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Description: Form 10-Q

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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 September 30, 2009**

**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 Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

Class	Outstanding at November 13, 2009
Common Stock, par value \$0.0001 per share	37,277,808

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	<u>Page</u>
<u>Part I. FINANCIAL INFORMATION</u>	3
<u>Item 1. FINANCIAL STATEMENTS:</u>	3
<u>CONDENSED CONSOLIDATED BALANCE SHEETS —</u> <u>SEPTEMBER 30, 2009 (UNAUDITED) AND DECEMBER 31, 2008</u>	3
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) —</u> <u>THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008</u>	4
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) —</u> <u>NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008</u>	5
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	6
<u>Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND</u> <u>RESULTS OF OPERATIONS</u>	20
<u>Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	28
<u>Item 4T. CONTROLS AND PROCEDURES</u>	29
<u>Part II. OTHER INFORMATION</u>	29
<u>Item 1A. RISK FACTORS</u>	29
<u>Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	30
<u>Item 5. OTHER INFORMATION</u>	30
<u>Item 6. EXHIBITS</u>	31
<u>SIGNATURES</u>	31

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**Part I. Financial Information**

**Item 1. Financial Statements**

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

	<b>September 30,</b>	<b>December 31,</b>
	<b>2009</b>	<b>2008</b>
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,193,010	\$ 6,565,003
Restricted cash	4,911,223	7,247,532
Accounts receivable, less allowance for doubtful accounts of \$806,000 at September 30, 2009 and \$654,000 at December 31, 2008, respectively	50,774,249	43,225,016
Current deferred tax asset	989,433	970,797
Prepaid expenses and other current assets	1,893,342	2,377,838
Total current assets	<u>\$ 64,761,257</u>	<u>\$ 60,386,186</u>
Property and equipment, net	6,043,407	5,993,386
Other assets	1,351,173	1,179,018
Intangible assets subject to amortization, net	3,145,737	3,880,000
Goodwill	17,323,504	15,145,585
Deferred tax asset	504,366	504,366
Total assets	<u>\$ 93,129,444</u>	<u>\$ 87,088,542</u>
<b>Liabilities and stockholders' equity (deficit)</b>		
Current liabilities:		
Accounts payable	\$ 2,995,639	\$ 3,496,309
Accrued expenses	12,654,901	12,069,957
Customer deposits	9,411,043	7,247,532
Deferred revenue	6,605,575	4,781,935
Line of credit	12,003,517	7,500,000
Current portion of capital lease obligations	421,984	682,695
Total current liabilities	<u>\$ 44,092,659</u>	<u>\$ 35,778,428</u>
Customer deposits	—	4,500,000
Deferred tax liability	1,005,222	1,331,955
Other liabilities	2,009,897	2,323,794
Capital lease obligations, less current portion	548,573	871,963
Total liabilities	<u>\$ 47,656,351</u>	<u>\$ 44,806,140</u>
Stockholders' equity:		
Common stock, \$.0001 par value:		
Authorized shares – 150,000,000 issued and outstanding shares – 37,277,808 and 36,746,291 at September 30, 2009 and December 31, 2008, respectively	3,728	3,675
Additional paid-in capital	45,457,670	44,083,184
Accumulated other comprehensive (loss) income	(11,075)	155,535
Retained earnings (accumulated deficit)	22,770	(1,959,992)
Total stockholders' equity	<u>\$ 45,473,093</u>	<u>\$ 42,282,402</u>
Total liabilities and stockholders' equity	<u>\$ 93,129,444</u>	<u>\$ 87,088,542</u>

Please see accompanying notes.

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>(unaudited)</b>		<b>(unaudited)</b>	
Service revenue	\$ 51,669,235	\$ 39,113,267	\$ 145,374,471	\$ 117,447,462
Reimbursement revenue	5,588,148	4,900,378	16,528,476	13,249,875
Total revenue	57,257,383	44,013,645	161,902,947	130,697,337
Direct costs	37,167,441	29,555,433	105,327,137	87,948,270
Reimbursable out-of-pocket costs	5,588,148	4,900,378	16,528,476	13,249,875
Selling, general, and administrative expenses	11,279,779	7,845,537	32,370,791	22,725,789
Depreciation and amortization	884,177	449,187	2,554,806	1,233,451
Income from operations	2,337,838	1,263,110	5,121,737	5,539,952
Interest expense	286,802	91,089	757,670	231,020
Interest income	105,164	94,189	272,993	256,190
Net income before provision for income taxes	2,156,200	1,266,210	4,637,060	5,565,122
Provision for income taxes	1,162,167	517,971	2,654,298	2,340,750
Net income	\$ 994,033	\$ 748,239	\$ 1,982,762	\$ 3,224,372
Net income per common share:				
Basic	\$ 0.03	\$ 0.02	\$ 0.05	\$ 0.10
Diluted	\$ 0.03	\$ 0.02	\$ 0.05	\$ 0.09
Weighted average number of common shares outstanding:				
Basic	37,231,635	32,547,406	36,910,087	32,507,708
Diluted	38,141,116	34,049,551	37,955,539	34,069,060

Please see accompanying notes.

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

	<b>Nine Months Ending September 30,</b>	
	<b>2009</b>	<b>2008</b>
	(unaudited)	
Net income	\$ 1,982,762	\$ 3,224,372
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,554,806	1,233,451
Stock-based compensation	453,630	413,771
Deferred tax benefit	(317,115)	—
Changes in operating assets and liabilities:		
Accounts receivable	(7,298,979)	(1,897,447)
Prepaid expenses and other assets	383,865	(968,379)
Accounts payable	(582,190)	17,973
Accrued expenses and other liabilities	1,849,424	(518,930)
Customer deposits	(2,559,107)	(307,155)
Deferred revenue	1,761,991	(1,640,451)
Net cash used in operating activities	(1,770,913)	(442,795)
<b>Investing activities</b>		
Change in restricted cash	2,558,927	307,155
Business combinations, net of cash acquired	(3,092,758)	—
Purchase of property and equipment	(1,574,894)	(1,128,412)
Net cash used in investing activities	(2,108,725)	(821,257)
<b>Financing activities</b>		
Net borrowings on line of credit	4,503,517	—
Principal payments on capital lease obligations	(584,101)	(496,172)
Proceeds from exercise of options	254	8,951
Cross Shore merger consideration, net of fees paid	—	(17,880)
Net cash provided by (used in) financing activities	3,919,670	(505,101)
Effect of exchange rates on cash and cash equivalents	(412,025)	26,915
Net change in cash and cash equivalents	(371,993)	(1,742,238)
Cash and cash equivalents, beginning of period	6,565,003	11,060,255
Cash and cash equivalents, end of period	\$ 6,193,010	\$ 9,318,017
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for:		
Interest	\$ 757,670	\$ 231,020
Income taxes	\$ 4,531,026	\$ 2,924,777
<b>Supplemental disclosures of noncash financing activities</b>		
Issuance of shares in connection with business combinations	\$ 918,583	\$ —
Acquisition of fixed assets under capital leases	\$ —	\$ 1,211,158

