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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

Mark One

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

For The Quarterly Period Ended March 31, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

Commission file number: 000-52981

**RESEARCH PHARMACEUTICAL SERVICES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**20-4322769**

(IRS Employer Identification Number)

**520 Virginia Drive  
Fort Washington, PA**

(Address of principal executive offices)

**19034**

(Zip code)

**(215) 540-0700**

(Registrant's telephone number, including area code)

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of June 29, 2007, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$100,800,007 based on the closing price as reported on the Alternative Investment Market of the London Stock Exchange.

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

Class	Outstanding at May 13, 2008
Common Stock, par value \$0.0001 per share	32,542,388

	<u>Page</u>
<u>Part I.</u>	
<u>FINANCIAL INFORMATION</u>	3
<u>Item 1.</u>	
<u>FINANCIAL STATEMENTS:</u>	3
<u>CONDENSED CONSOLIDATED BALANCE SHEETS — MARCH 31, 2008 (UNAUDITED) AND</u>	
<u>DECEMBER 31, 2007</u>	3
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) — THREE</u>	
<u>MONTHS ENDED MARCH 31, 2008 AND 2007</u>	4
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) — THREE</u>	
<u>MONTHS ENDED MARCH 31, 2008 AND 2007</u>	5
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	6
<u>Item 2.</u>	
<u>MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF</u>	
<u>OPERATIONS</u>	15
<u>Item 3.</u>	
<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	21
<u>Item 4.</u>	
<u>CONTROLS AND PROCEDURES</u>	22
<u>Part II.</u>	
<u>OTHER INFORMATION</u>	22
<u>Item 1A.</u>	
<u>RISK FACTORS</u>	22
<u>Item 6.</u>	
<u>EXHIBITS</u>	30
<u>SIGNATURES</u>	30
Ex-31.1	CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.
Ex-31.2	CERTIFICATION PURSUANT TO EXCHANGE ACT RULES 13a-14(a)/15d-14(a), AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002.
Ex-32.1	CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.
Ex-32.2	CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002.

**Part I. Financial Information**

**Item 1. Financial Statements**

ReSearch Pharmaceutical Services, Inc. and Subsidiaries  
 Condensed Consolidated Balance Sheets

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,172,780	\$11,060,255
Restricted cash	1,776,384	1,321,877
Accounts receivable, less allowance for doubtful accounts of \$594,000 at March 31, 2008 and \$547,000 at December 31, 2007 respectively	37,645,378	32,117,662
Prepaid expenses and other current assets	1,773,284	1,671,674
<b>Total current assets</b>	<b>\$47,367,826</b>	<b>\$46,171,468</b>
Intangible assets, net	275,536	275,536
Property and equipment, net	4,070,766	3,343,371
Other assets	609,587	253,471
Deferred tax asset	375,173	375,173
<b>Total assets</b>	<b>\$52,698,887</b>	<b>\$50,419,019</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 1,001,737	\$ 1,442,881
Accrued expenses	6,440,545	6,489,902
Customer deposits	1,776,384	1,321,877
Deferred revenue	5,383,009	5,026,042
Current portion of capital lease obligations	663,687	536,106
<b>Total current liabilities</b>	<b>\$15,265,361</b>	<b>\$14,816,808</b>
Customer deposits	4,500,000	4,500,000
Other liabilities	281,701	258,860
Capital lease obligations, less current portion	831,938	414,002
<b>Total liabilities</b>	<b>\$20,879,001</b>	<b>\$19,989,670</b>
Stockholders' equity:		
Common stock, \$.0001 par value:		
Authorized shares — 150,000,000 at March 31, 2008 and December 31, 2007, respectively, issued and outstanding shares — 32,542,388 and 32,199,223 at March 31, 2008 and December 31, 2007, respectively	3,254	3,220
Additional paid-in capital	36,190,975	36,078,600
Accumulated other comprehensive income	5,384	50,305
Accumulated deficit	(4,379,727)	(5,702,776)
<b>Total stockholders' equity</b>	<b>\$31,819,886</b>	<b>\$30,429,349</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$52,698,887</b>	<b>\$50,419,019</b>

Please see accompanying notes.

ReSearch Pharmaceutical Services, Inc. and Subsidiaries  
 Condensed Consolidated Statements of Operations

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(unaudited)</b>	
Service revenue	\$ 38,047,853	\$ 26,042,221
Reimbursement revenue	3,794,541	3,498,340
<b>Total revenue</b>	<b>41,842,394</b>	<b>29,540,561</b>
Direct costs	28,316,024	18,918,286
Reimbursable out-of-pocket costs	3,794,541	3,498,340
Selling, general, and administrative expenses	7,120,510	5,516,859
Depreciation and amortization	365,295	179,917
<b>Income from operations</b>	<b>2,246,024</b>	<b>1,427,159</b>
Interest expense	50,526	3,930,988
Interest income	90,846	—
Net income (loss) before provision for income taxes	2,286,344	(2,503,829)
Provision (benefit) for income taxes	963,295	(5,733,769)
Net income	<b>\$ 1,323,049</b>	<b>\$ 3,229,940</b>
Accretion of preferred stock	—	(121,200)
Net income applicable to common shares	<b>\$ 1,323,049</b>	<b>\$ 3,108,740</b>
Net income per common share:		
Basic	\$ 0.04	\$ 0.57
Diluted	\$ 0.04	\$ 0.19
Weighted average number of common shares outstanding:		
Basic	32,429,807	5,501,674
Diluted	34,019,774	16,973,160

*Please see accompanying notes.*

ReSearch Pharmaceutical Services, Inc. and Subsidiaries  
 Condensed Consolidated Statements of Cash Flows

	Three Months Ending March 31,	
	2008	2007
	(unaudited)	
Net income	\$ 1,323,049	\$ 3,229,940
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	365,295	95,875
Amortization of intangible assets	—	84,042
Amortization of debt discount	—	46,284
Interest charge related to put warrant liability	—	3,570,918
Stock-based compensation	130,215	17,697
Changes in operating assets and liabilities:		
Accounts receivable	(5,527,716)	(486,706)
Income taxes payable/recoverable	452,000	(5,733,769)
Prepaid expenses and other current assets	(101,610)	(478,050)
Other assets	(356,116)	19,089
Accounts payable	(441,144)	(163,418)
Accrued expenses	(501,357)	162,569
Customer deposits	454,507	176,888
Deferred revenue	356,967	233,707
Other liabilities	22,841	—
Net cash (used in) provided by operating activities	(3,823,068)	775,066
<b>Investing activities</b>		
Change in restricted cash	(454,507)	557,596
Purchase of property and equipment	(292,429)	(174,266)
Net cash (used in) provided by investing activities	(746,936)	383,330
<b>Financing activities</b>		
Net borrowings (repayments) on lines of credit	—	(429,247)
Principal payments on capital lease obligations	(254,743)	(6,256)
Merger consideration, net of fees paid	(17,880)	—
Net cash used in financing activities	(272,623)	(435,503)
Effect of exchange rates on cash and cash equivalents	(44,847)	9,947
Net change in cash and cash equivalents	(4,887,475)	732,840
Cash and cash equivalents, beginning of period	11,060,255	197,024
Cash and cash equivalents, end of period	\$ 6,172,780	\$ 929,864
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for:		
Interest	\$ 239,582	\$ 360,070
Income taxes	\$ 500,000	\$ 22,246
<b>Supplemental disclosures of noncash financing activities</b>		
Accretion of preferred stock dividends	\$ —	\$ 121,200
Acquisition of fixed assets under capital leases	\$ 800,261	\$ —

Please see accompanying notes.

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**ReSearch Pharmaceutical Services, Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**March, 31 2008 (unaudited)**

**1. Business**

ReSearch Pharmaceutical Services, Inc. and Subsidiaries (the “Company” or “RPS”) is a Pharmaceutical Resource Organization (“PRO”), providing high-quality, efficient and flexible clinical development solutions to the pharmaceutical and biotechnology industries. The Company is able to leverage its high degree of clinical expertise, industry knowledge and specialization to reduce the expense and time frame of clinical development. The Company’s revenues are generated principally from customers located in the United States.

The Company has wholly owned subsidiaries in the United States, Argentina, Brazil, Canada, Chile, Colombia, Mexico, Peru and Uruguay.

**2. Significant Accounting Policies**

**Basis of presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. The condensed consolidated balance sheet as of March 31, 2008 and the condensed consolidated statements of operations and cash flows for the three months ended March 31, 2008 and 2007 are unaudited, but include all adjustments, consisting only of normal recurring adjustments, which we consider necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented. The condensed consolidated balance sheet at December 31, 2007 has been derived from audited financial statements.

Although we believe that the disclosures in these financial statements are adequate to make the information presented not misleading, certain information and footnote information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission.

Results for any interim period are not necessarily indicative of results for any future interim period or for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007.

**Merger and Accounting Treatment**

Cross Shore Acquisition Corporation (“Cross Shore”) was incorporated in Delaware on January 30, 2006 as a blank check company, the objective of which was to acquire one or more operating companies engaged in the delivery of business services to companies and consumers in the United States. On April 28, 2006, Cross Shore completed an Initial Public Offering (the “Offering”) on the Alternative Investment Market (“AIM”) of the London Stock Exchange and raised proceeds of \$112 million before offering expenses. Of the net proceeds from the Offering, \$102.7 million was placed in trust to be held until the earlier of (i) consummation of Cross Shore’s first business combination or (ii) liquidation of Cross Shore.

