BIOCLINICA INC
Form 10-K
February 22, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2012

Commission File No. 001-11182

BIOCLINICA, INC.

(Exact name of Registrant as specified in its Charter)

Delaware	**11-2872047**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
826 Newtown-Yardley Road, Newtown, Pennsylvania	**18940-1721**
(Address of principal executive offices)	(Zip Code)

(267) 757-3000

(Registrant s telephone number,
including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.00025 par value per share	NASDAQ Global Market
Preferred Share Purchase Rights	

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes: o No: x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes: o No: x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website; 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: x No:o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

Indicate by check mark if the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes: o No: x

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $60.7 million on June 30, 2012, the last business day of the registrant s most recently completed second fiscal quarter, based on the close price on that date.

Indicate the number of shares outstanding of each of the registrant s classes of common equity, as of January 31, 2013:

Class	**Number of Shares**
Common Stock, $.00025 par value	15,685,671

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PART I

Item 1. Business.

Overview

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

Our solutions support clinical stage research and development, or R&D, functions for our clients, and specifically, the collection, cleaning, and reporting of data related to their clinical trials. For large pharmaceutical and biotechnology companies, outsourcing these services to BioClinica is a cost effective alternative to the fixed cost model associated with internal drug development. Moreover, these large companies can benefit from BioClinica s technical resource pool, broad therapeutic expertise, and global infrastructure to support simultaneous multi-country clinical trials. For smaller companies, BioClinica provides the focused expertise and the manpower that they simply may not have in-house to pursue the resource-intensive clinical stages of drug development.

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

Our Business

We view our operations and manage our business as one operating segment. Our extensive customer base includes all of the top 20 global pharmaceutical companies measured by revenue and many small and middle-market life sciences companies, as well as CROs.

BioClinica s clinical trial solutions enhance pharmaceutical and biotech companies ability to collect, clean (i.e., verify and ensure accuracy), process, and store the vast quantities of data generated in clinical trials. Through the use of our proprietary software and associated services, our

customers see the results of their clinical trials sooner and more accurately than through alternate methods. We believe our forecasting, simulation, and reporting tools improve our clients ability to manage their clinical trials and significantly reduce cost and risk inherent in clinical development. Our Medical Imaging Solutions support the collection and processing of clinical data, but specifically those related to medical images. The large size of digital image files requires rigorous processes to manage this data. We have developed proprietary expert software applications and services to make image collection both accurate and efficient. BioClinica s Medical Imaging Solutions also assist clients with the

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design and management of the medical imaging component of clinical trials and with the analysis and regulatory submission. Our systems enable us to contract with the foremost independent radiologists and other medical specialists who are 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. The resulting data enables our clients and regulatory reviewers, primarily the U.S. Food and Drug Administration, or the FDA, and comparable European agencies, to evaluate product efficacy and safety.

Acquisitions have been, and may continue to be, an important component of BioClinica s growth strategy.

On March 25, 2010, we acquired substantially all of the assets of privately held TranSenda International, LLC, or TranSenda. TranSenda was a provider of clinical trial management software, or CTMS, solutions. TranSenda s suite of web-based, Office-Smart CTMS solutions creates efficiencies for trial operations through interoperability with Microsoft Office tools. With this acquisition, we enhanced our ability to serve customers throughout the clinical research process with technologies that include improved efficiencies by reducing study durations and costs through integrated operational management.

On September 16, 2009, BioClinica acquired Tourtellotte Solutions, Inc., a private Massachusetts software firm. Tourtellotte Solutions supply chain simulation software added a new enterprise-class offering to our product line, and their interactive voice, or IVR, interactive web, or IWR, technology developments greatly advanced BioClinica s capabilities in this area.

We were incorporated in Delaware in 1987 under the name Wise Ventures, Inc. Our name was changed to Bio-Imaging Technologies, Inc. in 1991 and was changed to BioClinica, Inc. in 2009. We changed the company name to BioClinica, Inc. in 2009 to better reflect our expanded products and services. The address of our principal executive offices is 826 Newtown-Yardley Road, Newtown, Pennsylvania, 18940, and our telephone number is 267-757-3000. Our Internet website is www.bioclinica.com. We make available on our Internet website all of our public filings with the Securities and Exchange Commission, or SEC. However, nothing on our Internet website is intended to be incorporated by reference into this Form 10-K or any other filing made by us with the SEC. The public may read or copy any filings that BioClinica, Inc. files with the SEC at the SEC Public Reference Room at 100 F. Street, N.E., Washington, D.C. 20549. The SEC maintains an internet site that contains reports, proxy, and information statements, and other information regarding issuers that file electronically with the SEC. The website is http://www.sec.gov. The public can also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Transaction with Affiliates of JLL Partners

On January 30, 2013, it was announced that affiliates of JLL Partners, Inc., or JLL, including BioCore Holdings, Inc., or Parent, and BC Acquisition Corp., a wholly-owned subsidiary of Parent, or Purchaser, entered into an Agreement and Plan of Merger, or the Merger Agreement, with us whereby Parent will acquire us. The acquisition will be carried out in two steps. The first step is the tender offer by Purchaser to purchase all of our outstanding shares of common stock at a price of $7.25 per share, payable net to the seller in cash, or the Tender Offer. Unless subsequently extended, the Tender Offer will expire on March 11, 2013 at 12:00 midnight New York City time.

Following the successful completion of the Tender Offer, Purchaser will be merged with the Company, and all shares of our common stock not purchased in the Tender Offer (other than shares held by Purchaser or its affiliates or the Company and dissenting shares) will be converted into

the right to receive $7.25 in cash per share of our common stock. In addition, under the terms of the Merger Agreement, Purchaser is granted an option to

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acquire up to one share more than 90% of our issued and outstanding common stock if necessary to allow a short-form merger under Delaware law, which would not require a stockholder vote. The Merger is subject to customary conditions.

Target Markets

Our primary target market is comprised of pharmaceutical, biotechnology, and medical device companies with products in any stage of clinical development (Phase I, Phase II, Phase III, or Phase IV). Though our experience spans a wide range of therapeutic areas, we also target the largest areas of clinical research with customized products and services to support the precise requirements of these projects. Our therapeutic areas of expertise include: oncology, musculoskeletal conditions, and cardiology, plus central nervous system, neurovascular, and metabolic diseases.

Our Solutions and Services

The processes and technology incorporated into our offerings are designed to provide clients with the ease of use and scalability to handle large global trials as well as the flexibility, speed, and efficiency necessary to support smaller or early phase trials. The conduct of clinical trials for new drugs, biological products, and medical devices is regulated by the FDA and other regulatory bodies. Our products and services are designed to help our clients to operate in a manner that is compliant with applicable regulations and follows applicable regulatory guidance.

Medical Imaging Solutions

BioClinica provides a broad array of medical imaging management solutions to support clinical development. Medical image data are received by us from clinical trial sites located throughout the world. We have developed systems and procedures for data tracking and quality control that we believe to be of significant value to our clients. Our facilities in the U.S. and Europe are equipped with specialized hardware and software for the digitization of films and translation of digital data, enabling data to be standardized, regardless of its source. We believe our ability to handle most commercially available image file formats is a valuable technical asset and an important competitive advantage in gaining new business from large, global, multi-center clinical trials.

We have also developed image analysis software to measure key indicators of drug efficacy in different organs and disease states. The results from image analysis derived in our facilities can be transmitted electronically to our clients for regulatory submission. In addition, clients can use our image analysis software to determine patient eligibility for their clinical trials. Our information management services focus on providing specialized solutions for improving the quality, speed, and flexibility of image data management for clinical trials. We believe that utilizing our BioReadTM system offers numerous advantages over conventional film-based medical image reading scenarios, including increased reading speed, greater standardization of image reading, and reduced error in the capture of reader interpretations.

Using our BioRead system, independent medical specialists can review medical image data from clinical trials in a digital format. The BioRead system displays all modalities of medical image data, regardless of source equipment. In addition, the systems display either translated digital data or digitized films. Such image reviews are often required during clinical trials to evaluate patients responses to therapy or to determine if

patients qualify for studies. By using the BioRead system to read and evaluate image data, medical specialists achieve greater reading speed than is possible with a manual film-based system and can perform evaluations in a more objective, reproducible manner.

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We have also developed remote BioRead systems that are located on the premises of the individual medical specialists who are engaged by the sponsor to perform the analysis of the medical image data. Historically, the BioRead systems have been utilized to determine efficacy of the compounds being studied.

BioClinica assists clients in the design and management of the medical imaging component of clinical trials for all modalities, which includes computerized tomography, or CT, magnetic resonance imaging, or MRI, radiography, dual energy x-ray absorptiometry, or DXA/DEXA, positron emission tomography, or PET, single photon emission computerized tomography, or SPECT, quantitative coronary angiography, or QCA, cardiac MRI and CT, intravascular ultrasound, or IVUS, peripheral quantitative angiography, or QVA, central nervous system, or CNS, MRI, and ultrasound. We offer our clients therapeutic expertise in areas including oncology, musculoskeletal conditions, and cardiology, plus central nervous system, neurovascular, and metabolic diseases.

BioClinica WebSend provides our clients with a streamlined electronic transport solution to facilitate the blinding, sharing, tracking, and archiving of medical images for multi-center clinical trials as part of our suite of imaging services. Most clinical studies use courier services to transport large medical image files a process that can be slow, cumbersome, and prone to error. BioClinica WebSend provides investigator sites with a simple tool to complete transmittal forms with full validation of protocol-specific requirements and send large image studies directly to BioClinica in minutes via an Internet connection. BioClinica extends WebSend functionality to facilitate electronic sharing, tracking, analysis, and archiving of medical images for single or multi-center clinical trials with imaging endpoints.

