

BIO IMAGING TECHNOLOGIES INC

Form 10-Q

May 08, 2009

**Table of Contents**

**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 March 31, 2009**

**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  
BIO-IMAGING TECHNOLOGIES, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware

11-2872047

(State or Other Jurisdiction of  
Incorporation or Organization)

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

826 Newtown-Yardley Road, Newtown, Pennsylvania

18940-1721

(Address of Principal Executive Offices)

(Zip Code)

(267) 757-3000

(Registrant's Telephone Number, Including Area Code)

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

Yes:

No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes:

No:

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

Large accelerated  
filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting  
company)

Smaller reporting  
company

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

Yes:

No:

State the number of shares outstanding of each of the registrant's classes of common stock, as of April 30, 2009:

Edgar Filing: BIO IMAGING TECHNOLOGIES INC - Form 10-Q

Class	Number of Shares
Common Stock, \$0.00025 par value	14,357,253

---

BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES  
TABLE OF CONTENTS

		Page
<u>PART I.</u>	<u>FINANCIAL INFORMATION.</u>	
<u>Item 1.</u>	<u>Financial Statements</u>	1
	<u>CONSOLIDATED BALANCE SHEETS (unaudited) as of March 31, 2009 and December 31, 2008</u>	2
	<u>CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited) For the Three Months Ended March 31, 2009 and 2008</u>	3
	<u>CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) For the Three Months Ended March 31, 2009 and 2008</u>	4
	<u>NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)</u>	6
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
	<u>Overview</u>	17
	<u>Forward Looking Statements</u>	18
	<u>Recent Accounting Pronouncements</u>	19
	<u>Results of Operations</u>	21
	<u>Business Segments</u>	24
	<u>Liquidity and Capital Resources</u>	24
	<u>Changes to Critical Accounting Policies and Estimates</u>	25
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	26
<u>Item 4T.</u>	<u>Controls and Procedures</u>	26
<u>PART II.</u>	<u>OTHER INFORMATION.</u>	
<u>Item 1.</u>	<u>Legal Proceedings</u>	27
<u>Item 1A.</u>	<u>Risk Factors</u>	27
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	35
<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>	35

<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	35
<u>Item 5.</u>	<u>Other Information</u>	35
<u>Item 6.</u>	<u>Exhibits</u>	35
<u>SIGNATURES</u>		36
<u>Exhibit 31.1</u>		
<u>Exhibit 31.2</u>		
<u>Exhibit 32.1</u>		
<u>Exhibit 32.2</u>		

**Table of Contents**

**PART I. FINANCIAL INFORMATION.**

**Item 1. Financial Statements.**

References in this Quarterly Report on Form 10-Q to Bio-Imaging, we, us, or our refer to Bio-Imaging Technologies, 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, 2008.

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.

-1-

---

**Table of Contents**

**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(unaudited)

(in thousands)	March 31, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,883	\$ 14,265
Accounts receivable, net	9,712	11,982
Prepaid expenses and other current assets	2,035	2,315
Assets held for sale		500
Deferred income taxes	2,831	3,084
Total current assets	29,461	32,146
Property and equipment, net	7,130	7,022
Intangibles, net	1,939	2,058
Goodwill	27,391	27,391
Other assets	497	591
Total assets	\$ 66,418	\$ 69,208

**LIABILITIES AND STOCKHOLDERS EQUITY**

Current liabilities:		
Accounts payable	\$ 3,603	\$ 3,832
Accrued expenses and other current liabilities	3,624	5,236
Deferred revenue	13,387	15,106
Current maturities of capital lease obligations	35	54
Total current liabilities	20,649	24,228
Long-term capital lease obligations	64	65
Deferred income tax	888	927
Other liabilities	585	576
Total liabilities	22,186	25,796

## Stockholders equity:

Preferred stock \$0.00025 par value; authorized 3,000,000 shares, 0 issued and outstanding at March 31, 2009 and at December 31, 2008

4

4

Edgar Filing: BIO IMAGING TECHNOLOGIES INC - Form 10-Q

Common stock \$0.00025 par value; authorized 18,000,000 shares, issued and outstanding 14,356,253 shares at March 31, 2009 and 14,341,403 shares at December 31, 2008

Additional paid-in capital	42,474	42,270
Retained earnings	1,866	1,080
Accumulated other comprehensive (income) loss	(112)	58
Total stockholders' equity	44,232	43,412
Total liabilities and stockholders' equity	\$ 66,418	\$ 69,208

See Notes to Consolidated Financial Statements

-2-

---



**Table of Contents**

**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited)

(in thousands, except per share data)	For the Three Months Ended March 31,	
	2009	2008
Service revenues	\$ 14,475	\$ 11,023
Reimbursement revenues	2,595	3,077
Total revenues	17,070	14,100
Cost and expenses:		
Cost of service revenues	9,061	6,343
Cost of reimbursement revenues	2,595	3,077
Sales and marketing expenses	2,156	1,468
General and administrative expenses	1,917	1,539
Amortization of intangible assets related to acquisitions	119	24
Total cost and expenses	15,848	12,451
Income from continuing operations before interest and taxes	1,222	1,649
Interest income	22	153
Interest expense	(2)	
Income tax provision	(456)	(666)
Income from continuing operation, net of taxes	786	1,136
Loss from discontinued operations, net of taxes		312
Net income	\$ 786	\$ 824
Basic earnings per share:		
Income from continuing operations	\$ 0.05	\$ 0.09
Loss from discontinued operations	\$	\$ (0.03)
Net income	\$ 0.05	\$ 0.06

Edgar Filing: BIO IMAGING TECHNOLOGIES INC - Form 10-Q

Diluted earnings per share:		
Income from continuing operations	\$ 0.05	\$ 0.09
Loss from discontinued operations	\$	\$ (0.03)
Net income	\$ 0.05	\$ 0.06
Weighted average shares used to calculate earnings per share:		
Basic	\$ 14,341	\$ 12,021
Diluted	\$ 15,085	\$ 12,964