On August 30, 2007, RPS merged with and into a wholly-owned subsidiary of Cross Shore. As a result of the merger, RPS became a limited liability company organized under the laws of Delaware under the name ReSearch Pharmaceutical Services, LLC, and Cross Shore changed its name to RPS. RPS is now a holding company for, and conducts substantially all of its operations through its wholly-owned subsidiary, ReSearch Pharmaceutical Services, LLC. “Former RPS” represents the operating company prior to the August 30, 2007 merger with Cross Shore.



The merger was accounted for under the purchase method of accounting as a reverse acquisition in accordance with U.S. generally accepted accounting principles for accounting and financial reporting purposes. Under this method of accounting, Cross Shore was treated as the "acquired" company for financial reporting purposes. Accordingly, for accounting purposes, the merger was treated as the equivalent of Former RPS issuing stock for the net assets of Cross Shore which amounted to \$50.2 million and consisted of cash and investments of \$51.3 million, other assets of \$0.3 million and \$1.4 million of accrued transaction fees. The preliminary purchase price (\$50.2 million) was allocated to the assets acquired and liabilities assumed based on their fair value at the date of the merger. Stockholders' equity has been retroactively adjusted for all periods prior to the merger to reflect the number of shares of common stock received by holders of common stock of Former RPS in connection with the merger based upon the exchange ratio of approximately 1.4 shares of Cross Shore common stock for each share of Former RPS common stock as per the merger agreement. Stockholders' equity has not been retroactively adjusted for periods prior to the merger for the 10,250,499 shares of Cross Shore issued to Former RPS holders of preferred stock and common stock warrants.

The shares of preferred stock, common stock, and common stock warrants held by RPS stockholders prior to the merger were converted into a total of 15,758,497 shares of Cross Shore common stock, or 47.34% of the subsequently outstanding common stock of the combined company. Upon consummation of the merger, \$49.9 million, net of \$1.4 million of accrued transaction fees, was released from trust and became available to the combined Company. Of this amount, existing holders of shares of preferred stock, common stock and common stock warrants of RPS received a total cash distribution of \$20 million as merger consideration pursuant to the terms of the merger agreement.

The remaining cash of \$29.9 million is available for use by the combined company to fund business operations. Total direct and incremental fees incurred by the Company in connection with the merger are reflected as a reduction of additional paid in capital. The senior management team of Former RPS prior to the merger continued as senior management of the combined company after the merger, and Former RPS controls the majority of the Board of Directors of the combined entity.

### Concentration of Credit Risk

Financial instruments, which potentially subject the Company to credit risk, consist principally of cash and accounts receivable. The Company performs periodic evaluations of the financial institutions in which its cash is invested. The majority of the Company's revenues and accounts receivable are derived from pharmaceutical companies located in the United States. The Company's two largest customers accounted for approximately 21% and 12% of service revenues during the three months ended March 31, 2008 and approximately 24% and 8% of service revenues during the three months ended March 31, 2007.

The two largest customers represented approximately 24% and 16% of the accounts receivable balance at March 31, 2008, and 27% and 19% of the accounts receivable balance at December 31, 2007. No other customers represented more than 10% of net service revenues or accounts receivable during those periods or at those times. The Company provides an allowance for doubtful accounts based on experience and specifically identified risks. Accounts receivable are carried at fair value and charged off against the allowance for doubtful accounts when management determines that recovery is unlikely and the Company ceases collection efforts.

### Revenue and Cost Recognition

The majority of the Company's service revenues are derived from fee-for-service contracts, some of which are fixed-price contracts. Revenues and the related costs of fee-for-service contracts are recognized in the period in which services are performed. Fixed-price contract revenue is recognized as services are performed, on a proportional performance basis, based on the ratio that costs incurred to date bear to estimated total costs at completion. Revenue related to contract modifications is recognized when realization is assured and the amounts are reasonably determinable. Adjustments to contract estimates are made in the periods in which the facts that require the revisions become known. When the revised estimate

indicates a loss, such loss is provided for in the financial statements during that period. No such losses were recognized in the three months ended March 31, 2008 or 2007. Deferred revenue represents amounts billed to customers in excess of revenue recognized. Accounts receivable from customers, which represent deposits to be applied to customer invoices in future years or returned to the customer upon expiration of the contract are recorded in long term customer deposits. The Company also provides permanent placement services to its customers, representing less than 2% of total revenues for the three months ended March 31, 2008 and 2007. Revenues are recorded at the time a candidate begins work with his or her new employer. Provisions for sales allowances, based on historical experience, are recorded at the time the related revenue is recognized.

The Company accounts for expense reimbursements in accordance with Emerging Issues Task Force (EITF) Issue No. 01-14 (EITF 01-14), *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred*. EITF 01-14 requires reimbursable out-of-pocket expenses to be characterized as revenue in the statements of operations. Reimbursements for out-of-pocket expenses included in total revenue in the Company's consolidated statements of operations were \$3,794,541 and \$3,498,340 for the three months ended March 31, 2008 and 2007 respectively.

The Company excludes investigator fees from its out-of-pocket expenses because these fees are funded from the customer's restricted cash and are recorded on a "pass-through basis" without risk or reward to the Company. Investigator fees paid on behalf of clients were approximately \$942,000 and \$2,243,000 for the three months ended March 31, 2008 and 2007 respectively.

### Income Taxes

The Company accounts for income taxes using an asset and liability approach which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and amounts reportable for income tax purposes. On January 1, 2007 the Company adopted FASB Interpretation No.48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 creates a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before recognized in the financial statements.

### Foreign Currency Translation

The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars in accordance with SFAS No. 52, *Foreign Currency Translation*. All balance sheet accounts have been translated using the exchange rates in effect at the balance sheet dates. Income statement amounts have been translated using average exchange rates in effect for the relevant periods. The gains and losses resulting from the changes in exchange rates during the year have been reported separately in other comprehensive income in the consolidated financial statements.

### Stock-Based Compensation

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), *Share-Based Payment* (SFAS No. 123(R)), which replaces SFAS No. 123 and supersedes Accounting Principles Board (APB) Opinion No. 25. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first annual period after December 15, 2005. SFAS No. 123(R) requires that an entity measure the cost of equity-based service awards based on the grant-date fair value of the award and recognize the cost of such award over the period during which the employee is required to provide service in exchange for the award (vesting period).

The pro forma disclosures previously permitted under SFAS No. 123 are no longer an alternative to financial statement recognition. The Company adopted SFAS No. 123(R) on January 1, 2006 using the prospective transition method, which requires that all new stock-based awards granted subsequent to adoption be recognized in the financial statements at fair value.

The Company estimated the fair value of its common stock during 2006 and through August 30, 2007 utilizing retrospective, third party valuations performed by SMART Business Advisory and Consulting, LLC (“Smart”). The valuation methodologies utilized by Smart relied on the “income approach” and the “market approach” to estimate enterprise value. The income approach involves projecting future cash flows and discounting them to present value using a discount rate based on the risk adjusted weighted average cost of capital of comparable companies. The market approach involves analyzing the market price and other parameters of similar businesses as a determinant of the enterprise value of the subject business. Both the income approach and the market approach involve a significant level of judgment. The enterprise value was then allocated to the various securities that comprise the Company’s capital structure based on the relative rights, preferences and privileges of such securities. The estimated fair value of common stock ranged from \$4.10 to \$5.26 per share in 2007 prior to the merger with Cross Shore on August 30, 2007. Subsequent to the merger with Cross Shore, the Company utilizes the quoted stock price on the AIM as the determinant of fair value.

The per-share weighted average fair value of the options granted during the three months ended March 31, 2008 and 2007 were estimated at \$1.97 and \$3.23, respectively using the Black-Scholes option-pricing model with the following weighted average assumptions which are based upon Company history or industry comparative information:

	Three Months Ended	
	March 31, 2008	March 31, 2007
Expected dividend yield	0.00%	0.00%
Expected volatility	52%	55%
Risk—free interest rates	2.64%	5.04%
Expected life	6 years	6 years

Prior to August 30, 2007, the Company’s stock was not publicly traded, and the expected volatility was calculated for each date of grant based on an alternative method (defined as “calculated value”). Subsequent to August 30, 2007, the Company has and will continue to utilize the calculated value for expected volatility until a sufficient level of history is available as a publicly traded company. The Company identified similar public entities for which share price information is available and has considered the historical volatility of these entities’ share prices in determining its estimated expected volatility. The Company used the average volatility of these guideline companies over a six-year period, consistent with the expected term calculated pursuant to Staff Accounting Bulletin No. 107. Compensation expense under SFAS No. 123(R) for the three months ended March 31, 2008 and 2007 related to share based service awards was \$130,215 and \$17,697, respectively, and is included in selling, general, and administrative expenses in the accompanying consolidated statements of operations. The Company recognizes the compensation expense of such share-based service awards on a straight-line basis. Total compensation cost of options granted but not yet vested as of March 31, 2008 was \$1.2 million net of estimated forfeitures, which is expected to be recognized over the weighted average period of 1.7 years.

**Segment Information**

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information of those segments to be presented in interim financial reports issued to stockholders. Operating segments are identified as components of an enterprise about which separate financial information is available for evaluation by the chief operating decision-maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company views its operations and manages its business as one operating segment.

The Company’s foreign operations accounted for approximately 4% and 5% of service revenues during the three months ended March 31, 2008 and 2007, respectively. In addition, approximately 3% of the Company’s consolidated assets are located in foreign locations at March 31, 2008 and at December 31, 2007.

**Recent Accounting Pronouncement**

The Company adopted Financial Accounting Standards Board Statement No. 157, Fair Value Measurements (“SFAS 157”) effective January 1, 2008. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (“the exit price”) in an orderly transaction between market participants at the measurement date. The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. In determining fair value, the Company primarily use prices and other relevant information generated by market transactions involving identical or comparable assets (“market approach”). As of March 31, 2008, the fair value of the Company’s financial assets are based on level one observable inputs. We have determined that our fair value measurements are in accordance with the requirements of SFAS 157, therefore, the implementation of SFAS 157 did not have any impact on our consolidated financial condition or results of operations.

