

BIOCLINICA INC

FORM 10-Q (Quarterly Report)

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Industry	Business Services
Sector	Services
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United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

or

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

Commission File No. 001-11182

BIOCLINICA, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

11-2872047

(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: No:

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: No:

* 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 Accelerated filer Non-accelerated filer Smaller reporting company
(do not check if a smaller reporting company)

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

Yes: No:

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

Class	Number of Shares
Common Stock, \$0.00025 par value	15,158,437



BIOCLINICA, INC. AND SUBSIDIARIES

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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)	June 30, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$11,569	\$ 14,570
Accounts receivable, net	11,125	10,966
Prepaid expenses and other current assets	1,844	1,869
Deferred income taxes	<u>3,023</u>	<u>3,370</u>
Total current assets	27,561	30,775
Property and equipment, net	12,689	9,040
Intangibles, net	2,789	1,969
Goodwill	34,327	32,933
Deferred income tax	86	—
Other assets	583	620
Total assets	<u>\$78,035</u>	<u>\$ 75,337</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,789	\$ 3,899
Accrued expenses and other current liabilities	3,665	4,134
Deferred revenue	12,008	14,256
Current liability for acquisition earn-out	<u>1,257</u>	<u>1,184</u>
Total current liabilities	21,719	23,473
Long-term liability for acquisition earn-out	1,771	1,657
Deferred income tax	1,257	1,167
Other liabilities	<u>709</u>	<u>505</u>
Total liabilities	<u>\$25,456</u>	<u>\$ 26,802</u>
Stockholders' equity:		
Preferred stock- \$0.00025 par value; authorized 3,000,000 shares, 0 issued and outstanding at June 30, 2010 and at December 31, 2009	—	—
Common stock — \$0.00025 par value; authorized 36,000,000 shares, issued and outstanding 15,158,437 shares at June 30, 2010 and 14,394,374 shares at December 31, 2009	4	4
Common stock consideration for earn-out	1,309	1,309
Additional paid-in capital	46,143	43,104
Retained earnings	5,247	4,039
Accumulated other comprehensive (loss) income.	<u>(124)</u>	<u>79</u>
Total stockholders' equity	<u>\$52,579</u>	<u>\$ 48,535</u>
Total liabilities and stockholders' equity	<u>\$78,035</u>	<u>\$ 75,337</u>

See Notes to Consolidated Financial Statements

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

	For the Three Months ended June 30,	
	2010	2009
<small>(in thousands, except per share data)</small>		
Service revenues	\$ 15,688	\$ 13,921
Reimbursement revenues	3,703	3,142
Total revenues	<u>19,391</u>	<u>17,063</u>
Cost and expenses:		
Cost of service revenues	9,946	8,608
Cost of reimbursement revenues	3,703	3,142
Sales and marketing expenses	2,565	2,166
General and administrative expenses	1,916	1,867
Amortization of intangible assets related to acquisition	138	112
Mergers and acquisitions related costs	311	—
Restructuring Charges	—	466
Total cost and expenses	<u>18,579</u>	<u>16,361</u>
Income from operations	<u>812</u>	<u>702</u>
Interest income	2	10
Interest expense	(4)	(3)
Income before income tax	<u>810</u>	<u>709</u>
Income tax provision	(313)	(180)
Net income	<u>\$ 497</u>	<u>\$ 529</u>
Basic income per common share	<u>\$ 0.03</u>	<u>\$ 0.04</u>
Weighted average number of common shares	<u>15,155</u>	<u>14,356</u>
Diluted income per common share	<u>\$ 0.03</u>	<u>\$ 0.04</u>
Weighted average number of diluted shares	<u>16,065</u>	<u>15,118</u>

See Notes to Consolidated Financial Statements

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

(in thousands, except per share data)	For the Six Months ended June 30,	
	2010	2009
Service revenues	\$ 30,434	\$ 28,396
Reimbursement revenues	7,061	5,737
Total revenues	37,495	34,133
Cost and expenses:		
Cost of service revenues	18,897	17,669
Cost of reimbursement revenues	7,061	5,737
Sales and marketing expenses	4,775	4,322
General and administrative expenses	3,988	3,784
Amortization of intangible assets related to acquisitions	279	231
Mergers and acquisitions related costs	516	—
Restructuring Charges	—	466
Total cost and expenses	35,516	32,209
Income from operations	1,979	1,924
Interest income	8	32
Interest expense	(7)	(5)
Income before income tax	1,980	1,951
Income tax provision	(772)	(636)
Net income	\$ 1,208	\$ 1,315
Basic income per common share	<u>\$ 0.08</u>	<u>\$ 0.09</u>
Weighted average number of common shares	<u>14,852</u>	<u>14,341</u>
Diluted income per common share	<u>\$ 0.08</u>	<u>\$ 0.09</u>
Weighted average number of diluted shares	<u>15,861</u>	<u>15,101</u>

See Notes to Consolidated Financial Statements

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

(in thousands)	For the Six Months ended June 30,	
	2010	2009
<i>Cash flows from operating activities:</i>		
Net income	\$ 1,208	\$ 1,315
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization	1,588	1,322
Provision for deferred income taxes	285	544
Bad debt (recovery) expense, net	(9)	84
Stock based compensation expense	519	368
Accretion of acquisition earn-out	188	—
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	147	2,772
(Increase) decrease in prepaid expenses and other current assets	(54)	208
Decrease in other assets	50	108
Increase (decrease) in accounts payable	665	(1,734)
Decrease in accrued expenses and other current liabilities	(762)	(1,013)
Decrease in deferred revenue	(2,240)	(2,546)
Increase in other liabilities	248	28
Net cash provided by operating activities	\$ 1,833	\$ 1,456
<i>Cash flows from investing activities:</i>		
Purchases of property and equipment	\$ (2,001)	\$ (1,159)
Capitalized software development costs	(2,815)	(408)
Net cash received for sale of assets of discontinued operations	—	500
Net cash used in investing activities	\$ (4,816)	\$ (1,067)
<i>Cash flows from financing activities:</i>		
Payments under equipment lease obligations	\$ —	\$ (33)
Excess tax benefit related to stock options	30	—
Proceeds from exercise of stock options	22	3
Net cash provided by (used in) financing activities	\$ 52	\$ (30)
Effect of exchange rate changes on cash	(70)	(2)
Net (decrease) increase in cash and cash equivalents	(3,001)	357
Cash and cash equivalents at beginning of period	14,570	14,265
Cash and cash equivalents at end of period	\$ 11,569	\$ 14,622
<i>Supplemental disclosure of cash flow information:</i>		
Cash paid during the period for interest	\$ —	\$ 5
Cash paid during the period for income taxes	\$ 489	\$ 72

See Notes to Consolidated Financial Statements

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

	For the Six Months Ended June 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	\$ 323	\$ 11
	For the Six Months Ended June 30,	
	2010	2009
Acquired business (in thousands)		
Accounts receivable	\$ 309	\$ —
Property and equipment	91	—
Other assets	33	—
Customer relationships	100	—
Technology	1,000	—
Goodwill, including workforce	1,394	—
Current liabilities assumed	(459)	—
Common stock issued	(2,468)	—
Cash paid for acquired business, net of cash acquired for the six months ended June 30, 2010 of \$0	\$ —	\$ —

See Notes to Consolidated Financial Statements

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

	For the Three Months Ended June 30,	
	2010	2009
Statement of comprehensive income (in thousands)		
Net income	\$ 497	\$ 529
Equity adjustment from foreign currency translation	(126)	103
Total comprehensive income	\$ 371	\$ 632

	For the Six Months Ended June 30,	
	2010	2009
Statement of comprehensive income (in thousands)		
Net income	\$1,208	\$1,315
Equity adjustment from foreign currency translation	(203)	(67)
Total comprehensive income	\$1,005	\$1,248

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 June 30, 2010. The Consolidated Statement of Income for the six months ended June 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 June 30, 2010:

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Common Stock Consid- eration for Earn-out	Accumu- lated (Deficit) Retained Earnings	Other Compre- hensive Gain (Loss)	Stock- holders' 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	186	—	22	—	—	—	22
Stock consideration for acquisitions	578	—	2,468	—	—	—	2,468
Stock based compensation	—	—	519	—	—	—	519
Tax benefit on exercise of stock options	—	—	30	—	—	—	30
Equity adjustment from foreign currency translation	—	—	—	—	—	(203)	(203)
Net income	—	—	—	—	1,208	—	1,208
Balance at June 30, 2010	<u>15,158</u>	<u>\$ 4</u>	<u>\$ 46,143</u>	<u>\$ 1,309</u>	<u>\$ 5,247</u>	<u>\$ (124)</u>	<u>\$ 52,579</u>

