that evaluation, the Company included TranSenda as part of its clinical trials services reportable segment.

In accordance with FASB ASC 805, *Business Combinations*, the Company expensed all costs related to the acquisitions. The total costs incurred to date related to the acquisition were $119,000 and $635,000 and included in mergers and acquisition related costs on the consolidated statement of income for the three and nine months ended September 30, 2010.

The following table summarizes the preliminary amounts of identified assets acquired and liabilities assumed from TranSenda at the acquisition date fair value:

	TranSenda
Accounts Receivable	$ 309
Property and Equipment	91
Other Assets	33
Other Liabilities	(459)
Customer Relationships	100
Technology	1,000
Goodwill, including Workforce	1,394
Total Fair Value of Purchase Price	$ 2,468

Accounts receivable, other assets and other liabilities were stated at their historical carrying values, which approximate fair value given the short-term nature of these assets and liabilities. The goodwill is attributable to the workforce of the acquired business and synergies expected to arise after the acquisition of the business.

In accordance with FASB ASC 820, *Fair Value Measurements* (FASB ASC 820) the Company determined that the preliminary non-financial assets and liabilities summarized above are derived from significant unobservable inputs (Level 3 inputs) determined by management based on various market

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

and income analyses and recent asset appraisals. The purchase price allocation will remain preliminary until the Company completes its analysis (which includes a review of third party valuations) and determines the fair market values of assets acquired and liabilities assumed, which could differ significantly from preliminary recorded amounts. The goodwill recorded in connection with these acquisitions will be deductible for tax purposes over 15 years.

The Consolidated Statement of Income for the nine months ended September 30, 2010 excludes the financial results of TranSenda from the acquisition date of March 25, 2010 through March 31, 2010 due to immateriality of TranSenda s results of operations for that period. TranSenda s results of operations are included in the Consolidated Statement of Income beginning April 1, 2010.

2009 Acquisitions

On August 27, 2009, BioClinica acquired the CardioNow unit of Agfa Healthcare (CardioNow). CardioNow has developed a web-based system for the secure transmission of medical cardiac images. The software was specifically developed for and marketed to the invasive cardiology departments of hospitals within the United States. BioClinica will integrate and enhance the current CardioNow software and service to offer our clients a streamlined electronic transport solution to facilitate the blinding, sharing, tracking and archiving of medical images for multi-center clinical trials as part of our suite of imaging services. The purchase price for CardioNow consisted of cash consideration paid to Agfa Healthcare of $1 million. The Company paid the purchase price for CardioNow with cash from operations. The pro forma impact of the CardioNow acquisition on 2009 results was immaterial.

On September 15, 2009, BioClinica acquired substantially all of the assets of Tourtellotte Solutions, Inc. (Tourtellotte). Tourtellotte provided software applications and consulting services which support clinical trials in the pharmaceutical industry. The purchase price for Tourtellotte was $2.1 million in cash. Pursuant to the acquisition agreement, the Company agreed to pay up to an additional $3.2 million in cash and 350,000 shares of our common stock based upon achieving certain milestones, which include certain product development and revenue targets (the earn-out). The fair value of the cash earn-out of $2.7 million has been recorded as a liability and the fair value of the 350,000 shares of $1.3 million has been classified separately within stockholders equity as contingent consideration for a total purchase price of $6.2 million as of September 30, 2010. The Company used cash from operations to fund the cash purchase price for Tourtellotte.

Pro Forma Results. The following schedule includes consolidated statements of income data for the unaudited pro forma results for the nine months ended September 30, 2009 as if the Tourtellotte acquisition had occurred as of the beginning of the period presented after giving effect to certain adjustments. The unaudited pro forma information is provided for illustrative purposes only and is not indicative of the results of operations or financial condition that would have been achieved if the Tourtellotte acquisition would have taken place at the beginning of the period presented and should not be taken as indicative of our future consolidated results of operations or financial condition. Pro forma adjustments are tax-effected at our effective tax rate.

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

(in thousands except per share data)	Nine Months Ended September 30, 2009
Total revenue	$ 55,581
Income from operations	3,320
Net income	2,168
Basic earnings per share	$ 0.15
Diluted earnings per share:	$ 0.14

In connection with the acquisitions of CardioNow and Tourtellotte, the Company performed an evaluation of the guidance included in FASB ASC 280 and FASB ASC 350. Based on that evaluation, the Company included CardioNow and Tourtellotte as part of its clinical trials services reportable segment.

The following table summarizes the consideration transferred to acquire CardioNow and Tourtolette at the respective acquisition dates:

	CardioNow	**Tourtellotte**
Cash	$ 1,000	$ 2,144
Estimated earnout payments:		
Contingent consideration to be settled in cash		2,656
Contingent consideration to be settled in stock		1,300
Working capital adjustment		94
Total purchase price	$ 1,000	$ 6,194

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following table summarizes the amounts of identified assets acquired and liabilities assumed from CardioNow and Tourtellotte at the respective acquisition date fair value:

	CardioNow	Tourtellotte
Accounts Receivable		$ 934
Other Assets		55
Other Liabilities		(93)
Customer Relationships		393
Goodwill, including Workforce	$ 1,000	4,905
Total Fair Value of Purchase Price	$ 1,000	$ 6,194

Accounts receivable, other assets and other liabilities were stated at their historical carrying values, which approximate fair value given the short-term nature of these assets and liabilities. The goodwill is attributable to the workforce of the acquired businesses and synergies expected to arise after the acquisitions of the businesses.

The cash contingent consideration expected to be paid within one year from September 30, 2010 of $1,257,000 was classified as a short-term liability and the remaining cash contingent consideration of $1,829,000 was classified as a long-term liability on the financial statements. The contingent consideration expected to be paid in stock of $1,309,000 is recorded in the equity section of the financial statements. The difference between the fair value of the cash contingent consideration at the date of acquisition and the expected payment will be recorded as an expense in the financial statements at the end of each reporting period.

In accordance with FASB ASC 820, the Company determined that the non-financial assets and liabilities summarized above are derived from Level 3 inputs determined by management based on various market and income analyses and recent asset appraisals. The goodwill recorded in connection with these acquisitions will be deductible for tax purposes over 15 years.

The following table represents changes in assets and liabilities measured at fair value using Level 3 inputs:

	Fair value at September 15, 2009	Earn out accretion	Fair value at September 30, 2010
Cash contingent consideration	$ 2,747,000	$ 339,000	$ 3,086,000

The results of operations of CardioNow and Tourtellotte are included in our financial statements from the respective acquisition dates.

Mergers and acquisition related costs

In accordance with FASB ASC 805, the Company expensed all costs related to the acquisitions. Included in mergers and acquisition related costs is the accretion expense for the cash contingent

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

consideration related to the Tourtellotte acquisition. For the three and nine months ended September 30, 2010, the Company recorded mergers and acquisition related costs of $119,000 and $635,000, respectively. For the three and nine months ended September 30, 2009, the Company recorded mergers and acquisition related costs of $560,000 in each period.