Please see accompanying notes.

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**ReSearch Pharmaceutical Services, Inc. and Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**September 30, 2009 (unaudited)**

**1. Business**

ReSearch Pharmaceutical Services, Inc. and Subsidiaries (the "Company" or "RPS") is a next generation CRO (clinical research organization) serving biotechnology and pharmaceutical companies, which the Company refers to collectively as the bio-pharmaceutical industry. The RPS business model combines the expertise of a traditional CRO with the ability to provide flexible outsourcing solutions that are fully integrated within the Company's clients' clinical infrastructure. 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 that meets the varied needs of small, medium and large bio-pharmaceutical companies.

On August 30, 2007, our predecessor company ("Former RPS") merged with and into a wholly-owned subsidiary of Cross Shore Acquisition Corporation ("Cross Shore"), a blank check company incorporate in Delaware in 2006 as a vehicle to acquire one or more operating companies in the United States. Prior to the merger, Cross Shore completed an initial public offering on the Alternative Investment Market ("AIM") of the London Stock Exchange to raise proceeds to fund such an acquisition. As a result of the merger, Cross Shore changed its name to RPS, and RPS is now a holding company for, and conducts substantially all of its operations through its wholly-owned subsidiary, ReSearch Pharmaceutical Services, LLC.

On September 4, 2009 RPS delisted its common stock from AIM following approval of the delisting by the requisite number of shareholders. Trading in RPS' warrants to purchase common stock, also listed on AIM, was suspended following delisting of the common stock, and the warrants were delisted on October 5, 2009. RPS common stock and warrants are no longer traded on AIM, but remain transferable as described in the proxy statement which was mailed to shareholders and warrant holders on July 24, 2009 and filed with the SEC on July 23, 2009, in each case subject to applicable securities laws.

The Company has wholly owned subsidiaries in over 40 countries around the world with its core operations located in North America, Latin America, Europe and Asia.

**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 September 30, 2009 and the condensed consolidated statements of operations and cash flows for the three months and nine months ended September 30, 2009 and 2008 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, 2008 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, 2008.

### 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 17% and 12% of service revenues during the nine months ended September 30, 2009 and the three largest customers represented approximately 20%, 12% and 12% of service revenues during the nine months ended September 30, 2008. The Company's two largest customers accounted for approximately 16% and 10% of service revenues during the three months ended September 30, 2009 and the three largest customers represented approximately 20%, 12% and 12% of service revenues during the three months ended September 30, 2008.

The two largest customers represented approximately 14% and 11% of the accounts receivable balance at September 30, 2009, and approximately 14% and 13% of the accounts receivable balance at December 31, 2008. 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 generally 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 or nine months ended September 30, 2009 or 2008. 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.

FASB guidance 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 \$5,588,148 and \$4,900,378 for the three months ended September 30, 2009 and 2008, respectively, and were \$16,528,476 and \$13,249,875 for the nine months ended September 30, 2009 and 2008, 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 \$1,157,000 and \$1,681,000 for the three months ended September 30, 2009 and 2008 respectively and approximately \$2,412,000 and \$4,320,000 for the nine months ended September 30, 2009 and 2008 respectively.

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**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 the FASB guidance related to accounting for uncertainty in income taxes. This guidance 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 it is recognized in the financial statements.

The effective tax rate for the three and nine months ended September 30, 2009 is higher than the federal statutory rate, as the Company is not recording a tax benefit for net operating losses generated in certain of its foreign subsidiaries as it may not realize the tax benefit of these net operating losses.

**Foreign Currency Translation**

The financial statements of the Company’s foreign subsidiaries have been translated into U.S. dollars in accordance with the FASB guidance on 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**

The per-share weighted average fair value of the options granted during the three months ended September 30, 2009 and 2008 were estimated at \$0.88 and \$1.89, respectively while the per-share weighted average fair value of the options granted during the nine months ended September 30, 2009 and 2008 were estimated at \$0.87 and \$1.98, 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		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	50%	50%	50%	50%
Risk-free interest rate	2.73%	3.21%	2.19%	3.02%
Expected life	6 years	6 years	6 years	6 years

Prior to August 30, 2007, the Company’s common 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, as a public company on the AIM, the Company continued to utilize the calculated value for expected volatility as a sufficient level of history was not available as a publicly traded company. In September and October 2009, the Company delisted its common stock and warrants from AIM, respectively, and its common stock and warrants are no longer publicly traded. As such, the Company will continue to use the calculated value. 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 FASB guidance. From August 30, 2007 through the September 2009 AIM delisting date, the Company utilized the quoted stock price on the AIM as a determinant of fair value of the Company’s common stock. Subsequent to the AIM delisting date, the Company estimates the fair value of its common stock using the market and income valuation approaches, with the assistance of a valuation consultant. Stock based compensation expense for the three months ended September 30, 2009 and 2008 related to share based service awards was \$144,955 and \$146,518, respectively, and was \$453,630 and \$413,771 for the nine months ended September 30, 2009 and 2008 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 September 30, 2009 was \$0.6 million net of estimated forfeitures, which is expected to be recognized over the weighted average period of 1.3 years.

## Segment Information

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 16% and 5% of service revenues during the nine months ended September 30, 2009 and 2008, respectively. In addition, approximately 37% and 34% of the Company's consolidated tangible assets are located in foreign locations at September 30, 2009 and December 31, 2008, respectively.