See Notes to Consolidated Financial Statements

-3-

---

**Table of Contents**

**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

(in thousands)	For the Three Months Ended March 31,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 786	\$ 824
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition:		
Depreciation and amortization	486	843
Provision for deferred income taxes	854	242
Bad debt recovery	(11)	(17)
Stock based compensation expense	204	145
Loss from discontinued operations		312
Changes in operating assets and liabilities, net of acquisitions:		
(Decrease) increase in accounts receivable	2,268	(795)
Decrease (increase) in prepaid expenses and other current assets	268	(129)
Decrease in other assets	90	15
(Decrease) increase in accounts payable	(365)	526
Decrease in accrued expenses and other current liabilities	(2,287)	(308)
(Decrease) increase in deferred revenue	(1,723)	1,065
Decrease in other liabilities	(1)	(9)
Decrease in net assets held for sale		120
Cash provided by activities from continuing operations	569	2,834
Cash used by discontinued operations		(433)
Net cash provided by operating activities	569	2,401
Cash flows from investing activities:		
Purchases of property and equipment	(397)	(969)
Net cash received for sale of assets of discontinued operations	500	
Net cash paid for acquisition		(8,257)
Net cash provided by (used in) investing activities from continuing operations	103	(9,226)
Purchase of plant, property and equipment for discontinued operations		(236)
Net cash provided by (used in) investing activities	103	(9,462)
Cash flows from financing activities:		
Payments under equipment lease obligations	(19)	(56)
Excess tax benefit related to stock options		63
Proceeds from exercise of stock options		39
Net cash (used in) provided by financing activities from continuing operations	(19)	46

Effect of exchange rate changes on cash	(35)	209
Net increase (decrease) in cash and cash equivalents	618	(6,806)
Cash and cash equivalents at beginning of period	14,265	17,915
Cash and cash equivalents at end of period	\$ 14,883	\$ 11,109

Supplemental disclosure of cash flow information:

Cash paid during the period for interest	\$ 2	\$ 1
Cash paid during the period for income taxes	\$ 158	\$ 1,034

See Notes to Consolidated Financial Statements

**Table of Contents**

**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited)

	For the Three Months Ended March 31,	
	2009	2008
<b>Supplemental cash flow disclosure</b> (in thousands)		
Schedule of non cash investing and financing activities:		
Increase in property, plant and equipment acquisitions in accounts payable	\$ 127	\$ 64
	For the Three Months Ended March 31,	
	2009	2008
<b>Acquired business</b> (in thousands)		
Accounts receivable	\$	\$ 4,926
Property and equipment		701
Other assets		295
Intangible assets and goodwill		23,975
Current liabilities assumed		(1,062)
Other liabilities assumed		(4,474)
Common stock issued		(16,104)
Cash paid for acquired business, net of cash acquired for the three months ended March 31, 2008 of \$418	\$	\$ 8,257
	For the Three Months Ended March 31,	
	2009	2008
<b>Statement of comprehensive income</b> (in thousands)		
Net income	\$ 786	\$ 824
Equity adjustment from foreign currency translation	(170)	102
Total comprehensive income	\$ 616	\$ 926

See Notes to Consolidated Financial Statements

**Table of Contents**

**BIO-IMAGING TECHNOLOGIES, 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, 2008.

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.

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 financial statement presentation. We have reclassified the amortization of intangible assets related to acquisitions as a separate component of the consolidated statements of income.

The Balance Sheet at December 31, 2008 includes Phoenix Data Systems, Inc., a Pennsylvania corporation, hereinafter referred to as PDS, due to the acquisition of PDS by Bio-Imaging on March 24, 2008. The Consolidated Statement of Income for the three months ended March 31, 2008 excludes the financial results of PDS from the acquisition date of March 24, 2008 through March 31, 2008 due to immateriality of PDS's results of operations for that period.

-6-

---

**Table of Contents****BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

*Functional Currency.*

The functional currency for our French and Netherlands operations is the Euro based on our initial and periodic evaluations of economic factors as set forth in Financial Accounting Standards Board (FASB) Statement No. 52,

Foreign Currency Translation (SFAS 52).

**Note 2 Stockholders Equity Rollforward**

The following summarizes the activity of the Stockholders equity accounts for the period from December 31, 2008 through March 31, 2009:

(in thousands)	Common Stock Shares	Stock Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumu- lated Other Compre- hensive Income	Stockholders Equity
Balance at December 31, 2008	14,341	\$ 4	\$ 42,270	\$ 1,080	\$ 58	\$ 43,412
Restricted shares issued	15		(31)			(31)
Stock based compensation			235			235
Equity adjustment from foreign currency translation					(170)	(170)
Net income				786		786
Balance at March 31, 2009	14,356	\$ 4	\$ 42,474	\$ 1,866	\$ (112)	\$ 44,232

**Note 3 Earnings Per Share**

Basic income per common share for the three months ended March 31, 2009 and 2008 was calculated based upon net income divided by the weighted average number of shares of our common stock outstanding during the period. Diluted income per share for the three months ended March 31, 2009 and 2008 was calculated based upon net income divided by the weighted average number of shares of our common stock outstanding during the period, adjusted for dilutive securities using the treasury method.

-7-

**Table of Contents****BIO-IMAGING TECHNOLOGIES, 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:

(in thousands except share data)	Three Months Ended	
	March 31,	
	2009	2008
Net income basic and diluted	\$ 786	\$ 824
Denominator basic:		
Weighted average number of common shares	14,341	12,021
Basic income per common share	\$ 0.05	\$ 0.06
Denominator diluted:		
Weighted average number of common shares	14,341	12,021
Common share equivalents of outstanding stock options	434	815
Common share equivalents of unrecognized compensation expense	310	128
Weighted average number of dilutive common equivalent shares	15,085	12,964
Diluted income per common share	\$ 0.05	\$ 0.06

Options to purchase 630,000 and 312,000 shares of our common stock respectively, had been excluded from the calculation of diluted earnings per common share for the three months ended March 31, 2009 and March 31, 2008, respectively, as they were all antidilutive.