Note 3 — Earnings Per Share

Basic income per common share for the three and six months ended June 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 six months ended June 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 June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Net income — basic and diluted	<u>\$ 497</u>	<u>\$ 529</u>	<u>\$ 1,208</u>	<u>\$ 1,315</u>
Denominator — basic:				
Weighted average number of common shares	15,155	14,356	14,852	14,341
Basic income per common share	<u>\$ 0.03</u>	<u>\$ 0.04</u>	<u>\$ 0.08</u>	<u>\$ 0.09</u>
Denominator — diluted:				
Weighted average number of common shares	15,155	14,356	14,852	14,341
Common share equivalents of outstanding stock options	473	488	525	470
Common share equivalents of unrecognized compensation expense	437	274	484	290
Weighted average number of dilutive common equity shares	<u>16,065</u>	<u>15,118</u>	<u>15,861</u>	<u>15,101</u>
Diluted income per common share	<u>\$ 0.03</u>	<u>\$ 0.04</u>	<u>\$ 0.08</u>	<u>\$ 0.09</u>

Options to purchase 379,000 and 628,000 shares of BioClinica's common stock respectively, had been excluded from the calculation of diluted earnings per common share for the six months ended June 30, 2010 and June 30, 2009, respectively, as they were all antidilutive. Options to purchase 342,000 and 628,000 shares of BioClinica's common stock respectively, had been excluded from the calculation of diluted earnings per common share for the three months ended June 30, 2010 and June 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, 2010 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 June 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)	June 30, 2010	December 31, 2009
Billed trade accounts receivable	\$ 9,787	\$ 10,164
Unbilled trade accounts receivable	1,324	747
Other	14	55
Total Receivables	\$ 11,125	\$ 10,966
Allowance Rollforward (in thousands):		
Balance at January 1, 2010	\$ 9	
Additions	0	
Write offs (Recoveries)	(9)	
Balance at June 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, 2008, the Company had \$1.3 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 \$1.1 million of the federal net operating loss would likely expire unused, in the years 2010 through 2022, due to Internal Revenue Code Section 382 limitations. The Company has foreign NOL carryforwards from its French subsidiary of \$410,000 as of June 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. 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 \$30,000 and \$0 for the six months ended June 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 June 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 June 30, 2010 and December 31, 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

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

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 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. 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 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, 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 six months ended June 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)

(in thousands except per share data)	Six Months Ended June 30,	
	2010	2009
Total revenue	\$37,725	\$34,549
Income from operations	1,306	532
Net Income	797	376
Basic earnings per share	\$ 0.05	\$ 0.03
Diluted earnings per share	\$ 0.05	\$ 0.02

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 \$311,000 and \$516,000 and included in mergers and acquisition related costs on the consolidated statement of income for the three and six months ended June 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	<u>\$ 2,468</u>

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

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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 six months ended June 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.

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 June 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 six months ended June 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.

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(in thousands except per share data)	Six Months Ended June 30, 2009
Total revenue	\$36,183
Income from operations	2,081
Net income	1,421
Basic earnings per share	\$ 0.10
Diluted earnings per share:	\$ 0.09

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.

In accordance with FASB ASC 805, the Company expensed all costs related to the acquisitions. The total costs related to the acquisitions were \$560,000 and included in mergers and acquisition related costs on the consolidated statement of income in fiscal 2009.

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	<u>\$ 1,000</u>	<u>\$ 6,194</u>

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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	<u>\$ 1,000</u>	<u>\$ 6,194</u>

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 June 30, 2010 of \$1,257,000 was classified as a short-term liability and the remaining cash contingent consideration of \$1,771,000 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. For the three and six months ended June 30, 2010, the Company recorded \$94,000 and \$188,000, respectively, of accretion expense in mergers and acquisition related costs on the income statement for this difference.

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

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Note 8 — Intangible Assets

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

(in thousands)	June 30, 2010	Estimated Useful Life
Amortized intangible assets:		
Technology	\$ 843	5 years
Trademarks	48	5 years
Customer backlog	2,012	3 to 7 years
Non-competition agreement	<u>349</u>	2 to 3 years
	3,252	
Accumulated amortization	<u>(1,563)</u>	
	<u>\$ 1,689</u>	

Unamortized intangible assets:

Goodwill	<u>\$ 34,327</u>
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Estimated future amortization of the intangible assets is as follows:

(in thousands)	Year Ending December 31,
Remainder of 2010	\$ 276
2011	513
2012	424
2013	227
2014	199
2015	50
	<u>\$ 1,689</u>

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

(in thousands)	
Balance at December 31, 2009	\$ 32,933
Acquisition of business	<u>1,394</u>
Balance at June 30, 2010	<u>\$ 34,327</u>

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 June 30, 2010, which includes our medical image management and eClinical services, was \$104.2 million compared to \$94.1 million at June 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 June 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 (“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 (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 June 30, 2010 and 2009

(in thousands)	Three Months ended June 30, 2010	% of Total Revenue	Three Months ended June 30, 2009	% of Total Revenue	\$ Change	% Change
Service revenues	\$15,688	80.9%	\$13,921	81.6%	\$1,767	12.7%
Reimbursement revenues	3,703	19.1%	3,142	18.4%	561	17.9%
Total revenues	19,391	100.0%	17,063	100.0%	2,328	13.6%
Cost and expenses:						
Cost of service revenues	9,946	51.3%	8,608	50.5%	1,338	15.5%
Cost of reimbursement revenues	3,703	19.1%	3,142	18.4%	561	17.9%
Sales and marketing expenses	2,565	13.2%	2,166	12.7%	399	18.4%
General and administrative expenses	1,916	9.9%	1,867	10.9%	49	2.6%
Amortization of intangible assets related to acquisitions	138	0.7%	112	0.7%	26	23.2%
Mergers and acquisitions related costs	311	1.6%	—	0.0%	311	0.0%
Restructuring Costs	—	0.0%	466	2.7%	(466)	(100)%
Total cost and expenses	18,579	95.8%	16,361	95.9%	2,218	13.6%
Income from operations	812	4.2%	702	4.1%	110	15.7%
Interest income	2	0.0%	10	0.1%	(8)	(80.0)%
Interest expense	(4)	0.0%	(3)	0.0%	(1)	33.3%
Income before income tax	810	4.2%	709	4.2%	101	14.2%
Income tax provision	(313)	-1.6%	(180)	(1.1)%	(133)	73.9%
Net income	\$ 497	2.6%	\$ 529	3.1%	\$ (32)	(6.0)%

Service revenues were \$15.7 million for the three months ended June 30, 2010 and \$13.9 million for the same period in 2009, an increase of \$1.8 million, or 12.8%. 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 19.6% of our service revenue for the three months ended June 30, 2010. No one client accounted for more than 10.0% of service revenues for the three months ended June 30, 2009.

Reimbursement revenues and cost of reimbursement revenues were \$3.7 million for the three months ended June 30, 2010 and \$3.1 million for the same period in 2009, an increase of \$561,000, or 17.9%. 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 \$9.9 million for the three months ended June 30, 2010 and \$8.6 million for the same period in 2009, an increase of \$1.3 million, or 15.6%. Cost of service revenues for the three months ended June 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 increase in fiscal 2010 due to the additional personnel costs from the acquisition of TranSenda.

Sales and marketing expenses were \$2.6 million for the three months ended June 30, 2010 and \$2.2 million for the same period in 2009, an increase of \$400,000. Sales and marketing expenses for the three months ended June 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 for the three months ended June 30, 2010 remained flat at \$1.9 million. General and administrative expenses for the three months ended June 30, 2010 and three months ended June 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 \$138,000 for the three months ended June 30, 2010 and \$112,000 for the same period in 2009, an increase of \$26,000, or 23.2%. 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 increase due to the acquisition of TranSenda and as we look to continue to expand our pharmaceutical contract services through potential acquisitions.

Merger and acquisition related costs of \$311,000 for the three months ended June 30, 2010 include expenses of \$217,000 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 \$94,000 of earn-out accretion for the three months ended June 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 June 30, 2010.

Costs related to restructuring were \$0 for the three months ended June 30, 2010, and \$466,000 for the three months ended June 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 expense was \$2,000 for the three months ended June 30, 2010 and net interest income was \$7,000 for the three months ended June 30, 2009, a decrease of \$9,000. Net interest expense and 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 \$313,000 for the three months ended June 30, 2010 and \$180,000 for the same period in 2009, an increase of \$133,000 or 74%. Our expected effective tax rate is approximately 38% for fiscal 2010. Our effective tax rate was approximately 37% for fiscal 2009. The higher effective tax rate in fiscal 2010 is due to a larger 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.

Six Months Ended June 30, 2010 and 2009

(in thousands)	Six Months Ended June 30, 2010	% of Total Revenue	Six Months Ended June 30, 2009	% of Total Revenue	\$ Change	% Change
Service revenues	\$30,434	81.2%	\$28,396	83.2%	\$2,038	7.2%
Reimbursement revenues	7,061	18.8%	5,737	16.8%	1,324	23.1%
Total revenues	37,495	100.0%	34,133	100.0%	3,362	9.9%
Cost and expenses:						
Cost of service revenues	18,897	50.4%	17,669	51.8%	1,228	7.0%
Cost of reimbursement revenues	7,061	18.8%	5,737	16.8%	1,324	23.1%
Sales and marketing expenses	4,775	12.7%	4,322	12.7%	453	10.5%
General and administrative expenses	3,988	10.6%	3,784	11.1%	204	5.4%
Amortization of intangible assets related to acquisitions	279	0.7%	231	0.7%	48	20.8%
Mergers and acquisitions related costs	516	1.4%	—	0.0%	516	0.0%
Restructuring costs	—	0.0%	466	1.4%	(466)	(100.0)%
Total cost and expenses	35,516	94.7%	32,209	94.4%	3,307	10.3%
Income from operations	1,979	5.3%	1,924	5.6%	55	2.9%
Interest income	8	0.0%	32	0.1%	(24)	(75.0)%
Interest expense	(7)	0.0%	(5)	0.0%	(2)	(40.0)%
Income before income tax	1,980	5.3%	1,951	5.7%	29	1.5%
Income tax provision	(772)	2.1%	(636)	1.9%	136	21.4%
Net income	1,208	3.2%	1,315	3.9%	(107)	(8.1)%

The Consolidated Statement of Income for the six months ended June 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 \$30.4 million for the six months ended June 30, 2010 and \$28.4 million for the same period in 2009, an increase of \$2.0 million, or 7.2%. 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 six months ended June 30, 2010. No one client, accounted for more than 10.0% of service revenues for the six months ended June 30, 2009.