**Net Income (Loss) Attributable to Common Shares**

The Company computes net income (loss) per share in accordance with SFAS No. 128, *Earnings Per Share* (SFAS No. 128). Under SFAS No. 128, basic net income (loss) per share is computed by dividing net income (loss) applicable to common shares by the weighted average number of shares of common stock outstanding during the periods presented. Diluted net income (loss) per share is computed by dividing net income (loss) applicable to common shares by the weighted average number of shares of common stock outstanding during the periods plus the dilution that would occur upon the exercise or conversion of stock options or common stock warrants.

The following table is a reconciliation of the numerator and denominator of the computation of basic and diluted net income (loss) per share.

	Three Months Ended	
	2008	2007
Net income applicable to common shares	\$ 1,323,049	\$ 3,108,740
Weighted average common shares outstanding — basic	32,429,807	5,501,674
Dilutive effect of stock options and warrants	1,589,967	2,786,594
Conversion of preferred stock to common stock	—	8,684,892
Weighted average common shares outstanding — diluted	<u>34,019,774</u>	<u>16,973,160</u>

Warrants outstanding totaling 1.4 million shares of the Company’s common stock, along with options to purchase 996,529 shares of the Company’s common stock were excluded from the computation of diluted weighted average shares outstanding for the three months ended March 31, 2008 because their effect would have been anti-dilutive. Outstanding stock options and warrants could potentially dilute earnings per share in the future.

**Comprehensive Income**

The Company's comprehensive income was as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
Net income as reported	\$1,323,049	\$3,229,940
Other comprehensive income (loss):		
Foreign currency translation adjustment	(44,921)	10,074
Comprehensive income	<u>\$1,278,128</u>	<u>\$3,240,014</u>

**3. Property and Equipment**

Property and equipment consist of the following:

	<b>Useful life</b>	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Computers, software and other equipment	2 to 3 years	\$ 3,516,473	\$ 3,133,140
Automobiles	1 to 3 years	1,842,036	1,151,673
Furniture and fixtures	5 years	1,494,895	1,494,895
		<u>6,853,404</u>	<u>5,779,708</u>
Less accumulated depreciation		<u>(2,782,638)</u>	<u>(2,436,337)</u>
		<u>\$ 4,070,766</u>	<u>\$ 3,343,371</u>

Automobiles, computers, software and other equipment include assets acquired under capital lease obligations.

**4. Accrued Expenses**

Accrued expenses consist of the following:

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Accrued compensation	\$2,721,750	\$1,744,809
Accrued professional fees	1,887,748	2,572,673
Volume rebate accrual	567,112	674,971
Accrued income taxes	1,043,439	591,439
Other	220,496	906,010
	<u>\$6,440,545</u>	<u>\$6,489,902</u>

## 5. Lines of Credit

In November 2006, the Company entered into a bank line of credit agreement (the "Agreement"), expiring October 31, 2009. This Agreement provides for \$15,000,000 of available borrowings, and is subject to certain borrowing base restrictions. Borrowings under the Agreement require interest at the Federal Funds open rate, as defined, plus 1/2% (5.25% at March 31, 2008). The Agreement is secured by all corporate assets and also contains financial and nonfinancial covenants including restrictions on the payment of dividends, restrictions on acquisitions and restrictions on the repurchase, redemption, or retirement of outstanding equity. At March 31, 2008, there were no outstanding borrowings under the Agreement.

## 6. Stockholders' equity

### Prior to the Merger with Cross Shore

The Company was authorized to issue up to 25,301,475 shares of Common Stock with no par value. Of the shares authorized, 2,108,456 shares of Common Stock were reserved for issuance pursuant to the Company's 2002 Equity Incentive Plan.

The Company issued 393,579 warrants to certain investors in 2003 in connection with a bridge loan. Such warrants were exercisable at \$0.4695 per share at any time through 2013. In connection with the merger, such warrants were exchanged for a combination of cash and common stock of the combined entity.

### Subsequent to the Merger with Cross Shore

Subsequent to the merger with Cross Shore on August 30, 2007, the Company is authorized to issue up to 1,000,000 shares of Preferred Stock and 150,000,000 shares of Common Stock, \$.0001 par value. Of the shares authorized, 6,792,271 shares of common stock have been reserved for issuance pursuant to the Company's equity incentive plans.

A total of 1,500,000 shares held by RPS stockholders prior to the merger were placed in escrow pursuant to the merger agreement with Cross Shore. Assuming no claims are made against the escrow fund, 60% of the escrow shares will be released on August 30, 2008 and the remainder will be released on August 30, 2009.

The Company's stockholders are granted certain rights to register their shares under the securities laws of the United States pursuant to two separate registration rights agreements. The Registration Rights Agreement (as defined below) pertains to those stockholders holding shares in RPS prior to the merger. The Investor Rights Agreement (as defined below) pertains to those stockholders acquiring shares and warrants in Cross Shore's initial public offering in April of 2006.

Under the Investor Rights Agreement dated April 24, 2006 (the "Investor Rights Agreement"), the Company agreed to use commercially reasonable efforts to file a registration statement under the Exchange Act within 120 days after the date of the merger, and to cause the registration statement to become effective within 90 days after it is filed. If these deadlines were not met, the Company agreed to issue additional shares to stockholders as liquidated damages in the amount of 1% of all or a portion of such holder's securities for up to four months each. The Company's registration statement on Form 10 under the Exchange Act was filed and became effective within the required time period pursuant to the provisions of the Investor Rights Agreement.

The Company is also required to file a shelf registration statement on Form S-3 within 90 days after becoming eligible to do so. In addition, the holders of the Company's stock and warrants are entitled to no more than three demand registrations (covering in each case a minimum of 15% of the shares then outstanding) and piggyback registration rights. If the Company files a shelf registration for resale of shares,



demand and piggyback registration rights will be suspended except for underwritten offerings. Registration rights are generally available only for stock that is subject to restrictions on transfer under the U.S. securities laws.

Under the terms of the Registration Rights Agreement dated August 30, 2007 (the "Registration Rights Agreement"), the Company granted stockholders of RPS prior to the merger, the right to include shares and warrants on any registration statement filed by the Company pursuant to the Securities Act in connection with a public offering of stock, whether such offering is being made for the Company's own account or for the account of stockholders other than the existing stockholders. These registration rights are applicable to any registration of stock that is made pursuant to a demand from the existing stockholders pursuant to the Investor Rights Agreement. The number of shares and warrants that the existing stockholders may include in an underwritten public offering by exercising their registration rights under the Registration Rights Agreement is subject to reduction in the event the managing underwriters of such offering advise the Company that the number of shares, warrants, and other stock to be included in such offering exceeds the amount of stock that can be sold without adversely affecting the offering. The Registration Rights Agreement also provides the historic RPS stockholders similar shelf registration rights as those in the Investor Rights Agreement. If the Company fails to make filings under the Securities Act or the Exchange Act that are required to be made pursuant to our contractual arrangements with the existing stockholders, the Registration Rights Agreement entitles the holders of shares and warrants to receive liquidated damages in the form of additional shares in an amount per month equal to 1% of all or a portion of such holder's Registrable Securities for up to two months.

Subsequent to the date of the merger with Cross Shore, the Company also has a total of 1,357,179 common stock warrants ("IPO Warrants") outstanding. Such IPO Warrants are immediately exercisable at any time through April 2010. All of the IPO Warrants are exercisable at \$5.00 per share. The IPO Warrants were issued to investors in connection with the initial public offering of Cross Shore in April 2006.

The IPO Warrants are redeemable at the Company's option at a price of \$.0001 per IPO Warrant only in the event that the last sale price of the Company's common stock is at least \$8.50 per share for any 20 trading days within a 30 trading day period ending on the third day prior to the date on which notice of redemption is given and the weekly trading volume of the Company's common stock has been at least 550,000 shares for each of the two calendar weeks before the Company sends the notice of redemption.

In addition, a total of 186,667 options remain outstanding from the date of the Cross Shore initial public offering in April 2006. These options were issued to representatives of the underwriters of the Cross Shore initial public offering. The options entitle the holder to one share of common stock and two common stock warrants in exchange for an exercise price of \$6.60 per share. Should the options be exercised, the warrants received will be fully vested with an exercise price of \$5.00 per share at any time through April 2010. Such warrants are subject to the same redemption provisions as the IPO Warrants discussed above.

## **7. Redeemable Convertible Preferred Stock**

### **Subsequent to the Merger with Cross Shore**

Subsequent to the merger with Cross Shore on August 30, 2007, all of the outstanding shares of Series A and Series B Preferred Stock were converted into shares of common stock of the combined entity. In addition, all accumulated dividends of the Series A and Series B Preferred Stock accrued through the date of the merger, totaling \$2.63 million, were paid to the holders of such preferred stock.

## **8. Stock Option Plan**

In June 2002, the Company adopted the 2002 Equity Incentive Plan (the "2002 Plan") which permits the granting of incentive stock options, nonqualified stock options and restricted stock. The Company has authorized the issuance of up to 2,108,456 shares of Common Stock to satisfy grants under the 2002 Plan. Stock options issued generally vest over a three-year period. The exercise period is determined by the

Company's Board of Directors, but may not exceed ten years from the date of grant. Each option entitles the holder to purchase one share of Common Stock at the indicated exercise price.