## Recent Accounting Pronouncements

The Company adopted new accounting guidance on fair value measurements effective January 1, 2008, for financial assets and liabilities. In addition, effective January 1, 2009, the Company adopted this guidance as it relates to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on at least an annual basis. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability, referred to as 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 of financial assets, the Company primarily uses prices and other relevant information generated by market transactions involving identical or comparable assets, called the market approach. As of September 30, 2009 and December 31, 2008, the fair value of all of the Company's financial assets are based on level one observable inputs. The implementation of this guidance for nonfinancial assets and liabilities did not have an impact on the Company's consolidated financial statements as of September 30, 2009. The provisions of this guidance will be applied at such time a fair value measurement of a nonfinancial asset or liability is required, which may result in a fair value that is materially different than would have been calculated prior to the adoption of this guidance.

In December 2007, the FASB issued new guidance related to business combinations. This guidance retains the fundamental requirements of existing guidance that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. This guidance defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date the acquirer achieves control. This guidance was effective for the Company beginning January 1, 2009 and the impact of the adoption of this guidance depends upon the nature and terms of business combinations that the Company consummates on or after January 1, 2009.

In June 2008, the FASB issued new guidance related to assessing whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock for the purposes of determining whether such equity-linked financial instrument (or embedded feature) is subject to derivative accounting. The Company adopted this new guidance effective January 1, 2009. The adoption of this guidance did not have a material impact on our results of operations or financial condition.

In May 2009, the FASB issued new guidance on subsequent events. The standard provides guidance on management's assessment of subsequent events and incorporates this guidance into accounting literature. The standard is effective prospectively for interim and annual periods ending after June 15, 2009 and the Company adopted this guidance commencing with our June 30, 2009 consolidated financial statements. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations. We have evaluated subsequent events through November 13, 2009, the date of issuance of our consolidated balance sheet and results of operations.

In April 2009, the FASB issued a staff position requiring fair value disclosures in both interim as well as annual financial statements in order to provide more timely information about the effects of current market conditions on financial instruments. The guidance is effective for interim and annual periods ending after June 15, 2009, and the Company adopted this guidance commencing with our June 30, 2009 consolidated financial statements. The implementation of this standard did not have a material impact on our consolidated balance sheet and results of operations.

In June 2009, FASB Accounting Standards Codification (Codification) was issued, effective for financials statements issued for interim and annual periods ending after September 15, 2009. The Codification supersedes literature of the FASB, Emerging Issues Task Force and other sources. The Codification did not change U.S. generally accepted accounting principles. The implementation of this standard did not have a material impact on our consolidated balance sheet and results of operations.

**Net Income Attributable to Common Shares**

Basic net income per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the periods presented. Diluted net income per share is computed by dividing net income 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 per share.

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net income	\$ 994,033	\$ 748,239	\$ 1,982,762	\$ 3,224,372
Weighted average common shares outstanding — basic	37,231,635	32,547,406	36,910,087	32,507,708
Dilutive effect of stock options and warrants	909,481	1,502,145	1,045,452	1,561,352
Weighted average common shares outstanding — diluted	<u>38,141,116</u>	<u>34,049,551</u>	<u>37,955,539</u>	<u>34,069,060</u>

Warrants outstanding totaling 1.4 million shares of the Company’s common stock, along with options to purchase 975,853 shares of the Company’s common stock were excluded from the computation of diluted weighted average shares outstanding for the three and nine months ended September 30, 2009 because their effect would have been anti-dilutive. Warrants outstanding totaling \$1.4 million shares of the Company’s common stock, along with options to purchase 962,447 shares of the Company’s common stock were excluded from the computation of diluted weighted average shares outstanding for the three and nine months ended September 30, 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</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net income as reported	\$ 994,033	\$ 748,239	\$ 1,982,762	\$ 3,224,372
Other comprehensive income (loss):				
Foreign currency translation adjustment	217,565	85,255	(166,610)	26,915
Comprehensive income	<u>\$ 1,211,598</u>	<u>\$ 833,494</u>	<u>\$ 1,816,152</u>	<u>\$ 3,251,287</u>

### 3. Acquisitions

#### 2009 Acquisition

##### Paramax International Inc. (“Paramax”)

On July 7, 2009, RPS acquired the outstanding shares of Paramax for consideration of \$1.0 million in cash and 530,973 shares of common stock (the “Paramax Shares”) issued to Paramax’s sole shareholder (the “Paramax Acquisition”). Paramax, which is active in the same fields as RPS, provides the Company with opportunities in the Asia-Pacific market and complements its current operations in the Americas and Europe. In addition, the acquisition will provide RPS with greater scale to meet the growing needs of its customers in the rapidly expanding market for globally integrated clinical research services. The Paramax Shares were valued by management utilizing the assistance of a valuation specialist at \$1.73 per share, which resulted in total acquisition consideration of approximately \$1.9 million. The shareholder of Paramax has entered into a share escrow agreement whereby all of the Paramax Shares are held in escrow, to be released in equal portions on October 7, 2009, July 7, 2010 and January 31, 2011, subject to there being no indemnity claims outstanding (as defined within the acquisition agreement). Accordingly, 176,991 of the Paramax Shares were released from escrow on October 7, 2009. In addition, the shareholder of Paramax has agreed to a 24 month lock-up on all Paramax Shares, commencing on the date of closing of the Paramax Acquisition. Paramax, founded in 2007, is located in Beijing, China. Paramax operates throughout China and the Asia-Pacific market, providing clinical research services to the bio-pharmaceutical industry.