Reimbursement revenues and cost of reimbursement revenues were \$7.1 million for the six months ended June 30, 2010 and \$5.7 million for the same period in 2009, an increase of \$1.3 million, or 23.1%. 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 \$18.9 million for the six months ended June 30, 2010 and \$17.7 million for the same period in 2009, an increase of \$1.2 million, or 7.0%. Cost of service revenues for the six months ended June 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 increase in fiscal 2010 due to the personnel costs from the acquisition of TranSenda.

Sales and marketing expenses were \$4.8 million for the six months ended June 30, 2010 and \$4.3 million for the same period in 2009, an increase of \$453,000, or 10.5%. Sales and marketing expenses for the six months ended June 30, 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 \$4.0 million for the six months ended June 30, 2010 and \$3.8 million for the same period in 2009, an increase of \$204,000, or 5.4%. General and administrative expenses for the six months ended June 30, 2010 and six months ended June 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 \$279,000 for the six months ended June 30, 2010 and \$231,000 for the six months ended June 30, 2009, an increase of \$48,000, or 20.8%. 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 increase due to the acquisition of TranSenda and as we look to continue to expand our pharmaceutical contract services through potential acquisitions.

Mergers and acquisition related costs were \$516,000 for the six months ended June 30, 2010, 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 \$188,000 of earn-out accretion for the six months ended June 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 June 30, 2010.

Restructuring costs were \$0 for the six months ended June 30, 2010, and \$466,000 for the six months ended June 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 \$1,000 for the six months ended June 30, 2010 and \$27,000 for the six months ended June 30, 2009, a decrease of \$26,000. 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 \$772,000 for the six months ended June 30, 2010, and \$636,000 for the six months ended June 30, 2009, an increase of \$136,000 or 21.4%. Our expected effective tax rate is approximately 38% for fiscal 2010. Our effective tax rate was approximately 37% for fiscal 2009. The higher effective tax rate in fiscal 2010 is due to a larger 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 six months ended June 30, 2010 compared to June 30, 2009

(in thousands)	Six Months Ended June 30, 2010	Six Months Ended June 30, 2009
Net cash provided by operating activities	\$ 1,833	\$ 1,448
Net cash used in investing activities	\$(4,816)	\$(1,067)
Net cash provided by (used in) financing activities	\$ 52	\$ (30)

At June 30, 2010, we had cash and cash equivalents of \$11.6 million. Working capital, defined as current assets minus current liabilities, at June 30, 2010 was \$5.8 million.

Net cash provided by operating activities for the six months ended June 30, 2010 was \$1.8 million as compared to \$1.5 million for the six months ended June 30, 2009. This increase from the prior year is primarily due to the increase in accounts payable.

Net cash used in investing activities for the six months ended June 30, 2010 was \$4.8 million as compared to net cash used in investing activities of \$1.1 million for the six months ended June 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 \$4 million, funded by cash from operations. These expenditures primarily represent capitalization of software costs.

Net cash provided by financing activities from continuing operations for the six months ended June 30, 2010 was \$52,000 as compared to net cash used in financing activities of \$30,000 for the six months ended June 30, 2009. Net cash provided by financing activities represents cash proceeds from exercise of stock options and the related excess tax benefit for the six months ended June 30, 2010.

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

(in thousands)	Payments Due By Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations					
Facility rent operating leases	\$18,588,000	\$1,651,000	\$4,021,000	\$4,621,000	\$8,295,000
Employment agreements	839,000	592,000	247,000	—	—
Earn-outs for Tourtellotte acquisition	3,257,000	1,257,000	2,000,000	—	—
Total contractual cash obligations	<u>\$19,427,000</u>	<u>\$2,243,000</u>	<u>\$4,268,000</u>	<u>\$4,621,000</u>	<u>\$8,295,000</u>

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 June 30, 2010, we had no borrowings under this line of credit, and we were compliant with the covenants.

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 June 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 \$195,000 at June 30, 2009 and \$256,000 at June 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 June 30, 2010 and June 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 June 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 June 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 June 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 June 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 raise capital.

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 20 projects, represented 19.7% of our service revenue for the six months ended June 30, 2010. No one client, accounted for more than 10.0% of service revenues for the six months ended June 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 \$104.2 at June 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 six 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 June 30, 2010, we had the following capital structure (in thousands):

Common stock outstanding	15,158
Common stock issuable upon:	
Exercise of options which are outstanding	1,800
Exercise of options which have not been granted	1,122
Restricted stock units outstanding	385
Total common stock outstanding assuming exercise or conversion of all of the above	18,465

As of June 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 June 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 23% of the outstanding shares of common stock and stock options that could have been converted to common stock at June 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 June 30, 2010, our common stock has traded at a low of \$3.95 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. The remaining 1,750,000 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.

- 4.1 Committed Line of Credit Note dated May 5, 2010, by and between BioClinica, Inc. and Oxford Bio-Imaging Research, Inc. and PNC Bank, National Association. Incorporated by reference to Exhibit 4.1 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.
- 10.1 Loan Agreement dated May 5, 2010, by and between BioClinica, Inc. and Oxford Bio-Imaging Research, Inc. and PNC Bank, National Association. Incorporated by reference to Exhibit 4.1 of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.
- 10.2 BioClinica, Inc. 2010 Stock Incentive Plan, adopted by the stockholders of BioClinica, Inc. on May 12, 2010.
- 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: August 10, 2010

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

DATE: August 10, 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)

**BIOCLINICA, INC.
2010 STOCK INCENTIVE PLAN**

**ARTICLE ONE
GENERAL PROVISIONS**

I. PURPOSE OF THE PLAN

The 2010 Stock Incentive Plan is intended to promote the interests of BioClinica, Inc., a Delaware corporation, by providing eligible persons in the Corporation's service with the opportunity to acquire a proprietary interest, or otherwise increase their proprietary interest, in the Corporation as an incentive for them to remain in such service.

The Plan shall serve as the successor to the Corporation's 2002 Stock Incentive Plan (the "Predecessor Plan"), and no further stock option grants, restricted stock unit awards or other stock-based awards shall be made under the Predecessor Plan on or after the Plan Effective Date. However, all option grants and restricted stock unit awards outstanding under the Predecessor Plan on the Plan Effective Date shall continue in full force and effect in accordance with their terms, and no provision of this Plan shall be deemed to affect or otherwise modify the rights or obligations of the holders of those awards with respect to their acquisition of shares of Common Stock thereunder.

Capitalized terms shall have the meanings assigned to such terms in the attached Appendix.

II. STRUCTURE OF THE PLAN

The Plan shall consist of a Discretionary Grant Program under which eligible persons may, at the discretion of the Plan Administrator, be granted (i) options, (ii) stock appreciation rights, (iii) stock awards, (iv) restricted stock units, (v) performance shares, (vi) cash incentive awards and (vii) dividend equivalent rights.

III. ADMINISTRATION OF THE PLAN

A. The Compensation Committee shall have sole and exclusive authority to administer the Discretionary Grant Program with respect to Section 16 Insiders. Administration of the Discretionary Grant Program with respect to all other persons eligible to participate in that program may, at the Board's discretion, be vested in the Compensation Committee or a Secondary Board Committee, or the Board may retain the power to administer the program with respect to all such persons. However, any discretionary Awards for members of the Compensation Committee must be authorized by a disinterested majority of the Board.

B. To the extent permitted by applicable law, the Board may delegate to one or more executive officers of the Corporation the power to grant options under the Plan to one or more Employees and to exercise such other powers under the Plan as the Board may determine; *provided, however*, that, the Board shall fix the terms of the option grants to be made by such executive officers (including the exercise price of any awarded options, which may include a formula by which such exercise price is to be determined, the applicable vesting schedules and the maximum option term) and the maximum number of shares for which options may be granted by such executive officers. In no event, however, shall any executive officer be authorized to make option grants to any Section 16 Insider.

C. Members of the Compensation Committee or any Secondary Board Committee and any executive officers delegated Plan administration authority by the Board shall serve for such period of time as the Board may determine and may be removed by the Board at any time. The Board may also at any time terminate the functions of any Secondary Board Committee or executive officers and reassume all powers and authority previously delegated to such committee or officers.