Clients are increasingly using imaging criteria for inclusion/exclusion criteria. This use requires extremely rapid turn-around reads. We believe that the combination of WebSend and BioRead offers the optimal tool for this work because it allows us, at our client s discretion, to provide the images to an expert in the field to facilitate the review of the images from the expert s remote location, with the utmost possible speed in transport. Imaging information can also be integrated with BioClinica Express electronic data capture, or EDC, to further simplify and enhance the clinical trial process and improve the visibility of clinical data for life science companies.

Electronic Data Capture (EDC)

BioClinica Express™ EDC is an EDC technology platform that automates expensive, time-consuming, paper-based clinical trial processes and scales securely, reliably, and cost-effectively for global clinical trials involving large numbers of clinical sites and patients. The Express system integrates EDC functionality with clinical data management system features into a single solution that replaces traditional paper-based methods. Using our proprietary software, clients collect, clean, and manage their clinical data completely in electronic format. This technology-enabled process improves data quality and allows our sponsors to see the results of their clinical trials faster than conventional paper-based methods. Electronic versions of case report forms, or eCRFs, are made available to each research site participating in the clinical trial via the Internet. The Express system also allows the import and integration of clinical data from other sources during the course of the trial to help to reduce the imprecision and inefficiencies of waiting until the end of the trial to get a full and accurate analysis of the efficacy and safety of the investigational compound.

IVR/IWR Interactive Response Solutions

BioClinica Trident IWR is a next-generation interactive voice response IVR/IWR system that was released in 2010. It is parameter-driven, built specifically for the web, and is able to support rapid, flexible customization that supplies greater control over cost and data than legacy clinical IVR systems. Process knowledge and expertise in IVR/IWR, simulation and forecasting, and clinical supplies combined with other

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innovations, has led to the development of Trident IWR.

Trident IWR s unique interface provides clinical operations personnel with an intuitive way to directly set up, monitor, and maintain randomization and supplies for their clinical trials, in a fraction of the time

previously required. Trident IWR delivers rapid study setup with no programming, while supporting multiple concurrent studies. Trident IWR eliminates the need to design and create a new database for each new trial, and it provides custom data reporting and metrics. Trident IWR also offers an innovative integration with BioClinica Optimizer that unifies planning and execution systematically, extending clients precision and control over these complex processes.

Clinical Supply Forecasting and Optimization

BioClinica Optimizer clinical supply forecasting and optimization is a product that allows biopharmaceutical companies to simulate, forecast, and optimize their clinical supply chain. Optimizer allows clients to design unlimited supply chain scenarios and vary relevant study parameters from a global level down to a site level. Simulated results can be analyzed and modified to create the ideal clinical supply chain. Simulation is a process that replicates a real-world system or environment in order to predict actual behavior. Simulating study scenarios can help identify and mitigate supply crisis, study delays, and unnecessary overages. Optimizer helps define the minimum thresholds for site stock and local country depots using specific shipping lead times. Finding the maximum unpredictable demand over time allows users to change their minimum stock levels as the study progresses, e.g. dropping off as enrollment or other unpredictable events become complete. BioClinica offers Optimizer both through software licensing and as an outsourced service to make these benefits accessible to organizations of any size.

Clinical Trial Management Systems, or CTMS

BioClinica OnPoint CTMS is an application that helps sponsors and CROs better manage business and operational processes for clinical trials by capturing and manipulating the trial data electronically. BioClinica OnPoint includes: applications to manage data related to clinical sites, personnel, subjects, and clinical supplies; scheduling, tracking, and monitoring performance; site payments; study document management; vendors; and more.

BioClinica OnPoint leverages Microsoft® SharePoint, Microsoft® Office, and BioClinica technologies to provide superior team collaboration, connectivity, and efficiency in a multi-site environment; it is the only CTMS capable of fully utilizing the Microsoft Office environment. OnPoint also interfaces with a variety of systems, such as EDC and IVR/IWR systems, to fully integrate all clinical operational data. The CTMS product line also includes the BioClinica Clinical Payment Manager. Most financial systems do not have the functions or the flexibility needed to efficiently track payments specific to clinical trials; and manual payment calculation can involve extensive sorting through trial activity and contracts a process that takes time, limits visibility and is often prone to error. This results in one of the leading complaints of investigators a lack of timely and accurate payments. Offered as both a stand-alone system or fully integrated with BioClinica CTMS, Clinical Payment Manager also works with Microsoft Office software to further maximize efficiency.

Data Management

BioClinica Express clinical data management services support the accurate collection, verification, and analysis of clinical data. The data management team designs eCRFs and data management plans to ensure that data are collected in compliance with both the study protocol and applicable regulatory requirements. Prior to data lock, BioClinica personnel screen the data to detect errors, omissions, and other deficiencies in completed eCRFs. Data management personnel review, code, reconcile serious adverse events, and assist with the resolution

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of any data-related problems. Clients can utilize these services to augment their organization for an entire trial or to manage unexpected resource situations. Other clients choose to completely outsource the data management function in lieu of direct staff.

Additional Services

Our products are supported by comprehensive consulting, training services, and application hosting and support capabilities to support clinical trials on a global scale. In addition to our U.S. headquarters, we have offices with service personnel in the Netherlands, France and India.

Application Hosting Services. Other than our internal medical imaging systems, our software products are available to customers through software licensing arrangements and as hosted application solutions with technical and training support services.

Consulting Services. We provide technical consulting in the evaluation of the sites that may participate in clinical trials. We also provide consulting services to our clients regarding regulatory issues involved in the design, execution, analysis, and submission of medical image data in clinical trials. BioClinica provides expertise through our deep roster of collaborative consultants, which includes board-certified radiologists, oncologists, rheumatologists, cardiologists, and other therapeutic specialists to ensure the highest quality independent review, as well as clinical trial design and deployment expertise.

Customer Support. Our multi-lingual customer and site technical support is available 24 hours per day, seven days per week, via our call center. Customer support also includes training and software maintenance. Support services are bundled within our software licenses and outsourced service offerings.

Intellectual Property

Proprietary intellectual property protection for our computer-imaging programs, processes and expertise is important to our business. We have developed certain technically-derived procedures and computer software applications that are intended to increase the effectiveness and quality of our services. We rely upon patents, trademarks, copyrights, trade secrets, know-how and continuing technological innovation to develop and maintain our competitive position. We have claimed trademark protection for BioClinica. We hold patents for the two DEXA phantoms, titled Spine and Variable Composition Phantoms , which we sell to trial sites. We cannot assure you that we can limit unauthorized or wrongful disclosures of trade secrets or otherwise confidential information. In addition, to the extent we rely on trade secrets and know-how to maintain our competitive technological position, we cannot assure you that others may not develop independently the same, similar or superior techniques. Although our intellectual property rights are important to the results of our operations, we believe that other factors, such as our independence, process knowledge, technical expertise and experience are more important, and that, overall, these technological capabilities offer significant benefits to our clients.

Government Regulation

It is our view that demand for our software products, services and hosted solutions is largely a function of the regulatory requirements associated with the investigation and approval of drugs, biologics and medical devices, as well as the monitoring of and reporting on the safety of these products. The clinical testing of drugs, biologics and medical devices is subject to regulation by the FDA and other governmental authorities worldwide. The use of software and services during the clinical trial process must adhere to the regulations known as Good Clinical Practices and other various codified FDA regulations, and should adhere to regulatory guidance such as

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the Consolidated Guidance for Industry from the International Conference on Harmonization regarding Good Clinical Practice for Europe, Japan and the United States and other guidance documents. Our products, services and hosted solutions are developed using our domain expertise and are designed to allow compliance with applicable rules and regulations and conformance with applicable guidance. The foregoing regulations and regulatory guidance are subject to change at any time. Changes in regulations and regulatory guidance to either more or less stringent conditions could adversely affect our business and the software products, services and hosted solutions we make available to our customers. Further, a material violation by us or our customers of Good Clinical Practices could result in a warning letter from the FDA, the suspension or termination of clinical trials, investigator disqualification, debarment, the rejection or withdrawal of a product marketing application, criminal prosecution or civil penalties, any of which could have a material adverse effect on our business, results of operations or financial condition.

In addition to the aforementioned regulations and regulatory guidance, the FDA has developed regulations and regulatory guidance concerning electronic records and electronic signatures. The regulations, codified as 21 CFR Part 11, are interpreted for clinical trials in a guidance document titled Computerized Systems Used in Clinical Trials . This regulatory guidance stipulates that computerized systems used to capture or manage clinical trial data must meet certain standards for attributability, accuracy, retrievability, traceability, inspectability, validity, security and dependability. Other guidance documents have been issued that also help in the interpretation of 21 CFR Part 11. We cannot assure you that the design of our software solutions, will continue to allow customers to maintain conformance with these guidelines as they develop. Any changes in applicable regulations that are inconsistent with the design of any of our software solutions or which reduce the overall level of record-keeping or other controls or performances of clinical trials, may have a material adverse effect on our business and operations. If we fail to offer solutions that allow our customers to comply with applicable regulations, it could result in the suspension or termination of on-going clinical trials, the disqualification of data for submission to regulatory authorities, or the withdrawal of approved marketing applications.

The FDA has established mandatory procedures and safety standards that apply to the clinical testing, manufacturing and marketing of drugs and medical devices. These procedures and safety standards include, among other things, the completion of adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug or device for its recommended conditions or use. We advise our clients in the execution of clinical trials and other drug and device development tasks. We do not administer drugs to or utilize medical devices on patients.

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, we cannot assure you that the FDA or other regulatory authorities will require the application of imaging techniques to numbers of patients and over time periods substantially similar to those required of traditional safety and efficacy techniques.