Note 8 Intangible Assets

At September 30, 2010 the composition of intangible assets were as follows:

(in thousands)	September 30, 2010	Estimated Useful Life
Amortized intangible assets:		
Technology	$ 1,843	5 years
Trademarks	48	5 years
Customer backlog	2,112	3 to 7 years
Non-competition agreement	349	2 to 3 years
	4,352	
Accumulated amortization	(1,756)	
	$ 2,596	
Unamortized intangible assets:		
Goodwill	$ 34,327	

Estimated future amortization of the intangible assets is as follows:

(in thousands)	Year Ending December 31,
Remainder of 2010	$ 165
2011	623
2012	534
2013	337
2014	309
2015 and beyond	628
	$ 2,596

The following table details the changes in the carrying amount of goodwill:

(in thousands)	
Balance at December 31, 2009	$ 32,933
Acquisition of business	1,394
Balance at September 30, 2010	$ 34,327

BIOCLINICA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 9 Capital lease obligations

Capital lease obligations consist of equipment lease obligations at September 30, 2010. In September 2010, the Company entered into a $194,000 sale-leaseback transaction whereby the Company sold and leased back computer equipment. The resulting lease is being accounted for as a capital lease. The lease term is 5 years with an interest rate of 3.50%.

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

Overview

BioClinica provides integrated clinical research services including imaging core lab and eClinical technologies and services to pharmaceutical, biotechnology, medical device companies and other organizations such as contract research organizations (CROs), engaged in global clinical studies. Our products and services include: medical image management, electronic image transport and archive solutions, electronic data capture, clinical data management, interactive voice and web response, clinical trial supply forecasting tools, and clinical trial management software solutions. By supplying enterprise-class software and hosted solutions accompanied by expert services to fully utilize these tools, we believe that our offerings provide our clients, large and small, improved speed and efficiency in the execution of clinical studies, with reduced clinical and business risk.

Market for our Services

Our vision is to build critical mass in the complementary disciplines of clinical research related to data collection and processing especially those which can benefit from our information technology products and support services and to integrate them in ways that yield efficiency and value for our clients. Our goal is to provide demonstrable benefits to sponsor clients through this strategy, that is, faster and less expensive drug development. We believe that the outsourcing of these services should continue to increase in the future because of increased pressure on clients, including factors such as: the need to more tightly manage costs, capacity limitations, reductions in marketing exclusivity periods, the desire to reduce development time, increased globalization of clinical trials, productivity challenges, imminent patent expirations and more stringent regulation. We believe these trends will continue to create opportunities for companies like BioClinica that are focused on improving the efficiency of drug and medical device development.

Sales and Backlog

Our sales cycle, referring to the period from the presentation by us to a potential client to the engagement of us by such client, has historically ranged from three to 12 months. In addition, the contracts under which we perform services typically cover a period of three to 60 months and the volume and type of services performed by us generally vary during the course of a project. We cannot assure you that our project revenues will be at levels sufficient to maintain profitability.

Our contracted/committed backlog, referred to as backlog, is the expected service revenue that remains to be earned and recognized on both signed and verbally agreed to contracts. Our backlog as of September 30, 2010, which includes our medical image management and eClinical services, was $106.3 million compared to $96.5 million at September 30, 2009. Changes in backlog for the period reflect the net effect of new contract signings, addendums, cancellations, expansions and reductions in scope of existing projects, all of which impacted our backlog at September 30, 2010.

Contracts included in backlog are subject to termination by our clients at any time. In the event that a contract is cancelled by the client, we would be entitled to receive payment for all services performed up to the cancellation date. The duration of the projects included in our backlog range from less than three months to seven years. We do not believe that backlog is a reliable predictor of future results because service revenues may be incurred in a given period on contracts that were not included in the previous reporting period s backlog and/or contract cancellations or project delays may occur in a given period on contracts that were included in the previous reporting period s backlog.

Acquisitions

On March 25, 2010, we acquired substantially all of the assets of privately held TranSenda International, LLC, or TranSenda. Headquartered in Bellevue, WA, TranSenda is a provider of clinical trial management software (CTMS) solutions. TranSenda s suite of web-based, Office-Smart CTMS solutions create efficiencies for trial operations through interoperability with Microsoft Office tools. The CTMS solutions enable our clients to have their applications work together instead of being locked into a single suite vendor and serves as the foundation for operational data interchange among different software applications. This facilitates easier access to data with a consistent user interface and reduces training costs. With this acquisition, we enhanced our ability to serve customers throughout the clinical research process with technologies that include improved efficiencies by reducing study durations and costs through integrated operational management. The acquisition was made pursuant to an Asset Purchase Agreement, dated March 25, 2010, by and between BioClinica and TranSenda, or the Purchase Agreement. Pursuant to the terms of the Purchase Agreement, we purchased and acquired from TranSenda all right, title and interest of TranSenda in and to the Purchased Assets (as defined in the Purchase Agreement) and assumed the Assumed Liabilities (as defined in the Purchase Agreement) of TranSenda.

As consideration for the Purchased Assets and Assumed Liabilities, we paid 577,960 shares of common stock, par value $0.00025 per share, of the Company, valued at a volume weighted average price per share equal to $4.325560, and subject to a post-closing adjustment based on the Final Closing Net Working Capital (as defined in the Purchase Agreement). Pursuant to the terms of the Purchase Agreement, 15% of the aggregate consideration is to be held in escrow to cover any potential indemnification claims under the Purchase Agreement for a period of 12 months following the Closing Date (as defined in the Purchase Agreement). As part of the Purchase Agreement, TranSenda agreed not to directly or indirectly offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any shares of BioClinica s common stock received pursuant to the Purchase Agreement for a period beginning on the date the Purchase Agreement was executed and continuing to and including the date 12 months after such date. We recorded the fair value of the acquisition of $2,468,000 based on our market value of $4.27 on March 25, 2010, the date of acquisition.

Forward Looking Statements

Certain matters discussed in this Form 10-Q are forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as believes , expects , may , should or anticipates or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. In particular, our statements regarding: our projected financial results; the demand for our services and technologies; growing recognition for the use of independent centralized core laboratories; trends toward the outsourcing of imaging services in clinical trials; realized return from our marketing efforts; increased use of digital medical images in clinical trials; integration of our acquired companies and businesses; expansion into new business segments; the success of any potential acquisitions and the integration of current acquisitions; and the level of our backlog are examples of such forward-looking statements. The forward-looking statements include risks and uncertainties, including, but not limited to, the timing of revenues due to the variability in size, scope and duration of projects, estimates made by management with respect to our critical accounting policies, regulatory delays, clinical study results which lead to reductions or cancellations of projects and other factors, including general economic conditions and regulatory developments, not within our control. The factors discussed in this Form 10-Q and expressed from time to time in our filings with the SEC could cause actual results and developments

to be materially different from those expressed in or implied by such statements. The forward-looking statements are made only as of the date of this filing, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Recent Accounting Pronouncements

In October 2009, the FASB issued guidance on revenue recognition that will become effective for us beginning January 1, 2011, with earlier adoption permitted. Under the new guidance on arrangements that include software elements, tangible products that have software components that are essential to the functionality of the tangible product will no longer be within the scope of the software revenue recognition guidance, and software-enabled products will now be subject to other relevant revenue recognition guidance. Additionally, the FASB issued guidance on revenue arrangements with multiple deliverables that are outside the scope of the software revenue recognition guidance. Under the new guidance, when vendor specific objective evidence or third party evidence for deliverables in an arrangement cannot be determined, a best estimate of the selling price is required to separate deliverables and allocate arrangement consideration using the relative selling price method. The new guidance includes new disclosure requirements on how the application of the relative selling price method affects the timing and amount of revenue recognition. Management believes the adoption of this new guidance will not have a material impact on our financial statements.