**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 eClinical division. The Chief Financial Officer's agreement expires February 5, 2010 and is renewable on an annual basis. The President of eClinical division's agreement expires September 30, 2009 and is renewable on an annual basis. The aggregate amount due from January 1, 2009 through the expiration under these agreements was \$1,659,000.

-8-



**Table of Contents****BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

**Note 5 Accounts Receivable and Allowance for Doubtful Accounts**

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

(in thousands)	March 31, 2009	December 31, 2008
Billed trade accounts receivable	\$ 7,870	\$ 10,091
Unbilled trade accounts receivable	1,827	1,863
Other	15	28
<b>Total Receivables</b>	<b>\$ 9,712</b>	<b>\$ 11,982</b>
Allowance Rollforward (in thousands):		
Balance at January 1, 2009	\$ 11	
Additions		
Write offs (Recoveries)	(11)	
Balance at March 31, 2009	\$	

**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, they 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.

The Company has accumulated tax losses, which include allowable deductions related to exercised employee stock options, generating federal net operating loss (NOL) credit carryforwards of \$1.1 million as of March 31, 2009. These losses will expire, if unused, in the years 2009 through 2022. 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 NOL credit carryforwards. 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

-9-

**Table of Contents**

**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

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 Company recognizes contingent liabilities for any tax related exposures when those exposures are reasonably possible.

For the three months ended March 31, 2009 and 2008, the tax benefit of the stock option deductions recorded to additional paid in capital was \$0 and \$63,000, respectively.

The Company has not provided for U.S. federal income and foreign withholding taxes on approximately \$2.8 million of undistributed earnings from its non-U.S. operations as of March 31, 2009 because such earnings are intended to be reinvested indefinitely outside of the United States.

We apply FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements.

There were no material unrecognized tax benefits as of March 31, 2009 and December 31, 2008. 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 returns for years 2005, 2006 and 2007 are subject to examination. Our state taxes for years 2000 through 2007 are subject to examination. Our foreign taxes for years 2002 through 2006 are subject to examination by the respective authorities.

**Note 7 Acquisition**

On March 24, 2008, Bio-Imaging acquired Phoenix Data Systems, Inc. ( PDS ) to expand our pharmaceutical services in the area of electronic data capture and other eClinical data solutions to our clients (the Acquisition ). The Acquisition was made pursuant to an Agreement and Plan of Merger (the PDS Merger Agreement ), dated March 24, 2008, by and among the Company, Bio-Imaging Acquisition Corporation, a Pennsylvania corporation and wholly-owned subsidiary of the Company ( Merger Sub ), and PDS and its Stockholders Representative. Pursuant to the terms of the PDS Merger Agreement, PDS merged with and into Merger Sub. Following the consummation of the Acquisition, PDS ceased to exist and Merger Sub became a wholly-owned subsidiary of the Company. In connection with the Acquisition, the Company also entered into employment agreements with members of the senior management team of PDS. However, none of these individuals are executive officers of the Company.

Under the terms of the PDS Merger Agreement, the Company acquired all of PDS s outstanding capital stock. The total consideration paid by the Company to the PDS stockholders was \$23.9 million, comprised of \$6.9 million in cash and 2.3 million shares of common stock, par value \$0.00025 per share, of the Company, with an average closing price per share over the last 30 trading days ending and including March 19, 2008 of \$7.42. The aggregate purchase price was subject to a post-closing adjustment based on the Tangible Net Worth (as defined in the PDS Merger Agreement) of PDS on the Closing Date (as defined in the PDS Merger Agreement). Pursuant to the terms of the PDS Merger Agreement, five percent of the aggregate consideration was held in escrow for the finalization of the

**Table of Contents****BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

Closing Tangible Net Worth Statement (as defined in the PDS Merger Agreement). On June 13, 2008, Bio-Imaging and the Stockholders Representative agreed to a decrease of \$230,000 to the purchase price due to the minimum threshold to the Closing Tangible Net Worth Statement not being achieved. Bio-Imaging received \$64,000 in cash back in June 2008 and 22,453 shares of our common stock back in July 2008 from the purchase price escrow. Additionally, ten percent of the aggregate consideration was to be held in escrow to cover any potential indemnification claims under the PDS Merger Agreement for a period ending no later than March 31, 2009. There were no indemnification claims and this amount was paid to the shareholders in April 2009. We also incurred approximately \$1.1 million in Acquisition costs. At the Acquisition date, the stock was recorded at an average price of \$7.04 per share.

In connection with the Acquisition, the stockholders of PDS entered into various agreements. The stockholders of PDS executed stockholders agreements, whereby each stockholder agreed, among other things, to approve the Acquisition and not to compete in the business area occupied by PDS at the time of the Acquisition for a reasonable period of time. All stockholders executed lockup agreements, whereby all stockholders agreed not to directly or indirectly sell, or otherwise dispose of any shares of the Company's common stock received pursuant to the PDS Merger Agreement for a period of 180 days after the Closing Date (the Initial Lockup Period Date), and certain additional stockholders 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 67% of the shares of the Company's common stock received pursuant to the PDS Merger Agreement for a period beginning on the Initial Lockup Period Date and continuing to and including the date of the first anniversary of the Closing Date.

The following table summarizes the final allocation of the total cost of the PDS acquisition to the assets acquired and the liabilities assumed.