D. Each Plan Administrator shall, within the scope of its administrative functions under the Plan, have full power and authority (subject to the provisions of the Plan) to establish such rules and regulations as it may deem appropriate for proper administration of the Discretionary Grant Program and to make such determinations under, and issue such interpretations of, the provisions of that program and any outstanding Awards thereunder as it may deem necessary or advisable. Decisions of the Plan Administrator within the scope of its administrative functions under the Plan shall be final and binding on all parties who have an interest in the Discretionary Grant Program under its jurisdiction or any Award thereunder.

E. Service as a Plan Administrator by the members of the Compensation Committee or the Secondary Board Committee shall constitute service as Board members, and the members of each such committee shall accordingly be entitled to full indemnification and reimbursement as Board members for their service on such committee. No member of the Compensation Committee or the Secondary Board Committee shall be liable for any act or omission made in good faith with respect to the Plan or any Award thereunder.

IV. ELIGIBILITY

A. The persons eligible to participate in the Discretionary Grant Program are as follows:

- (i) Employees,
- (ii) non-employee members of the Board or the board of directors of any Parent or Subsidiary, and
- (iii) consultants and other independent advisors who provide services to the Corporation (or any Parent or Subsidiary).

B. The Plan Administrator shall have full authority to determine which eligible persons are to receive Awards under the Plan, the time or times when those Awards are to be made, the number of shares to be covered by each such Award, the time or times when the Award is to become exercisable, the status of an option for federal tax purposes, the maximum term for which an

option or stock appreciation right is to remain outstanding, the vesting and issuance schedules applicable to the shares which are the subject of the Award, the cash consideration (if any) payable for those shares and the form (cash or shares of Common Stock) in which the Award is to be settled and, with respect to performance-based Awards, the performance objectives for each such Award, the amounts payable at designated levels of attained performance, any applicable service vesting requirements, and the payout schedule for each such Award.

V. STOCK SUBJECT TO THE PLAN

A. The stock issuable under the Plan shall be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Corporation on the open market. The number of shares of Common Stock initially reserved for issuance over the term of the Plan shall be limited to One Million One Hundred Twenty-One Thousand Six Hundred and Sixteen (1,121,616) shares. Such share reserve is comprised of (i) the number of shares of Common Stock estimated to remain available for issuance under the Predecessor Plan on the Plan Effective Date, including the portion of those shares subject to options and restricted stock units outstanding under the Predecessor Plan on that date, plus (ii) an additional Seven Hundred Fifty Thousand (750,000)-share increase which was approved by the Board on March 29, 2010.

B. To the extent any options outstanding under the Predecessor Plan on the Effective Date expire, are forfeited or cancelled or terminate unexercised or any unvested restricted stock unit awards outstanding under the Predecessor Plan on the Plan Effective Date are forfeited or cancelled, the number of shares of Common Stock at the time subject to those expired, forfeited, cancelled or terminated options and the number of shares of Common Stock at the time subject to those forfeited or cancelled restricted stock unit awards shall be added to the share reserve under this Plan and shall accordingly be available for award and issuance hereunder, up to a maximum of an additional Two Hundred Fifty Thousand (250,000) shares.

C. The maximum number of shares of Common Stock for which Incentive Stock Options may be granted over the term of the Plan shall be One Million One Hundred Twenty-One Thousand Six Hundred and Sixteen (1,121,616) shares increased by up to Two Hundred Fifty Thousand (250,000) shares for any increase in the share reserve by reason of the expiration, forfeiture, cancellation or termination of awards under the Predecessor Plan. Such limits shall be subject to adjustment under Section V.F. of this Article One.

D. Each person participating in the Plan shall be subject to the following limitations:

- for Awards denominated in terms of shares of Common Stock (whether payable in Common Stock, cash or a combination of both), the maximum number of shares of Common Stock for which such Awards may be made to such person in any calendar year shall not exceed in the aggregate Two Hundred Thousand (200,000) shares of Common Stock; and

- for Awards denominated in cash (whether payable in cash, Common Stock or a combination of both) and subject to one or more performance conditions, the maximum dollar amount for which such Awards may be made in the aggregate to such person shall not exceed One Million Dollars (\$1,000,000.00) for each calendar year within the applicable performance measurement period.

E. Shares of Common Stock subject to outstanding Awards made under the Plan shall be available for subsequent grant under the Plan to the extent those Awards expire or terminate for any reason prior to the issuance of the shares of Common Stock subject to those Awards. Unvested shares issued under the Plan and subsequently forfeited or repurchased by the Corporation, at a price per share not greater than the original issue price paid per share, pursuant to the Corporation's repurchase rights under the Plan shall be added back to the number of shares of Common Stock reserved for issuance under the Plan and shall accordingly be available for subsequent reissuance. Should the exercise price of an option under the Plan be paid with shares of Common Stock, then the authorized reserve of Common Stock under the Plan shall be reduced by the gross number of shares for which that option is exercised, and not by the net number of shares issued under the exercised stock option. Upon the exercise of any stock appreciation right under the Plan, the share reserve shall be reduced by the gross number of shares as to which such right is exercised, and not by the net number of shares actually issued by the Corporation upon such exercise. If shares of Common Stock otherwise issuable under the Plan are withheld by the Corporation in satisfaction of the withholding taxes incurred in connection with the exercise, vesting, issuance or settlement of an Award, then the number of shares of Common Stock available for issuance under the Plan shall be reduced on the basis of the gross number of shares issuable, vested or settled, calculated in each instance prior to any such share withholding.

F. If any change is made to the Common Stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, then the Compensation Committee shall make equitable adjustments to: (i) the maximum number and/or class of securities issuable under the Plan; (ii) the maximum number and/or class of securities by which the share reserve under the Plan may increase by reason of the expiration, forfeiture, cancellation or termination of awards under the Predecessor Plan; (iii) the maximum number and/or class of securities that may be issued under the Plan pursuant to Incentive Options; (iv) the maximum number and/or class of securities for which any one person may be granted Common Stock denominated Awards in the aggregate under the Plan per calendar year; (v) the number and/or class of securities and the exercise or base price per share in effect under each outstanding option or stock appreciation right; (vi) the number and/or class of securities subject to each outstanding Award under the Plan and the cash consideration (if any) payable per share; and (vii) the number and/or class of securities subject to the Corporation's outstanding repurchase rights under the Plan and the repurchase price payable per share. Such adjustments shall be made by the Compensation Committee in such manner as it deems appropriate, and the adjustments shall be final, binding and conclusive upon each person holding an Award under the Plan.

G. Outstanding Awards granted pursuant to the Plan shall in no way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

ARTICLE TWO
DISCRETIONARY GRANT PROGRAM

I. OPTION TERMS

Each option shall be evidenced by one or more documents in the form approved by the Plan Administrator; *provided, however*, that each such document shall comply with the terms specified below. Each document evidencing an Incentive Option shall, in addition, be subject to the provisions of the Plan applicable to such options.

A. Exercise Price.

1. The exercise price per share shall be fixed by the Plan Administrator; provided, however, that such exercise price shall not be less than one hundred percent (100%) of the Fair Market Value per share of Common Stock on the grant date.

2. The exercise price shall become immediately due upon exercise of the option and shall, subject to the provisions of the documents evidencing the option, be payable in one or more of the forms specified below:

(i) cash or check made payable to the Corporation,

(ii) shares of Common Stock held for the requisite period (if any) necessary to avoid any resulting charge to the Corporation's earnings for financial reporting purposes and valued at Fair Market Value on the Exercise Date, or

(iii) to the extent the option is exercised for vested shares, through a special sale and remittance procedure pursuant to which the Optionee shall concurrently provide instructions to (a) a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in compliance with the Corporation's pre-clearance/pre-notification policies) to effect the immediate sale of the purchased shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate exercise price payable for the purchased shares plus all applicable income and employment taxes required to be withheld by the Corporation by reason of such exercise and (b) the Corporation to deliver the certificates for the purchased shares directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent such sale and remittance procedure is utilized, payment of the exercise price for the purchased shares must be made on the Exercise Date.

B. Exercise and Term of Options. Each option shall be exercisable at such time or times, during such period and for such number of shares as shall be determined by the Plan Administrator and set forth in the documents evidencing the option. However, no option granted under the Plan shall have a term in excess of ten (10) years measured from the option grant date.

C. Effect of Termination of Service.

1. The following provisions shall govern the exercise of any options granted pursuant to the Discretionary Grant Program that are outstanding at the time of the Optionee's cessation of Service or death:

(i) Any option outstanding at the time of the Optionee's cessation of Service for any reason shall remain exercisable for such period of time thereafter as shall be determined by the Plan Administrator and set forth in the documents evidencing the option, but no such option shall be exercisable after the expiration of the option term.

(ii) Any option held by the Optionee at the time of the Optionee's death may, to the extent vested and exercisable at that time, be subsequently exercised by the personal representative of the Optionee's estate or by the person or persons to whom the option is transferred pursuant to the Optionee's will or the laws of inheritance or by the Optionee's designated beneficiary or beneficiaries of that option.