In connection with the merger with Cross Shore, the Company adopted the 2007 Stock Incentive Plan (the "2007 Incentive Plan") on August 30, 2007. The 2007 Incentive Plan permits awards of options and restricted stock. At March 31, 2008, the total number of shares reserved under the 2007 Incentive Plan was 6,792,271 shares. On an annual basis, this amount can be adjusted to increase to an amount equal to 15% of the number of shares outstanding (calculated on a fully diluted basis). Stock options issued generally vest over a three year period. The exercise period is determined by the Board of Directors, but may not exceed 10 years from the date of grant.

The following table summarizes activity under the 2002 Plan and 2007 Incentive Plan:

	Options Available For Grant	Number of Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2007	3,979,607	2,729,965	\$1.94
Granted (unaudited)	(59,862)	59,862	\$3.85
Exercised (unaudited)	—	(6,621)	\$0.72
Forfeited/cancelled (unaudited)	6,529	(6,529)	\$0.75
Balance, March 31, 2008 (unaudited)	3,926,274	2,776,677	\$1.98

The weighted average grant date fair value of options granted was \$1.97 during the three months ended March 31, 2008.

At March 31, 2008, 351,553 options were exercisable at \$0.37 per share, 1,009,881 options were exercisable at \$0.83 per share and 7,815 options were exercisable at \$1.66 per share. The weighted average remaining contractual life of the outstanding options at March 31, 2008 was 7.8 years. The weighted average remaining contractual life of the fully vested options at March 31, 2008 was 6.6 years. The aggregate intrinsic value of options outstanding, and fully vested at March 31, 2008 are \$6.8 million and \$4.8 million, respectively.

**9. Commitments and Contingencies**

The Company occupies its corporate headquarters and other offices and uses certain equipment under various operating leases. The Company's current lease for its corporate headquarters expires in June 2017. Rent expense under such arrangements was approximately \$487,000 and \$356,000 during the three months ended March 31, 2008 and 2007, respectively. The Company is the lessee of approximately \$1,800,000 of automobiles and equipment under capital leases expiring through 2010. The equipment is recorded at the present value of minimum lease payments and is amortized over its estimated useful life. Amortization of the assets under capital lease agreements of approximately \$145,000 and is included in depreciation expense for the three months ended March 31, 2008 and there were no assets under capital lease agreements during the three months ended March 31, 2007.

Future minimum lease payments subsequent to March 31, 2008 under capital and non-cancelable operating leases are as follows:

	<b>Capital Leases</b>	<b>Operating Leases</b>
2008	\$ 642,059	\$ 1,281,471
2009	620,751	1,556,170
2010	418,049	1,447,165
2011	—	1,429,254
2012	—	1,451,961
Thereafter	—	5,830,887
Total minimum lease payments	1,680,860	\$12,996,910
Less amount representing interest	185,234	
Present value of net minimum lease payments	<u>\$1,495,625</u>	

The Company is involved in various claims incidental to the conduct of its business. Management does not believe that any such claims to which the Company is a party, both individually and in the aggregate, will have a material adverse effect on the Company's financial position or results of operations.

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

*Overview*

RPS has been providing services to the bio-pharmaceutical industry since its incorporation in 1994. The Company began as a permanent placement company but has expanded to build an outsourcing organization that combines clinical drug development expertise and infrastructure with staffing and recruiting capabilities.

The bio-pharmaceutical industry continues to increase its spending on clinical drug development as it looks for more rapid introduction of new, innovative drugs. Further economic pressures including the rising costs of developing a new drug as a result of the increasing complexity, size and duration of trials and recruiting patients have made it more difficult for bio-pharmaceutical companies to generate significant revenues to exceed the development costs of their drugs.

In light of the economic pressures seen by its bio-pharmaceutical clients, the Company believed that its unique model of providing integrated outsourcing solutions would be an attractive alternative to traditional outsourcing to CROs as well as to research activities performed in-house.

Over the last six years, the Company has invested in building an infrastructure to support the expected demand for its services. While the Company's revenues increased over the last five years, at times, the investment in infrastructure outpaced the increase in revenues and this investment, along with other factors such as flat revenues in 2004 and 2005, resulted in the Company reporting only marginal net income or operating losses from 2002 through 2005. Additionally, in late 2005 the Company began its investment in global expansion with the opening of offices across Latin America.

Towards the end of 2005, and continuing into 2006, the Company experienced a significant shift in the demand for its integrated outsourcing solutions. Accordingly, operating results for 2006, 2007, and the first three months of 2008 have shown increases in revenues and performance metrics.

*Critical Accounting Policies*

RPS' consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), which require management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ from these estimates. The following discussion highlights what the Company believes to be the critical accounting policies and judgments made in the preparation of these consolidated financial statements.

- Revenue and Cost Recognition

The majority of the Company's service revenues are derived from fee-for-service contracts, some of which are fixed price contracts. Revenues and the related costs of fee-for-service contracts are recognized in the period in which services are performed. Fixed price contract revenue is recognized as services are performed, on a proportional performance basis, based on the ratio that costs incurred to date bear to estimated total costs at completion. Revenue related to contract modifications is recognized when realization is assured and the amounts are reasonably determinable. Adjustments to contract estimates are made in the periods in which the facts that require the revisions become known. When the revised estimate indicates a loss, such loss is provided for in the financial statements during that period. Deferred revenue represents amounts billed to customers in excess of revenues recognized.

The Company accounts for expense reimbursement in accordance with Emerging Issues Task Force (EITF) Issue No. 01—14 ("EITF 01—14"), *Income Statement Characterization of Reimbursements Received for "Out-of-Pocket" Expenses Incurred*. EITF 01—14 requires reimbursable out-of-pocket expenses to be characterized as revenue in the statements of operations.

The Company excludes investigator fees from its out-of-pocket expenses because these fees are funded from the customer's restricted cash and are recorded on a "pass-through basis" without risk or reward to the Company.

- Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109, *Accounting for Income Taxes*, ("SFAS 109") which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or the entire deferred tax asset will not be realized. The Company evaluates if its deferred tax assets are realizable on an ongoing basis by assessing the valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization is the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets. Failure to achieve forecasted taxable income might affect the ultimate realization of the net deferred tax assets.

Effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes — an Interpretation of FASB Statement No. 109* ("FIN 48"). This authoritative interpretation clarified and standardized the manner by which companies are required to account for uncertain income tax positions. Under the guidance of FIN 48, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of the accrual for which an exposure exists is measured as the largest amount of benefit determined on a cumulative probability basis that the Company believes is more likely than not to be realized upon ultimate settlement of the position.

The Company's annual provision for income taxes and the determination of the resulting deferred tax assets and liabilities involve a significant amount of management judgment. Management's judgments, assumptions and estimates relative to the current provision for income tax take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. The Company operates within federal, state and international taxing

jurisdictions and is subject to audit in these jurisdictions. These audits can involve complex issues, which may require an extended period of time to resolve.

- Stock Based Compensation

Prior to 2006, the Company accounted for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (“APB 25”) and the related interpretations. Under APB 25, no compensation expense was recognized if the exercise price of the Company’s stock options equaled or exceeded the fair value of the underlying common stock at the date of grant. The Company provided pro forma disclosures in its financial statements as required by SFAS 123, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure*, related to these fiscal periods prior to January 1, 2006.

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123 (revised 2004), *Share-Based Payment* (“SFAS No. 123(R)”), which replaces SFAS No. 123 and supersedes Accounting Principles Board (APB) Opinion No. 25. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first annual period after December 15, 2005. SFAS No. 123(R) requires that an entity measure the cost of equity-based service awards based on the grant-date fair value of the award and recognize the cost of such award over the period during which the employee is required to provide service in exchange for the award (vesting period). The pro forma disclosures previously permitted under SFAS No. 123 are no longer an alternative to financial statement recognition. The Company adopted SFAS No. 123(R) on January 1, 2006 using the prospective transition method, which requires that all new stock-based awards granted subsequent to adoption be recognized in the financial statements at fair value.

In 2006 and through August 30, 2007, the Company engaged an unrelated valuation firm, SMART Business Advisory and Consulting, LLC (“Smart”) to provide its opinion as to the fair value per share of the Company’s common stock as of stated dates in 2006 and through August 30, 2007. Subsequent to the merger with Cross Shore, the Company uses the quoted stock price on AIM as the determinant of fair value. In performing its analysis, Smart used valuation methodologies consistent with the requirements of AICPA Technical Practice Aid, *Valuation of Privately Held Company Equity Securities Issued as Compensation*. Specifically, Smart considered the following methodologies in arriving at its opinion as to the fair value of our common stock:

- an estimate of the value of the Company based on the values of publicly held companies with similar businesses;
- an estimate of the value of the Company based on a discounted cash flow analysis, utilizing the present value of anticipated future cash flows, discounted at an appropriate discount rate reflecting the risk inherent in the investment; and
- allocation of the Company’s equity value, as determined by reference to the above analyses, to the Company’s outstanding classes of equity securities based on the relative risks, preferences, and privileges of such securities.

The per—share weighted average fair value of the options granted during the three months ended March 31, 2008 and 2007, respectively were estimated at \$1.97 and \$3.23 on the date of grant, using the Black-Scholes option-pricing model with the following weighted average assumptions which are based upon the Company’s history or industry comparative information:

	Three Months Ended	
	March 31, 2008	March 31, 2007
Expected dividend yield	0.00%	0.00%
Expected volatility	52%	55%
Risk—free interest rates	2.64%	5.04%
Expected life	6 years	6 years

Prior to August 30, 2007, Former RPS’ stock was not publicly traded, and the expected volatility was calculated for each date of grant based on an alternative method (defined as “calculated value”). Subsequent to August 30, 2007, the Company has continued to utilize the calculated value for expected volatility, and will continue to do so until a sufficient level of history is available as a publicly traded company. The Company identified similar public entities for which share price information is available and has considered the historical volatility of these entities’ share prices in estimating expected volatility. The Company used the average volatility of these guideline companies over a six-year period, consistent with the expected term calculated pursuant to Staff Accounting Bulletin No. 107.