Results of Operations

Three Months Ended September 30, 2010 and 2009

(in thousands)	Three Months ended September 30, 2010	% of Total Revenue	Three Months ended September 30, 2009	% of Total Revenue	$ Change	% Change
Service revenues	$ 15,814	87.1%	$ 14,146	77.0%	$ 1,668	11.8%
Reimbursement revenues	2,352	12.9%	4,227	23.0%	(1,875)	(44.4)%
Total revenues	18,166	100.0%	18,373	100.0%	(207)	(1.1)%
Cost and expenses:						
Cost of service revenues	10,212	56.2%	8,937	48.6%	1,275	14.3%
Cost of reimbursement revenues	2,352	12.9%	4,227	23.0%	(1,875)	(44.4)%
Sales and marketing expenses	2,090	11.5%	1,617	8.8%	473	29.3%
General and administrative expenses	2,069	11.4%	1,759	9.6%	310	17.6%
Amortization of intangible assets related to acquisitions	194	1.1%	113	0.6%	81	71.7%
Mergers and acquisitions related costs	119	0.7%	560	3.0%	(441)	(78.8)%
Total cost and expenses	17,036	93.8%	17,213	93.6%	(177)	(1.0)%
Income from operations	1,130	6.2%	1,160	6.4%	(30)	(2.6)%
Interest income	10	0.1%	5	0.0%	5	100.0%
Interest expense		0.0%	(1)	0.0%	1	(100.0)%

Income before income tax	1,140	6.3%	1,164	6.4%	(24)	(2.1)%
Income tax provision	(426)	-2.3%	(463)	(2.5)%	37	(8.0)%
Net income	$ 714	4.0%	$ 701	3.9%	$ 13	1.9%

Service revenues were $15.8 million for the three months ended September 30, 2010 and $14.1 million for the same period in 2009, an increase of $1.7 million, or 11.8%. The increase in service revenues was due to an increase in work performed on the increased backlog from the prior year. Pfizer, Inc., encompassing 20 projects, represented 19.7% of our service revenue for the three months ended September 30, 2010. One client, Hoffmann-La Roche Limited, encompassing 6 distinct projects, accounted for more than 10.0% of service revenues for the three months ended September 30, 2009.

Reimbursement revenues and cost of reimbursement revenues were $2.4 million for the three months ended September 30, 2010 and $4.2 million for the same period in 2009, a decrease of $1.9 million, or 44.4%. Reimbursement revenues and cost of reimbursement revenues consist of payments received from the customer for reimbursable costs. Reimbursement revenues and cost of reimbursement revenues fluctuate significantly over the course of any given project, and quarter to quarter variations are a reflection of this project timing. Therefore, our management believes that reimbursement revenues and cost of reimbursement revenues are not a significant indicator of our overall performance trends. At the request of our clients, we may directly pay the independent radiologists who review our client s imaging data. In such cases, per contractual arrangement, these costs are billed to our clients and are included in reimbursement revenues and cost of reimbursement revenues.

Cost of service revenues were $10.2 million for the three months ended September 30, 2010 and $8.9 million for the same period in 2009, an increase of $1.3 million, or 14.3%. Cost of service revenues for the three months ended September 30, 2010 and 2009 were comprised of professional salaries and benefits and allocated overhead. The increase is due to additional personnel from the Tourtellotte and TranSenda acquisitions. The cost of revenues as a percentage of total revenues also fluctuates due to work-flow variations in the utilization of staff and the mix of services provided by us in any given period. We expect that our cost of service revenues will remain relatively flat for the remainder of 2010.

Sales and marketing expenses were $2.1 million for the three months ended September 30, 2010 and $1.6 million for the same period in 2009, an increase of $473,000, or 29.3%. Sales and marketing expenses for the three months ended September 30, 2010 and 2009 were comprised of direct sales and marketing costs, salaries and benefits and allocated overhead. The increase is primarily due to additional personnel to increase our marketing and sales presence in the United States and Europe. We expect that our sales and marketing expenses will remain relatively flat for the remainder of 2010.

General and administrative expenses were $2.1 million for the three months ended September 30, 2010 and $1.8 million for the same period in 2009, an increase of $300,000, or 17.6% General and administrative expenses for the three months ended September 30, 2010 and three months ended September 30, 2009 consisted primarily of salaries and benefits, allocated overhead, professional and consulting services and corporate insurance. We expect that our general and administrative expenses will remain relatively flat for the remainder of 2010.

Amortization of intangible assets related to acquisitions was $194,000 for the three months ended September 30, 2010 and $113,000 for the same period in 2009, an increase of $81,000, or 71.7%. Amortization of intangible assets related to acquisitions consisted primarily of amortization of customer backlog, customer relationships, software and non-compete intangibles acquired from the acquisitions of PDS, Tourtellotte, TranSenda and Theralys. The increase is primarily due to the acquisition of Tourtellotte and TranSenda. We expect that the amortization of intangible assets related to acquisitions will remain relatively flat for the remainder of 2010.

Merger and acquisition related costs of $119,000 for the three months ended September 30, 2010 include expenses of $62,000 consisting of costs resulting directly from merger and acquisition activities for the TranSenda acquisition such as legal, accounting and other due diligence and integration costs. Also included in this cost is $57,000 of earn-out accretion for the three months ended September 30, 2010 from the Tourtellotte acquisition due to the difference in the fair value from the purchase price recorded at the date of acquisition to September 30, 2010.

Net interest income was $10,000 for the three months ended September 30, 2010 and $4,000 for

the three months ended September 30, 2009, an increase of $6,000, or 150%. Net interest expense and income is comprised of interest income earned on our cash balance and interest expense incurred on equipment lease obligations. The increase is due to higher interest rates earned on deposits.

Our income tax provision was $426,000 for the three months ended September 30, 2010 and $463,000 for the same period in 2009, a decrease of $37,000, or 8%. Our effective tax rate for the three months ended September 30, 2010 was approximately 37.4% and 39.8% for the three months ended September 30, 2009. The change in the effective tax rate is due to the mix of pre-tax income in the U.S. than in the Netherlands, which has a lower corporate income tax rate than the U.S., and the changes affecting state tax rates.