Changes in the FDA s policy for the evaluation of therapeutic oncology agents may have a positive impact on the time to market of such therapeutics. According to FDA guidelines, approval times for new cancer therapies can be shortened if evidence of tumor shrinkage is verifiable and demonstrable through the use of objective measurement techniques. These guidelines place greater reliance on the use of medical image data to demonstrate objective tumor shrinkage. In addition, the FDA has implemented guidelines aimed at accelerating other therapeutic categories through the use of imaging markers as surrogate endpoints for measuring therapeutic effectiveness. We believe the FDA s initiatives to streamline and accelerate the submission and review process of therapeutic agents has had a favorable impact on our business.

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We believe that our ability to achieve continued and sustainable growth will be materially dependent upon, among other factors, the continued stringent enforcement of the comprehensive regulatory framework by various government agencies. Any significant change in these regulatory requirements or the enforcement thereof, especially relaxation of standards, could adversely affect our business.

The current European market regulation is more fragmented than in the United States. However, we believe that our expertise in working with the standards of the FDA provides us with experience when working with the various European regulatory agencies.

Competition

The market for medical image management, electronic data collection, data management and other clinical trial services is highly competitive and rapidly evolving. Our clinical research technology solutions compete against specialty CROs, and to a lesser extent, universities and teaching hospitals. Certain of our technology solutions compete with internally developed solutions, general CROs, and independent providers of such services. Certain of these competitors are owned by or are divisions of larger organizations, some of which have substantially greater resources than we do. As competition increases, we will look to provide value-added services and undertake marketing and sales programs to differentiate our services based on our expertise and experience in specific therapeutic and diagnostic areas, our technical expertise, our regulatory and clinical development experience, our quality performance and our international capabilities. Our competitive position also depends upon our ability to attract and retain qualified personnel and develop and preserve proprietary technology, processes and know-how. Competition in our industry has resulted in additional pressure being placed on price, service and quality. Although we believe that we are well positioned against our competitors due to our experience in clinical trials and regulatory compliance along with our international presence, we cannot assure you that our competitors or clients will not provide or develop services similar or superior to those provided by us. This competition could have a material adverse impact on us.

Marketing and Sales

We provide and market our services on an international basis primarily to pharmaceutical, biotechnology and medical device companies. We sell our products through a direct sales force and through relationships with CROs. Our direct sales force is operated out of three U.S. field offices and two European field offices, as well as our operational facilities in Pennsylvania and Leiden, The Netherlands. In addition, follow-on sales are accomplished by the efforts of sales professionals, project managers and other consulting services professionals.

Our selling efforts are primarily focused on North America and Western Europe. Our marketing activities include exhibiting at major trade shows, advertising in trade journals and the sponsoring of industry associations.

Significant Clients

Contracts with one client, Pfizer Inc., which encompassed 24 projects, represented 18.7% of our service revenues for the year ended December 31, 2012. Contracts with Pfizer, Inc., which encompassed 21 projects, represented 19.8% of our service revenues for the year ended December 31, 2011. Contracts with Pfizer, Inc., which encompassed 22 projects, represented 19.9% of our service revenues for the year ended

December 31, 2010. Contracts are terminable by our clients at any time and for any reason. 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.

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Business Segments and Geographic Information

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

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

Employees

As of December 31, 2012, we had 585 full-time employees, four of whom were executive officers.

Of our employees, as of December 31, 2012, 40 were engaged in sales and marketing, 483 were engaged in client-related projects, and 62 were engaged in administration and management. A significant number of our management and professional employees have prior industry experience. We believe that we have been successful in attracting skilled and experienced personnel; however, it remains a competitive market for recruiting such personnel. As of January 31, 2013, we have employment agreements with three of our executive officers. See Item 11. Executive Compensation . We consider relations with our employees to be good.

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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. 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 Merger

If our acquisition by JLL is not completed as expected, our stock price, business and results of operations may suffer.

On January 30, 2013, it was announced that affiliates of JLL, including Parent and Purchaser, entered into the Merger Agreement with us whereby Parent will acquire us. The acquisition will be carried out in two steps. The first step is the tender offer by Purchaser to purchase all of our outstanding shares of common stock at a price of $7.25 per share, payable net to the seller in cash. Unless subsequently extended, the Tender Offer will expire on March 11, 2013 at 12:00 midnight New York City time.

Following the successful completion of the Tender Offer, Purchaser will be merged with the Company, and all shares of our common stock not purchased in the Tender Offer (other than shares held by Purchaser or its affiliates or the Company and dissenting shares) will be converted into the right to receive $7.25 in cash per share of our common stock. In addition, under the terms of the Merger Agreement, Purchaser is granted an option to acquire up to one share more than 90% of our issued and outstanding common stock if necessary to allow a short-form merger under Delaware law, which would not require a stockholder vote. The Merger is subject to customary conditions.

The Merger might be delayed or prevented if a court or other governmental authority were to block the merger or make it illegal. If the Merger is delayed or otherwise not consummated within the contemplated time periods or at all, we could suffer a number of consequences that may adversely affect our business, results of operations and stock price, including:

- activities related to the merger and related uncertainties may lead to a loss of revenue and market position that we may not be able to regain if the proposed transaction does not occur;

- the market price of our common stock could decline following an announcement that the proposed transaction had been abandoned or delayed;

- because Purchaser would own a substantial majority of our common stock, there may not be an active trading market for our remaining shares of common stock and we may not be able to sustain our NASDAQ listing;

- we would remain liable for our costs related to the proposed transaction, including substantial legal, accounting and investment banking expenses; and

- we may not be able to take advantage of alternative business opportunities or effectively respond to competitive pressures.

Lawsuits have been filed against us, our Board, JLL, Parent and Purchaser arising out of our proposed acquisition by JLL, and if not settled or otherwise resolved, they may result in additional costs and distraction.

Starting on February 1, 2013, several purported stockholders of BioClinica have filed complaints styled as class action lawsuits in the Court of Chancery of the State of Delaware (the Court of Chancery) against

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BioClinica, Inc., the BioClinica board of directors, JLL Partners, Inc., BioCore Holdings, Inc. and BC Acquisition Corp. The complaints allege, among other things, that the board of directors of BioClinica conducted an unfair sales process resulting in an unfair consideration to the BioClinica stockholders in the Offer, and certain lawsuits allege that the information disclosed about the transaction was inadequate and omitted material information. The complaints assert that BioClinica s board members breached their fiduciary duties in agreeing to the Offer and that BioClinica, JLL, Parent and Purchaser aided and abetted in the breaches of fiduciary duties. In addition, certain lawsuits bring claims against the board of directors for breach of fiduciary duty for materially misleading and inadequate disclosures. The lawsuits seek to enjoin the Offer and seek other equitable relief and unspecified monetary damages. BioClinica and the BioClinica board of directors believe the claims are without merit and intend to defend them vigorously.

If these lawsuits are not resolved at an early stage, they could divert the attention of our management and employees from our day-to-day business and otherwise adversely affect us financially.

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 companies that are regulated by the United States Food and Drug Administration, or FDA, 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.

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

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base for us; or

- clients reduce their research and development expenditures.

Contracts with one client, Pfizer Inc., which encompassed 24 projects, represented 18.7% of our service revenues for the year ended December 31, 2012. Contracts with Pfizer, Inc., which encompassed 21 projects, represented 19.8% of our service revenues for the year ended December 31, 2011. 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 $122.2 million at December 31, 2012 is based on anticipated service revenue from uncompleted projects with clients. Backlog is the expected service revenue that remains to be earned and recognized on signed and verbally agreed to contracts. Contracts included in backlog are subject to termination by our clients at any time. In the event that a client cancels a contract, we would be entitled to receive payment for all services performed up to the cancellation date and subsequent client authorized services related to the cancellation of the project. The duration of the projects included in our backlog range from less than three months to seven years. We cannot assure you that this backlog will be indicative of future results. A number of factors may affect backlog, including:

- the variable size and duration of the projects (some are performed over several years);
- the loss or delay of projects;
- the change in the scope of work during the course of a project; and
- the cancellation of such contracts by our clients.

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

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

On March 25, 2010, we acquired substantially all of the assets of privately held TranSenda International, LLC, headquartered in Bellevue, WA. In the third quarter of 2009, we acquired the CardioNow unit from AGFA Healthcare and substantially all of the assets of Tourtellotte Solutions, Inc. and may acquire additional businesses, technologies and products if we determine that these additional businesses, technologies and products complement our existing business, or otherwise serve our strategic goals. Either as a result of the recent acquisitions or future acquisitions undertaken, the process of integrating the acquired business, technology or product may result in operating difficulties and

expenditures, and may absorb significant management attention that would otherwise be available for ongoing development of our business. Moreover, we may never realize the anticipated benefits of any such acquisition. Such acquisitions could result in potentially dilutive issuances of our securities, the incurrence of debt and contingent liabilities and amortization expenses related to intangible assets, all of which could adversely affect our results of operations and financial condition.

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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, Garry Johnson, Executive Vice President and Chief Technology Officer and Peter Benton, Executive Vice President, President of eClinical Solutions. 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.

We may not be able to effectively manage our international operations.

We maintain facilities in France, the Netherlands and India, and we may continue to expand our international operations in the future. There are significant risks associated with the establishment of foreign operations, including, but not limited to: geopolitical risks, foreign currency exchange rates and the impact of shifts in the U.S. and local economies on those rates, compliance with local laws and regulations, the protection of our intellectual property and that of our customers, the ability to integrate our corporate culture with local customs and cultures, and the ability to effectively and efficiently supply our international facilities with the required equipment and materials. If we are unable to effectively manage these risks, these locations may not produce the revenues, earnings, or strategic benefits that we anticipate which could have a material adverse affect on our business.