The Company estimated the fair value of its common stock during 2006 and through August 30, 2007 utilizing retrospective, third party valuations performed by Smart. The estimated fair value of common stock ranged from \$4.10 to \$5.26 per share in 2007 prior to the merger with Cross Shore on August 30, 2007.

As of March 31, 2008, the aggregate amount of stock—based compensation expense associated with all the options the Company granted since January 1, 2006 determined in accordance with SFAS 123(R) was \$1.6 million, net of estimated forfeitures. This amount will be recognized on a straight—line basis over the vesting period of the related options. Under the true—up provisions of SFAS 123(R), the Company will record additional expense if the actual forfeiture rate is lower than it has initially estimated, and the Company will record a recovery of prior expense if the actual forfeiture rate is higher than it estimated.

• Valuation of Long—lived Assets

Intangible assets consist primarily of non—compete agreements, customer contracts and lists, and goodwill. The non—compete agreements and customer contracts and lists are amortized over the shorter of their contractual lives or the period over which the assets are expected to contribute to the Company’s cash flows, generally ranging from 2 to 5 years. Goodwill represents the excess of the cost over the fair value of net assets acquired in a business combination. The Company accounts for goodwill and customer lists in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Intangible Assets*. If the Company determines that the carrying value of definite lived long—lived assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long Lived Assets*, the Company performs an undiscounted cash flow analysis to determine if impairment exists. If impairment exists, the Company measures the impairment based on the difference between the asset’s carrying amount and its fair value. Goodwill is tested for impairment on an annual basis (as of December 31 of each year) and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of the Company below its carrying value. If the fair value of the Company is less than the carrying value, goodwill may be impaired, and will be written down to its estimated fair market value, if necessary.

## Results of Operations

### Three Months Ended March 31, 2008 Compared to the Three Months Ended March 31, 2007:

*Revenues.* Service revenues increased 46.1% to \$38.0 million for the three months ended March 31, 2008 from \$26.0 million for the three months ended March 31, 2007 as the Company generated additional business from existing and new customers. The majority of the increase is related to the continued build from existing contracts with several pharmaceutical companies in our Clinical Master Service Provider (“CMSP”) programs. CMSP revenue for the three months ended March 31, 2008 grew 85.3% over the comparable prior period, and accounted for 61.4% of our total service revenue for the three months ended March 31, 2008.

Reimbursement revenues and offsetting reimbursable out-of-pocket costs fluctuate from period to period due primarily to the level of pass-through expenses in a particular period. Reimbursement revenues and reimbursable out-of-pocket costs increased 8.5% to \$3.8 million during the three months ended March 31, 2008 from \$3.5 million during the three months ended March 31, 2007. The increase is due primarily to an increase in the number of staff incurred expenses on client programs.

*Direct Costs.* Direct costs increased 49.7% to \$28.3 million or 74.4% of service revenues for the three months ended March 31, 2008 as compared to \$18.9 million or 72.6% of service revenues for the three months ended March 31, 2007. The increase in direct costs is directly correlated with the increase in revenues as described above. The primary costs included in direct costs are operational staff payroll and related taxes and benefits.

*Selling, general and administrative expenses.* Selling, general and administrative expenses (“SG&A”) increased 29.1% to \$7.1 million for the three months ended March 31, 2008 from \$5.5 million for the three months ended March 31, 2007 to support the increase in revenues. The primary reason for the increase in SG&A costs was an increase in the number of corporate personnel, which resulted in increases in employee-related costs such as new salaries, as well as increases in salaries for existing employees, bonuses, commissions, health benefits and payroll taxes to \$4.3 million for the three months ended March 31, 2008 as compared to \$3.6 million for the three months ended March 31, 2007. Although the total increased during the periods, as a percentage of service revenues, SG&A expenses decreased to 18.7% for the three months ended March 31, 2008 as compared to 21.2% for the three months ended March 31, 2007. The decrease is attributable to the Company’s ability to leverage fixed infrastructure costs and contain semi-variable overhead costs at a slower rate of growth than revenues.

*Depreciation and amortization expense.* Depreciation and amortization expense increased 103.0% to \$0.4 million for the three months ended March 31, 2008 as compared to \$0.2 million for the three months ended March 31, 2007 due primarily to an increase in the depreciable asset base.

*Income from operations.* Income from operations increased to \$2.2 million for the three months ended March 31, 2008 as compared to income from operations of \$1.4 million for the three months ended March 31, 2007. The increase is attributable to growth in revenues in excess of the corresponding growth in direct costs and SG&A costs as described above.

*Interest income and expense.* Interest income increased to \$91,000 during the three months ended March 31, 2008 due to the level of investable cash on hand subsequent to the Company’s August 30, 2007 merger with Cross Shore. Interest expense decreased to \$51,000 for the three months ended March 31, 2008 from \$3.9 million during the three months ended March 31, 2007. The decrease is due to the payoff of the outstanding balance on the Company’s line of credit and the outstanding notes payable subsequent to the merger with Cross Shore on August 30, 2007. Interest expense from the three months ended March 31, 2007 includes a \$3.6 million non-cash charge to mark the Company’s put warrant liability to market during the period. The put warrants were exchanged for shares of Cross Shore common stock in connection with the Cross Shore merger on August 30, 2007.

*Provision for income taxes.* The provision for income taxes for the three months ended March 31, 2008 increased to \$1.0 million versus a benefit of \$5.7 million for the three months ended March 31, 2007. The Company's effective tax rate for the three months ended March 31, 2007 was significant as the interest charge related to the put warrant liability is non-deductible for income tax purposes. Accordingly, the income tax benefit recorded in the three months ended March 31, 2007 is reflective of that rate. The provision for income taxes recorded during the three months ended March 31, 2008 is reflective of the Company's recurring effective tax rate.

*Net income (loss).* As a result of the factors discussed above, net income for the three months ended March 31, 2008 decreased to \$1.3 million or \$0.04 per share, basic and diluted, from net income for the three months ended March 31, 2007 of \$3.2 million or \$0.57 per basic share and \$0.19 per diluted share.

#### *Liquidity and Capital Resources*

In the United States, the Company manages its cash function using collection and cash management accounts. Daily collections are swept into its operating account with excess funds invested in high quality money market funds of short duration. Disbursements presented for payment are funded daily out of the money market accounts. Outside of the United States, cash balances are maintained at levels necessary to support operating activities. As in the United States, cash balances for foreign subsidiaries are generally maintained in the functional currency of the applicable subsidiary.

The Company's expected primary cash needs on both a short and long-term basis are for capital expenditures, expansion of services, possible future acquisitions, global expansion, working capital and other general corporate purposes.

The Company maintains a working capital line of credit with a bank, with a maximum potential borrowing capacity of \$15.0 million. At March 31, 2008, there were no outstanding borrowings under this facility. Interest on outstanding borrowings under this facility is at the Federal Funds open rate, plus 1/2 % (5.25% at March 31, 2008). The credit facility contains various financial and other covenants, including a prohibition on paying dividends or distributions (other than dividends or distributions payable in our stock). At March 31, 2008, the Company was in compliance with these covenants. The facility is secured by all of the assets of the Company. At March 31, 2008, the Company had available cash and cash equivalent balances of \$6.2 million and working capital of \$32.1 million, which the Company believes will provide sufficient liquidity for the next twelve months.

During the three months ended March 31, 2008, the Company's operating activities used cash of \$3.8 million, a decrease of \$4.6 million from the corresponding amount for the three months ended March 31, 2007. The operating activities use of cash during the three month period can be attributed to an increase in accounts receivable, net of allowance for doubtful accounts of \$5.5 million, or 17.2%, to \$37.6 million at March 31, 2008 from \$32.1 million at December 31, 2007 primarily related to the increase in revenues during the period as well as the timing of cash collections. In addition, during the three months ended March 31, 2008, the Company used cash in other operating assets and liabilities of \$0.9 million consisting primarily of \$0.1 million in prepaid expenses and other assets, \$0.4 million in other assets and \$0.4 million in accounts payable.

These uses of cash were offset by net income for the three months ended March 31, 2008 of \$1.3 million along with favorable changes in other operating assets and liabilities of \$0.9 million consisting of \$0.5 million in customer deposits, \$0.4 million in deferred revenue and \$0.1 million in accrued expenses.

Cash used in investing activities for the three months ended March 31, 2008 totaled \$0.7 million, consisting primarily of the increase in restricted cash of \$0.5 million and the purchase of property and equipment totaling \$0.3 million.

Cash used in financing activities for the three months ended March 31, 2008 totaled \$0.3 million, consisting primarily of principal payments on capital lease obligations.

*Contractual Obligations*

Set forth below is information concerning our known contractual obligations as of March 31, 2008.

	Payments Due by Period				
	Total	Less than 1 year	1—3 Years	3—5 Years	More than 5 years
<b>Contractual Obligations</b>					
Capital leases	\$ 1,680,860	\$ 642,059	\$1,038,801	—	—
Operating leases	\$12,996,910	1,281,471	3,003,335	2,881,216	5,830,887
Total	\$14,677,769	\$1,923,531	\$4,042,136	\$2,881,216	\$5,830,887

*Off—Balance Sheet Arrangements*

At December 31, 2007, RPS was not a party to any off—balance sheet arrangements as defined by Regulation S—K Item 303(a)(4)(i), promulgated under the Exchange Act.