Nine Months Ended September 30, 2010 and 2009

(in thousands)	Nine Months Ended September 30, 2010	% of Total Revenue	Nine Months Ended September 30, 2009	% of Total Revenue	$ Change	% Change
Service revenues	$ 46,248	83.1%	$ 42,542	81.0%	$ 3,706	8.7%
Reimbursement revenues	9,413	16.9%	9,964	19.0%	(551)	(5.5)%
Total revenues	55,661	100.0%	52,506	100.0%	3,155	6.0%
Cost and expenses:						
Cost of service revenues	29,109	52.3%	26,606	50.7%	2,503	9.4%
Cost of reimbursement revenues	9,413	16.9%	9,964	19.0%	(551)	(5.5)%
Sales and marketing expenses	6,865	12.3%	5,939	11.3%	926	15.6%
General and administrative expenses	6,057	10.9%	5,543	10.6%	514	9.3%
Amortization of intangible assets related to acquisitions	473	0.8%	344	0.7%	129	37.5%
Mergers and acquisitions related costs	635	1.1%	560	1.1%	75	13.4%
Restructuring costs		0.0%	466	0.9%	(466)	(100.0)%
Total cost and expenses	52,552	94.3%	49,422	94.3%	3,130	6.3%
Income from operations	3,109	5.7%	3,084	5.7%	25	0.8%
Interest income	18	0.0%	37	0.1%	(19)	(51.4)%
Interest expense	(7)	0.0%	(6)	0.0%	(1)	16.7%
Income before income tax	3,120	5.7%	3,115	5.8%	5	0.2%

Income tax provision	(1,198)	(2.2)%	(1,099)	2.1%	(99)	9.0%
Net income	1,922	3.5%	2,016	3.7%	(94)	(4.7)%

The Consolidated Statement of Income for the nine months ended September 30, 2010 excludes the financial results of TranSenda from the acquisition date of March 25, 2010 through March 31, 2010 due to immateriality of TranSenda s results of operations for that period

Service revenues were $46.2 million for the nine months ended September 30, 2010 and $42.5 million for the same period in 2009, an increase of $3.7 million, or 8.7%. The increase in service revenues was due to an increase in work performed on the increased backlog from the prior year. Pfizer, Inc., encompassing 21 projects, represented 19.7% of our service revenue for the nine months ended September 30, 2010. No one client accounted for more than 10.0% of service revenues for the nine months ended September 30, 2009.

Reimbursement revenues and cost of reimbursement revenues were $9.4 million for the nine months ended September 30, 2010 and $10.0 million for the same period in 2009, a decrease of $600,000 or 5.5%. Reimbursement revenues and cost of reimbursement revenues consist of payments received

from the customer for reimbursable costs. Reimbursement revenues and cost of reimbursement revenues fluctuate significantly over the course of any given project, and quarter to quarter variations are a reflection of this project timing. Therefore, our management believes that reimbursement revenues and cost of reimbursement revenues are not a significant indicator of our overall performance trends. At the request of our clients, we may directly pay the independent radiologists who review our client s imaging data. In such cases, per contractual arrangement, these costs are billed to our clients and are included in reimbursement revenues and cost of reimbursement revenues.

Cost of service revenues was $29.1 million for the nine months ended September 30, 2010 and $26.6 million for the same period in 2009, an increase of $2.5 million, or 9.4%. Cost of service revenues for the nine months ended September 30, 2010 and 2009 were comprised of professional salaries and benefits and allocated overhead. The increase is due to additional personnel from the Tourtellotte and TranSenda acquisitions. The cost of revenues as a percentage of total revenues also fluctuates due to work-flow variations in the utilization of staff and the mix of services provided by us in any given period. We expect that our cost of service revenues will remain relatively flat for the remainder of 2010.

Sales and marketing expenses were $6.9 million for the nine months ended September 30, 2010 and $5.9 million for the same period in 2009, an increase of $926,000, or 15.6%. Sales and marketing expenses for the nine months ended September 30, 2010 and 2009 were comprised of direct sales and marketing costs, salaries and benefits and allocated overhead. The increase is primarily due to additional personnel to increase our marketing and sales presence in the United States and Europe. We expect that our sales and marketing expenses will remain relatively flat for the remainder of 2010.

General and administrative expenses were $6.1 million for the nine months ended September 30, 2010 and $5.5 million for the same period in 2009, an increase of $514,000, or 9.3%. General and administrative expenses for the nine months ended September 30, 2010 and nine months ended September 30, 2009 consisted primarily of salaries and benefits, allocated overhead, professional and consulting services and corporate insurance. The increase is due to increased professional fees. We expect that our general and administrative expenses will remain relatively flat for the remainder of 2010.

Amortization of intangible assets related to acquisitions were $473,000 for the nine months ended September 30, 2010 and $344,000 for the nine months ended September 30, 2009, an increase of $129,000, or 37.5%. Amortization of intangible assets related to acquisitions consisted primarily of amortization of customer backlog, customer relationships, software and non-compete intangibles acquired from the acquisitions of PDS, Tourtellotte, TranSenda and Theralys. The increase is primarily due to the acquisition of Tourtellotte and TranSenda. We expect that the amortization of intangible assets related to acquisitions will remain relatively flat for the remainder of 2010.

Mergers and acquisition related costs were $635,000 for the nine months ended September 30, 2010, consisting of $390,000 of costs resulting directly from merger and acquisition activities for the TranSenda acquisition such as legal, accounting and other due diligence and integration costs. Also included in this cost is $245,000 of earn-out accretion for the nine months ended September 30, 2010 from the Tourtellotte acquisition due to the difference in the fair value from the purchase price recorded at the date of acquisition to September 30, 2010.

Restructuring costs were $0 for the nine months ended September 30, 2010 and $466,000 for the nine months ended September 30, 2009. In the second quarter of 2009, in order to streamline the operations and reduce costs, management decided to eliminate certain positions and consolidate redundant departments. This resulted in restructuring charges of $466,000 consisting of $439,000 in employee severance and $27,000 in other close down costs. We have paid the $466,000 in the third and

fourth quarters of 2009 and nothing is left to be paid from the restructuring at December 31, 2009. We do not expect any additional costs from the 2009 restructuring plan.

Net interest income was $11,000 for the nine months ended September 30, 2010 and $31,000 for the nine months ended September 30, 2009, a decrease of $20,000, or 65%. Net interest income is comprised of interest income earned on our cash balance and interest expense incurred on equipment lease obligations. The decrease is due to lower average daily cash balances and lower interest rates earned on deposits.

Our income tax provision was $1.2 million for the nine months ended September 30, 2010 and $1.1 million for the nine months ended September 30, 2009, an increase of $100,000 or 9.0%. Our effective tax rate for the nine months ended September 30, 2010 was approximately 38.4% and 35.3% for the nine months ended September 30, 2009. The change in the effective tax rate is due to the mix of pre-tax income in the U.S. than in the Netherlands, which has a lower corporate income tax rate than the U.S., and the changes affecting state tax rates.

Business Segments and Geographic Information

We view our operations and manage our business as one operating segment, clinical trials services.

Our corporate headquarters and operational facilities are in Pennsylvania, in the United States. We also have a European facility in Leiden, the Netherlands. We manage our services for European-based clinical trials from the Leiden facility. Our European facility has similar processing and analysis capabilities as our United States headquarters. We also have a facility in Lyon, France that provides product development and research activities. In January 2010, we incorporated BioClinica Private Limited in Bhubaneshwar, India to provide information technology support services.

Liquidity and Capital Resources

Our principal liquidity requirements have been, and we expect will be, for working capital and general corporate purposes, including capital expenditures.

Statement of Cash Flow for the nine months ended September 30, 2010 compared to September 30, 2009

(in thousands)	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Net cash provided by operating activities	$ 3,073	$ 3,870
Net cash used in investing activities	$ (6,079)	$ (5,079)
Net cash provided by (used in) financing activities	$ 251	$ (16)

At September 30, 2010, we had cash and cash equivalents of $11.8 million. Working capital, defined as current assets minus current liabilities, at September 30, 2010 was $7.4 million.