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

During the year ended December 31, 2012, a portion of our service revenues were denominated in foreign currency. Our financial statements are denominated in United States dollars. In the event a greater portion of our service revenues are denominated in a foreign currency, changes in foreign currency exchange rates could affect our results of operations and financial condition. Fluctuations in foreign currency exchange rates could materially impact the operating costs of our European facilities in Leiden, the Netherlands and Lyon, France, which are primarily Euro denominated.

We 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.

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

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

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

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

We may be unable to adequately protect, and we may incur significant costs in defending, our intellectual property and other proprietary rights or in defending claims that we are infringing upon the intellectual property rights of others.

Our success depends on our ability to protect our intellectual property and other proprietary rights. We rely upon a combination of trademark, trade secret, copyright, patent and unfair competition laws, as well as license agreements and other contractual provisions, to protect our intellectual property and other proprietary rights. In addition, we attempt to protect our intellectual property and proprietary information by requiring certain of our employees and consultants to enter into confidentiality, non-competition and assignment of inventions agreements. To the extent that our intellectual property and other proprietary rights are not adequately protected, third parties might gain access to our proprietary information, develop and market products or services similar to ours or use trademarks similar to ours, each of which could materially harm our business. Existing U.S. federal and state intellectual property laws offer only limited protection. Moreover, the laws of other countries in which we market our software products, services and hosted solutions may afford little or no effective protection of our intellectual property. If we are involved in legal proceedings to enforce our intellectual property rights, to determine the validity and scope of the intellectual property or other proprietary rights of others or to defend against claims of infringement by third parties, the proceedings could be burdensome and expensive, even if we were to prevail. Any potential infringement actions brought against us could require us to stop using the product or service which incorporates such third party intellectual property, obtain a license to use such third party intellectual property (which could be costly or unavailable) or redesign our products or services that incorporate such third party intellectual property (which could be time consuming and costly and affect the market acceptance of such product or service). The failure to adequately protect our intellectual property and other proprietary rights or acknowledge third party intellectual property rights may have a material adverse effect on our business, results of

operations or financial condition.

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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;
- the service and product offerings of our competitors; and
- our ability to upgrade our products, services and hosted solutions so such offerings are not deemed obsolete in comparison to the service and product offerings of our competitors.

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

The biopharmaceutical services industry is highly competitive, and we face numerous competitors in our business, including hundreds of CROs. If we fail to compete effectively, we will lose clients, which would cause our business to suffer. We primarily compete against in-house departments of pharmaceutical companies, full service CROs, small specialty CROs, and to a lesser extent, universities and teaching hospitals. Some of these competitors have substantially greater capital, technical and other resources than we do. In addition, certain of our competitors that are smaller specialized companies may compete effectively against us because of their concentrated size and focus.

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

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

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

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

The current extended 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 current extended economic downturn and regulatory environment by postponing, attenuating or cancelling clinical trials projects, or portions thereof, which may reduce the need for our services. As a result, our revenues may be similarly decreased. Furthermore, while our revenues may decrease, our costs may remain relatively fixed, resulting in decreased earnings.

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

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

We may be affected by health care reform.

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

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

In addition to healthcare reform legislation, the expansion of managed care organizations in the

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

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

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

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

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

In the course of conducting our business, we possess or could be deemed to possess personal medical information in connection with the conduct of clinical trials. If we fail to keep this information properly protected we could be subject to significant liability.

Our software solutions are used to collect, manage and report information in connection with the conduct of clinical trial and safety evaluation and monitoring activities. This information is or could be considered to be personal medical information of the clinical trial participants or patients. Regulation of the use and disclosure of personal medical information is complex and growing. Increased focus on individuals rights to confidentiality of their personal information, including personal medical information, could lead to an increase of existing and future legislative or regulatory initiatives giving direct legal remedies to individuals, including rights to damages, against entities deemed responsible for not adequately securing such personal information. In addition, courts may look to regulatory standards in identifying or applying a common law theory of liability, whether or not that law affords a private right of action. Since we receive and process personal information of clinical trial participants and patients from customers utilizing our hosted solutions, there is a risk that we could be liable if there were a breach of any obligation to a protected person under contract, standard of practice or regulatory requirement. If we fail to properly protect this personal information that is in our possession or deemed to be in our possession, we could be subjected to significant liability.

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

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

In the event we are unable to satisfy regulatory requirements relating to internal control over financial reporting, or if these internal controls are not effective, our business and financial results may suffer.

Effective internal controls are necessary for us to provide reasonable assurance with respect to our financial reports and to effectively prevent fraud. If we cannot provide reasonable assurance with respect to our financial reports and effectively prevent fraud, our brand and operating results could be harmed. Pursuant to the Sarbanes-Oxley Act of 2002, we are required to furnish a report by management on internal control over financial reporting, including management s assessment of the effectiveness of such control. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls, or if we experience difficulties in their implementation, our business and operating results could be harmed, we could fail to meet our reporting obligations, and there could also be a material adverse effect on our stock price.

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 December 31, 2012, we had the following capital structure (in thousands):

Common stock outstanding	15,656
Common stock issuable upon:	
Exercise of options which are outstanding	1,586
Exercise of options which have not been granted	850
Restricted stock units outstanding	657
Total common stock outstanding assuming exercise or conversion of all of the above	18,749

As of December 31, 2012, we had outstanding options to purchase 1.6 million shares of common stock at exercise prices ranging from $2.80 to $8.06 per share (exercisable at a weighted average price of $5.39 per share), of which 1.2 million options were then exercisable. Exercise of our outstanding options into shares of our

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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 December 31, 2012, we had 15.7 million shares of our common stock issued and outstanding, substantially all of which are currently freely tradable. As additional shares of common stock become available for resale in the public market pursuant to registration statements and releases of lock-up agreements, the market supply of shares of common stock will increase, which could also decrease its market price.

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

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

Our directors, officers and principal stockholders (stockholders owning 10% or more of our common stock), including Covance Inc., beneficially owned 20% of the outstanding shares of common stock and restricted stock units and stock options that could have been converted to common stock at December 31, 2012, 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;

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- 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, 2013 and February 5, 2013, our common stock has traded at a low of $5.50 per share and a high of $7.29 per share. Between January 1, 2012 and December 31, 2012, our common stock traded at a low of $4.22 per share and a high of $6.59 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 stockholder rights plan, charter and Delaware law could make a takeover more difficult and may also make it difficult for our stockholders to replace or remove our board of directors

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 into common stock and 36,000 shares designated as Series A Junior Participating Preferred Stock under our stockholder rights plan as previously disclosed. The remaining 1,714,000 shares may be issued by our board of directors, on such terms and with such rights, preferences and designations 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. Our board of directors also adopted a stockholder rights plan, dated as of July 20, 2009, as amended and restated on March 23, 2011, similar to plans adopted by many other publicly traded companies. The stockholder rights plan is intended to protect stockholders against unsolicited attempts to acquire control of us that do not offer a fair price to our stockholders as determined by our board of directors. On January 29, 2013, we amended our stockholder rights plan to make it inapplicable to the Merger, the Merger Agreement and the transactions contemplated thereby. Such amendment also contemplates that the stockholder rights plan will terminate at the effective time of the Merger.

These provisions of our certificate of incorporation, stockholders rights plan and of Delaware law, may have the effect of delaying, deterring or preventing a change in control of our company, may discourage bids for our common stock at a premium over market price and may adversely affect the market price, and the voting and other rights of the holders, of our common stock.

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Item 1B. **Unresolved Staff Comments.**

None.

Item 2. Properties.

We lease 58,681 square feet of office space located in Newtown, Pennsylvania. This lease expires November 2018 and provides for a fixed base rent of $105,140 per month with an annual inflation increase. We also lease 45,422 square feet of office space in Audubon, Pennsylvania for $80,590 per month in base rent, which expires January 2019. In addition, we lease 11,730 square feet of office space in Leiden, the Netherlands and another 6,265 square feet in Lyon, France. These leases are denominated in Euros and expire in April 2013 and May 2017, respectively. The base rent for the Netherlands is $20,910 per month and the base rent for Lyon is $14,140, based upon the conversion rate as of December 31, 2012, with an annual inflation increase. We periodically review our office space requirements and may increase the amount of office space we lease as needed.

Item 3. Legal Proceedings.

Starting on February 1, 2013, several purported stockholders of BioClinica have filed complaints styled as class action lawsuits in the Court of Chancery of the State of Delaware (the Court of Chancery) against BioClinica, Inc., the BioClinica board of directors, JLL Partners, Inc., BioCore Holdings, Inc. and BC Acquisition Corp. The complaints allege, among other things, that the board of directors of BioClinica conducted an unfair sales process resulting in an unfair consideration to the BioClinica stockholders in the Offer, and certain lawsuits allege that the information disclosed about the transaction was inadequate and omitted material information. The complaints assert that BioClinica s board members breached their fiduciary duties in agreeing to the Offer and that BioClinica, JLL, Parent and Purchaser aided and abetted in the breaches of fiduciary duties. In addition, certain lawsuits bring claims against the board of directors for breach of fiduciary duty for materially misleading and inadequate disclosures. The lawsuits seek to enjoin the Offer and seek other equitable relief and unspecified monetary damages.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

On July 8, 2009, our stockholders approved an amendment to our Certificate of Incorporation, as amended, to change our name from Bio-Imaging Technologies, Inc. to BioClinica, Inc. and to change our stock symbol from BITI to BIOC . Our common stock began trading on the NASDAQ Global Market, formerly called the NASDAQ National Market, on December 18, 2003 under the symbol BITI and now trades under the symbol BIOC . Prior to listing on the NASDAQ Global Market, our common stock was traded on the American Stock Exchange under the symbol BIT from February 25, 2003 until December 18, 2003. Our common stock was quoted on the NASD OTC Bulletin Board under the symbol BITI prior to being listed on the American Stock Exchange.