The acquisition has been accounted for as a purchase. Accordingly, the results of operations of Paramax have been included in the consolidated financial statements commencing July 7, 2009. A preliminary allocation of the purchase price is outlined below:

<b>Purchase Price:</b>	
Cash paid	\$ 1,000,000
Value of RPS Shares	918,583
Total purchase price	<u>\$ 1,918,583</u>

##### Allocation of Purchase Price:

Cash	\$ 163,692
Accounts receivable	87,367
Fixed assets	31,780
Other assets	9,130
Goodwill	1,504,355
Customer lists	18,000
Non compete agreements	117,000
Current liabilities	(12,742)
	<u>\$ 1,918,583</u>

The allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed as reflected in the consolidated financial statements is preliminary and subject to change based on finalization of the Company’s valuation of the assets acquired and liabilities assumed. The Company is currently assessing the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed. It is expected that the current assets and liabilities assumed will approximate the values assigned as of the date of the acquisition. A valuation study is presently being conducted to establish the fair market value of the identifiable intangibles acquired. The intangible assets acquired consist primarily of customer lists and a non-compete agreement. The final purchase price allocation to reflect the fair values of the assets acquired and liabilities assumed will be based on the outcome of the Company’s valuation study. The final valuation is expected to be completed in 2009.

**2008 Acquisitions**

In December 2008, the Company completed the acquisitions of three European companies located in Spain, France and Germany (the “European Acquisitions”). The European Acquisitions, which are active in the same fields as RPS, will provide the Company with opportunities in the European market and complement its current operations in the Americas. In addition, the European Acquisitions will provide RPS with greater scale to meet the growing needs of its customers in the rapidly expanding market for globally integrated clinical research services.

**IMEREM Institute for Medical Research Management and Biometrics — Institut für medizinisches Forschungsmanagement und Biometrie — Ein unabhängiges Forschungsunternehmen GmbH (“Imerem”)**

On December 22, 2008, RPS acquired the outstanding shares of Imerem for a consideration of €2.7 million (\$3.9 million) in cash and issuance of 1,296,165 shares of common stock (the “Imerem Shares”) issued to Imerem’s sole shareholder. The Imerem Shares were valued at \$1.68 per share, which, along with transaction costs of approximately \$1.0 million that were paid by the Company, resulted in total acquisition consideration of approximately \$7.1 million. The sole shareholder of Imerem has entered into a share escrow agreement whereby 50 percent of the Imerem Shares are held in escrow, to be released in equal portions on the first, second and third anniversaries of the acquisition date, subject to there being no indemnity claims outstanding (as defined within the acquisition agreement). In addition, the shareholder of Imerem has agreed to a 12 month lock-up on all Imerem Shares, commencing on the date of closing of the acquisition. Imerem, founded in 1990, is located in Nürnberg, Germany. Imerem operates throughout Eastern and Western Europe and Scandinavia, providing clinical research services to the bio-pharmaceutical industry and academic institutions.

The acquisition has been accounted for as a purchase. Accordingly, the results of operations of Imerem have been included in the consolidated financial statements commencing December 22, 2008. A preliminary allocation of the purchase price is outlined below:

<b>Purchase Price:</b>	
Cash paid	\$ 3,924,089
Value of RPS Shares	2,182,742
Transaction costs	954,858
<b>Total purchase price</b>	<b><u>\$ 7,061,689</u></b>

**Allocation of Purchase Price:**

Cash	\$ 1,499,696
Restricted cash	1,079,203
Accounts receivable	886,369
Prepaid expense and other current assets	68,708
Fixed assets	101,179
Goodwill	4,432,541
Customer lists	800,000
Brand name	330,000
Non compete agreements	350,000
Accrued Expenses	(378,583)
Customer deposits	(1,079,203)
Accounts Payable	(562,465)
Deferred tax liability	(465,756)
	<b><u>\$ 7,061,689</u></b>

The allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed as reflected in the consolidated financial statements is preliminary and subject to change based on finalization of the Company's valuation of the assets acquired and liabilities assumed. The Company is currently assessing the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed. It is expected that the current assets and liabilities assumed will approximate the values assigned as of the date of the acquisition. A valuation study is presently being conducted to establish the fair market value of the identifiable intangibles acquired. The intangible assets acquired consist primarily of customer lists, brand name and a non-compete agreement. The final purchase price allocation to reflect the fair values of the assets acquired and liabilities assumed will be based on the final results of a working capital adjustment and the outcome of the Company's valuation study. The final valuation is expected to be completed in 2009.

**Infociencia, S.L. and Infociencia Clinical Research S.L. ("Infociencia")**

On December 22, 2008, RPS acquired the outstanding shares of Infociencia for consideration of €2.5 million (\$3.6 million) in cash and issuance of 1,404,856 shares of common stock (the "Infociencia Shares") to Infociencia's shareholders. The Infociencia Shares were valued at \$1.68 which, along with transaction costs of approximately \$1.0 million that were paid by the Company, resulted in total acquisition consideration of \$7.0 million. The shareholders of Infociencia entered into share escrow agreements whereby 50 percent of the Infociencia Shares are held in escrow, to be released in equal portions on the first, second and third anniversaries of the acquisition date, subject to there being no indemnity claims outstanding (as defined within the acquisition agreement). In addition, the shareholders of Infociencia have agreed to a 12 month lock-up on all of the Infociencia Shares, commencing on the date of closing of the acquisition. Infociencia founded in 1998, has offices in Barcelona and Madrid, Spain and operates throughout Western Europe providing clinical research services to the bio-pharmaceutical industry, academic and government institutions.

The acquisition has been accounted for as a purchase. Accordingly, the results of operations of Infociencia have been included in the consolidated financial statements commencing December 22, 2008. A preliminary allocation of the purchase price is outlined below:

<b>Purchase Price:</b>	
Cash paid	\$ 3,563,536
Value of RPS Shares	2,365,778
Transaction costs	1,034,929
<b>Total purchase price</b>	<b><u>\$ 6,964,243</u></b>

**Allocation of Purchase Price:**

Cash	\$ 446,939
Restricted cash	4,702,100
Accounts receivable	3,612,585
Prepaid expense and other current assets	493,413
Fixed assets	1,146,736
Goodwill	4,872,958
Customer lists	280,000
Brand name	640,000
Software	350,000
Non compete agreements	550,000
Long term debt	(1,141,933)
Customer deposits	(4,702,100)
Accounts payable	(876,983)
Accrued expenses	(2,863,472)
Deferred tax liability	(546,000)
	<b><u>\$ 6,964,243</u></b>

The allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed as reflected in the consolidated financial statements is preliminary and subject to change based on finalization of the Company’s valuation of the assets acquired and liabilities assumed. The Company is currently assessing the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed. It is expected that the current assets and liabilities assumed will approximate the values assigned as of the date of the acquisition. A valuation study is presently being conducted to establish the fair market value of the software and the identifiable intangibles acquired. The intangible assets acquired consist primarily of customer lists, brand name, and non-compete agreements. The final purchase price allocation to reflect the fair values of the assets acquired and liabilities assumed will be based on the final results of a working capital adjustment and the outcome of the Company’s valuation study. The final valuation is expected to be completed in 2009.