*Inflation*

Certain of RPS’ revenues are earned under long—term contracts (having terms in excess of one year) and generally include an inflation or cost of living adjustment for the portion of services to be performed one year from the contract date. As a result, RPS believes that the effects of inflation generally do not have a material effect on its operations or financial condition.

*Recently Issued Accounting Standard*

The Company adopted Financial Accounting Standards Board Statement No. 157, Fair Value Measurements (“SFAS 157”) effective January 1, 2008. SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (“the exit price”) in an orderly transaction between market participants at the measurement date. The standard outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. In determining fair value, the Company primarily use prices and other relevant information generated by market transactions involving identical or comparable assets (“market approach”). As of March 31, 2008, the fair value of the Company’s financial assets are based on level one observable inputs. We have determined that our fair value measurements are in accordance with the requirements of SFAS 157, therefore, the implementation of SFAS 157 did not have any impact on our consolidated financial condition or results of operations.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

*Foreign currency risks.* Since RPS operates in countries other than the United States, it is exposed to various foreign currency risks. The majority of client services are contracted in U.S. dollars. However, at times, a portion of the work performed under these contracts is performed by one of our subsidiaries under which costs are incurred in the local denomination of that subsidiary. In these instances, where expenses are incurred in a denomination that is other than U.S. dollars, our net earnings can be affected by fluctuations in exchange rates. In addition, any fluctuation in the exchange rates of the net assets of our foreign subsidiaries denominated in local currency would be reflected in translation gains or losses, which are accounted for in other comprehensive income in our statements of changes redeemable convertible preferred stock and stockholder’ equity. We do not believe that a change of 10% in the foreign currency exchange rates would have a material impact on our financial position or results of operations.

For the three months ended March 31, 2008, approximately 4% of our net revenues were derived from our operations outside of the United States. We currently do not engage in derivative or hedging activities related to our potential foreign exchange exposures. However, we contemplate future anticipated foreign currency working capital requirements, capital asset acquisitions of our foreign operations, and our planned international expansion, and we will consider maintaining a portion of our cash and cash equivalents

denominated in foreign currencies sufficient to satisfy these possible future requirements. We will also evaluate the need and cost of financial instruments to hedge currency exposures on an ongoing basis and may hedge against exchange rate exposure in the future.

*Interest rate risk.* The primary objective of our investment activity is to preserve principal, provide liquidity and maximize income without increasing risk. Our investments have limited exposure to market risk. To minimize this risk, we maintain our portfolio of cash and cash equivalents in a variety of investments, consisting primarily of bank deposits and money market funds. The interest rates are variable and fluctuate with current market conditions. The risk associated with fluctuating interest rates is limited to this investment portfolio, and we do not believe that a 10% change in interest rates would have a material impact on our financial position or results of operations.

#### **Item 4. Controls and Procedures**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of March 31, 2008. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of the Company's disclosure controls and procedures as of March 31, 2008, the Company's Chief Executive Officer and Chief Financial Officer concluded that, as of such date, the Company's disclosure controls and procedures were effective.

#### **Changes in Internal Control over Financial Reporting**

No change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Part II. Other Information**

#### **Item 1A. Risk Factors**

**We depend on the bio-pharmaceutical industry for substantially all of our revenue and factors or trends affecting that industry could adversely affect our business.**

We provide services and solutions to the pharmaceutical and biotechnology industries and our revenues depend on the outsourcing trends and research and development expenditures of the pharmaceutical and biotechnology industries. Economic factors and industry trends that affect companies in those industries affect our business. In the past, mergers, product withdrawal, liability lawsuits, product failures, governmental regulations, and other factors in the pharmaceutical industry appear to have slowed decision-making by pharmaceutical companies and delayed drug development projects. The continuation of or increases in these trends could have an adverse effect on our business.

**We compete with the existing in-house personnel already employed by our clients, and use of these personnel could reduce our revenues.**



The use of in—house personnel by current or potential clients to perform the functions that we perform for these clients or a reduction in research and development expenditures by pharmaceutical and biotechnology companies could have an adverse effect on our business. The increased use of in—house personnel would decrease the likelihood that we would obtain additional new contracts or extensions of existing contracts and participate in our clients' drug development process, which could eliminate or substantially reduce our revenues.

**Government regulation has and could continue to negatively impact the pharmaceutical and medical device industry.**

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 on new drugs, our clients might reduce their drug discovery and development spending, which could reduce our revenue.

**Our contracts may be delayed, terminated or reduced in scope with little or no notice, which could adversely impact our profitability.**

Many of our contracts with our clients may be terminated or reduced in scope with little or no notice. Cancellations may occur for a variety of reasons, including the failure of the client's product to satisfy safety and/or efficacy requirements, unexpected results of the client's product or the client's decision to reduce its research and development activities. In addition, if we are unable to provide the sufficient number of staff required for a project, the contract may be delayed, terminated, or reduced in scope.

In addition, for the three months ended March 31, 2008, our top five clients represented approximately 56% of service revenues and our twenty top clients comprised approximately 90% of service revenues. For the three months ended March 31, 2008, our largest customer was responsible for 21% of our service revenues. The loss of our single largest client or the loss or reduction in scope of a single material contract or several smaller contracts of any of our top five clients could materially adversely affect our results of operations, revenues or cash flow. No assurance can be given that we will be able to realize the service revenues included in backlog and accordingly that our aggregate backlog is not a necessarily meaningful indicator of future results. Our current total backlog as of March 31, 2008 is \$164.5 million, of which approximately \$75.3 million is not expected to be realized in 2008.

**If we are unable to reassign billable personnel from one project to another, it will be difficult for us to achieve our financial and operational goals.**

Our success depends to a significant extent upon our senior management team and its ability to reassign billable personnel from one project to another as projects are completed. The number of billable personnel who are unassigned could have an impact on our ability to meet its financial and operational goals.

**The fixed price nature of some of our contracts could result in financial losses.**

Some of our contracts are structured as fixed price contracts. If we underbid our fixed price contracts or overrun the initial cost estimates, such under—bidding or significant cost overruns could have a material adverse effect on our business, results of operations, financial condition and cash flow.

**Outsourcing to the bio—pharmaceutical industry is highly competitive, and our failure to compete could harm our business.**

There is a wide range of providers of outsourcing services to the bio—pharmaceutical industry that compete with us, including small, niche providers and full—service global contract research organizations. Outsourcing service providers compete based on a variety of factors, including reputation for quality, performance, price, scope of service offerings and geographic presence. A number of our competitors also possess substantially greater resources than we do, which may adversely affect our competitive position within the industry. Additionally, many of our current and potential clients have in—house capabilities to

perform services that we also provide and may elect to perform such services themselves, which would increase competitive pressure on us, and may have a material adverse effect on our business, results of operations, financial condition and cash flows.

**If we fail to hire, retain and integrate qualified personnel, it will be difficult to achieve our goals.**

Our success depends to a significant extent upon the efforts of our senior management team and its ability to hire qualified personnel in the regions in which it operates. There is substantial competition within the bio—pharmaceutical industry for qualified personnel, and difficulty in recruiting or retaining qualified personnel will impact our ability to meet our financial and operational goals.

**Our business depends on our senior management team, and the loss of any member of the team could harm our business.**

We believe that our success will depend on the continued employment of our senior management team, which has significant experience in the administration of bio—pharmaceutical services businesses. Our future business and financial results could be adversely affected if the services of members of our senior management or other key managers cease to be available. If one or more members of our senior management team were unable or unwilling to continue in their present positions, those persons could be difficult to replace and our business could be harmed. If any of our key employees were to join a competitor or form a competing company, some of our clients might choose to use the services of that competitor or new company instead of our services. In addition, we cannot assure you that a court would enforce the non—competition provisions in employment agreements with senior management. Further, if non—competition provisions were enforced, they are limited in time and scope and we cannot assure you that the provisions are adequate in this regard to protect our business.

**We may not be able to expand through acquisitions successfully.**

We evaluate from time to time acquisition opportunities globally and in the United States in order to increase market share and presence in servicing the pharmaceutical and biotechnology industry. Our ability to grow successfully through acquisitions could be affected by, among other things, the following:

- *Identification of acquisition targets.* We may have difficulty identifying suitable acquisition opportunities and successfully consummating proposed transactions.
- *Competition for acquisitions.* Competition in the acquisition market could limit our ability to grow through acquisitions or could raise the prices of acquisitions and make them less accretive or possibly non—accretive.
- *Financing of acquisitions.* We may not be able to obtain necessary financing or may need to incur significant cash expenditures to consummate desirable strategic acquisitions.
- *Expense of acquisitions.* The costs and expenses of these proposed acquisitions, including integration expenses and exposure to unforeseen liabilities, could have a material adverse effect on our financial condition and results of operations and the overall effectiveness of our proposed acquisitions.

To the extent that we are unable to successfully execute our acquisition strategy, it may have an adverse effect on our ability to expand domestically and internationally and may ultimately have a negative impact on our business and financial condition.

**International operations are subject to numerous risks.**

We have international operations in Canada, South America, and Latin America, and intend to pursue the development of operations globally through acquisitions and subsequent organic growth in China, India, Europe and other markets based on client demand. Our current foreign operations and our future foreign operations are subject to risks inherent in operating in foreign countries, including government



regulations, currency restrictions and fluctuations, and other restraints, burdensome taxes and political and civil instability and unrest. Our ability to manage these issues could be affected by applicable U.S. laws and the need to protect our assets in those locations. Although we intend to take steps to mitigate these risks where possible, political, economic or social instability or other developments could make less developed countries less suitable for our expansion plans and may have a material adverse effect on our ability to operate in and contract with persons in countries which are, or become, politically, socially, or economically unstable.