Net cash provided by operating activities for the nine months ended September 30, 2010 was $3.1 million as compared to $3.9 million for the nine months ended September 30, 2009. This decrease from

the prior year is primarily due to the decrease in accrued expenses.

Net cash used in investing activities for the nine months ended September 30, 2010 was $6.1 million as compared to net cash used in investing activities of $5.1 million for the nine months ended September 30, 2009. This increase is primarily due to an increase in capitalized software costs as we continue to invest in the development of our products and services. We currently anticipate that capital expenditures for the remainder of the fiscal year ending December 31, 2010 will be approximately $1.5 million, funded by cash from operations. These expenditures primarily represent capitalization of software costs.

Net cash provided by financing activities for the nine months ended September 30, 2010 was $251,000 as compared to net cash used in financing activities of $16,000 for the nine months ended September 30, 2009. Net cash provided by financing activities represents cash proceeds from lease obligations, exercise of stock options and the related excess tax benefit for the nine months ended September 30, 2010.

The following table lists our cash contractual obligations as of September 30, 2010:

		Payments Due By Period			
(in thousands)		Less than 1			More than
Contractual obligations	Total	year	1-3 years	3-5 years	5 years
Facility rent operating leases	$ 21,173,000	$ 2,598,000	$ 5,743,000	$ 5,055,000	$ 7,777,000
Capital lease	194,000	36,000	78,000	80,000	
Employment agreements	874,000	720,000	154,000		
Earn-outs for Tourtellotte acquisition	3,257,000	1,257,000	2,000,000		
Total contractual cash obligations	$ 25,498,000	$ 4,611,000	$ 7,975,000	$ 5,135000	$ 7,777,000

On May 5, 2010, we entered into an unsecured, committed line of credit with PNC Bank, expiring May 5, 2012. Under the credit agreement, we have the ability to borrow $7.5 million at interest rates equal to LIBOR plus 1.75%. In addition, we pay a fee of 0.25% per annum on the loan commitment regardless of usage. The credit agreement requires our compliance with certain covenants, including maintaining a minimum stockholders equity of $35 million. As of September 30, 2010, we had no borrowings under this line of credit, and we were compliant with the covenants.

Capital lease obligations consist of equipment lease obligations at September 30, 2010. In September 2010, the Company entered into a $194,000 sale-leaseback transaction whereby the Company sold and leased back computer equipment. The resulting lease is being accounted for as a capital lease. There was a gain of $9,000 recorded on the sale. The lease term is 5 years with an interest rate of 3.50%.

We have neither paid nor declared dividends on our common stock since our inception and do not plan to pay dividends on our common stock in the foreseeable future.

We have not entered into any off-balance sheet transactions, arrangements or other relationships with unconsolidated entities or other persons that are likely to affect liquidity or the availability of or requirements for capital resources.

We anticipate that our existing capital resources together with cash flow from operations will be sufficient to meet our cash needs for the next 12 months. However, we cannot assure you that our operating results will maintain profitability on an annual basis in the future. The inherent operational risks associated with the following factors may have a material adverse affect on our future liquidity:

our ability to gain new client contracts;

project cancellations;

the variability of the timing of payments on existing client contracts; and

other changes in our operating assets and liabilities.

We may seek to raise additional capital from equity or debt sources in order to take advantage of unanticipated opportunities, such as more rapid expansion, acquisitions of complementary businesses or

the development of new services. We cannot assure you that additional financing will be available, if at all, on terms acceptable to us.

Our fiscal year 2010 operating plan contains assumptions regarding revenue and expenses. The achievement of our operating plan depends heavily on the timing of work performed by us on existing projects and our ability to gain and perform work on new projects. Project cancellations, delays in the timing of work performed by us on existing projects or our inability to gain and perform work on new projects could have an adverse impact on our ability to execute our operating plan and maintain adequate cash flow. In the event actual results do not meet the operating plan, our management believes it could execute contingency plans to mitigate these effects. Our plans include additional financing, to the extent available. Considering the cash on hand and based on the achievement of the operating plan and management s actions taken to date, management believes it has the ability to continue to generate sufficient cash to satisfy our operating requirements in the normal course of business for at least the next 12 months.

Changes to Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. As of September 30, 2010, there have been no changes to such critical accounting policies and estimates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We invest in high-quality financial instruments, comprised of savings accounts, certificate of deposits and money market funds. Due to the short-term nature of our investments, we do not believe that we have any material exposure to interest rate risk arising from our investments.

Foreign Currency Risk

Our financial statements are denominated in U.S. dollars. Fluctuations in foreign currency exchange rates could materially increase the operating costs of our facilities in the Netherlands and France, which are Euro denominated. A ten percent increase or decrease in the Euro to U.S. dollar spot exchange rate would result in a change to our net asset position of $250,000 at September 30, 2010 and $287,000 at September 30, 2009. In addition, certain of our contracts are denominated in foreign currency. We believe that any adverse fluctuation in the foreign currency markets relating to these costs will not result in any material adverse effect on our financial condition or results of operations. In the event we derive a greater portion of our service revenues from international operations, factors associated with international operations, including changes in foreign currency exchange rates, could affect our results of operations and financial condition.

Our foreign currency financial assets and liabilities primarily consist of cash, trade receivables, prepaid expenses, fixed assets, trade payables and accrued expenses. We were in a net asset position at September 30, 2010 and September 30, 2009. An increase in the exchange rate would result in less net assets when converted to U.S. dollars. Conversely, if we were in a net liability position, a decrease in the exchange rate would result in more net liabilities when converted to U.S. dollars.

We hedge our foreign currency exposure when and as appropriate to mitigate the adverse impact of fluctuating exchange rates. As of September 30, 2010, there are no outstanding derivative positions.

Item 4T. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures. We evaluated, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934 (Exchange Act), as amended) as of September 30, 2010, the end of the period covered by this report on Form 10-Q. Based on this evaluation, our President and Chief Executive Officer (principal executive officer) and our Chief Financial Officer (principal accounting and financial officer) have concluded that our disclosure controls and procedures were effective at September 30, 2010. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and were operating in an effective manner for the period covered by this report, and (ii) is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in internal control over financial reporting. There was no change in our internal controls over financial reporting that occurred during the quarter ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION.

Item 1. Legal Proceedings.

In the normal course of business, we may be a party to legal proceedings. We are not currently a party to any material legal proceedings.

Item 1A. Risk Factors.

The more prominent risks and uncertainties inherent in our business are described below. However, additional risks and uncertainties may also impair our business operations. If any of the following risks actually occur, our business, financial condition or results of operations may suffer. Investing in our common stock involves a high degree of risk. Any of the following factors could harm our business and future results of operations, and you could lose all or part of your investment.

Risks Related to Our Company and Business

We may incur financial losses because contracts may be delayed or terminated or reduced in scope for reasons beyond our control.

Our clients may terminate or delay their contracts for a variety of reasons, including, but not limited to:

unexpected or undesired clinical results;

the client s decision to terminate the development of a particular product or to end a particular study;

insufficient patient enrollment in a study;

insufficient investigator recruitment;

failure to perform our obligations under the contract; or

the failure of products to satisfy safety requirements.

In addition, we believe that FDA-regulated companies may proceed with fewer clinical trials or conduct them without assistance of contract service organizations if they are trying to reduce costs as a result of cost containment pressures associated with healthcare reform, budgetary limits or changing priorities. These factors may cause such companies to cancel contracts with contract service organizations.