**Therapharm Recherches Th.R. (“Therapharm”)**

On December 23, 2008, RPS acquired the outstanding shares of Therapharm for consideration of €2.6 million (\$3.8 million) in cash and issuance of 1,497,864 shares of common stock (the “Therapharm Shares,” and along with the Imerem Shares and the Infocencia Shares, the “Shares”) to Therapharm’s shareholder. The Therapharm Shares were valued at \$1.68 which, along with transaction costs of approximately \$1.1 million that were paid by the Company, resulted in total acquisition consideration of \$7.4 million. The shareholder of Therapharm entered into a share escrow agreement whereby 50 percent of the Therapharm Shares are held in escrow, to be released in equal portions on the first, second and third anniversaries of the acquisition date, subject to there being no indemnity claims outstanding (as defined within the acquisition agreement). In addition, the shareholder of Therapharm has agreed to a 12 month lock-up on all of the Therapharm Shares, commencing on the date of closing of the acquisition.

Therapharm, founded in 1980, is located in Boulogne Billancourt, France. Therapharm provides clinical research services to the bio-pharmaceutical industry and operates throughout Western Europe focusing its efforts on France, Belgium and Switzerland.

The acquisition has been accounted for as a purchase. Accordingly, the results of operations of Therapharm have been included in the consolidated financial statements commencing December 23, 2008. A preliminary allocation of the purchase price is outlined below:

<b>Purchase Price:</b>	
Cash paid	\$ 3,799,459
Value of RPS Shares	2,522,403
Transaction costs	1,103,445
<b>Total purchase price</b>	<b><u>\$ 7,425,307</u></b>

**Allocation of Purchase Price:**

Cash	\$ 2,356,206
Restricted cash	563,896
Accounts receivable	3,430,837
Prepaid expense and other current assets	632,878
Fixed assets	144,265
Goodwill	5,943,786
Customer lists	280,000
Brand name	440,000
Non compete agreements	210,000
Customer deposits	(563,896)
Accounts payable	(884,066)
Accrued expenses	(3,097,466)
Deferred revenue	(1,710,934)
Deferred tax liability	(320,199)
	<b><u>\$ 7,425,307</u></b>

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The allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed as reflected in the consolidated financial statements is preliminary and subject to change based on finalization of the Company's valuation of the assets acquired and liabilities assumed. The Company is currently assessing the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed. It is expected that the current assets and liabilities assumed will approximate the values assigned as of the date of the acquisition. A valuation study is presently being conducted to establish the fair market value of the identifiable intangibles acquired. The intangible assets acquired consist primarily of customer lists, brand names, and a non-compete agreement. The final purchase price allocation to reflect the fair values of the assets acquired and liabilities assumed will be based on the final results of a working capital adjustment and the outcome of the Company's valuation study. The final valuation is expected to be completed in 2009.

The unaudited pro forma information below presents combined results of operations as if the Paramax Acquisition and the European Acquisitions had occurred as of the beginning of the applicable reporting periods instead of in July 2009 and December 2008, respectively. The pro forma information is based on historical results and is not necessarily indicative of the results of operations of the combined entity had the acquisition occurred at the beginning of the periods presented, nor is it necessarily indicative of future results.

	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Service revenue	\$ 51,669,235	\$ 45,183,419	\$ 145,899,447	\$ 129,717,017
Reimbursement revenue	\$ 5,588,148	\$ 6,843,092	\$ 16,528,476	\$ 17,135,303
<b>Total revenue</b>	<b>\$ 57,257,383</b>	<b>\$ 52,724,913</b>	<b>\$ 162,427,923</b>	<b>\$ 146,852,320</b>
Net income	\$ 994,033	\$ 1,492,340	\$ 1,835,222	\$ 4,689,074
Net income per common share:				
Basic	\$ 0.03	\$ 0.04	\$ 0.05	\$ 0.13
Diluted	\$ 0.03	\$ 0.04	\$ 0.05	\$ 0.12
Weighted average number of common shares outstanding:				
Basic	37,277,808	37,277,264	37,277,684	37,237,566
Diluted	38,187,289	38,779,409	38,323,136	38,798,918

The Shares issued in connection with the consummation of the European Acquisitions were valued by management utilizing the assistance of a valuation specialist, which resulted in a fair value of \$1.68 per share. This value is also consistent with the trading price of the Company's common stock on AIM at the time of the European Acquisitions, discounted to reflect the escrow and lock up arrangements underlying certain of the Shares issued as discussed above.

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**4. Intangible Assets**

The following table summarizes the changes in the carrying amount of the Company's goodwill for the nine months ended September 30, 2009:

Balance as of December 31, 2008	\$ 15,145,585
Purchase accounting adjustments	412,237
Goodwill acquired (Paramax)	1,504,355
Currency exchange	261,327
Balance as of September 30, 2009	<u>\$ 17,323,504</u>

The following tables summarize intangible assets and their amortization as of:

Intangible assets subject to amortization	September 30, 2009		
	Gross	Accumulated Amortization	Net
Customer contracts and lists	\$3,315,888	\$ (2,177,425)	\$1,138,463
Brand name	1,428,412	(517,330)	911,082
Non-compete agreements	1,591,495	(495,303)	1,096,192
Total	<u>6,335,795</u>	<u>(3,190,058)</u>	<u>3,145,737</u>

Intangible assets subject to amortization	December 31, 2008		
	Gross	Accumulated Amortization	Net
Customer contracts and lists	\$3,280,128	\$ (1,920,128)	\$1,360,000
Brand name	1,410,000	—	1,410,000
Non-compete agreements	1,460,000	(350,000)	1,110,000
Total	<u>\$6,150,128</u>	<u>\$ (2,270,128)</u>	<u>\$3,880,000</u>