The following table sets forth the high and low sales prices for our common stock as reported on the NASDAQ Global Market for each full quarterly period within the two most recent fiscal years. Such quotations reflect interdealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Quarter Ended	Common Stock High	Common Stock Low
March 31, 2011	5.60	4.20
June 30, 2011	5.60	4.76
September 30, 2011	5.16	4.40
December 31, 2011	4.85	4.10
March 31, 2012	5.80	4.22
June 30, 2012	6.16	4.70
September 30, 2012	6.59	4.80
December 31, 2012	6.52	4.60

As of January 31, 2013, the number of holders of record of our common stock was 69 and the approximate number of beneficial holders, investors who hold our shares through brokers, of our common stock was 2,400.

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 expect that any earnings which we may realize will be retained to finance our growth.

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The following table provides information as of December 31, 2012 with respect to the shares of our common stock that may be issued under our existing equity compensation plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans that have been approved by security holders	1,585,808	$ 5.39	850,249
Equity compensation plans not approved by security holders			
Total	1,585,808	$ 5.39	850,249

The following table provides information relating to our repurchase of common stock in the fourth quarter of 2012:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1)
October 1 October 31, 2012	4,500	$ 5.94	4,500	$ 1,518,057
November 1 November 30, 2012	2,000	$ 5.94	2,000	$ 1,506,123
December 1 December 31, 2012				$ 1,506,123
Total	6,500		6,500	

(1) On December 17, 2010, our Board of Directors authorized $2 million in funds for use in our common stock repurchase program over the following 18 months. On May 16, 2012 our Board of Directors extended our common stock repurchase program through December 31, 2013 and increased the authorized funds to $4 million. Repurchases under the program may be made through open market purchases or privately negotiated transactions in accordance with applicable federal securities laws, including Rule 10b-18. The timing of the repurchases and the exact number of shares of common stock to be purchased will be determined by the discretion of our management, and will depend upon market conditions and other factors. The program will be funded using our cash on hand and cash generated from operations. The program may be extended, suspended or discontinued at any time.

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STOCK PRICE PERFORMANCE GRAPH

Our common stock is listed for trading on the NASDAQ Global Market under the symbol BIOC . The Stock Price Performance Graph set forth below compares the cumulative total stockholder return on the common stock for the period from December 31, 2007 through December 31, 2012, with the cumulative total return of the NASDAQ U.S. Stock Index and the NASDAQ Health Services Index over the same period. The comparison assumes $100 was invested on December 31, 2007 in our common stock, in the NASDAQ U.S. Stock Index and in the NASDAQ Health Services Index and assumes reinvestment of dividends, if any.

	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2012
BioClinica, Inc.	100.00	45.30	52.35	52.35	52.60	70.79
NASDAQ U.S. Stock Index	100.00	48.23	69.27	82.23	104.95	123.88
Nasdaq Health Services Index	100.00	73.03	96.56	116.40	110.24	131.82

The foregoing Stock Price Performance Graph and related information shall not be deemed soliciting material or to be filed with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

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Item 6. Selected Financial Data.

The following table presents selected consolidated financial data. This data is derived from historical financial information and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related footnotes included in this Form 10-K.

For the years ended,

(in thousands, except per share data and number of employees)

	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008
CONTINUING OPERATIONS					
Service revenue	$ 79,002	$ 67,993	$ 62,714	$ 57,393	$ 56,181
Total revenue	98,278	83,964	75,188	72,723	69,116
Income from continuing operations before interest and taxes	6,508	4,374	4,318	4,688	8,480
Income from continuing operations, net of taxes	3,727	2,798	2,753	2,959	5,791
Basic earnings per share:					
Income from continuing operations	0.24	0.18	0.18	0.21	0.42
Diluted earnings per share:					
Income from continuing operations	0.23	0.17	0.17	0.20	0.40
Weighted average shares used to calculate earnings per share:					
Basic	15,626	15,652	15,035	14,354	13,752
Diluted	16,486	16,432	15,874	15,100	14,469
FINANCIAL POSITION					
Cash, cash equivalents	$ 13,915	$ 12,575	$ 10,443	$ 14,570	$ 14,265
Working capital	14,392	11,555	8,606	7,302	7,918
Total assets	101,006	90,421	80,029	75,337	69,208
Other liabilities	1,512	1,574	2,766	2,162	641
Stockholders equity	62,464	58,060	54,879	48,535	43,412
OTHER DATA					
Purchases of property and equipment and capitalized software development costs	$ 8,904	$ 5,767	$ 7,193	$ 4,258	$ 2,916
Depreciation and amortization	5,251	4,597	3,452	2,711	2,266
Number of employees	585	522	475	479	474
Restructuring charges	839	1,719		466	

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

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

Market for our Services

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

Sales and Backlog

Our sales cycle, referring to the period from the presentation by us to a potential client to the engagement of us by such client, has historically ranged from three to twelve months. In addition, the contracts under which we perform services typically cover a period of three months to seven years, 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. In addition, our costs may increase to service our increased backlog. Our backlog as of December 31, 2012 was $122.2 million, compared to $123.1 million at December 31, 2011. Changes in backlog for the period reflect the net effect of new contract signings, addendums, cancellations, expansions, and reductions in scope of existing projects, all of which impacted our backlog at December 31, 2012.

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 60 months. 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

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contract cancellations or project delays may occur in a given period on contracts that were included in the previous reporting period s backlog.

Acquisitions and Dispositions

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

As consideration for the Purchased Assets and Assumed Liabilities, we paid 577,960 shares of common stock, par value $0.00025 per share, of the Company, valued at a volume weighted average price per share equal to $4.32556, and subject to a post-closing adjustment based on the Final Closing Net Working Capital (as defined in the Purchase Agreement). Pursuant to the terms of the Purchase Agreement, 15% of the aggregate consideration is to be held in escrow to cover any potential indemnification claims under the Purchase Agreement for a period of 12 months following the Closing Date (as defined in the Purchase Agreement, which was subsequently released). As part of the Purchase Agreement, TranSenda agreed not to directly or indirectly offer, sell, contract to sell, pledge, grant any option to purchase, make any short sale or otherwise dispose of any shares of BioClinica s common stock received pursuant to the Purchase Agreement for a period beginning on the date the Purchase Agreement was executed and continuing to and including the date 12 months after such date. We recorded the fair value of the acquisition of $2,468,000 based on our market value of $4.27 on March 25, 2010, the date of acquisition.

On September 15, 2009, BioClinica acquired substantially all of the assets of Tourtellotte Solutions, Inc., or Tourtellotte. Tourtellotte provided software applications and consulting services which support clinical trials in the pharmaceutical industry. The purchase price for Tourtellotte was $2.1 million in cash. Pursuant to the acquisition agreement, we agreed to pay up to an additional $3.2 million in cash and 350,000 shares of our common stock based upon achieving certain milestones, which include certain product development and revenue targets, hereinafter referred to as the earn-out . In December 2010, pursuant to obtaining certain milestones, we paid to the sellers of Tourtellotte, $1.2 million in cash and 350,000 shares of our common stock and in November 2012 we paid $2,000,000 of the remaining earn-out. At December 31, 2012, we had no further obligations under the earn-out for the Tourtellotte acquisition. We used cash from operations to fund the cash purchase price for Tourtellotte.

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Recent Events

On January 30, 2013, it was announced that affiliates of JLL, including Parent and Purchaser, entered into the Merger Agreement with us whereby Parent will acquire us. The acquisition will be carried out in two steps. The first step is the tender offer by Purchaser to purchase all of our outstanding shares of common stock at a price of $7.25 per share, payable net to the seller in cash. Unless subsequently extended, the Tender Offer will expire on March 11, 2013 at 12:00 midnight New York City time.

Following the successful completion of the Tender Offer, Purchaser will be merged with the Company, and all shares of our common stock not purchased in the Tender Offer (other than shares held by Purchaser or its affiliates or the Company and dissenting shares) will be converted into the right to receive $7.25 in cash per share of our common stock. In addition, under the terms of the Merger Agreement, Purchaser is granted an option to acquire up to one share more than 90% of our issued and outstanding common stock if necessary to allow a short-form merger under Delaware law, which would not require a stockholder vote. The Merger is subject to customary conditions.

Forward Looking Statements

Certain matters discussed in this Form 10-K are forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as believes , expects , may , should or anticipates or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. In particular, our statements regarding: our projected financial results; the demand for our services and technologies; growing recognition for the use of independent medical image review services; 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-K and expressed from time to time in our filings with the SEC could cause actual results and developments to be materially different from those expressed in or implied by such statements. The forward-looking statements are made only as of the date of this filing, and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Critical Accounting Policies, Estimates and Risks

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in accordance with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including the recoverability of tangible and intangible assets, disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

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On an on-going basis, we evaluate our estimates. The most significant estimates relate to the recognition of revenue and profits based on the proportional performance method of accounting for fixed service contracts, accounting for acquisitions and the related goodwill and intangible assets, capitalization of software development costs, income taxes and fair value accounting for stock based compensation.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements:

Revenue. Service revenues are recognized over the contractual term of our customer contracts using the proportional performance method. Service revenues are first recognized when we have a signed contract from a customer which: (i) contain fixed or determinable fees; (ii) collectability of such fees is reasonably assured; and (iii) services are performed. Any change to recognized service revenue as a result of revisions to estimated total hours are recognized in the period the estimate changes.

We enter into service contracts that contain fixed or determinable fees. The fees in the contracts are based on the scope of work we are contracted to perform; there are unitized fees per service and fixed fees with a total estimated for the contract based upon the estimated unitized service expected to be performed, as well as the service to be delivered under the fixed fee component of the contract. The units are estimated based on the information provided by the customer, and we bill the customer for actual units completed in accordance with the terms of the contract. 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.