We cannot assure you that our clients will continue to use our services or that we will be able to replace, in a timely or effective manner, departing clients with new clients that generate comparable revenues. Further, we cannot assure you that our clients will continue to generate consistent amounts of revenues over time.

The loss, reduction in scope or delay of a large contract or the loss or delay of multiple contracts could materially adversely affect our business, although our contracts entitle us to receive all fees earned up to the time of termination.

The recent economic downturn may adversely impact our ability to grow our business.

The recent economic downturn and adverse conditions in the national and global markets may negatively affect our operations in the future. The fallen equity markets and adverse credit markets may make it difficult for us to raise capital or procure credit in the future to fund the growth of our business, which could have a negative impact on our business and results of operations and limit our ability to pursue acquisitions.

We depend on a small number of industries and clients for all of our business, and the loss of one such significant client could cause revenues to drop quickly and unexpectedly.

We depend on research and development expenditures by pharmaceutical, biotechnology and medical device companies to sustain our business. Our operations could be materially and adversely affected if:

our clients businesses experience financial problems or are affected by a general economic downturn;

consolidation in the pharmaceutical, biotechnology or medical device industries leads to a smaller client base for us; or

clients reduce their research and development expenditures.

One client, Pfizer, Inc., encompassing 21 projects, represented 19.7% of our service revenue for the nine months ended September 30, 2010. No one client, accounted for more than 10.0% of service revenues for the nine months ended September 30, 2009. The loss of business from a significant client or our failure to continue to obtain new business to replace completed or canceled projects would have a material adverse effect on our business and revenues.

Our contracted/committed backlog may not be indicative of future results.

Our reported contracted/committed backlog of $106.3 at September 30, 2010 is based on anticipated service revenue from uncompleted projects with clients. Backlog is the expected service revenue that remains to be earned and recognized on signed and verbally agreed to contracts. Contracts included in backlog are subject to termination by our clients at any time. In the event that a client cancels a contract, we would be entitled to receive payment for all services performed up to the cancellation date and subsequent client authorized services related to the cancellation of the project. The duration of the projects included in our backlog range from less than three months to seven years. We cannot assure you that this backlog will be indicative of future results. A number of factors may affect backlog, including:

the variable size and duration of the projects (some are performed over several years);

the loss or delay of projects;

the change in the scope of work during the course of a project; and

the cancellation of such contracts by our clients.

Also, if clients delay projects, the projects will remain in backlog, but will not generate revenue at the rate originally expected. Accordingly, the historical relationship of backlog to revenues may not be indicative of future results.

We made one acquisition in the first quarter 2010, two acquisitions in the third quarter of 2009, and may engage in future acquisitions, which may be expensive and time consuming, and from which we may not realize anticipated benefits.

On March 25, 2010, we acquired substantially all of the assets of privately held TranSenda

International, LLC, headquartered in Bellevue, WA. We acquired the CardioNow unit from AGFA Healthcare and substantially all of the assets of Tourtellotte Solutions, Inc. in the third quarter of 2009 and may acquire additional businesses, technologies and products if we determine that these additional businesses, technologies and products complement our existing business, or otherwise serve our strategic goals. Either as a result of the recent acquisitions or future acquisitions undertaken, the process of integrating the acquired business, technology or product may result in operating difficulties and expenditures, and may absorb significant management attention that would otherwise be available for ongoing development of our business. Moreover, we may never realize the anticipated benefits of any such acquisition. Such acquisitions could result in potentially dilutive issuances of our securities, the incurrence of debt and contingent liabilities and amortization expenses related to intangible assets, all of which could adversely affect our results of operations and financial condition.

Loss of key personnel, or failure to attract and retain additional personnel, may cause the success and growth of our business to suffer.

Future success depends on the personal efforts and abilities of the principal members of our senior management to provide strategic direction, develop business, manage operations and maintain a cohesive and stable environment. Specifically, we are dependent upon Mark L. Weinstein, President and Chief Executive Officer, Ted I. Kaminer, Executive Vice President of Finance and Administration and Chief Financial Officer, David A. Pitler, Executive Vice President, President Bioimaging Services, and Peter Benton, Executive Vice President, President eClinical Services Division. Although we have employment agreements with Mr. Weinstein, Mr. Kaminer and Mr. Benton, this does not necessarily mean that they will remain with us. Although we have executive retention agreements with our officers, we do not have employment agreements with any other key personnel. Furthermore, our performance also depends on our ability to attract and retain management and qualified professional and technical operating staff. Competition for these skilled personnel is intense. The loss of services of any key executive, or inability to continue to attract and retain qualified staff, could have a material adverse effect on our business, results of operations and financial condition. We do not maintain any key employee insurance on any of our executives.

Our revenues, earnings and operating costs are exposed to exchange rate fluctuations.

During the first nine months of 2010, a portion of our service revenues were denominated in foreign currency. Our financial statements are denominated in United States dollars. In the event a greater portion of our service revenues are denominated in a foreign currency, changes in foreign currency exchange rates could affect our results of operations and financial condition. Fluctuations in foreign currency exchange rates could materially impact the operating costs of our European facilities in Leiden, the Netherlands and Lyon, France, which are primarily Euro denominated. We hedge our foreign currency exposure when and as appropriate to mitigate the adverse impact of fluctuating exchange rates.

We may be required to record additional significant charges to earnings if our goodwill becomes impaired.

Under accounting principles generally accepted in the United States, we review our goodwill for impairment each year as of December 31 and when events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of our goodwill may not be recoverable due to factors such as a decline in stock price and market capitalization, reduced estimates of future cash flows and slower growth rates in our industry. Estimates of future cash flows are based on an updated long-term financial outlook of our operations. However, actual performance in the near-term or long-term could be

materially different from these forecasts, which could impact future estimates. For example, a significant decline in our stock price and/or market capitalization may result in impairment of our goodwill valuation. We may be required to record a charge to earnings in our financial statements during a period in which an impairment of our goodwill is determined to exist, which may negatively impact our results of operations.

We may be unable to adequately protect, and we may incur significant costs in defending, our intellectual property and other proprietary rights.

Our success depends on our ability to protect our intellectual property and other proprietary rights. We rely upon a combination of trademark, trade secret, copyright, patent and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. In addition, we attempt to protect our intellectual property and proprietary information by requiring certain of our employees and consultants to enter into confidentiality, non-competition and assignment of inventions agreements. To the extent that our intellectual property and other proprietary rights are not adequately protected, third parties might gain access to our proprietary information, develop and market products or services similar to ours or use trademarks similar to ours, each of which could materially harm our business. Existing U.S. federal and state intellectual property laws offer only limited protection. Moreover, the laws of other countries in which we market our software products, services and hosted solutions may afford little or no effective protection of our intellectual property. If we resort to legal proceedings to enforce our intellectual property rights or to determine the validity and scope of the intellectual property or other proprietary rights of others, the proceedings could be burdensome and expensive, even if we were to prevail. The failure to adequately protect our intellectual property and other proprietary rights may have a material adverse effect on our business, results of operations or financial condition.

Risks Related to Our Industry

Our failure to compete effectively in our industry could cause our revenues to decline.