The estimated amortization expense for each of the five years ending December 31, 2013 is as follows:

Three Months Ending December 31, 2009	2010	2011	2012	2013	Thereafter
\$306,000	\$1,207,000	\$508,000	\$485,000	\$457,000	\$183,000

**5. Property and Equipment**

Property and equipment consist of the following:

	Useful life	September 30,	December 31,
		2009	2008
Computers, software and other equipment	2 to 3 years	\$ 4,990,395	\$ 5,301,507
Automobiles	1 to 3 years	1,717,969	2,163,123
Leasehold improvements	7 years	500,503	314,882
Furniture and fixtures	5 years	2,178,933	2,000,211
		<u>9,387,800</u>	<u>9,779,723</u>
Less accumulated depreciation		<u>(3,344,393)</u>	<u>(3,786,337)</u>
		<u>\$ 6,043,407</u>	<u>\$ 5,993,386</u>

Automobiles, computers, software and other equipment include assets acquired under capital lease obligations (Note 10).

## 6. Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2009	December 31, 2008
Accrued compensation	\$ 5,410,181	\$ 4,280,576
Accrued professional fees	1,640,950	1,755,192
Volume rebate accrual	1,198,184	1,049,534
Accrued taxes	1,667,280	1,583,950
Accrued transaction costs	—	1,573,752
Other	2,738,306	1,826,953
	<u>\$ 12,654,901</u>	<u>\$ 12,069,957</u>

## 7. Lines of Credit

In November 2006, the Company entered into a bank line of credit agreement (the "Credit Agreement"), expiring October 31, 2009. The Credit Agreement provided for \$15,000,000 of available borrowings, and was subject to certain borrowing base restrictions. Borrowings under the Credit Agreement required interest at the Federal Funds open rate, as defined, plus 1%. The Credit 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 December 31, 2008, there were \$7.5 million in outstanding borrowings under this line of credit.

In July 2009, the Credit Agreement was amended (the "Amended Credit Agreement") to extend the termination date to October 31, 2012. The Amended Credit Agreement also provides for \$30,000,000 of available borrowings, and is subject to certain borrowing base restrictions. Borrowings under the Amended Credit Agreement require interest at the Federal Funds open rate, as defined, plus 2% (4.75% at September 30, 2009). The Amended Credit Agreement remains secured by all corporate assets and continues the 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 present under the Credit Agreement. At September 30, 2009 there were \$12.0 million in outstanding borrowings under this line of credit.

## 8. Stockholders' equity

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 (Note 9).

A total of 1,500,000 shares issued to RPS stockholders were placed in escrow pursuant to the merger agreement with Cross Shore in August 2007. 60% of the escrow shares (900,000 shares) were released on August 30, 2008 and the remaining shares were 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 holding shares in RPS prior to the merger with Cross Shore. The Investor Rights Agreement (as defined below) pertains to those 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 is 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 or 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 will grant the existing stockholders the rights to include shares on any registration statement filed by the Company pursuant to the Securities Act of 1933, as amended (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 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 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 Securities Exchange Act of 1934, as amended (the "Exchange Act") that are required to be made pursuant to its contractual arrangements with the existing stockholders, the Registration Rights Agreement entitles the holders of shares 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, or up to four months under the Investor Rights Agreement.

The Company also has a total of 1,357,179 common stock warrants (the "IPO Warrants") outstanding. The IPO Warrants are exercisable at any time through April 28, 2010 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 and were delisted from AIM on October 5, 2009.

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 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 (the "Underwriter Purchase 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 exercise prices of \$5.00 per share at any time through April 28, 2010. Such warrants are subject to the same provisions as the IPO Warrants discussed above.

In January 2008, the Company issued 336,000 shares of common stock to certain investors pursuant to the provisions of certain Underwriter Purchase Options that were tendered by such investors in connection with the merger with Cross Shore.

In December 2008, the Company issued a total of 4,198,885 Shares in connection with the European Acquisitions. The shareholders of Therapharm, Infociencia and Imerem have entered into share escrow agreements whereby 50 percent of the Shares are held in escrow, with such Shares held in escrow to be released in equal portions on the first, second and third anniversaries of the acquisition date, subject to there being no indemnity claims outstanding against each of the acquired corporations (as defined within the respective acquisition agreements). In addition, the shareholders of Therapharm, Infociencia and Imerem have agreed to a 12 month lock-up on all of the Shares, commencing on the date of closing of the respective European Acquisition.

In July 2009, the Company issued a total of 530,973 Paramax Shares in connection with the Paramax Acquisition. The shareholder of Paramax has entered into a share escrow agreement whereby 100 percent of the Paramax Shares shall be held in escrow, with such Paramax Shares held in escrow to be released in equal portions on the six and twelve month anniversaries of the acquisition date and on the last business day of the eighteen month anniversary of the acquisition date, subject to there being no claims outstanding against Paramax (as defined within the acquisition agreement). Accordingly, 176,991 Paramax Shares were released from escrow in October 2009. In addition, the shareholder of Paramax has agreed to a 24 month lock-up on all of the Paramax Shares, commencing on the date of closing of the Paramax Acquisition.

**9. Stock Option Plan**

In June 2002, the Company adopted the 2002 Equity Incentive Plan (the “2002 Plan”) which permitted the grant of incentive stock options, nonqualified stock options and restricted stock. The Company authorized the issuance of up to 2,108,456 shares of common stock to satisfy grants under the 2002 Plan. Stock options issued under the 2002 Plan generally vested over a three-year period. The exercise period was determined by the Company’s Board of Directors, but could not exceed ten years from the date of grant. Each option entitled the holder to purchase one share of common stock at the indicated exercise price.