(in thousands)

Net Working Capital	\$ 701
Fixed Assets	721
Other Assets	46
Other Liabilities	(175)
Deferred Tax Liability	(854)
Software	552
Trademark	48
Customer Backlog	730
Customer Relationships	665
Non-Compete Agreements	138
Goodwill, including Workforce	21,366
 Total Purchase Price	 \$ 23,938

The results of operations of PDS from the acquisition date, March 24, 2008 to March 31, 2008 were immaterial; therefore, the Company did not include the results of operations for those eight days in the Consolidated Statement of Income for the twelve months ended December 31, 2008.

*Pro Forma Results.* The following schedule includes consolidated statements of income data for the unaudited pro forma results for the three months ended March 31, 2008 as if the Acquisition had occurred as of the beginning of the period presented after giving effect to certain adjustments. The pro forma

-11-

Table of ContentsBIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

results for the three months ended March, 31, 2008 include \$789,000 of Acquisition costs incurred by PDS. 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 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.

	Three Months Ended March 31, 2008
(in thousands, except per share data)	
Total revenue	\$ 18,549
Income from continuing operations before interest and taxes	1,056
Income from continuing operations, net of taxes	517
Basic earnings per share:	
Income from continuing operations	\$ 0.04
Diluted earnings per share:	
Income from continuing operations	\$ 0.04

**Note 8 Discontinued Operations and Assets Held for Sale**

In the fourth quarter of 2008 the Company classified its interest in the CapMed business as held for sale. On January 6, 2009, pursuant to the Asset Purchase Agreement by and among the Company and MBI Benefits, Inc. (the Purchaser), an indirectly owned subsidiary of Metavante Technologies, Inc. (Metavante), dated as of January 6, 2009 (the Agreement), the Company sold its CapMed Division, including the division's Personal Health Record (PHR) software and the patent-pending Personal HealthKey technology, to Metavante. Under the terms of the Agreement, Metavante paid the Company an upfront payment of five hundred thousand dollars (\$500,000) in cash and will make an earn-out payment to the Company based upon a percentage of the gross revenues recognized by Metavante for contracts entered into with certain prospects set forth on a schedule during certain time periods in 2009 and 2010. The Company will receive 25% of the gross revenues recognized by Metavante during any period ending on or prior to December 31, 2010 from the sale pursuant to any contract the Purchaser enters into with certain prospects during the first six months of 2009. Additionally, the Company will receive 15% of the gross revenues recognized by Metavante during any period ending on or prior to December 31, 2010 from the sale pursuant to any contract the Purchaser enters into with certain prospects during the period commencing on July 1, 2009 and ending on December 31, 2010. There were no earn out payments made during the three months ended March 31, 2009.

-12-

**Table of Contents****BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

As a result of the sale, the results of the CapMed operations, which had previously been presented as a separate reporting segment, are included in discontinued operations in the Company's consolidated statements of operations. In addition, any assets and liabilities related to these discontinued operations are presented separately on the consolidated balance sheets, and any cash flows related to these discontinued operations are presented separately in the consolidated statements of cash flows. All prior period information has been reclassified to be consistent with the current period presentation. As of March 31, 2009, there were no assets or liabilities related to this discontinued operation.

Our exit of the CapMed business resulted, in part, from our strategy to exit non-strategic businesses. The following amounts related to the CapMed operations were derived from historical financial information and have been segregated from continuing operations and reported in discontinued operations (in thousands):

(in thousands, except per share data)	Three Months Ended	
	2009	March 31, 2008
Service revenues	\$	\$ 138
Costs and expenses		633
Loss from impairment		
Pretax loss		495
Benefit from income taxes		183
Net loss from discontinued operations		312

The following is a summary of the assets and liabilities of the CapMed discontinued operations as of December 31, 2008. The amounts presented below were derived from historical financial information and adjusted to exclude intercompany receivables and payables between CapMed discontinued operations and the Company (in thousands):

Current Assets	27
Fixed Assets	1,257
Net Assets and Liabilities	\$ 1,284

The company recognized a pretax loss of \$5.0 million (\$3.0 million, net of income taxes), which was recognized in the fourth quarter of 2008.

**Table of Contents****BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

**Note 9 Intangible Assets**

At March 31, 2009 the composition of intangible assets were as follows:

(in thousands)	March 31, 2009	Estimated Useful Life
Amortized intangible assets:		
Technology	\$ 843	5 years
Trademarks	48	5 years
Customer backlog	1,613	3 to 7 years
Non-competition agreement	349	2 to 3 years
	2,853	
Accumulated amortization	(914)	
	\$ 1,939	
Unamortized intangible assets:		
Goodwill	\$ 27,391	

Estimated future amortization of the intangible assets is as follows:

	Fiscal years ending
2009	\$ 337
2010	423
2011	379
2012	324
2013	227
Thereafter	249
	\$ 1,939

**Note 10 Subsequent Event**

On May 4, 2009, BioClinica Acquisition, Inc., a newly formed wholly-owned subsidiary of the Company ( Merger Sub ), and etrials Worldwide, Inc. ( etrials ), entered into an Agreement and Plan of Merger (the etrials Merger Agreement ) pursuant to which Merger Sub will commence a tender offer (the Offer ) to acquire all of the outstanding shares of common stock of etrials (the Shares ) in exchange for: (i) \$0.15 in cash, without interest (the Cash Consideration ), (ii) 0.124 newly issued shares of the Company s common stock, par value \$0.00025 per share, and (iii) 0.076 newly issued shares of the Company s Series A-1 Preferred Stock, par value \$0.00025 (collectively, the Offer Price ). Following the consummation of the Offer, Merger Sub will merge with and into etrials (the Merger ), and all Shares not acquired in the Offer (other than Shares held by the etrials s holders who have properly exercised their dissenters rights under Section 262 of the Delaware General Corporation Law) will be converted into the right to receive the greater of (i) the Offer Price and (ii) the highest price per Share paid to any holder of etrials common stock pursuant to the Offer, in the same form of consideration paid (the Merger Consideration ). The etrials Merger

Agreement contains customary representations, warranties and covenants by the parties. etrials has also agreed not to solicit or initiate discussions with third parties regarding other proposals to acquire etrials and to certain restrictions on its ability to respond to such proposals. The etrials Merger Agreement also includes customary termination provisions for etrials and the Company and provides that, in connection with the termination of the etrials Merger

-14-

---

**Table of Contents**

**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

Agreement under specified circumstances, etrials will be required to pay the Company a termination fee equal to 3% of the Merger Consideration, plus reimburse the Company for reasonable out of pocket expenses up to \$200,000.