Significant factors in determining whether we will be able to compete successfully include:

consultative and clinical trials design capabilities;

reputation for on-time quality performance;

expertise and experience in specific therapeutic areas;

the scope of service offerings;

strength in various geographic markets;

the price of services;

ability to acquire, process, analyze and report data in a time-saving and accurate manner;

ability to manage large-scale clinical trials both domestically and internationally;

our size; and

the service and product offerings of our competitors.

If our services are not competitive based on these or other factors, our business, financial condition and results of operations could be materially harmed.

The biopharmaceutical services industry is highly competitive, and we face numerous competitors in our business, including hundreds of CROs. If we fail to compete effectively, we will lose clients, which would cause our business to suffer. We primarily compete against in-house departments of

pharmaceutical companies, full service CROs, small specialty CROs, and to a lesser extent, universities and teaching hospitals. Some of these competitors have substantially greater capital, technical and other resources than we do. In addition, certain of our competitors that are smaller specialized companies may compete effectively against us because of their concentrated size and focus.

Changes in outsourcing trends in the pharmaceutical and biotechnology industries could adversely affect our operating results and growth rate.

Service revenues depend greatly on the expenditures made by the pharmaceutical and biotechnology industries in research and development. Accordingly, economic factors and industry trends that affect our clients in these industries also affect our business. For example, the practice of many companies in these industries has been to hire outside organizations like us to conduct clinical research projects. This practice has grown significantly in the last decade, and we have benefited from this trend. However, if this trend were to change and companies in these industries were to reduce the number of research and development projects they outsource, our business could be materially adversely affected.

Additionally, numerous governments have undertaken efforts to control growing healthcare costs through legislation, regulation and voluntary agreements with medical care providers and pharmaceutical companies. If future regulatory cost containment efforts limit the profits that can be derived from new drug sales, our clients might reduce their research and development spending, which could reduce our business.

Consolidation among our customers could cause us to lose customers, decrease the market for our products and result in a reduction of our revenues.

Our customer base could decline because of industry consolidation, and we may not be able to expand sales of our products and services to new customers. Consolidation in the pharmaceutical, biotechnology and medical device industries has accelerated in recent years, and we expect this trend to continue. As these industries consolidate, competition to provide products and services to industry participants will become more intense and the importance of establishing relationships with large industry participants will become greater. These industry participants may try to use their market power to negotiate price reductions for our products and services. Also, if consolidation of larger current customers occurs, the combined organization may represent a larger percentage of business for us and, as a result, we are likely to rely more significantly on the combined organization s revenues to continue to achieve growth.

The recent economic downturn coupled with the current regulatory environment could have a negative impact on the pharmaceutical, biotechnology and medical device industries.

The recent economic downturn and adverse conditions in the national and global markets may negatively affect our operations in the future. Our revenues are contingent upon the research and development expenditures by pharmaceutical, biotechnology and medical device companies. Some companies in these industries have found it difficult to raise capital in the equity and debt markets or through traditional credit markets to fund research and development. In addition, increased regulatory scrutiny from the FDA may have increased the costs of research and development for these companies. These companies have responded to the recent economic downturn and regulatory environment, by postponing, attenuating or cancelling clinical trials projects, or portions thereof, which may reduce the need for our services. As a result, our revenues may be similarly decreased. Furthermore, while our revenues may decrease, our costs may remain relatively fixed, resulting in decreased earnings.

Failure to comply with existing regulations could result in increased costs to complete clinical trials.

Our business is subject to numerous governmental regulations, primarily relating to pharmaceutical product development and the conduct of clinical trials. In particular, we are subject to 21 CFR Part 11 of the Code of Federal Regulations that provides the criteria for acceptance by the FDA of electronic records. If we fail to comply with these governmental regulations, it could result in the termination of ongoing clinical research or the disqualification of data for submission to regulatory authorities. We also could be barred from providing clinical trial services in the future or be subjected to fines. Any of these consequences would harm our reputation, our prospects for future work and our operating results.

We may be affected by health care reform.

In March 2010, the United States Congress enacted health care reform legislation intended over time to expand health insurance coverage and impose health industry cost containment measures. This legislation may significantly impact the pharmaceutical and biotechnology industries. In addition, the U.S. Congress, various state legislatures and European and Asian governments may consider various types of health care reform in order to control growing health care costs. We are presently uncertain as to the effects of the recently enacted legislation on our business and are unable to predict what legislative proposals will be adopted in the future, if any.

Implementation of health care reform legislation may have certain benefits but also may contain costs that could limit the profits that can be made from the development of new drugs. This could adversely affect research and development expenditures by pharmaceutical and biotechnology companies, which could in turn decrease the business opportunities available to us both in the United States and abroad. In addition, new laws or regulations may create a risk of liability, increase our costs or limit our service offerings.

In addition to healthcare reform legislation, the expansion of managed care organizations in the healthcare market may result in reduced spending on research and development. Managed care organizations efforts to cut costs by limiting expenditures on pharmaceuticals and medical devices could result in pharmaceutical, biotechnology and medical device companies spending less on research and development. If this were to occur, we would have fewer business opportunities and our revenues could decrease, possibly materially.

Changes in governmental regulation could decrease the need for the services we provide, which would negatively affect our future business opportunities.

Governmental agencies throughout the world, but particularly in the United States, strictly regulate the drug development/approval process. Our business involves helping pharmaceutical and biotechnology companies navigate the regulatory drug approval process. Changes in regulation, such as relaxation in regulatory requirements or the introduction of simplified drug approval procedures or an increase in regulatory requirements that we may have difficulty satisfying could eliminate or substantially reduce the need for our services. If these changes in regulations were to occur, our business, results of operations and financial condition could be materially adversely affected. These and other changes in regulation could have a material adverse impact on our available business opportunities.

If governmental agencies do not accept the data and analyses generated by our services, the need for our services would be eliminated or substantially reduced.

The success of our business is dependent upon continued acceptance by the FDA and other regulatory authorities of the data and analyses generated by our services in connection with the evaluation of the safety and efficacy of new drugs and devices. The FDA has formal guidelines that encourage the use of surrogate measures through submission of digital image data, for evaluation of drugs to treat life-threatening or debilitating conditions. We cannot assure you that the FDA or other regulatory authorities will accept the data or analyses generated by us in the future and, even assuming acceptance, the FDA or other regulatory authorities may not require the application of imaging techniques to the number of patients and over time periods substantially similar to those required of traditional safety and efficacy techniques. If the governmental agencies do not accept data and analyses generated by our services in connection with the evaluation of new drugs and devices, the need for our services would be eliminated or substantially reduced, and, as a result, our business, results of operations and financial condition could be materially adversely affected.

Our software products and hosted solutions are at varying stages of market acceptance and the failure of any of our products to achieve or maintain wide acceptance would harm our operating results.

We began offering our electronic data capture software solution for clinical trials in March 2008. Continued use of our current electronic data capture software products, and broad and timely acceptance of newly-introduced electronic data capture software products, as well as integrated solutions combining one or more of our software products, is critical to our future success and is subject to a number of significant risks, some of which are outside our control. These risks include:

- our customers and prospective customers desire for and acceptance of our electronic data capture, clinical data management, drug safety and interactive response technology solutions;
- our ability to meet product development and release schedules;
- our software products and hosted solutions ability to support large numbers of users and manage vast amounts of data;
- our ability to significantly expand our internal resources and increase our capital and operating expenses to support the anticipated growth and continued integration of our software products, services and hosted solutions; and
- our customers ability to use our software products and hosted solutions, train their employees and successfully deploy our technology in their clinical trial and safety evaluation and monitoring activities.