(iii) Should the Optionee's Service be terminated for Misconduct or should the Optionee otherwise engage in Misconduct while holding one or more outstanding options granted under this Article Two, then all of those options shall terminate immediately and cease to be outstanding.

(iv) During the applicable post-Service exercise period, the option may not be exercised for more than the number of vested shares for which the option is at the time exercisable. No additional shares shall vest under the option following the Optionee's cessation of Service, except to the extent (if any) specifically authorized by the Plan Administrator in its sole discretion pursuant to an express written agreement with the Optionee. Upon the expiration of the applicable exercise period or (if earlier) upon the expiration of the option term, the option shall terminate and cease to be outstanding for any shares for which the option has not been exercised.

2. The Plan Administrator shall have complete discretion, exercisable either at the time an option is granted or at any time while the option remains outstanding, to:

(i) extend the period of time for which the option is to remain exercisable following the Optionee's cessation of Service from the limited exercise period otherwise in effect for that option to such greater period of time as the Plan Administrator shall deem appropriate, but in no event beyond the expiration of the option term,

(ii) include an automatic extension provision whereby the specified post-Service exercise period in effect for any option granted under this Article Two shall automatically be extended by an additional period of time equal in duration to any interval within the specified post-Service exercise period during which the exercise of that option or the immediate sale of the shares acquired under such option could not be effected in compliance with applicable federal and state securities laws, but in no event shall such an extension result in the continuation of such option beyond the expiration date of the term of that option, and/or

(iii) permit the option to be exercised, during the applicable post-Service exercise period, not only with respect to the number of vested shares of Common Stock for which such option is exercisable at the time of the Optionee's cessation of Service but also with respect to one or more additional installments in which the Optionee would have vested had the Optionee continued in Service.

D. Stockholder Rights. The holder of an option shall have no stockholder rights with respect to the shares subject to the option until such person shall have exercised the option, paid the exercise price and become a holder of record of the purchased shares. Notwithstanding the foregoing, in the event the outstanding shares of Common Stock are split by means of a stock dividend and the exercise price of and the number of shares subject to outstanding options under the Plan are to be adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), then an Optionee who exercises such an option between the record date and the distribution date for that stock dividend shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon the exercise of such Option, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

E. Repurchase Rights. The Plan Administrator shall have the discretion to grant options which are exercisable for unvested shares of Common Stock. Should the Optionee cease Service while such shares are unvested, the Corporation shall have the right to repurchase any or all of those unvested shares at a price per share equal to the *lower* of (i) the exercise price paid per share or (ii) the Fair Market Value per share of Common Stock at the time of repurchase. The terms upon which such repurchase right shall be exercisable (including the period and procedure for exercise and the appropriate vesting schedule for the purchased shares) shall be established by the Plan Administrator and set forth in the document evidencing such repurchase right.

F. Transferability of Options. The transferability of options granted under the Plan shall be governed by the following provisions:

(i) *Incentive Options*: During the lifetime of the Optionee, Incentive Options shall be exercisable only by the Optionee and shall not be assignable or transferable other than by will or the laws of inheritance following the Optionee's death.

(ii) *Non-Statutory Options*. Non-Statutory Options shall be subject to the same limitation on transfer as Incentive Options, except that the Plan Administrator may structure one or more Non-Statutory Options so that the option may be assigned in whole or in part during the Optionee's lifetime, by gift or pursuant to a domestic relations order, to one or more Family Members of the Optionee or to a trust established exclusively for one or more such Family Members. The assigned portion may only be exercised by the person or persons who acquire a proprietary interest in the option pursuant to the assignment. The terms applicable to the assigned portion shall be the same as those in effect for the option immediately prior to such assignment and shall be set forth in such documents issued to the assignee as the Plan Administrator may deem appropriate.

(iii) *Beneficiary Designations*. Notwithstanding the foregoing, the Optionee may designate one or more persons as the beneficiary or beneficiaries of his or her outstanding options under this Article Two (whether Incentive Options or Non-Statutory Options), and those options shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon the Optionee's death while holding those options. Such beneficiary or beneficiaries shall take the transferred options subject to all the terms and conditions of the applicable agreement evidencing each such transferred option, including (without limitation) the limited time period during which the option may be exercised following the Optionee's death.

G. **Incentive Options**. The terms specified below shall be applicable to all Incentive Options. Except as modified by the provisions of this Paragraph G, all the provisions of Articles One, Two and Five shall be applicable to Incentive Options. Options which are specifically designated as Non-Statutory Options when issued under the Plan shall not be subject to the terms of this Paragraph G.

1. **Eligibility**. Incentive Options may only be granted to Employees.

2. **Dollar Limitation**. The aggregate Fair Market Value of the shares of Common Stock (determined as of the respective date or dates of grant) for which one or more options granted to any Employee under the Plan (or any other option plan of the Corporation or any Parent or Subsidiary) may for the first time become exercisable as Incentive Options during any one calendar year shall not exceed the sum of One Hundred Thousand Dollars (\$100,000).

To the extent the Employee holds two (2) or more such options which become exercisable for the first time in the same calendar year, then for purposes of the foregoing limitations on the exercisability of those options as Incentive Options, such options shall be deemed to become first exercisable in that calendar year on the basis of the chronological order in which they were granted, except to the extent otherwise provided under applicable law or regulation.

3. **10% Stockholder**. If any Employee to whom an Incentive Option is granted is a 10% Stockholder, then the exercise price per share shall not be less than one hundred ten percent (110%) of the Fair Market Value per share of Common Stock on the option grant date, and the option term shall not exceed five (5) years measured from the option grant date.

II. STOCK APPRECIATION RIGHTS

A. **Authority**. The Plan Administrator shall have full power and authority, exercisable in its sole discretion, to grant stock appreciation rights in accordance with this Section II to selected Optionees under the Discretionary Grant Program.

B. **Types**. Two types of stock appreciation rights shall be authorized for issuance under this Section III: (i) tandem stock appreciation rights (“Tandem Rights”) and (ii) stand-alone stock appreciation rights (“Stand-alone Rights”).

C. **Tandem Rights**. The following terms and conditions shall govern the grant and exercise of Tandem Rights.

1. One or more Optionees may be granted a Tandem Right, exercisable upon such terms and conditions as the Plan Administrator may establish, to elect between the exercise of the underlying option for shares of Common Stock or the surrender of that option in exchange for a distribution from the Corporation in an amount equal to the excess of (i) the Fair Market Value (on the option surrender date) of the number of shares in which the Optionee is at the time vested under the surrendered option (or surrendered portion thereof) over (ii) the aggregate exercise price payable for such vested shares.

2. Any distribution to which the Optionee becomes entitled upon the exercise of a Tandem Right may be made in (i) shares of Common Stock valued at Fair Market Value on the option surrender date, (ii) cash or (iii) a combination of cash and shares of Common Stock, as specified in the applicable Award agreement.

D. **Stand-Alone Rights**. The following terms and conditions shall govern the grant and exercise of Stand-alone Rights:

1. One or more individuals eligible to participate in the Discretionary Grant Program may be granted a Stand-alone Right not tied to any underlying option. The Stand-alone Right shall relate to a specified number of shares of Common Stock and shall be exercisable upon such terms and conditions as the Plan Administrator may establish. In no event, however, may the Stand-alone Right have a maximum term in excess of ten (10) years measured from the grant date. The provisions and limitations of Paragraphs C.1 and C.2 of Section I of this Article Two shall also be applicable to any Stand-Alone Right awarded under the Plan.

2. Upon exercise of the Stand-alone Right, the holder shall be entitled to receive a distribution from the Corporation in an amount equal to the excess of (i) the aggregate Fair Market Value (on the exercise date) of the shares of Common Stock underlying the exercised right over (ii) the aggregate base price in effect for those shares.

3. The number of shares of Common Stock underlying each Stand-alone Right and the base price in effect for those shares shall be determined by the Plan Administrator in its sole discretion at the time the Stand-alone Right is granted. In no event, however, may the base price per share be less than the Fair Market Value per underlying share of Common Stock on the grant date.

4. Stand-alone Rights shall be subject to the same transferability restrictions applicable to Non-Statutory Options and may not be transferred during the holder’s lifetime, except for a gratuitous transfer to one or more Family Members of the holder or to a trust established for the holder and/or one or more such Family Members or a transfer to one or more such Family Members pursuant to a domestic relations order covering the Stand-alone Right as marital property. In addition, one or more beneficiaries may be designated for an outstanding Stand-alone Right in accordance with substantially the same terms and provisions as set forth in Section I.F. of this Article Two.

5. The distribution with respect to an exercised Stand-alone Right may be made in (i) shares of Common Stock valued at Fair Market Value on the exercise date, (ii) cash or (iii) a combination of cash and shares of Common Stock, as specified in the applicable Award agreement.

6. The holder of a Stand-alone Right shall have no stockholder rights with respect to the shares subject to the Stand-alone Right unless and until such person shall have exercised the Stand-alone Right and become a holder of record of the shares of Common Stock issued upon the exercise of such Stand-alone Right.

E. Post-Service Exercise. The provisions governing the exercise of Tandem and Stand-alone Rights following the cessation of the recipient's Service shall be substantially the same as those set forth in Section I.C.1 of this Article Two for the options granted under the Discretionary Grant Program, and the Plan Administrator's discretionary authority under Section I.C.2 of this Article Two shall also extend to any outstanding Tandem or Stand-alone Appreciation Rights.