The Series A-1 Preferred Stock to be issued in connection with the Offer and Merger has essentially the same rights as the Company's common stock, with the exception of the conversion and redemption features explained below. The Series A-1 Preferred Stock has the same voting rights as the Company's common stock, on an as-if converted to common stock basis. Holders of Series A-1 Preferred Stock are not entitled to any dividend or liquidation preferences over holders of the Company's common stock. In the event the Company obtains stockholder approval authorizing an increase of the number of shares of common stock from 18,000,000 to a number of shares of common stock sufficient to include the Series A-1 Preferred Stock on an as-if converted to common stock basis, all shares of the Series A-1 Preferred stock automatically convert to common stock on a one share for one share basis, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization. In the event the Company does not obtain such stockholder approval prior to the first anniversary of the closing of the Merger, then anytime thereafter, each holder of Series A-1 Preferred Stock may require the Company to purchase all or a portion of such holder's shares of Series A-1 Preferred Stock at a price per share of \$4.1622 (a 10% premium above the volume-weighted average of the trading sale prices per share of Company common stock as reported on the NASDAQ Global Market during the period that is 20 consecutive trading days during which the shares of Company common stock are traded on the NASDAQ Global Market, ending on, but not including, the second trading day immediately prior to the signing of the etrials Merger Agreement), subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization.

The Company agreed that Merger Sub would commence the Offer as promptly as practicable. The Offer will remain open for no more than 20 business days, subject to extensions in certain instances. The obligation to accept for payment and pay for the Shares tendered in the Offer is subject to customary conditions, including, among other things: (i) the tender of a majority of the total number of outstanding Shares, on a fully diluted basis, (ii) the Company must file a Form S-4 registering the common stock and Series A-1 Preferred Stock to be issued in the Offer, and such registration statement must go effective, (iii) the Company must file a certificate of designation designating the Series A-1 Preferred Stock with the Secretary of State of the State of Delaware, (iv) the absence of any law prohibiting, restraining or enjoining the Offer, (v) the absence of any material adverse effects on etrials, (4) the accuracy of the representations of etrials, and (5) compliance with covenants by etrials.

In the etrials Merger Agreement, etrials granted to the Company and Merger Sub an irrevocable option (the Top-Up Option) to purchase, at a per Share price equal to the greater of (i) \$0.9068 and (ii) an amount equal to the highest price per Share paid pursuant to the Offer, up to that number of newly issued Shares that, when added to the number of Shares, directly or indirectly, owned by Bio-Imaging and Merger Sub constitutes one Share more than 90% of the Shares outstanding, on a fully diluted basis. The Top-Up Option is exercisable only after Bio-Imaging and Merger Sub own at least 80% of the outstanding Shares and prior to the fifth business day after the expiration date of the Offer or any subsequent offering period, and is not exercisable if the number of Shares that would need to be issued (taken together with the number of Shares outstanding, on a fully diluted basis) exceeds the number of authorized but unissued Shares.

-15-

---



**Table of Contents**

**BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited)

In addition, certain stockholders of etrials have agreed to enter into tender and support agreements pursuant to which such stockholders have committed to accept the Offer and to tender all Shares beneficially owned by them, which represents, in the aggregate, approximately 32.73% of etrials' s outstanding Shares.

The Company and etrials plan to consummate the offer and merger in the second quarter of 2009.

-16-

---

**Table of Contents**

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

**Overview**

Bio-Imaging Technologies, Inc. is a global clinical trials service organization, providing medical image management and eClinical services, including electronic data capture and clinical data management solutions, to pharmaceutical, biotechnology, medical device companies and other organizations, including contract research organizations (CROs), engaged in clinical trials.

Our medical image management services assist our clients in the design and management of the medical imaging component of clinical trials. We have developed specialized services and proprietary software applications that enable independent radiologists and other medical specialists involved in clinical trials to review medical image data in an entirely digital format and make highly precise measurements and biostatistical inferences to evaluate the efficacy and safety of pharmaceuticals, biologics or medical devices. Medical imaging is used for clinical development of therapeutic modalities for use in oncology, disorders of the musculoskeletal, central nervous, cardiovascular systems, and in a variety of other disease categories.

Our core laboratory imaging services include the collection, processing, analysis and regulatory submission of medical images and related clinical data. Medical images are received from a wide variety of imaging modalities including computerized tomography (CT), magnetic resonance imaging (MRI), radiography, dual energy x-ray absorptiometry (DXA/DEXA), positron emission tomography (PET), single photon emission computerized tomography (SPECT), quantitative coronary angiography (QCA), cardiac MRI and CT, intravascular ultrasound (IVUS), peripheral quantitative angiography (QVA), central nervous system (CNS) MRI and ultrasound. The resulting data enables our clients and regulatory reviewers, primarily the U.S. Food and Drug Administration and comparable European agencies, to evaluate product efficacy and safety.

On March 24, 2008, we completed the acquisition of Phoenix Data Systems, referred to herein as PDS, a provider of electronic data capture (EDC) services offering a comprehensive array of eClinical data solutions to the pharmaceutical and biotechnology industries. PDS is engaged in providing full service EDC, a combination of electronic data capture, interactive voice response, reporting and data management solutions and is focused on making the process of collecting and analyzing data from clinical trials faster, easier and more reliable.