We, at the request of our clients, directly contract with and pay independent radiologists, referred to as Readers, who review the client s imaging data as part of the clinical trial. The costs of the Readers and other out-of-pocket expenses are reimbursed to us and recognized gross as reimbursement revenues.

We also enter into software license contracts that permit the customer to use our software products at its site. Generally, these contracts are multiple-element arrangements since they usually provide for professional services and ongoing software maintenance. In these instances, license fees are recognized upon the signing of the contract and delivery of the software if the license fee is fixed or determinable, collection is probable, and there is sufficient vendor specific evidence of the fair value of each undelivered element. Revenue for the software maintenance is recognized over the duration of the maintenance period.

When contracts include both professional services and software and require a significant amount of program modification or customization, installation, systems integration or related services, the professional services and license revenue is recorded based upon the estimated percentage of completion, measured in the manner described above. Changes in the estimated costs or hours to complete the contract and losses, if any, are reflected in the period during which the change or loss becomes known.

Goodwill and Other Intangible Assets, Net. Goodwill is not amortized; instead, it is tested for impairment annually (at December 31st) or more frequently if indicators of impairment exist or if a decision is made to sell a business. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a decline in expected cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition, or slower growth rates, among others. It is important to note that fair values that could be realized in an actual transaction may differ from those used to evaluate the impairment of goodwill.

Goodwill is allocated among and evaluated for impairment at the reporting level unit, which is defined as

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an operating segment or one level below an operating segment. BioClinica has one operating segment, clinical trial services, which is a single reporting unit.

We use a discounted cash flow model to estimate the current fair value of the reporting unit when testing for impairment, as management believes forecasted cash flows are the best indicator of such fair value. A number of significant assumptions and estimates are involved in the application of the discounted cash flow model to forecast operating cash flows, including revenue growth rate, operating profit margins, discount rate, tax rates, capital spending, and working capital changes. We consider market participant assumptions in estimating fair value of the reporting unit. Revenue growth rate and operating profit assumptions are consistent with those utilized in our operating plan and long-term financial planning process. Management judgment is required in the determination of each assumption utilized in the valuation model, and actual results could differ from the estimates. At December 31, 2012, we conducted the required annual test of impairment. In 2012, the estimated fair value of the clinical trial services reporting unit was in excess of its carrying values, resulting in no impairment.

Income Taxes. We evaluate the need to record a valuation allowance to reduce our deferred tax assets to an amount that is more likely than not to be realized. In assessing the need for the valuation allowance, we consider our future taxable income and on-going prudent and feasible tax planning strategies. In the event that we were to determine that, in the future, we would be able to realize our 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 we determine that it is more likely than not that we will be unable to realize all or part of our 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. We recognize contingent liabilities for any tax related exposures when those exposures are more likely than not to occur.

Foreign Currency Risks

Our financial statements are denominated in U.S. dollars. Fluctuations in foreign currency exchange rates could materially increase the operating costs of our facilities in the Netherlands and France, which are Euro denominated. A ten percent increase or decrease in the Euro to U.S. dollar spot exchange rate would result in a change of $73,000 and $87,000 to our net asset position, at December 31, 2012 and December 31, 2011, respectively. In addition, certain of our contracts are denominated in foreign currency. We believe that any adverse fluctuation in the foreign currency markets relating to these costs will not result in any material adverse effect on our financial condition or results of operations. In the event we derive a greater portion of our service revenues from international operations, factors associated with international operations, including changes in foreign currency exchange rates, could affect our results of operations and financial condition.

Our foreign currency financial assets and liabilities primarily consist of cash, trade receivables, prepaid expenses, fixed assets, trade payables and accrued expenses. We were in a net asset position at December 31, 2012 and December 31, 2011. An increase in the exchange rate would result in less net assets when converted to U.S. dollars. Conversely, if we were in a net liability position, a decrease in the exchange rate would result in more net liabilities when converted to U.S. dollars.

We enter into foreign currency contracts with financial institutions to reduce the risk that our cash flows and earnings will be adversely affected by foreign currency exchange rate fluctuations. In accordance with our current foreign exchange rate risk management policy, our program is not designated for trading or speculative purposes.

We recognize derivative instruments as either assets or liabilities in the accompanying Consolidated Balance Sheets at fair value. See Note 4 of the Consolidated Financial Statements.

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Results of Operations

Year Ended December 31, 2012 Compared with Year Ended December 31, 2011.

	2012	% of Total Revenue	2011	% of Total Revenue	$ Change	% Change
Service revenues	$ 79,002	80.4%	$ 67,993	81.0%	$ 11,009	16.2%
Reimbursement revenues	19,276	19.6%	15,971	19.0%	3,305	20.7%
Total revenues	98,278	100.0%	83,964	100.0%	14,314	17.0%
Costs and expenses						
Cost of service revenues	48,639	49.5%	42,217	50.3%	6,422	15.2%
Cost of reimbursement revenues	19,276	19.6%	15,971	19.0%	3,305	20.7%
Sales and marketing expenses	10,732	10.9%	8,726	10.4%	2,006	23.0%
General and administrative expenses	11,560	11.8%	10,172	12.1%	1,388	13.6%
Amortization of intangible assets related to acquisition	534	0.5%	623	0.7%	(89)	-14.3%
Mergers and acquisitions related costs	190	0.2%	162	0.2%	28	17.3%
Restructuring costs	839	0.9%	1,719	2.0%	(880)	-51.2%
Total cost and expenses	91,770	93.4%	79,590	94.8%	12,180	15.3%
Operating income	6,508	6.6%	4,374	5.2%	2,134	48.8%
Interest income	10	0.0%	8	0.0%	2	25.0%
Interest expense	(114)	-0.1%	(48)	-0.1%	(66)	137.5%
Income before income tax	6,404	6.5%	4,334	5.2%	2,070	47.8%
Income tax provision	(2,677)	-2.7%	(1,536)	-1.8%	(1,141)	74.3%
Net income	$ 3,727	3.8%	$ 2,798	3.3%	$ 929	33.2%

Service revenues were $79.0 million for fiscal 2012 and $68.0 million for fiscal 2011, an increase of $11.0 million, or 16.2%. The increase in service revenues was due to an increase in work performed as a result of growth from our eClinical solutions, including our full service EDC, Trident IWR and OnPoint CTMS as well as an increase in our medical imaging solutions offering. Pfizer, Inc., encompassing 24 projects, represented 18.7% of our service revenue for fiscal 2012. Pfizer, Inc., encompassing 21 projects, represented 19.8% of our service revenue for fiscal 2011.

Reimbursement revenues and cost of reimbursement revenues were $19.3 million for fiscal 2012 and $16.0 million for fiscal 2011, an increase of $3.3 million, or 20.7%. 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 project timing. Therefore, our management believes that reimbursement revenues and cost of reimbursement revenues are not a significant indicator of our overall performance trends. At the request of our clients, we may directly pay the independent radiologists who review our client s imaging data. In such cases, per contractual arrangement, these costs are billed to our clients and are included in reimbursement revenues and cost of reimbursement revenues.

Cost of service revenues were $48.6 million for fiscal 2012 and $42.2 million for fiscal 2011, an increase of $6.4 million, or 15.2%. Cost of service revenues for fiscal 2012 and fiscal 2011 were comprised of professional salaries and benefits and allocated overhead. The increase is primarily attributable to the additional

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personnel to support the growth of our Trident IWR, OnPoint CTMS and full service Express EDC solutions. The cost of revenues as a percentage of total revenues also fluctuates due to work-flow variations in the utilization of staff and the mix of services provided by us in any given period. We expect that our cost of service revenues will increase for the remainder of fiscal 2013 due to increased servicing costs to support the growth of our Trident IWR, OnPoint CTMS and full service Express EDC.

Sales and marketing expenses were $10.7 million for fiscal 2012 and $8.7 million for fiscal 2011, an increase of $2.0 million or 23.0%. Sales and marketing expenses for fiscal 2012 and fiscal 2011 were comprised of direct sales and marketing costs, salaries and benefits and allocated overhead. The increase is due to additional sales personnel and related costs as we expand our sales efforts for our eClinical product in the U.S. and Europe. We expect that our sales and marketing costs will increase for fiscal 2013.

General and administrative expenses were $11.6 million for fiscal 2012 and $10.2 million for fiscal 2011, an increase of $1.4 million or 13.56%. General and administrative expenses for fiscal 2012 and fiscal 2011 consisted primarily of salaries and benefits, allocated overhead, professional and consulting services and corporate insurance. The increase is due to increased information technology personnel and costs to support our technology needs. We expect that our general and administrative expenses will increase for fiscal 2013.

Amortization of intangible assets related to acquisitions was $534,000 for fiscal 2012 and $623,000 for fiscal 2011, a decrease of $89,000, or 14.3%. Amortization of intangible assets related to acquisitions consisted primarily of amortization of customer backlog, customer relationships, software and non-compete intangibles acquired from the acquisitions of PDS, Tourtellotte, TranSenda and Theralys. The decrease is primarily due to the completion of the amortization of the Theralys assets. We expect that the amortization of intangible assets related to acquisitions will decrease for fiscal 2013 due to the completion of amortization of certain intangible assets.

Restructuring costs were $839,000 for fiscal 2012 and $1.7 million for fiscal 2011. In 2012, we initiated a change in reporting structure and changes of roles and responsibilities within our operations that resulted in elimination of certain positions and resulted in a total restructuring charge of $839,000. This restructuring charge was comprised of $695,000 in employee severance, $5,000 in office space restructuring and $139,000 in legal and other costs. As a result of the restructuring, the Company expects to realize annual operating expense savings of $1.0 million. The launch of our BioPacs imaging management system and the release of our integrated BioRead image review software further enhances the quality of our imaging corelab service offering and has enabled us to gain efficiencies by better utilizing resources across our U.S. and European operations. As a result, in 2011, we realigned our global resources to eliminate certain duplicate functions and took a total restructuring charge of $1.7 million for fiscal 2011. This restructuring charge was comprised of $656,000 in employee severance, $884,000 write-off of facility lease obligations and $179,000 in legal and other costs.