III. CHANGE IN CONTROL

A. In the event of a Change in Control, each outstanding option and stock appreciation right may be (i) assumed by the successor corporation (or parent thereof) or otherwise to continued in full force and effect pursuant to the terms of the Change in Control transaction or (ii) replaced with a cash retention program of the successor corporation which preserves the spread existing at the time of the Change in Control on any shares as to which the Award is not otherwise at that time exercisable and provides for subsequent vesting and payout of that spread in accordance with the same exercise/vesting schedule applicable to that Award, but only if such replacement cash program would not result in treatment of the Award as an item of deferred compensation subject to Code Section 409A. However, to the extent the Award is not to be so assumed, continued or replace, the Award shall, immediately prior to the effective date of that Change in Control, become exercisable as to all the shares of Common Stock at the time subject to such Award and may be exercised as to any or all of those shares as fully vested shares of Common Stock, except to the extent the acceleration of such Award is subject to other limitations imposed by the Plan Administrator.

B. All outstanding repurchase rights under the Discretionary Grant Program shall automatically terminate, and the shares of Common Stock subject to those terminated rights shall immediately vest in full, in the event of a Change in Control, except to the extent: (i) those repurchase rights are to be assigned to the successor corporation (or parent thereof) or are otherwise to continue in full force and effect pursuant to the terms of the Change in Control transaction or (ii) such accelerated vesting is precluded by other limitations imposed by the Plan Administrator.

C. Immediately following the consummation of the Change in Control, all outstanding options and stock appreciation rights under the Discretionary Grant Program shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction.

D. Each option or stock appreciation right which is assumed in connection with a Change in Control or otherwise continued in effect shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to the Optionee in consummation of such Change in Control had the Award been exercised immediately prior to such Change in Control. Appropriate adjustments to reflect such Change in Control shall also be made to

(i) the exercise or base price payable per share under each outstanding option, provided the aggregate exercise or base price payable for such securities shall remain the same, (ii) the maximum number and/or class of securities available for issuance over the remaining term of the Plan and (iii) the maximum number and/or class of securities for which any one person may be granted Awards in the aggregate under the Plan per calendar year. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of the outstanding options or stock appreciation rights under the Discretionary Grant Program, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction.

E. The Plan Administrator shall have the discretionary authority to structure one or more outstanding options and stock appreciation rights under the Discretionary Grant Program so that those Awards shall, immediately prior to the effective date of a Change in Control, become exercisable as to all the shares of Common Stock at the time subject to those Awards and may be exercised as to any or all of those shares as fully vested shares of Common Stock, whether or not those options are to be assumed in the Change in Control transaction or otherwise continued in effect. In addition, the Plan Administrator shall have the discretionary authority to structure one or more of the Corporation's repurchase rights under the Discretionary Grant Program so that those rights shall immediately terminate upon the consummation of the Change in Control transaction, and the shares subject to those terminated rights shall thereupon vest in full.

F. The Plan Administrator shall have full power and authority to structure one or more outstanding options and stock appreciation rights under the Discretionary Grant Program so that those Awards shall become exercisable as to all the shares of Common Stock at the time subject to those Awards in the event the Optionee's Service is subsequently terminated by reason of an Involuntary Termination within a designated period following the effective date of any Change in Control transaction in which those Awards do not otherwise fully accelerate. In addition, the Plan Administrator may structure one or more of the Corporation's repurchase rights so that those rights shall immediately terminate with respect to any shares held by the Optionee at the time of such Involuntary Termination, and the shares subject to those terminated repurchase rights shall accordingly vest in full at that time.

G. The portion of any Incentive Option accelerated in connection with a Change in Control shall remain exercisable as an Incentive Option only to the extent the applicable One Hundred Thousand Dollar (\$100,000) limitation is not exceeded. To the extent such dollar limitation is exceeded, the accelerated portion of such option shall be exercisable as a Non-statutory Option under the Federal tax laws.

IV. PROHIBITION ON REPRICING PROGRAMS

The Plan Administrator shall not (i) implement any cancellation/regrant program pursuant to which outstanding options or stock appreciation rights under the Plan are cancelled and new options or stock appreciation rights are granted in replacement with a lower exercise or base price per share, (ii) cancel outstanding options or stock appreciation rights under the Plan with exercise or base prices per share in excess of the then current Fair Market Value per share of Common Stock for consideration payable in equity securities of the Corporation or (iii) otherwise directly reduce the exercise or base price in effect for outstanding options under the Plan, without in each such instance obtaining stockholder approval.

V. STOCK ISSUANCE TERMS

A. Shares of Common Stock may also be issued under the Discretionary Grant Program, either as vested or unvested shares, through direct and immediate issuances without any intervening option grants and with or without cash consideration payable for the shares. Each such stock issuance shall be evidenced by a Stock Issuance Agreement which complies with the terms specified below. Shares of Common Stock may also be issued pursuant to performance shares or restricted stock units which entitle the Participants to receive the shares underlying those Awards upon the attainment of designated performance goals or the satisfaction of specified Service requirements or upon the expiration of a designated time period following the vesting of those Awards. The terms and conditions of each such Award (including, without limitation, the applicable vesting schedule and vesting acceleration provisions) shall be determined by the Plan Administrator.

B. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more restricted stock issuances or restricted stock unit or performance share awards so that the shares of Common Stock subject to those Awards shall vest (or vest and become issuable) upon the achievement of certain pre-established corporate performance goals based on one or more of the following criteria: (1) return on total stockholder equity; (2) earnings per share of Common Stock; (3) net income or operating income (before or after taxes); (4) earnings before interest, taxes, depreciation and amortization; (5) earnings before interest, taxes, depreciation, amortization and charges for stock-based compensation, (6) sales or revenue targets; (7) return on assets, capital or investment; (8) cash flow; (9) market share; (10) cost reduction goals; (11) budget comparisons; (12) measures of customer satisfaction; (13) any combination of, or a specified increase in, any of the foregoing; (14) new product development or successful completion of research and development projects; and (15) the formation of joint ventures, research or development collaborations, or the completion of other corporate transactions intended to enhance the Corporation's revenue or profitability or enhance its customer base. In addition, such performance goals may be based upon the attainment of specified levels of the Corporation's performance under one or more of the measures described above relative to the performance of other entities and may also be based on the performance of any of the Corporation's business units or divisions or any Parent or Subsidiary. Performance goals may include a minimum threshold level of performance below which no award will be earned, levels of performance at which specified portions of an award will be earned and a maximum level of performance at which an award will be fully earned.

C. Any new, substituted or additional securities or other property (including money paid other than as a regular cash dividend) which the Participant may have the right to receive with respect to the Participant's unvested shares of Common Stock by reason of any stock dividend, stock split, recapitalization, combination of shares, exchange of shares, spin-off transaction, extraordinary dividend or distribution or other change affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration shall be issued subject to (i) the same vesting requirements applicable to the Participant's unvested shares of Common Stock and (ii) such escrow arrangements as the Plan Administrator shall deem appropriate. Equitable adjustments to reflect each such transaction shall also be made by the Plan Administrator to the repurchase price payable per share by the Corporation for any unvested securities subject to its existing repurchase rights under the Plan; provided the aggregate repurchase price shall in each instance remain the same.

D. The recipient shall have full stockholder rights with respect to any shares of Common Stock issued to him or her under the Plan, whether or not the recipient's interest in those shares is vested. Accordingly, such individual shall have the right to vote such shares and to receive any dividends paid on such shares, subject to any applicable vesting requirements. The recipient shall not have any stockholder rights with respect to the shares of Common Stock subject to a performance share or restricted stock unit until that Award vests and the shares of Common Stock are actually issued thereunder. However, dividend-equivalent units may be paid or credited, either in cash or in actual or phantom shares of Common Stock, on outstanding performance share or restricted stock unit awards, subject to such terms and conditions as the Plan Administrator may deem appropriate.

E. Should the Participant cease to remain in Service while holding one or more unvested shares of Common Stock issued under the Plan or should the performance objectives not be attained with respect to one or more such unvested shares of Common Stock, then those shares shall be immediately surrendered to the Corporation for cancellation, and the Participant shall have no further stockholder rights with respect to those shares. To the extent the surrendered shares were previously issued to the Participant for consideration paid in cash or cash equivalent, the Corporation shall repay to the Participant the *lower* of (i) the cash consideration paid for the surrendered shares or (ii) the Fair Market Value of those shares at the time of cancellation.

F. The Plan Administrator may in its discretion waive the surrender and cancellation of one or more unvested shares of Common Stock which would otherwise occur upon the cessation of the recipient's Service or the non-attainment of the performance objectives applicable to those shares. Any such waiver shall result in the immediate vesting of the recipient's interest in the shares of Common Stock as to which the waiver applies. Such waiver may be effected at any time, whether before or after the recipient's cessation of Service or the attainment or non-attainment of the applicable performance objectives. However, no vesting requirements tied to the attainment of performance objectives may be waived with respect to shares which were intended at the time of issuance to qualify as performance-based compensation under Code Section 162(m), except in connection with a Change in Control.