Our failure to address, mitigate or manage these risks would seriously harm our business, particularly if the failure of any or all of our software products or hosted solutions to achieve market acceptance negatively affects our sales of our other products and services.

We may be exposed to liability claims as a result of our involvement in clinical trials.

We may be exposed to liability claims as a result of our involvement in clinical trials. We cannot assure you that liability claims will not be asserted against us as a result of work performed for our clients. We maintain liability insurance coverage in amounts that we believe are sufficient for the pharmaceutical services industry. Furthermore, we cannot assure you that our clients will agree to indemnify us, or that we will have sufficient insurance to satisfy any such liability claims. If a claim is brought against us and the outcome is unfavorable to us, such outcome could have a material adverse impact on us.

Risks Related to Our Common Stock

Your percentage ownership and voting power and the price of our common stock may decrease as a result of events that increase the number of our outstanding shares.

As of September 30, 2010, we had the following capital structure (in thousands):

Common stock outstanding	15,185
Common stock issuable upon:	
Exercise of options which are outstanding	1,797
Exercise of options which have not been granted	1,110
Restricted stock units outstanding	373
Total common stock outstanding assuming exercise or conversion of all of the above	18,465

As of September 30, 2010, we had outstanding options to purchase 1.8 million shares of common stock at exercise prices ranging from $0.72 to $8.06 per share (exercisable at a weighted average of $4.64 per share), of which 1.2 million options were then exercisable. Exercise of our outstanding options into shares of our common stock may significantly and negatively affect the market price for our common stock as well as decrease your percentage ownership and voting power. In addition, we may conduct future offerings of our common stock or other securities with rights to convert the securities into shares of our common stock. As a result of these and other events, such as future acquisitions, that increase the number of our outstanding shares, your percentage ownership and voting power and the price of our common stock may decrease.

Shares of our common stock eligible for public sale may have a negative impact on its market price.

Future sales of shares of our common stock by existing holders of our common stock or by holders of outstanding options, upon the exercise thereof, could have a negative impact on the market price of our common stock. As of September 30, 2010, we had 15.2 million shares of our common stock issued and outstanding, substantially all of which are currently freely tradable. As additional shares of common stock become available for resale in the public market pursuant to registration statements and releases of lock-up agreements, the market supply of shares of common stock will increase, which could also decrease its market price.

We are unable to estimate the number of shares that may be sold because this will depend on the market price for our common stock, the personal circumstances of the sellers and other factors. Any sale of substantial amounts of our common stock or other securities in the open market may adversely affect the market price of our securities and may adversely affect our ability to obtain future financing in the capital markets as well as create a potential market overhang.

There are a limited number of stockholders who have significant control over our common stock, allowing them to have significant influence over the outcome of all matters submitted to our stockholders for approval, which may conflict with our interests and the interests of our other stockholders.

Our directors, officers and principal stockholders (stockholders owning 10% or more of our

common stock), including Covance Inc., beneficially owned 24% of the outstanding shares of common stock and stock options that could have been converted to common stock at September 30, 2010, and such stockholders will have significant influence over the outcome of all matters submitted to our stockholders for approval, including the election of our directors and other corporate actions. In addition, such influence by these affiliates could have the effect of discouraging others from attempting to take us over, thereby increasing the likelihood that the market price of the common stock will not reflect a premium for control.

Because we do not intend to pay dividends, stockholders will benefit from an investment in our common stock only if it appreciates in value.

We have never declared or paid any cash dividends on our common stock. We currently intend to retain our future earnings, if any, to finance further research and development and do not expect to pay any cash dividends in the foreseeable future. As a result, the success of an investment in our common stock will depend upon any future appreciation in its value. There is no guarantee that our common stock will appreciate in value or even maintain the price at which stockholders have purchased their shares.

Trading in our common stock may be volatile, which may result in substantial declines in its market price.

The market price of our common stock has experienced historical volatility and might continue to experience volatility in the future in response to quarter-to-quarter variations in:

operating results;

analysts reports;

market conditions in the industry;

changes in governmental regulations; and

changes in general conditions in the economy or the financial markets.

The overall market (including the market for our common stock) has also experienced significant decreases in value in the past. This volatility and potential market decline could affect the market prices of securities issued by many companies, often for reasons unrelated to their operating performance, and may adversely affect the price of our common stock. Between January 1, 2010 and September 30, 2010, our common stock has traded at a low of $3.13 per share and a high of $5.93 per share.

Our common stock began trading on the NASDAQ Global Market, formerly called the NASDAQ National Market, on December 18, 2003 and has a limited trading market. We cannot assure that an active trading market will develop or, if developed, will be maintained. As a result, our stockholders may find it difficult to dispose of shares of our common stock and, as a result, may suffer a loss of all or a substantial portion of their investment.

Certain provisions of our charter and Delaware law could make a takeover difficult and may prevent or frustrate attempts by our stockholders to replace or remove our management team.

We have an authorized class of 3,000,000 shares of undesignated preferred stock, of which 1,250,000 shares were previously issued and converted to common stock and 36,000 shares designated as Series A Junior Participating Preferred Stock under our stockholder rights plan as previously disclosed. The remaining 1,714,000 shares may be issued by our board of directors, on such terms and with such rights, preferences and designation as the board of directors may determine. Issuance of such preferred stock, depending upon the rights, preferences and designations thereof, may have the effect of delaying,

deterring or preventing a change in control of our company. In addition, we are subject to provisions of Delaware corporate law which, subject to certain exceptions, will prohibit us from engaging in any business combination with a person who, together with affiliates and associates, owns 15% or more of our common stock for a period of three years following the date that the person came to own 15% or more of our common stock, unless the business combination is approved in a prescribed manner. In July 2009, our board of directors also adopted a stockholder rights plan, similar to plans adopted by many other publicly traded companies. The stockholder rights plan is intended to protect stockholders against unsolicited attempts to acquire control of us that do not offer a fair price to our stockholders as determined by our board of directors.

These provisions of our certificate of incorporation, stockholders rights plan and of Delaware law, may have the effect of delaying, deterring or preventing a change in control of our company, may discourage bids for our common stock at a premium over market price and may adversely affect the market price, and the voting and other rights of the holders, of our common stock. In addition, these provisions make it more difficult to replace or remove our current management team in the event our stockholders believe this would be in the best interest of our company and our stockholders.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved)

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1 Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

31.2 Certification of principal financial and accounting officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).

32.1 Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350 (furnished herewith).

32.2 Certification of principal financial and accounting officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350 (furnished herewith).

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.

BIOCLINICA, INC.

DATE: November 8, 2010

By: /s/ Mark L. Weinstein
Mark L. Weinstein,
President and Chief Executive Officer
(Principal Executive Officer)

DATE: November 8, 2010

By: /s/ Ted I. Kaminer
Ted I. Kaminer,
Executive Vice President of Finance and Administration and Chief Financial Officer
(Principal Financial and Accounting Officer)