Our financial statements are denominated in U.S. dollars. As a result, factors associated with current and future international operations, including changes in foreign currency exchange rates, could significantly affect our results of operations and financial condition. Exchange rate fluctuations between local currencies and the U.S. dollar create risk in several ways, including foreign currency translation risk related to our revenue and expenses of foreign operations being generally denominated in local currencies, and foreign currency transaction risk related to our foreign contracts that may be denominated in a currency other than the currency in which we incur expenses related to such contracts. In the future, we may seek to limit these risks through exchange rate fluctuation provisions stated in such contracts, or by hedging our transaction risk with foreign currency exchange contracts or options. Despite these efforts, we may still experience fluctuations in financial results from our operations outside the United States, and we cannot assure that it will be able to favorably reduce our currency transaction risk associated with our contracts.

**Our future success depends on our ability to keep pace with rapid technological changes that could make our services and products less competitive or obsolete.**

The bio—pharmaceutical industry generally and drug discovery and development more specifically are subject to increasingly rapid technological changes, such as in the field of genomics and proteomics. Our competitors or others might develop technologies, services or products that are more effective or more commercially attractive than our current or future technologies, services or products, or which render our technologies, services or products less competitive or obsolete. If competitors introduce superior technologies, services or products and we cannot make enhancements to remain competitive, our competitive position, and in turn our business, revenues and financial condition, would be materially and adversely affected.

**Proposed and future legislation or regulations may increase the cost of our business or limit our service or product offerings.**

Federal, state, or local authorities might adopt healthcare legislation or regulations that are more burdensome than existing regulations. For example, recent product safety concerns and the creation by the FDA of the Drug Safety Oversight Board could change the regulatory environment for drug products including the process for FDA product approval and post—approval safety surveillance. These and other future changes in regulation could increase our expenses or limit our ability to offer some of our services or products. For example, additional legislation or regulation governing the possession, use and dissemination of medical record information and other personal health information might require us to implement new security measures that require substantial expenditures or limit our ability to offer some of our services and products. These regulations might also increase costs by creating new privacy procedures and requirements.

**We might lose business opportunities as a result of healthcare reform.**

Numerous governments have undertaken efforts to control growing healthcare costs through legislation, regulation and voluntary agreements with healthcare providers and drug companies. Healthcare reform could reduce demand for our services and products, and, as a result, our revenue. In the last several years, the U.S. Congress has reviewed several comprehensive health care reform proposals. The proposals are intended to expand healthcare coverage for the uninsured and reduce the growth of total healthcare expenditures. The U.S. Congress has also considered and may adopt legislation that could have the effect of putting downward pressure on the prices that pharmaceutical and biotechnology companies can charge for prescription drugs. Any such legislation could cause our discovery and development customers to

spend less on research and development. Similarly, pending or future healthcare reform proposals outside the U.S. could negatively impact our revenues from our international operations.

**Our business and the businesses of our customers are subject to extensive regulation, and the results of operations could be harmed if regulatory standards change significantly or if we fail to maintain compliance with evolving, complex regulations.**

Laws and regulations regarding the development and approval of drug and biological products have become increasingly stringent in both the U.S. and foreign jurisdictions, resulting in a need for more complex and often larger clinical studies. Human pharmaceutical products, biological products, and medical devices are subject to rigorous regulation by the U.S. government — principally the FDA, but also the Federal Trade Commission, and other agencies — and by foreign governments if products are tested or marketed abroad. Additional legislation or regulation governing the possession, use and dissemination of medical record information and other personal health information might require us to implement new security measures that require substantial expenditures or limit our ability to offer certain services and products. Further, a relaxation of the scope of regulatory requirements, such as the introduction of simplified marketing applications for pharmaceuticals and biologics, such as those made by generic drug manufacturers, could decrease the business opportunities available to us.

In addition, because we offer services relating to the conduct of clinical trials and the preparation of marketing applications, we are required to comply with applicable regulatory requirements governing, among other things, the design, conduct, performance, monitoring, auditing, recording, analysis, and reporting of these trials. In the United States, the FDA governs these activities pursuant to the agency's GCP regulations. A failure to maintain compliance with the GCP or other applicable regulations could lead to a variety of sanctions, including, among other things, and depending on the nature of the violation and the type of product involved, the suspension or termination of a clinical study, civil penalties, criminal prosecutions, or debarment from assisting in the submission of new drug applications, or NDAs. In addition, we could be required to pay monetary damages to our client in the event of such failures. While we monitor clinical trials to test for compliance with applicable laws and regulations in the U.S. and foreign jurisdictions in which we operate, and have adopted standard operating procedures that are designed to satisfy regulatory requirements, our business spans multiple regulatory jurisdictions with varying, complex regulatory frameworks, and therefore we cannot assure that our systems will ensure compliance in every instance in the future. If we are forced to incur significant costs in complying with new regulations, or if we incur fines or damage to our reputation as a result of our failure to comply with such regulations, our business, results of operations and financial condition may be adversely affected.

**Our clinical research services create a risk of liability and, if we were required to pay damages or to bear the costs of defending any claim not covered by contractual indemnity, it could cause material harm to our business.**

Clinical research services by pharmaceutical companies involve the testing of new drugs, biologics, and devices on human volunteers, and, if marketing approval is received for any of their drug, biologic and device candidates, their use by patients. This testing by pharmaceutical companies creates risks of liability for personal injury, sickness or death of patients resulting from their participation in the study. These risks include, amongst other things, unforeseen adverse side effects, improper application or administration of a new drug or device, and the professional malpractice of medical care providers. Many volunteer patients already are seriously ill and are at heightened risk of future illness or death. In connection with providing contract research services, we contract, together with our clients, with physicians to serve as investigators in conducting clinical trials on human volunteers. Although we do not believe we are legally accountable for the medical care rendered by third party investigators, it is possible that we could be held liable for the claims and expenses arising from any professional malpractice of the investigators with whom we or our client contract in the event of personal injury to or death of persons participating in clinical trials. We also could be held liable for errors or omissions in connection with the services we perform. While we believe our current insurance coverage is adequate, our business could be materially harmed if we were required to pay damages or bear the costs of defending any claim outside the scope of, or in excess of, the contractual indemnification provided by our agreements with our customers that is beyond the level or scope of



insurance coverage in effect, or if an indemnifying party does not fulfill its indemnification obligations, or if indemnification agreements are not enforced in accordance with their terms.

**Our business could be harmed if we are unable to manage growth effectively.**

We have experienced growth and believe that sustained growth places a strain on operational, human, and financial resources. To manage our growth, we must continue to improve operating and administrative systems and services and attract and retain qualified management, professional, scientific, and technical operating personnel. We believe that maintaining and enhancing both our systems and personnel at reasonable cost are instrumental to our success. We cannot give any assurances that we will be able to attract and retain qualified personnel. We cannot give any assurance that we will be able to enhance our current technology or obtain new technology that will enable systems to keep pace with developments and the sophisticated needs of our clients. The nature and pace of our growth introduces risks associated with quality control and client dissatisfaction due to delays in performance or other problems. In addition, foreign operations involve the additional risks of assimilating differences in foreign business practices, hiring and retaining qualified personnel, and overcoming language and cultural barriers. It is also possible that with any future acquisitions, we will assume the liabilities and problems of the acquired entity. We anticipate additional growth in the future and may face integration and related issues. Failure to manage growth effectively could have an adverse effect on us.

**Our business depends significantly on the continued effectiveness of our information technology infrastructure, and failures of such technology could harm operations.**

To remain competitive, we must employ information technologies that capture, manage, and analyze the large streams of data generated during clinical trials in compliance with applicable regulatory requirements. In addition, because we provide services on a global basis, we rely extensively on technology to allow the concurrent conduct of studies and work sharing around the world. As with all information technology, our system is vulnerable to potential damage or interruptions from fires, blackouts, telecommunications failures, computer related hardware and software failures and disruptions and other unexpected events, as well as to break—ins, sabotage, or intentional acts of vandalism. Given the extensive reliance of our business on this technology, any substantial disruption or resulting loss of data that is not avoided or corrected by backup measures could harm our business and operations.

**Our ability to provide personnel depends significantly on its proprietary database, and loss or damage to this database would harm our business.**

Our database of clinical trial professionals and pharmaceutical company profiles is a key element in our ability to compete with other providers of outsourcing services to the bio—pharmaceutical industry. The loss, damage, or misappropriation of our database could result in our inability to meet our contractual obligations with our customers, a loss of a competitive edge with other outsourcing service providers, a loss of potential growth opportunities, and may have a material adverse effect on our business, results of operations, financial conditions, and cash flow.

**Our operations may be affected by the occurrence of a natural disaster, communications technology disruption, or other catastrophic event.**

Natural disasters or other catastrophic events, including terrorist attacks, pandemic flu, hurricanes, floods and ice storms, could disrupt our operations or those of our clients, partners or suppliers which could also affect us. Loss of communication services, such as telephone, e—mail, or internet service could disrupt our ability to communicate with our clients and recruit clinical trial professionals. A malfunction or an attack on our website or internet infrastructure could disrupt our internet communications abilities. While we carry business interruption insurance policies that we believe to be adequate, we might suffer losses as a result of business interruptions that exceed the coverage available under our insurance policies or for which the policies do not provide coverage. Any natural disaster or catastrophic event affecting us, our clients, partners, or suppliers could have a significant negative impact on our operations and financial performance.