G. Outstanding Awards of performance shares or restricted stock units shall automatically terminate, and no shares of Common Stock shall actually be issued in satisfaction of those Awards, if the performance goals or Service requirements established for those Awards are not attained or satisfied. The Plan Administrator, however, shall have the discretionary authority to issue vested shares of Common Stock under one or more outstanding Awards of performance shares or restricted stock units as to which the designated performance goals or Service requirements have not been attained or satisfied. Any such waiver shall result in the immediate vesting of the recipient's interest in the shares of Common Stock as to which the waiver applies. However, no vesting requirements tied to the attainment of performance objectives may be waived with respect to Awards which were intended at the time of grant to qualify as performance-based compensation under Code Section 162(m), except in connection with a Change in Control.

H. Each restricted stock, restricted stock units or performance share award outstanding on the effective date of an actual Change in Control transaction may be (i) assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction or (ii) replaced with a cash incentive program of the successor corporation which preserves the Fair Market Value of the underlying shares of Common Stock at the time of the Change in Control and provides for the subsequent vesting and payment of that value in accordance

with the same vesting schedule in effect for those shares at the time of such Change in Control. However, to the extent any such Award outstanding under the Plan on the effective date of such Change in Control Transaction is not to be so assumed, continued or replaced, that Award shall vest in full immediately prior to the effective date of the actual Change in Control transaction and the shares of Common Stock underlying the portion of the Award that vests on such accelerated basis shall be issued in accordance with the applicable Stock Issuance Agreement, unless such accelerated vesting is precluded by other limitations imposed in the Stock Issuance Agreement.

I. Each such outstanding Award which is assumed in connection with a Change in Control or otherwise continued in effect shall be adjusted immediately after the consummation of that Change in Control so as to apply to the number and class of securities into which the shares of Common Stock subject to that Award immediately prior to the Change in Control would have been converted in consummation of such Change in Control had those shares actually been outstanding at that time, and appropriate adjustments shall also be made to the cash consideration (if any) payable per share thereunder, provided the aggregate amount of such cash consideration shall remain the same. To the extent the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the successor corporation may, in connection with the assumption or continuation of the outstanding Awards and with the consent of the Plan Administrator obtained prior to the Change in Control, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control transaction.

J. The Plan Administrator shall have full power and authority to structure one or more restricted stock or restricted stock unit or performance share awards under the Plan so that those awards shall vest, and all the underlying shares shall become immediately issuable, upon the effective date of a Change in Control transaction or in the event the individual's Service is terminated by reason of an Involuntary Termination within a designated period following the effective date of the Change in Control transaction.

VI. CASH INCENTIVE AWARDS AND DIVIDEND EQUIVALENT RIGHTS

A. Cash Incentive Awards. The Plan Administrator shall have the discretionary authority under the Plan to make cash bonus awards ("Cash Awards") which are to vest in one or more installments over the Participant's continued Service with the Corporation or upon the attainment of specified performance goals. Each such Cash Award shall be evidenced by one or more documents in the form approved by the Plan Administrator; *provided however*, that each such document shall comply with the terms specified below.

1. The elements of the vesting schedule applicable to each Cash Award shall be determined by the Plan Administrator and incorporated into the bonus award agreement.

2. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more Cash Awards so that those Awards shall vest upon the achievement of pre-established corporate performance objectives based upon one or more Performance Goals measured over the performance period specified by the Plan Administrator at the time of the Award.

3. Outstanding Cash Awards shall automatically terminate, and no cash payment or other consideration shall be due the holders of those Awards, if the performance goals or Service requirements established for those Awards are not attained or satisfied. The Plan Administrator may in its discretion waive the cancellation and termination of one or more unvested Cash Awards which would otherwise occur upon the cessation of the Participant's Service or the non-attainment of the performance objectives applicable to those Awards. Any such waiver shall result in the immediate vesting of the Participant's interest in the Cash Award as to which the waiver applies. However, no vesting requirements tied to the attainment of Performance Goals may be waived with respect to Awards which were intended, at the time those Awards were made, to qualify as performance-based compensation under Code Section 162(m), except in connection with a Change in Control.

4. Cash Awards which become due and payable following the attainment of the applicable performance goals or satisfaction of the applicable Service requirement (or the waiver of such goals or Service requirement) may be paid in (i) cash, (ii) shares of Common Stock valued at Fair Market Value on the payment date or (iii) a combination of cash and shares of Common Stock, as set forth in the applicable Award Agreement.

B. Dividend Equivalent Rights. The Plan Administrator shall have the discretionary authority to grant dividend equivalent rights ("DER Awards") under the Plan. Each such DER Award shall be evidenced by one or more documents in the form approved by the Plan Administrator; *provided however*, that each such document shall comply with the terms specified below.

1. The DER Awards may be made as stand-alone awards or in tandem with other Awards made under the Plan. The term of each such DER Award shall be established by the Plan Administrator at the time of grant, but no DER Award shall have a term in excess of ten (10) years.

2. Each DER shall represent the right to receive the economic equivalent of each dividend or distribution, whether paid in cash, securities or other property (other than shares of Common Stock), which is made per issued and outstanding share of Common Stock during the term the DER remains outstanding. A special account on the books of the Corporation shall be maintained for each Participant to whom a DER Award is made, and that account shall, for each DER subject to the Award, be credited with each dividend or distribution made per issued and outstanding share of Common Stock during the term that DER remains outstanding.

3. Payment of the amounts credited to such book account may be made to the Participant either concurrently with the actual dividend or distribution made per issued and outstanding share of Common Stock or upon the satisfaction of any applicable vesting schedule in effect for the DER Award, or such payment may be deferred beyond the vesting date for a period specified by the Plan Administrator at the time the DER Award is made or selected by the Participant in accordance with the requirements of Code Section 409A.

4. Payment may be paid in (i) cash, (ii) shares of Common Stock or (iii) a combination of cash and shares of Common Stock, as set forth in the applicable Award Agreement. If payment is to be made in the form of Common Stock, the number of shares of Common Stock into which the cash dividend or distribution amounts are to be converted for purposes of the Participant's book account may be based on the Fair Market Value per share of Common Stock on the date of conversion, a prior date or an average of the Fair Market Value per share of Common Stock over a designated period, as set forth in the applicable award agreement.

5. The Plan Administrator shall also have the discretionary authority, consistent with Code Section 162(m), to structure one or more DER Awards so that those Awards shall vest only after the achievement of pre-established corporate performance objectives based upon one or more Performance Goals measured over the performance period specified by the Plan Administrator at the time the Award is made.

C. **Change in Control**. The Plan Administrator shall have the discretionary authority to structure one or more Cash Awards or DER Awards so that those Awards shall automatically vest in whole or in part immediately prior to the effective date of an actual Change in Control transaction or upon the subsequent termination of the Participant's Service by reason of an Involuntary Termination within a designated period following the effective date of such Change in Control. The Plan Administrator's authority under this Paragraph C shall also extend to any Award intended to qualify as performance-based compensation under Code Section 162(m), even though the actual vesting of that Award may result in the loss of performance-based status under Code Section 162(m).

ARTICLE THREE
MISCELLANEOUS

I. TAX WITHHOLDING

A. The Corporation's obligation to deliver shares of Common Stock upon the exercise, vesting or issuance of an Award shall be subject to the satisfaction of all applicable income and employment tax withholding requirements.

B. The Plan Administrator may, in its discretion, provide one or more participants in the Plan with the right to use shares of Common Stock in satisfaction of all or part of the Withholding Taxes to which such participants may become subject in connection with the exercise, vesting or issuance of those Awards. Such right may be provided to any such participant in either or both of the following formats:

Stock Withholding : The election to have the Corporation withhold, from the vested shares of Common Stock otherwise issuable upon the exercise, vesting, issuance or settlement of such Award, a portion of those shares with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by such person.

Stock Delivery : The election to deliver to the Corporation, at the time the exercise, vesting, issuance or settlement of such Award, one or more shares of Common Stock previously acquired by such person (other than in connection with the option exercise or share vesting or issuance triggering the Withholding Taxes) with an aggregate Fair Market Value equal to the percentage of the Withholding Taxes (not to exceed one hundred percent (100%)) designated by such person.

II. SHARE ESCROW/LEGENDS

Unvested shares may, in the Plan Administrator's discretion, be held in escrow by the Corporation until the Participant's interest in such shares vests or may be issued directly to the Participant with restrictive legends on the certificates evidencing those unvested shares.

III. EFFECTIVE DATE AND TERM OF THE PLAN

A. The Plan shall become effective on the Plan Effective Date.

B. The Plan shall serve as the successor to the Predecessor Plan, and no further option grants or restricted stock unit awards shall be made under the Predecessor Plan if this Plan is approved by the stockholders at the 2010 Annual Meeting. Such stockholder approval shall not affect the option grants and restricted stock unit awards outstanding under the Predecessor Plan at the time of the 2010 Annual Meeting, and those option grants and restricted stock unit awards shall continue in full force and effect in accordance with their terms. However, should any of those options expire or terminate unexercised or any unvested restricted stock units be forfeited, the shares of Common Stock subject to those options at the time of expiration or termination and the shares subject to those forfeited restricted stock units shall be added to the share reserve of this Plan in accordance with the provisions of Section V.B of Article I.