Our eClinical services offer a variety of customizable proprietary software solutions that enhance pharmaceutical and biotech companies' ability to process and store clinical data through the use of customized proprietary software and hosting service. This technology improves data quality and allows our sponsors to see the results of their clinical trials faster and more accurately than with conventional paper-based methods.

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 March 31, 2009, which includes our medical image management and eClinical services, was \$93.3 million compared to \$96.3 million at March 31, 2008.

**Table of Contents**

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.

We believe that the short-term market for our services has been adversely impacted by pharmaceutical companies' response to overall economic conditions, resulting in some contract decisions being delayed and major projects being split into smaller components as part of a revised budgetary approval process. On a long term basis, we believe that the recognition within the bio-pharmaceutical industry of the operational efficiency and scalable reliability of using an independent centralized core laboratory for analysis of medical-imaging data and compliance with the regulatory demands for the submission of such data will continue to drive demand for our services. We also believe that rapidly growing recognition of the inherent advantages of eClinical/EDC technology to standardize and accelerate reliable data flow from the clinical trial sites to the clinical trial sponsor will further drive the adoption and growth of our eClinical service offerings. We believe our eClinical services favorably compare to the traditional process of manual data collection on paper case report forms that are more susceptible to transcription and other data entry errors.

**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, will, 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, as well as the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2008, 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.

**Table of Contents**

**Recent Accounting Pronouncements**

In April 2008, the FASB issued FSP No. FAS 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3). FSP FAS 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142,

*Goodwill and Other Intangible Assets* (SFAS 142), in order to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R) *Business Combinations (Revised 2007)* (SFAS 141(R)) and other GAAP. FSP FAS 142-3 became effective for Bio-Imaging on January 1, 2009. Management has concluded that the adoption of FSP FAS 142-3 did not have a material impact on the Financial Statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* an amendment of FASB Statement No. 133 (SFAS 161). SFAS 161 requires enhanced disclosures about an entity's derivative and hedging activities, including (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS 133 and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. This standard became effective for Bio-Imaging Technologies, Inc. on January 1, 2009. As SFAS 161 only requires enhanced disclosures, this standard had no impact on the Financial Statements.

In December 2007, the FASB issued SFAS 141(R), which addresses ways to improve the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports about a business combination. This statement applies prospectively to business combinations for which the acquisition date is on or after fiscal years beginning December 15, 2008. Retrospective application is not permitted. The Company is currently evaluating SFAS 141(R) and the related impact on our financial position and results of operations.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* an amendment of ARB No. 51 (SFAS 160). SFAS 160 amends Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. This standard defines a noncontrolling interest, sometimes called a minority interest, as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. SFAS 160 requires, among other items, that a noncontrolling interest be included in the consolidated statement of financial position within equity separate from the parent's equity; consolidated net income to be reported at amounts inclusive of both the parent's and noncontrolling interest's shares and, separately, the amounts of consolidated net income attributable to the parent and noncontrolling interest all on the consolidated statement of income; and if a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be measured at fair value and a gain or loss be recognized in net income based on such fair value. SFAS 160 became effective for Bio-Imaging on January 1, 2009. Management has concluded that the adoption of SFAS 160 did not have a material impact on the Financial Statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements. SFAS 157, as it relates to financial assets and financial liabilities, became effective for Bio-Imaging on January 1, 2008. On February 12, 2008, the

**Table of Contents**

FASB issued FSP No. FAS 157-2, Effective Date of FASB Statement No. 157, which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until January 1, 2009 for calendar year-end entities. Upon adoption, the provisions of SFAS 157 are to be applied prospectively with limited exceptions. We have determined that the adoption of SFAS 157, as it relates to financial assets and financial liabilities did not have an impact on the Consolidated Financial Statements. The Company is currently evaluating SFAS 157 as it relates to nonfinancial assets and nonfinancial liabilities and the related impact on our financial position and results of operations.

In April 2009, the FASB issued FSP FAS 107-1, APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP FAS 107-1, APB 28-1). FSP FAS 107-1, APB 28-1 requires fair value disclosures in both interim as well as annual financial statements in order to provide more timely information about the effects of current market conditions on financial instruments. FSP FAS 107-1, APB 28-1 is effective for interim and annual periods ending after June 15, 2009. The Company is currently evaluating FSP 107-1, APB 28-1 and believes the implementation of this standard will not have a material impact on our consolidated financial position and results of operations.

**Table of Contents****Results of Operations**Three Months Ended March 31, 2009 and 2008

(in thousands)	Three Months Ended March 31, 2009	% of Total Revenue	Three Months Ended March 31, 2008	% of Total Revenue	\$ Change	% Change
Service revenues	\$ 14,475	84.8%	\$ 11,023	78.2%	\$3,452	31.3%
Reimbursement revenues	2,595	15.2%	3,077	21.8%	(482)	(15.7)%
Total revenues	17,070	100.0%	14,100	100.0%	2,970	21.1%
Cost and expenses:						
Cost of service revenue	9,061	53.1%	6,343	45.0%	2,718	42.9%
Cost of reimbursement revenue	2,595	15.2%	3,077	21.8%	(482)	(15.7)%
Sales and marketing expenses	2,156	12.6%	1,468	10.4%	688	46.9%
General and administrative expenses	1,917	11.2%	1,539	10.9%	378	24.6%
Amortization of intangible assets related to acquisitions	119	0.7%	24	0.2%	95	395.8%
Total cost and expenses	15,848	92.8%	12,451	88.3%	3,397	27.3%
Income from continuing operations before interest and taxes	1,222	7.2%	1,649	11.7%	(427)	(25.9)%
Interest income	22	0.1%	153	1.1%	(131)	(85.6)%
Interest expense	(2)	0.0%	(2)	0.0%	(2)	0.0%
Income tax provision	(456)	(2.7)%	(666)	(4.7)%	210	(31.5)%
Income from continuing operations, net of taxes	786	4.6%	1,136	8.1%	(350)	(30.8)%
Loss from discontinued operations, net of taxes		0.0%	(312)	(2.2)%	312	100.0%
Net income	\$ 786	4.6%	\$ 824	5.8%	\$ (38)	(4.6)%

The Consolidated Statements of Income for all periods presented were reclassified to reflect the CapMed division in discontinued operations.