**We may face significant employment liability risk.**

We employ and place people in the workplaces of our clients. An inherent risk of such activity includes possible claims of errors and omissions, misuse or misappropriation of client proprietary information, misappropriation of funds, discrimination and harassment, employment of illegal aliens, theft of client property, other criminal activity, torts or other claims. We have policies and guidelines in place to reduce exposure to such risks. However, failure of any employee or personnel to follow these policies and guidelines may result in negative publicity, loss of client relationships and business, injunctive relief, payment of monetary damages or fines or other material adverse effects upon our business. Moreover, we could be held responsible for the actions at a workplace of persons not under our immediate control. To reduce exposure, we maintain insurance covering general liability, workers compensation claims, errors and omissions, and employee theft. Due to the nature of our assignments, in particular, access to client information systems and confidential information, and the potential liability with respect thereto, we may not be able to obtain insurance coverage in amounts adequate to cover any such liability on acceptable terms. In addition, we face various employment—related risks not covered by insurance, such as wage and hour laws and employment and withholding tax responsibilities.

**Significant increases in payroll—related costs could adversely affect our business.**

We are required to pay a number of federal, state, and local payroll and related costs, including unemployment taxes, workers compensation and insurance, FICA, and Medicare, among others, for our employees. Significant increases in the effective rates of any payroll—related costs, or the imposition of additional or new payroll related costs, likely would have a material adverse effect upon profitability. Costs could also increase as a result of health care reforms or the possible imposition of additional requirements and restrictions related to the placement of personnel. Recent federal and state legislative proposals have included provisions extending health insurance benefits to personnel who currently do not receive such benefits. We may not be able to increase the fees charged to our clients in a timely manner and in a sufficient amount to cover increased costs, if any such proposals are adopted.

**We are a holding company and derive substantially all of our cash flow from our subsidiaries.**

We rely upon revenues and distributions from our subsidiaries to generate the funds necessary to meet our obligations. Our subsidiaries are separate and independent legal entities and have no obligation, contingent or otherwise, to make funds available to us, whether in the form of loans, dividends or otherwise. The ability of our subsidiaries to pay dividends to us is also subject to, among other things, the availability of sufficient funds in such subsidiaries and applicable state laws. Claims of creditors of our subsidiaries will generally have priority as to the assets of such subsidiaries over our claims and our creditors and shareholders. In addition, we have pledged the ownership interests in ReSearch Pharmaceutical Services, LLC to the bank extending us a line of credit as security for that line of credit, and therefore, if we are in default of any of the provisions of our agreement for the line of credit, our bank could foreclose on the pledged ownership interests of ReSearch Pharmaceutical Services, LLC. If the bank were to foreclose on the pledged ownership interests, we would no longer be entitled to receive revenues or distributions from our U.S. operating subsidiaries, which would have a material adverse effect on our business, results of operations, financial conditions, and cash flow.

**Our stock price may be volatile, and could negatively impact the investment of our stockholders.**

The trading price of our stock may be volatile. The market price of our stock may experience significant price and volume fluctuations in response to a number of factors including actual or anticipated quarterly variations in operating results, rumors about our performance, changes in expectations of future financial performance or changes in estimates of securities analysts, governmental regulatory action, healthcare reform measures, client relationship developments, and other factors, many of which are beyond our control.

**An active trading market for our common stock may not develop in the United States, and our stockholders may not be able to resell their stock at or above the current price.**

There is currently no public market for shares of our common stock in the United States. Our common stock and warrants have been listed on AIM, under the symbol RPSE and RPSW, respectively, since August 31, 2007, and the common stock and warrants of Cross Shore were listed on AIM since April 24, 2006. However, there is currently a limited trading volume in our common stock on the AIM market, which limits the liquidity of our common stock on that market. We cannot predict when or whether investor interest in our common stock on the AIM market might lead to an increase in its market price or the development of a more active trading market or how liquid that market might become.

**The market for our stock may be, or become, relatively illiquid.**

Although our common stock and certain warrants are traded on AIM, and are registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), this should not be taken as an implication that there will be a liquid market in the stock. In addition, we cannot assure investors that we will always retain a listing on AIM or remain registered under the Exchange Act. We may apply to list our stock on an exchange in the United States, and if we decide to list our stock on both AIM and an exchange in the United States, such dual listing may cause the level of liquidity of the shares and warrants to decline. A dual listing of our common stock may dilute the liquidity of our common stock in one or both markets and may adversely affect the development of an active trading market for our shares in the United States.

**Securities traded on AIM may carry a higher risk than shares traded on other exchanges.**

Our stock is currently traded on AIM. Investment in stock traded on AIM is perceived to carry a higher risk than an investment in stock quoted on exchanges with more stringent listing requirements, such as the London Stock Exchange, the New York Stock Exchange or the NASDAQ markets. This is because AIM imposes less stringent corporate governance and ongoing reporting requirements. In addition, AIM requires only semi—annual, rather than quarterly, financial update reports. Investors should be aware that the value of the stock may be influenced by many factors, some of which may be specific to us and some of which may affect quoted companies generally, including the depth and liquidity of the market, our performance, a large or small volume of trading in the our stock, legislative changes and general economic, political or regulatory conditions, and that the prices may be volatile and subject to extensive fluctuations. Therefore, the market price of the stock may not reflect the underlying value of our company. The value of an investment in our company may increase or decrease; therefore investors may realize less than, or lose all of, their investment.

**Provisions in our bylaws will require disclosure of information by stockholders that would not otherwise be required to be disclosed under applicable U.S. state or U.S. federal laws.**

In accordance with the rules of the AIM market, we are required to disclose information regarding beneficial owners of 3% or more of our outstanding common stock to the AIM market. In order to allow us to comply with the AIM rules, our bylaws contain a provision requiring any beneficial owner of three percent or more of our outstanding common stock to notify us of the holdings of such owner, as well as of any change in beneficial ownership of one percent or more of our outstanding common stock. Comparatively, none of the U.S. state or U.S. federal laws that are applicable to us or the rules of the SEC require stockholders to report this beneficial ownership information to us or to disclose this information to the public or a regulatory body.

**Fluctuations in currency exchange rates could have a material adverse effect on our financial condition.**

Currency risk exposure will affect our operations when revenues are denominated in currencies that are different from those in which costs are incurred. If, after the time that we have agreed to provide a service to a customer for a fixed price, the value of the currency in which the price is to be paid weakens relative to the currency in which the costs are incurred, there would be a negative impact on the profit margin for any such transaction. Currently, a substantial amount of our revenues and costs are denominated in U.S. dollars. We may in the future be exposed to currency fluctuations between the U.S. dollar and other

currencies as a result of our intended international growth or as a result of the acquisition of a company which does not report in U.S. dollars. To the extent not hedged, currency fluctuations could have a material adverse affect on our financial condition, results of operations or cash flow.

**The exercise of the our outstanding warrants and options may have an adverse effect of the market price of our stock.**

Approximately 1.4 million warrants and approximately 2.8 million options for our stock are currently outstanding. In addition, we cannot assure investors that the holders of our stock subject to lock—up restrictions will not sell substantial amounts of their stock upon any waiver, expiration or termination of the restrictions. The sale or even the possibility of sale of such stock or the stock underlying the warrants and options could have an adverse effect on the market price for our securities or on our ability to obtain a future public financing. If and to the extent that warrants and/or options are exercised, stockholders could be diluted.

**Being a reporting company under the Exchange Act may affect our profitability.**

The cost of continued compliance with the provisions of the Exchange Act, the “blue sky” laws of various states, and other U.S. or foreign securities laws may have an adverse effect on our results of operations. In addition, the level of liquidity of stock traded on AIM may be volatile and may decline.

**The stock and warrants will continue to be represented by definitive certificates in the near term, which could reduce their liquidity.**

Due to U.S. securities law requirements, the stock and warrants will be represented by definitive certificates. The lack of a fully electronic trading mechanism may reduce the liquidity of the securities due to consequential delays in the settlement of sales and purchases on AIM.

**Item 6. Exhibits.**

See the Exhibit Index on the page immediately preceding the exhibits for a list of exhibits filed as part of this quarterly report, which Exhibit Index is incorporated hereinby reference.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 13, 2008

ReSearch Pharmaceutical Services, Inc.

By: /s/ Steven Bell  
Steven Bell  
Executive Vice President of Finance and  
Chief Financial Officer

[E/O]

CRC: 38778  
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<u>Exhibit No.</u>	<u>Description</u>
31.1	Certification pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.



<DOCUMENT>  
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<FILENAME> w58019exv31w1.htm  
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**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a)/15d-14(a),  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel M. Perlman, certify that:

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

Dated: May 13, 2008

/s/ Daniel M. Perlman

Daniel M. Perlman  
Chief Executive Officer



<DOCUMENT>  
<TYPE> EX-31.2  
<FILENAME> w58019exv31w2.htm  
<DESCRIPTION> Exhibit 31.2  
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**EXHIBIT 31.2**

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a)/15d-14(a),  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven Bell, certify that:

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

Dated: May 13, 2008

/s/ Steven Bell

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Steven Bell  
Chief Financial Officer



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<FILENAME> w58019exv32w1.htm  
<DESCRIPTION> Exhibit 32.1  
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[E/O]

CRC: 23952  
EDGAR 2

**BOWW58019 732.01.01.00 0/1**  


**EXHIBIT 32.1**

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

In connection with the Quarterly Report on Form 10-Q of ReSearch Pharmaceutical Services, Inc. (the "Company") for the three months ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel M. Perlman, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

Dated: May 13, 2008

/s/ Daniel M. Perlman

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Daniel M. Perlman  
Chief Executive Officer



<DOCUMENT>  
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**EXHIBIT 32.2**

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

In connection with the Quarterly Report on Form 10-Q of ReSearch Pharmaceutical Services, Inc. (the "Company") for the three months ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven Bell, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

Dated: May 13, 2008

/s/ Steven Bell

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Steven Bell  
Chief Financial Officer