The Company adopted the 2007 Stock Incentive Plan (the “2007 Incentive Plan”) on August 30, 2007 and terminated the 2002 Plan. The 2007 Incentive Plan permits awards of options and restricted stock. At September 30, 2009, the total number of shares reserved under the 2007 Incentive Plan was 6,792,271 shares. On an annual basis, this amount is automatically increased to an amount equal to 15% of the number of shares outstanding (calculated on a fully diluted basis). Stock options issued under the 2007 Incentive Plan 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:

	<b>Options Available For Grant</b>	<b>Number of Options Outstanding</b>	<b>Weighted Average Exercise Price</b>
Balance, December 31, 2008	<u>3,777,484</u>	<u>2,920,449</u>	<u>\$ 2.09</u>
Authorized	—	—	\$ —
Granted	(27,859)	27,859	\$ 1.75
Exercised	—	(544)	\$ 0.37
Forfeited/cancelled	<u>39,648</u>	<u>(39,648)</u>	<u>\$ 2.99</u>
Balance, September 30, 2009	<u>3,789,273</u>	<u>2,908,116</u>	<u>\$ 2.07</u>

The weighted average grant date fair value of options granted was \$0.88 and \$0.87 during the three and nine months ended September 30, 2009, respectively.

At September 30, 2009, 348,289 options were exercisable at \$0.37 per share, 1,583,992 options were exercisable at \$0.83 per share, 13,035 options were exercisable at \$1.66 per share, 29,381 options were exercisable at \$3.85 per share, 25,180 options were exercisable at \$4.20 per share and 500,000 options were exercisable at \$5.05 per share. The weighted average remaining contractual life of the outstanding options at September 30, 2009 was 6.4 years. The weighted average remaining contractual life of the fully vested options at September 30, 2009 was 6.2 years. The aggregate intrinsic value of options outstanding, and fully vested at September 30, 2009 are \$2.1 million and \$2.1 million, respectively.

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**10. 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 lease arrangements was approximately \$860,000 and \$477,500 during the three months ended September 30, 2009 and 2008, respectively and was approximately \$2,384,000 and \$1,484,500 during the nine months ended September 30, 2009 and 2008, respectively. The Company is the lessee of approximately \$1,689,000 of automobiles and equipment under capital leases expiring through 2012. 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 \$125,000 and \$172,000 for the three months ended September 30, 2009 and 2008, respectively and approximately \$414,000 and \$476,000 for the nine months ended September 30, 2009 and 2008, respectively, and is included in depreciation expense.

Future minimum lease payments subsequent to September 30, 2009 under capital and non-cancelable operating leases are as follows:

	<u>Capital Leases</u>	<u>Operating Leases</u>
2009	\$ 151,062	\$ 829,524
2010	637,936	2,506,203
2011	255,602	2,361,931
2012	4,590	2,257,340
2013	—	1,989,115
Thereafter	—	5,399,531
Total minimum lease payments	\$ 1,049,190	\$ 15,343,644
Less amount representing interest	78,633	
Present value of net minimum lease payments	<u>\$ 970,557</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 it was founded in 1994, and 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 the 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 believes that its unique model of providing integrated outsourcing solutions is 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. 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 2008 have shown increases in revenues and performance metrics.

In December 2008, the Company completed the European Acquisitions, as discussed in Note 3 to the financial statements included in this report. The Company believes that its European subsidiaries, which are active in the same fields as RPS, will provide the Company with opportunities in the European market and complement its current operations in the Americas. In addition, RPS believes its European subsidiaries will provide it with greater scale to meet the growing needs of its customers in the rapidly expanding market for globally integrated clinical research services.

In July 2009, the Company completed the Paramax Acquisition, as discussed in Note 3 to the financial statements included in this report. The Company believes that the acquisition of Paramax, which is active in the same fields as RPS, will provide the Company with opportunities in the Asian market and complement its current operations in the Americas and Europe. In addition, RPS believes that Paramax will also provide it with greater scale to meet the growing needs of its customers in the rapidly expanding Asian market for globally integrated clinical research services.

#### *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 generally 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 FASB guidance, which 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.

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- Income Taxes

The Company accounts for income taxes using the asset and liability approach, 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. This approach 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 FASB guidance related to accounting for uncertainty in income taxes. This authoritative interpretation clarified and standardized the manner by which companies are required to account for uncertain income tax positions. Under this guidance, 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

FASB guidance 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. This guidance 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 per-share weighted average fair value of the options granted during the three months ended September 30, 2009 and 2008 respectively were estimated at \$0.88 and \$1.89, and were \$0.87 and \$1.98 for the nine months ended September 30, 2009 and 2008 respectively, 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:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	50%	50%	50%	50%
Risk-free interest rate	2.73%	3.21%	2.19%	3.02%
Expected life	6 years	6 years	6 years	6 years

Prior to August 30, 2007, the Company's common 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, as a public company on the AIM, the Company continued to utilize the calculated value for expected volatility as a sufficient level of history was not available as a publicly traded company. In September and October 2009, the Company delisted its common stock and warrants from AIM, respectively, and its common stock and warrants are no longer publicly traded. As such, the Company will continue to use the calculated value. 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 FASB guidance. From August 30, 2007 through the September 2009 AIM delisting date, the Company utilized the quoted stock price on the AIM as a determinant of fair value of the Company's common stock. Subsequent to the AIM delisting date, the Company estimates the fair value of its common stock using the market and income valuation approaches, with the assistance of a valuation consultant. Stock based compensation expense for the three months ended September 30, 2009 and 2008 related to share based service awards was \$144,955 and \$146,518, respectively, and was \$453,630 and \$413,771 for the nine months ended September 30, 2009 and 2008 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 September 30, 2009 was \$0.6 million net of estimated forfeitures, which is expected to be recognized over the weighted average period of 1.3 years.

As of September 30, 2009, 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 \$2.1 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, brand names, and goodwill. The majority of the intangible asset balances consist of intangible assets acquired from the European Acquisitions and the acquisition of Paramax. Finite-lived intangible assets are amortized on a straight line basis over the following periods: Customer lists – five years, brand names — two years, software – three years, and non-compete agreements — six years. Goodwill represents the excess of the cost over the fair value of net assets acquired in a business combination. 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, 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 October 1 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 September 30, 2009 Compared to the Three Months Ended September 30, 2008:

*Revenues.* Service revenues increased 32.1% to \$51.7 million for the three months ended September 30, 2009 from \$39.1 million for the three months ended September 30, 2008 as we generated additional business from existing and new customers. The majority of the increase is related to the continued build from existing contracts with several bio-pharmaceutical companies in our Clinical Master Service Provider ("CMSP") programs in addition to the revenue generated by the recently acquired companies in Europe and China. CMSP revenue for the three months ended September 30, 2009 grew 33.8% over the comparable prior period, and accounted for 64.5% of our total service revenue for the three months ended September 30, 2009.