Merger and acquisition related costs were $190,000 for fiscal 2012, compared to $162,000 for fiscal 2011. Fiscal 2012 costs primarily consist of legal and consulting fees related to our assessment of potential strategic alternatives throughout 2012. Fiscal 2011 includes $114,000 for the accretion related to the change in the fair value of the second earn-out payment associated with the Tourtellotte acquisition.

Net interest expense was $104,000 for fiscal 2012 compared to $40,000 for fiscal 2011, an increase of $64,000. Interest income is comprised of interest income earned on our cash balance and interest expense is comprised of interest expense incurred on equipment lease obligations. The increase in expense is due to the capital lease obligations we entered into during 2012 and 2011.

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Our income tax provision was $2.7 million for fiscal 2012 and $1.5 million for fiscal 2011. Our effective tax rate was 42% for fiscal 2012 and 35% for fiscal 2011. The increase from the prior year is due to not including the federal credit for research and experimentation and the state tax apportionment. Our 2012 effective tax rate would have been lower by approximately 3% if Congress had enacted the legislation to extend the federal credit for research and experimentation by December 31, 2012. In addition, 1.4% of the increase is due to the change in estimate of the federal credit for research and experimentation with the filing in September 2012 of our annual tax returns for the year ending 2011.

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Results of Operations

Year Ended December 31, 2011 Compared with Year Ended December 31, 2010.

	2011	% of Total Revenue	2010	% of Total Revenue	$ Change	% Change
Service revenues	$ 67,993	81.0%	$ 62,714	83.4%	$ 5,279	8.4%
Reimbursement revenues	15,971	19.0%	12,474	16.6%	3,497	28.0%
Total revenues	83,964	100.0%	75,188	100.0%	8,776	11.7%
Costs and expenses						
Cost of service revenues	42,217	50.3%	39,559	52.6%	2,658	6.7%
Cost of reimbursement revenues	15,971	19.0%	12,474	16.6%	3,497	28.0%
Sales and marketing expenses	8,726	10.4%	9,004	12.0%	(278)	-3.1%
General and administrative expenses	10,172	12.1%	8,446	11.2%	1,726	20.4%
Amortization of intangible assets related to acquisition	623	0.7%	638	0.8%	(15)	-2.4%
Mergers and acquisitions related costs	162	0.2%	749	1.0%	(587)	-78.4%
Restructuring costs	1,719	2.0%		0.0%	1719	
Total cost and expenses	79,590	94.8%	70,870	94.3%	8,720	12.3%
Operating income	4,374	5.2%	4,318	5.7%	56	1.3%
Interest income	8	0.0%	23	0.0%	(15)	-65.2%
Interest expense	(48)	-0.1%	(12)	0.0%	(36)	300.0%
Income before income tax	4,334	5.2%	4,329	5.8%	5	0.1%
Income tax provision	(1,536)	-1.8%	(1,576)	-2.1%	40	-2.5%
Net income	$ 2,798	3.3%	$ 2,753	3.7%	$ 45	1.6%

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

Service revenues were $68.0 million for fiscal 2011 and $62.7 million for fiscal 2010, an increase of $5.3 million, or 8.4%. The increase in service revenues was due to an increase in work performed on the increased backlog from the prior year. Pfizer, Inc., encompassing 21 projects, represented 19.8% of our service revenue for fiscal 2011. Pfizer, Inc., encompassing 22 projects, represented 19.9% of our service revenue for fiscal 2010.

Reimbursement revenues and cost of reimbursement revenues were $16.0 million for fiscal 2011 and $12.5 million for fiscal 2010, an increase of $3.5 million, or 28.0%. 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.

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Cost of service revenues were $42.2 million for fiscal 2011 and $39.6 million for fiscal 2010, an increase of $2.6 million, or 6.7%. Cost of service revenues for fiscal 2011 and fiscal 2010 were comprised of professional salaries and benefits and allocated overhead. The increase is primarily attributable to the additional personnel to support the growth of our Trident IWR and OnPoint CTMS products. 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.

Sales and marketing expenses were $8.7 million for fiscal 2011 and $9.0 million for fiscal 2010, a decrease of $278,000 or 3.1%. Sales and marketing expenses for fiscal 2011 and fiscal 2010 were comprised of direct sales and marketing costs, salaries and benefits and allocated overhead. The decrease is due to our hiring of marketing personnel to incur less external marketing costs.

General and administrative expenses were $10.2 million for fiscal 2011 and $8.4 million for fiscal 2010, an increase of $1.7 million or 20.4%. General and administrative expenses for fiscal 2011 and fiscal 2010 consisted primarily of salaries and benefits, allocated overhead, professional and consulting services and corporate insurance. The increase is due to increased information technology personnel and costs to support our technology needs.

Amortization of intangible assets related to acquisitions was $623,000 for fiscal 2011 and $638,000 for fiscal 2010, a decrease of $15,000, or 2.4%. Amortization of intangible assets related to acquisitions consisted primarily of amortization of customer backlog, customer relationships, software and non-compete intangibles acquired from the acquisitions of PDS, Tourtellotte, TranSenda and Theralys. The decrease is primarily due to the completion of the amortization of the Theralys assets. We expect that the amortization of intangible assets related to acquisitions will decrease for fiscal 2012 due to the completion of amortization of certain intangible assets.

Restructuring costs were $1.7 million for fiscal 2011 and $0 for fiscal 2010. The launch of our BioPacs imaging management system and the release of our integrated BioRead image review software further enhances the quality of our imaging corelab service offering and has enabled us to gain efficiencies by better utilizing resources across our U.S. and European operations. As a result, in 2011, we realigned our global resources to eliminate certain duplicate functions and took a total restructuring charge of $1.7 million for fiscal 2011. This restructuring charge was comprised of $656,000 in employee severance, $884,000 write-off of facility lease obligations and $179,000 in legal and other costs.

Merger and acquisition related costs were $162,000 for fiscal 2011 and $749,000 for fiscal 2010, a decrease of $587,000, or 78.4%. Fiscal 2010 included expenses resulting directly from merger and acquisition activities for the TranSenda acquisition such as legal, accounting and other due diligence and integration costs. Fiscal 2011 includes $114,000 for the accretion related to the change in the fair value of the second earn-out payment associated with the Tourtellotte acquisition.

Net interest expense was $40,000 for fiscal 2011 compared to $11,000 of interest income for fiscal 2010, a decrease of $51,000. Interest income is comprised of interest income earned on our cash balance and interest expense is comprised of interest expense incurred on equipment lease obligations. The increase in expense is due to the capital lease obligations we entered into during 2011.

Our income tax provision was $1.5 million for fiscal 2011 and $1.6 million for fiscal 2010. Our effective tax rate was 35% for fiscal 2011 and 36% for fiscal 2010. The lower effective tax rate in fiscal 2011 is due to the credits for increasing research activities partially offset by a New Jersey state tax assessment related to prior years.

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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 year ended December 31, 2012 compared to December 31, 2011 and December 31, 2010.

(in thousands)	**2012**	**2011**	**2010**
Net cash provided by activities from continuing operations	$ 9,853	$ 7,726	$ 3,992
Net cash used in investing activities from continuing operations	$ (10,904)	$ (5,767)	$ (8,450)
Net cash provided by financing activities from continuing operations	$ 2,378	$ 197	$ 348

At December 31, 2012, we had cash and cash equivalents of $13.9 million. Working capital, defined as current assets minus current liabilities, at December 31, 2012 was $14.4 million as compared to working capital of $11.6 million at December 31, 2011 and $8.6 million at December 31, 2010.

Net cash provided by continuing operating activities was $9.9 million for fiscal 2012 compared to net cash provided by operating activities of $7.7 million for fiscal 2011. This increase from the prior year is primarily due to the increase in net income of $900,000 and improved management of working capital.

Net cash used in investing activities was $10.9 million for fiscal 2012 and $5.8 million for fiscal 2011. This increase is primarily due to the cash payment of $2.0 million for the TranSenda acquisition earn-out and an increase of $2.0 million in computer equipment purchases for our data center in 2012.

Net cash provided by financing activities was $2.4 million for fiscal 2012 compared to net cash provided by financing activities of $197,000 for fiscal 2011. The difference from the prior year was primarily due to our entering into $3.9 million of sale/leaseback transactions to finance the purchase of property and equipment in 2012 offset by the purchase of treasury shares for $1.4 million in fiscal 2012.

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The following table lists our cash contractual obligations as of December 31, 2012:

	Payments Due By Period				
(in thousands) Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Facility rent operating leases	29,370	2,940	5,530	5,353	15,547
Employment agreements	1,552	977	575		
Capital lease	5,124	1,176	2,457	1,491	
Total contractual cash obligations	$ 36,046	$ 5,093	$ 8,562	$ 6,844	$ 15,547

On May 5, 2010, we entered into a two year unsecured, committed line of credit with PNC Bank and have renewed this two year line of credit annually. In April 2012, the Company again extended the expiration date of this line of credit to May 4, 2014. Under the credit agreement, we have the ability to borrow $7.5 million at interest rates equal to LIBOR plus 1.75%. In addition, we pay a fee of 0.25% per annum on the loan commitment regardless of usage. The credit agreement requires our compliance with certain covenants, including maintaining a minimum stockholders equity of $35 million. As of December 31, 2012, we had no borrowings under this line of credit, and we were compliant with the covenants.