The Consolidated Statement of Income for fiscal 2008 excludes the financial results of PDS from the acquisition date of March 24, 2008 through March 31, 2008 due to immateriality of PDS's results of operations for that period.

Service revenues for the three months ended March 31, 2009 and 2008 were \$14.5 million and \$11.0 million, respectively, an increase of \$3.5 million, or 31.3%. The increase in service revenues was due to \$3.7 million in service revenue from PDS. One client, Centocor Ortho Biotech, Inc., encompassing 23 projects represented 12.0% of our service revenue for the three months ended March 31, 2009. One client, Hoffmann-LaRoche, encompassing 11 projects represented 10.2% of our service revenues for the three months ended March 31, 2008.

**Table of Contents**

Reimbursement revenues and cost of reimbursement revenues for the three months ended March 31, 2009 and 2008 were \$2.6 million and \$3.1 million, respectively, a decrease of \$500,000, or 16.7%. 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 for the three months ended March 31, 2009 and 2008 were \$9.1 million and \$6.3 million, respectively, an increase of \$2.7 million, or 42.9%. Cost of service revenues for the three months ended March 31, 2009 and 2008 were comprised of professional salaries and benefits and allocated overhead. The increase in cost of service revenues is primarily due to the addition of salaries and other labor related costs attributable to the operations of PDS. 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 revenues will continue to increase in fiscal 2009 as we expand our eClinical market.

Sales and marketing expenses for the three months ended March 31, 2009 and 2008 were \$2.2 million and \$1.5 million, respectively, an increase of \$700,000, or 46.9%. Sales and marketing expenses for the three months ended March 31, 2009 and 2008 were comprised of direct sales and marketing costs, salaries and benefits and allocated overhead. The increase is primarily due to the addition of sales personnel from the PDS acquisition along with increased marketing and tradeshow attendance. We expect that sales and marketing expenses will increase in fiscal 2009 as we continue to expand our market presence in the United States and Europe.

General and administrative expenses for the three months ended March 31, 2009 and 2008 were \$1.9 million and \$1.5 million, respectively, an increase of \$400,000, or 24.6%. General and administrative expenses for the three months ended March 31, 2009 and three months ended March 31, 2008 consisted primarily of salaries and benefits, allocated overhead, professional and consulting services and corporate insurance. The increase is primarily due to the addition of personnel and other professional services related to the administration of PDS. We expect that our general and administrative expenses will increase in 2009 due to increased professional fees and general corporate matters.

Amortization of intangible assets related to acquisitions for the three months ended March 31, 2009 and 2008 were \$119,000 and \$24,000, respectively, an increase of \$95,000, or 395.8%. 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 and Theralys. We expect that the amortization of intangible assets related to acquisitions may increase as we look to continue to expand our pharmaceutical contract services through potential acquisitions.

Net interest income was \$20,000 for the three months ended March 31, 2009 and \$153,000 for the three months ended March 31, 2008, a decrease of \$133,000, or 86.9%. Net interest income and expense for the three months ended March 31, 2009 and 2008 is comprised of interest income earned on



**Table of Contents**

our cash balance and interest expense incurred on equipment lease obligations. We expect interest income to decline in 2009 due to the decline in interest rates for short-term investments.

Our income tax provision for the three months ended March 31, 2009 and 2008 was \$456,000 and \$666,000, respectively. Our effective tax rate from continuing operations is approximately 36.7% for fiscal 2009. Our effective tax rate from continuing operations was approximately 34.9% for fiscal 2008. The higher effective tax rate in fiscal 2009 was due to the mix of pre-tax income in the U.S. and in the Netherlands, which has a lower corporate income tax rate than the U.S., and the changes affecting state tax rates.

**Table of Contents****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 this 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.

Our foreign customers accounted for approximately 32% and 38% of service revenues for the three months ended March 31, 2009 and 2008, respectively.

**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 three months ended March 31, 2009 compared to March 31, 2008*

(in thousands)	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Net cash provided by activities from continuing operations	\$569	\$ 2,834
Net cash used in investing activities from continuing operations	\$103	\$ (9,226)
Net cash provided by financing activities from continuing operations	\$ (19)	\$ 46

At March 31, 2009, we had cash and cash equivalents of \$14.9 million. Working capital, defined as current assets minus current liabilities, at March 31, 2009 was \$8.8 million.

Net cash provided by continuing operating activities for the three months ended March 31, 2009 was \$569,000 as compared to \$2.8 million for the three months ended March 31, 2008. This decrease from the prior year is primarily due to the decrease in deferred revenue.

Cash used in discontinued operations for the three months ended March 31, 2009 was \$0 compared to \$433,000 for the three months ended March 31, 2008.

Net cash provided by (used in) investing activities from continuing operations for the three months ended March 31, 2009 was \$103,000 as compared to \$9.2 million for the three months ended March 31, 2008. The cash usage in 2008 was primarily due to the acquisition of PDS on March 24, 2008. We currently anticipate that capital expenditures for the remainder of the fiscal year ending December 31, 2009 will be approximately \$2 million. These expenditures primarily represent additional upgrades in our networking, data storage and core laboratory capabilities for both our U. S. and European operations, as well as capitalization of software costs.