C. The Plan shall terminate upon the earliest to occur of (i) May 12, 2020, (ii) the date on which all shares available for issuance under the Plan shall have been issued as fully vested shares or (iii) the termination of all outstanding Awards in connection with a Change in Control. Should the Plan terminate on May 12, 2020, then all Awards outstanding at that time shall continue to have force and effect in accordance with the provisions of the documents evidencing such Awards.

IV. AMENDMENT OF THE PLAN

A. The Board shall have complete and exclusive power and authority to amend or modify the Plan in any or all respects, except with regard to Article II, Section IV hereof. However, no such amendment or modification shall adversely affect the rights and obligations with respect to Awards at the time outstanding under the Plan unless the Optionee or Participant consents to such amendment or modification. In addition, amendments to the Plan will be subject to stockholder approval to the extent required under applicable law or regulation or pursuant to the listing standards of the Stock Exchange on which the Common Stock is at the time primarily traded.

B. Awards may be granted under the Plan that in involve shares of Common Stock in excess of the number of shares then available for issuance under the Plan, provided no shares shall actually be issued pursuant to those Awards until the number of shares of Common Stock available for issuance under the Plan is sufficiently increased by stockholder approval of an amendment of the Plan authorizing such increase. If stockholder approval is required and is not obtained within twelve (12) months after the date the first excess Award is made against such contingent increase, then any Awards granted on the basis of such excess shares shall terminate and cease to be outstanding.

V. USE OF PROCEEDS

Any cash proceeds received by the Corporation from the sale of shares of Common Stock under the Plan shall be used for general corporate purposes.

VI. REGULATORY APPROVALS

A. The implementation of the Plan, the granting of any Awards under the Plan and the issuance of any shares of Common Stock under the Plan shall be subject to the Corporation's procurement of all approvals and permits required by regulatory authorities having jurisdiction over the Plan, the Awards granted under it and the shares of Common Stock issued pursuant to it.

B. No shares of Common Stock or other assets shall be issued or delivered under the Plan unless and until there shall have been compliance with all applicable requirements of applicable securities laws, including the filing and effectiveness of the Form S-8 registration statement for the shares of Common Stock issuable under the Plan, and all applicable listing requirements of any Stock Exchange on which Common Stock is then listed for trading.

VII. NO EMPLOYMENT/SERVICE RIGHTS

Nothing in the Plan shall confer upon the Optionee or Participant any right to continue in Service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining such person) or of the Optionee or Participant, which rights are hereby expressly reserved by each, to terminate such person's Service at any time for any reason, with or without cause.

APPENDIX

The following definitions shall be in effect under the Plan:

A. **Award** shall mean any of the following awards authorized for issuance or grant under the Plan: stock options, stock appreciation rights, direct stock issuances, restricted stock or restricted stock unit awards, performance shares, cash incentive awards and dividend-equivalent rights.

B. **Board** shall mean the Corporation's Board of Directors.

C. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction,

(ii) a stockholder-approved sale, transfer or other disposition of all or substantially all of the Corporation's assets, or

(iii) the closing of any transaction or series of related transactions pursuant to which any person or any group of persons comprising a "group" within the meaning of Rule 13d-5(b)(1) of the 1934 Act (other than the Corporation or a person that, prior to such transaction or series of related transactions, directly or indirectly controls, is controlled by or is under common control with, the Corporation) becomes directly or indirectly the beneficial owner (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing (or convertible into or exercisable for securities possessing) more than fifty percent (50%) of the total combined voting power of the Corporation's securities (as measured in terms of the power to vote with respect to the election of Board members) outstanding immediately after the consummation of such transaction or series of related transactions, whether such transaction involves a direct issuance from the Corporation or the acquisition of outstanding securities held by one or more of the Corporation's existing stockholders.

D. **Code** shall mean the Internal Revenue Code of 1986, as amended.

E. **Common Stock** shall mean the Corporation's common stock.

F. **Compensation Committee** shall mean the Compensation Committee of the Board comprised of two (2) or more non-employee Board members.

G. **Corporation** shall mean BioClinica, Inc., a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of BioClinica, Inc. which has by appropriate action assumed the Plan.

H. **Discretionary Grant Program** shall mean the discretionary grant program in effect under Article Two of the Plan pursuant to which Awards may be granted to one or more eligible individuals.

I. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary, whether now existing or subsequently established), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

J. **Exercise Date** shall mean the date on which the Corporation shall have received written notice of the option exercise.

K. **Fair Market Value** per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq Global Market, then the Fair Market Value shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on such Stock Exchange on the date in question, as such price is reported by the National Association of Securities Dealers. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any other Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

L. **Family Member** means, with respect to a particular Optionee or other Plan participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

M. **Incentive Option** shall mean an option which satisfies the requirements of Code Section 422.

N. **Involuntary Termination** shall mean the termination of the Service of any individual which occurs by reason of:

(i) such individual's involuntary dismissal or discharge by the Corporation (or any Parent or Subsidiary) for reasons other than Misconduct, or

(ii) such individual's voluntary resignation following (A) a change in his or her position with the Corporation (or any Parent or Subsidiary) which materially reduces his or her duties and responsibilities or the level of management to which he or she reports, (B) a reduction in his or her level of compensation (including base salary,

fringe benefits and target bonus under any corporate-performance based bonus or incentive programs) by more than fifteen percent (15%) or (C) a relocation of such individual's place of employment by more than fifty (50) miles, provided and only if such change, reduction or relocation is effected by the Corporation (or any Parent or Subsidiary) without the individual's consent.

O. **Misconduct** shall mean the commission of any act of fraud, embezzlement or dishonesty by the Optionee, any unauthorized use or disclosure by such person of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by such person adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss any Optionee or other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan, to constitute grounds for termination for Misconduct.

P. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

Q. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

R. **Optionee** shall mean any person to whom an option or stock appreciation right is granted under the Discretionary Grant Program.

S. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

T. **Participant** shall mean any person who is issued (i) shares of Common Stock, restricted stock units, performance shares or other stock-based awards under the Plan or (ii) Cash or DER Awards under the Plan.

U. **Permanent Disability or Permanently Disabled** shall mean the inability of the Optionee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment expected to result in death or to be of continuous duration of twelve (12) months or more.

V. **Plan** shall mean the Corporation's 2002 Stock Incentive Plan, as amended and restated in this document.

W. **Plan Administrator** shall mean the particular entity, whether the Compensation Committee, the Board or the Secondary Board Committee, which is authorized to administer the Discretionary Grant Program with respect to one or more classes of eligible persons, to the extent such entity is carrying out its administrative functions under that program with respect to the persons under its jurisdiction.

X. **Plan Effective Date** shall mean the date on which the Plan is approved by the Corporation's stockholders.

Y. **Secondary Board Committee** shall mean a committee of one or more Board members appointed by the Board to administer the Discretionary Grant Program with respect to eligible persons other than Section 16 Insiders.

Z. **Section 16 Insider** shall mean an officer or director of the Corporation subject to the short-swing profit liabilities of Section 16 of the 1934 Act.

AA. **Service** shall mean the performance of services for the Corporation (or any Parent or Subsidiary, whether now existing or subsequently established) by a person in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor, except to the extent otherwise specifically provided in the documents evidencing the option grant or stock issuance. For purposes of the Plan, a person shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) the person no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which the person is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though such person may subsequently continue to perform services for that entity. Service shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation; provided, however, that should such leave of absence exceed three (3) months, then for purposes of determining the period within which an Incentive Option may be exercised as such under the federal tax laws, the Optionee's Service shall be deemed to cease on the first day immediately following the expiration of such three (3)-month period, unless Optionee is provided with the right to return to Service following such leave either by statute or by written contract. Except to the extent otherwise required by law or expressly authorized by the Plan Administrator or the Corporation's written policy governing leaves of absence, no Service credit shall be given for vesting purposes for any period the person is on a leave of absence.

BB. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

CC. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

DD. **10% Stockholder** shall mean the owner of stock (as determined under Code Section 424(d)) possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation (or any Parent or Subsidiary).

EE. **Withholding Taxes** shall mean the applicable income and employment withholding taxes to which the holder of an Award under the Plan may become subject in connection with the grant, exercise, issuance, vesting or settlement of that Award.

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

I, Mark L. Weinstein, certify that:

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

Dated: August 10, 2010

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

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

I, Ted I. Kaminer, certify that:

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

Dated: August 10, 2010

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

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

In connection with the Quarterly Report on Form 10-Q of BioClinica, Inc. (the "Company") for the quarter ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Mark L. Weinstein, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

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

Dated: August 10, 2010

/s/ Mark L. Weinstein*

Mark L. Weinstein, President and Chief
Executive Officer
(Principal Executive Officer)

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

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

In connection with the Quarterly Report on Form 10-Q of BioClinica, Inc. (the "Company") for the quarter ended June 30, 2010 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Ted I. Kaminer, Executive Vice President of Finance and Administration and Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

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

Dated: August 10, 2010

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

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