Capital lease obligations consist of nine equipment lease obligations with the same bank at December 31, 2012. In fiscal 2012, we entered into four sale/leaseback transactions totaling $3.9 million whereby we sold and leased back computer equipment and software. The leases are accounted for as a capital lease and resulted in a gain of $147,000 which is deferred over the life of the lease. The lease terms are for five years with interest rates ranging from 3.04% to 3.87% per annum.

On February 22, 2012, the Company entered into an employment agreement with its President and Chief Executive Officer effective February 29, 2012 and expires on February 28, 2015. In addition, the Company has employment agreements with its Chief Financial Officer and the President of eClinical Solutions. The Chief Financial Officer s agreement expires February 24, 2014 and is renewable on an annual basis. The President of eClinical Solutions agreement expires September 30, 2013 and is renewable on an annual basis. The aggregate amount payable from January 1, 2013 through the expiration under these agreements is $1.5 million.

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 effect 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.

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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.

Recently Issued Accounting Statements

In September 2011, the Financial Accounting Standards Board (FASB) issued authoritative guidance that allows an entity to use a qualitative approach to test goodwill for impairment. Under this guidance, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. In addition, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. This guidance is effective for BioClinica s goodwill impairment tests performed at December 31, 2012 and does not have a material impact on the Company s consolidated financial statements.

In December 2011, the FASB issued an accounting standards update that will require us to disclose information about offsetting and related arrangements associated with certain financial and derivative instruments to enable users of our financial statements to better understand the effect of those arrangements on our financial position. The new guidance will be applicable to us for fiscal years, and interim periods within those years, beginning after January 1, 2013. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In July 2012, the FASB issued an accounting standards update with new guidance on annual impairment testing of indefinite-lived intangible assets. The standards update allows an entity to first assess qualitative factors to determine if it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If based on its qualitative assessment an entity concludes it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, quantitative impairment testing is required. However, if an entity concludes otherwise, quantitative impairment testing is not required. The standards update is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In January 2013, the FASB issued ASU 2013-01, *Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities* which provides further clarification relating to the scope of ASU 2011-11, *Balance Sheet (Topic 210): Disclosure about Offsetting Assets and Liabilities*. Effective for fiscal years beginning on or after January 1, 2013, ASU 2011-11 requires an entity to include additional disclosures about financial instruments and transactions eligible for offset in the statement of financial position, as well as financial instruments subject to a master netting agreement or similar arrangement. ASU 2013-01 added further scope clarification that ASU 2011-11 applies to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements. This ASU will be effective for fiscal years beginning on or after January 1, 2013, including interim periods within those fiscal years.

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In February 2013, the FASB issued amendments to the accounting guidance for presentation of comprehensive income to improve the reporting of reclassifications out of accumulated other comprehensive income. The amendments do not change the current requirements for reporting net income or other comprehensive income, but do require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where the net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under GAAP that provide additional detail about these amounts. For public companies, these amendments are effective prospectively for reporting periods beginning after December 15, 2012. Other than a change in presentation, we do not believe the adoption of this guidance will have a material impact on our consolidated financial statements.

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Item 7a. 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

Most of our sales are denominated in U.S. Dollars but we have costs denominated in Euros for our Netherlands and France subsidiaries. This exposes us to the risk of fluctuations in foreign currency exchange rates. A ten percent increase or decrease in the Euro to U.S. dollar spot exchange rate would result in a change of $73,000 and $87,000 to our net asset position, at December 31, 2012 and December 31, 2011, respectively. We purchase foreign exchange option contracts to reduce the volatility of cash flows related to forecasted expenses denominated in Euros. The objective of the foreign exchange contracts is to better ensure that the U.S. dollar-equivalent cash flows are not adversely affected by changes in the U.S. dollar/Euro exchange rates. These contracts are designated as cash flow hedges. The gain on the effective portion of a cash flow hedge is initially reported as a component of Other Comprehensive Income and subsequently reclassified into expenses on the Consolidated Statements of Income when the hedge transactions occurs.

During 2012, we entered into twelve foreign currency call options designated as cash flow hedges to hedge certain forecasted expenses in our Netherlands and France offices denominated in Euros. The notional principal of the foreign currency call options to purchase 2.0 million Euros was $2.6 million U.S. Dollars at December 31, 2012. The remaining foreign currency call options mature monthly between January 2013 and August 2013. We paid a total premium in 2012 of $86,000 for these foreign currency call options.

We initially report any gain or loss on the effective portion of the cash flow hedge as a component of Other Comprehensive Income and subsequently reclassify to the Cost of Service Revenue in the Consolidated Statements of Income when the hedged transactions occur. Any ineffectiveness is recognized in earnings immediately. At December 31, 2012, the effective portion of our cash flow hedges, before tax effect, was $(5,000). During 2012, four of the cash flow hedge transactions occurred and we reclassified $15,000 of the loss to our Consolidated Statement of Income.

See Management s Discussion and Analysis of Financial Condition and Results of Operations - Foreign Currency Risks for a more detailed discussion of our foreign currency risks and exposures.

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Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors

And Stockholders of

BioClinica, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows, present fairly, in all material respects, the financial position of BioClinica, Inc. and its subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Philadelphia, PA
February 22, 2013

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BIOCLINICA, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands)	December 31, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,915	$ 12,575
Accounts receivable, net	22,620	16,353
Prepaid expenses and other current assets	1,858	1,743
Deferred income taxes	4,519	5,637
Total current assets	42,912	36,308
Property and equipment, net	21,463	16,186
Intangibles, net	1,274	1,808
Goodwill	34,302	34,302
Deferred income tax		1,021
Other assets	1,055	796
Total assets	$ 101,006	$ 90,421
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	$ 5,630	$ 2,422
Accrued expenses and other current liabilities	6,807	5,944
Deferred revenue	14,907	13,438
Deferred income tax		526
Current maturities of capital lease obligations	1,176	423
Current liability for acquisition earn-out		2,000
Total current liabilities	28,520	24,753
Long-term capital lease obligations	3,948	1,535
Deferred income tax	4,562	4,499
Other liabilities	1,512	1,574
Total liabilities	$ 38,542	$ 32,361
Stockholders equity		
Preferred stock - $0.00025 par value; authorized 3,000,000 shares, none issued and outstanding at December 31, 2012 and at December 31, 2011		
Common stock - $0.00025 par value; authorized 36,000,000 shares, issued and outstanding 15,656,146 shares at December 31, 2012 and 15,649,994 shares at December 31, 2011	4	4
Treasury stock - at cost, shares held: 483,613 at December 31, 2012 and 233,913 at December 31, 2011	(2,479)	(1,126)
Additional paid-in capital	51,599	49,564
Retained earnings	13,317	9,590
Accumulated other comprehensive income	23	28
Total stockholders equity	$ 62,464	$ 58,060
Total liabilities and stockholders equity	$ 101,006	$ 90,421

The accompanying notes are an integral part of these statements.

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BIOCLINICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	For the year ended December 31,		
(in thousands, except per share data)	**2012**	**2011**	**2010**
Service revenues	$ 79,002	$ 67,993	$ 62,714
Reimbursement revenues	19,276	15,971	12,474
Total revenues	98,278	83,964	75,188
Costs and expenses			
Cost of service revenues	48,639	42,217	39,559
Cost of reimbursement revenues	19,276	15,971	12,474
Sales and marketing expenses	10,732	8,726	9,004
General and administrative expenses	11,560	10,172	8,446
Amortization of intangible assets related to acquisition	534	623	638
Mergers and acquisitions related costs	190	162	749
Restructuring costs	839	1,719	
Total cost and expenses	91,770	79,590	70,870
Operating income	6,508	4,374	4,318
Interest income	10	8	23
Interest expense	(114)	(48)	(12)
Income before income tax	6,404	4,334	4,329
Income tax provision	(2,677)	(1,536)	(1,576)
Net income	$ 3,727	$ 2,798	$ 2,753
Basic income per common share	$ 0.24	$ 0.18	$ 0.18
Weighted average number of common shares	15,626	15,652	15,035
Diluted income per common share	$ 0.23	$ 0.17	$ 0.17
Weighted average number of diluted shares	16,486	16,432	15,874

The accompanying notes are an integral part of these statements.

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BIOCLINICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Statement of comprehensive income	**For the year ended December 31,**		
(in thousands)	**2012**	**2011**	**2010**
Net income	$ 3,727	$ 2,798	$ 2,753
Equity adjustment from foreign currency translation, net of tax	(24)	3	(54)
Unrealized gain on derivative instruments, net of tax	19		
Total comprehensive income	$ 3,722	$ 2,801	$ 2,699

The accompanying notes are an integral part of these statements.

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BIOCLINICA, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Treasury Stock	Common Stock Consideration for Earn-out	Accumulated Retained Earnings	Other Comprehensive Gain (Loss)	Stock-holders Equity
Balance at December 31, 2009	14,394	$ 4	$ 43,104	$	$ 1,309	$ 4,039	$ 79	$ 48,535
Stock options exercised	262		122					122
Restricted shares issued	48		(55)					(55)
Stock consideration for acquisitions	350		1,309		(1,309)			
Stock issued for acquisitions	578		2,468					2,468
Stock based compensation			1,080					1,080
Purchase of treasury stock				(16)				(16)
Tax benefit on exercise of stock options			46					46
Equity adjustment from foreign currency translation							(54)	(54)
Net income						2,753		2,753
Balance at December 31, 2010	15,632	$ 4	$ 48,074	$ (16)	$	$ 6,792	$ 25	$ 54,879
Stock options exercised	173		205					205
Restricted shares issued	76		(104)					(104)
Stock based compensation			1,369					1,369
Purchase of treasury stock	(231)			(1,110)				(1,110)
Tax benefit on exercise of stock options			20					20
Equity adjustment from foreign currency translation							3	3
Net income								