**Table of Contents**

Net cash used in financing activities from continuing operations for the three months ended March 31, 2009 was \$19,000 as compared to net cash provided by financing activities of \$46,000 for the three months ended March 31, 2008. The change is primarily attributable to fewer proceeds related to the exercise of stock options.

The following table lists our cash contractual obligations as of March 31, 2009:

(in thousands)	Total	Payments Due By Period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations					
Capital lease obligations	\$ 100,000	\$ 76,000	\$ 24,000	\$	\$
Facility rent operating leases	\$ 16,363,000	\$ 2,407,000	\$ 3,651,000	\$ 3,450,000	\$ 6,855,000
Employment agreements	\$ 1,434,000	\$ 725,000	\$ 709,000	\$	\$
Total contractual cash obligations	\$ 17,897,000	\$ 3,208,000	\$ 4,384,000	\$ 3,450,000	\$ 6,855,000

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 2009 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 and the foreseeable future.

**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, 2008. As of March 31, 2009, there have been no changes to such critical accounting policies and estimates.

**Table of Contents**

**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 10 percent increase or decrease in the Euro to U.S. dollar spot exchange rate would result in a change of \$208,000 to our net asset position at March 31, 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 contracts 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.

We hedge our foreign currency exposure when and as appropriate to mitigate the adverse impact of fluctuating exchange rates. 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 March 31, 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.

In accordance with our foreign exchange rate risk management policy, we had purchased monthly Euro call options in prior years. These options were intended to hedge against the exposure to variability in our cash flows resulting from the Euro denominated costs for our Netherlands subsidiary. During the three months ended March 31, 2009 and 2008, we have not purchased any Euro call options, because our foreign currency needs are generally being met by the cash flow generated by Euro denominated contracts. The last Euro call option expired March 31, 2007, and we have not entered into any new Euro call options since that time. As of March 31, 2009, there were 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 March 31, 2009, 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 March 31, 2009. 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 March 31, 2009 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

**Table of Contents**

**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.

**Table of Contents**

***The current 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 falling 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, Centocor Ortho Biotech, Inc., encompassing 23 projects, represented 12.0% of our service revenue for the three months ended March 31, 2009. One client, Hoffmann-LaRoche, encompassing 11 projects, represented 10.2% of our service revenues for the three months ended March 31, 2008. The loss of business from a significant client or our failure to continue to obtain new business to replace completed or cancelled 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 \$93.3 million at March 31, 2009 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 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 recently acquired Phoenix Data Systems, Inc. and may engage in future acquisitions, which may be expensive and time consuming, and from which we may not realize anticipated benefits.***

We recently acquired Phoenix Data Systems, Inc. (PDS) and may acquire additional businesses, technologies and products if we determine that these additional businesses, technologies and products

**Table of Contents**

complement our existing business, or otherwise serve our strategic goals. Either as a result of the acquisition of PDS 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, Bio-Imaging Services, and Peter Benton, Executive Vice President, eClinical. 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 quarter of 2009, 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 facility in Leiden, the Netherlands, which are primarily Euro denominated. We hedge our foreign currency exposure when and as appropriate to mitigate the adverse impact of fluctuating exchange rates.

***Our investments may be exposed to credit risk.***

Financial instruments that potentially subject us to significant credit risk consist principally of cash. As part of our risk management processes, we continuously evaluate the relative credit standing of all of the financial institutions that service us and monitor actual exposures versus established limits. We have not sustained credit losses from instruments held at financial institutions. We maintain cash and cash equivalents, comprised of savings accounts, short-term certificate of deposits and money market funds with various financial institutions. These financial institutions are generally highly rated and the company has a policy to limit the dollar amount of credit exposure with any one institution.

**Table of Contents**

***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.

**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 contract research organizations. If we fail to compete effectively, we will lose clients, which would cause our business to suffer. We, or CROs 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.

**Table of Contents**

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 current 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 general 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.

**Table of Contents**

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

In recent years, the United States Congress and state legislatures have considered various types of healthcare reform in order to control growing healthcare costs. The United States Congress and state legislatures may again address healthcare reform in the future. We are unable to predict what legislative proposals will be adopted in the future, if any. Similar reform movements have occurred in Europe and Asia.

Implementation of healthcare reform legislation that results in additional costs could limit the profits that can be made by clients from the development of new products. This could adversely affect our clients' research and development expenditures, 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 costs or limit service offerings. We cannot predict the likelihood of any of these events.

In addition to healthcare reform proposals, 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.

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.

***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

**Table of Contents**

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 March 31, 2009, we had the following capital structure (in thousands):

Common stock outstanding	14,356
Common stock issuable upon:	
Exercise of options which are outstanding	2,014
Exercise of options which have not been granted	703
Restricted stock units outstanding	113
Total common stock outstanding assuming exercise or conversion of all of the above	17,186

As of March 31, 2009, we had outstanding options to purchase 2.0 million shares of common stock at exercise prices ranging from \$0.63 to \$8.06 per share (exercisable at a weighted average of \$4.35 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 March 31, 2009, we had 14.4 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 the registration statement 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.***

**Table of Contents**

Our directors, officers and principal stockholders (stockholders owning 10% or more of our common stock), including Covance Inc., beneficially owned 24% of the outstanding shares of common stock and stock options that could have been converted to common stock at March 31, 2009, 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, 2009 and March 31, 2009, our common stock has traded at a low of \$2.75 per share and a high of \$4.25 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

**Table of Contents**

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.

These provisions of our certificate of incorporation, 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. Submission of Matters to a Vote of Security Holders.**

None.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

- 31.1 Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification of principal financial and accounting officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350 (furnished herewith).
- 32.2 Certification of principal financial and accounting officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350 (furnished herewith).

**Table of Contents**

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.

BIO-IMAGING TECHNOLOGIES, INC.

DATE: May 8, 2009

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

DATE: May 8, 2009

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

-36-