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 14.0% to \$5.6 million during the three months ended September 30, 2009 from \$4.9 million during the three months ended September 30, 2008. The increase is due primarily to an increase in the number of staff incurred expenses on client programs and an increase related to the European and Paramax Acquisitions.

*Direct Costs.* Direct costs increased 25.8% to \$37.2 million or 71.9% of service revenues for the three months ended September 30, 2009 as compared to \$29.6 million or 75.6% of service revenues for the three months ended September 30, 2008. Although the increase in direct costs is directly correlated with the increase in revenues as described above, the improvement in direct costs as a percentage of service revenue is related to increased labor efficiencies that we have implemented. 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 43.8% to \$11.3 million for the three months ended September 30, 2009 from \$7.8 million for the three months ended September 30, 2008 to support the increase in revenues. The primary reason for the increase in SG&A costs was the additional overhead costs of the European Acquisitions which resulted in increases in employee-related costs such as salaries, health benefits and payroll taxes to \$6.3 million for the three months ended September 30, 2009 as compared to \$4.9 million for the three months ended September 30, 2008. Additionally, due to our increasing global footprint we saw an increase in rent and travel expense to \$1.3 million for the three months ended September 30, 2009 as compared to \$0.8 million for the three months ended September 30, 2008.

*Depreciation and amortization expense.* Depreciation and amortization expense increased 96.8% to \$0.9 million for the three months ended September 30, 2009 as compared to \$0.4 million for the three months ended September 30, 2008 due primarily to an increase in the depreciable asset base and amortization of intangible assets related to the European Acquisitions.

*Income from operations.* Income from operations increased to \$2.3 million for the three months ended September 30, 2009 as compared to income from operations of \$1.3 million for the three months ended September 30, 2008. The increase is attributable to additional leveraging of fixed costs of a larger revenue base.

*Interest income and expense.* There was \$105,000 of interest income during the three months ended September 30, 2009 as compared to interest income of \$94,000 during the three months ended September 30, 2008 due to the level of investable cash on hand during the third quarter of 2009. Interest expense increased to \$287,000 for the three months ended September 30, 2009 from \$91,000 during the three months ended September 30, 2008. The increase is due to the interest expense calculated on the outstanding balance on our line of credit.

*Provision for income taxes.* The provision for income taxes for the three months ended September 30, 2009 increased to \$1.2 million as compared to a provision of \$0.5 million for the three months ended September 30, 2008. The increase in the provision is due to both an increase in taxable income in the United States during the period, as well as an increase in the overall effective tax rate. The effective tax rate increased as we are not recording a tax benefit for net operating losses generated in certain foreign subsidiaries as we may not realize the tax benefit of these operating losses.

*Net income.* As a result of the factors discussed above, net income for the three months ended September 30, 2009 increased to \$1.0 million or \$0.03 per share, basic and diluted, from net income for the three months ended September 30, 2008 of \$0.7 million or \$0.02 per share, basic and diluted.

Nine Months Ended September 30, 2009 Compared to the Nine Months Ended September 30, 2008:

*Revenues.* Service revenues increased 23.8% to \$145.4 million for the nine months ended September 30, 2009 from \$117.5 million for the nine months ended September 30, 2008 as we generated additional business from existing and new customers. The majority of the increase is related to the continued build from existing contracts with several bio-pharmaceutical companies in our CMSP programs in addition to the revenue generated by recently acquired companies in Europe and China. CMSP revenue for the nine months ended September 30, 2009 grew 24.7% over the comparable prior period, and accounted for 62.5% of our total service revenue for the nine months ended September 30, 2009.

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 24.7% to \$16.5 million during the nine months ended September 30, 2009 from \$13.2 million during the nine months ended September 30, 2008. The increase is due primarily to an increase in the number of staff incurred expenses on client programs and an increase related to the European Acquisitions.

*Direct Costs.* Direct costs increased 19.8% to \$105.3 million or 72.5% of service revenues for the nine months ended September 30, 2009 as compared to \$87.9 million or 74.9% of service revenues for the nine months ended September 30, 2008. Although the increase in direct costs is directly correlated with the increase in revenues as described above, the improvement in direct costs as a percentage of service revenues is related to increased labor efficiencies that we have implemented. The primary costs included in direct costs are operational staff payroll and related taxes and benefits.

*Selling, general and administrative expenses.* SG&A increased 42.4% to \$32.4 million for the nine months ended September 30, 2009 from \$22.7 million for the nine months ended September 30, 2008 to support the increase in revenues. The primary reason for the increase in SG&A costs was the additional overhead costs of the European Acquisitions which resulted in increases in employee-related costs such as salaries, health benefits and payroll taxes to \$18.6 million for the nine months ended September 30, 2009 as compared to \$14.0 million for the nine months ended September 30, 2008. Additionally, due to our increasing global footprint we saw an increase in rent and travel expense to \$4.0 million for the nine months ended September 30, 2009 as compared to \$2.6 million for the nine months ended September 30, 2008.

*Depreciation and amortization expense.* Depreciation and amortization expense increased 107.1% to \$2.6 million for the nine months ended September 30, 2009 as compared to \$1.2 million for the nine months ended September 30, 2008 due primarily to an increase in the depreciable asset base and amortization of the intangible assets related to the European Acquisitions.

*Income from operations.* Income from operations decreased to \$5.1 million for the nine months ended September 30, 2009 as compared to income from operations of \$5.5 million for the nine months ended September 30, 2008. The decrease is attributable an increase in our SG&A costs as described above related to our integration of the European Acquisitions.

*Interest income and expense.* Interest income was \$0.3 million during the nine months ended September 30, 2009 and September 30, 2008 due to the level of investable cash on hand. Interest expense increased to \$0.8 million for the nine months ended September 30, 2009 from \$0.2 million during the three months ended September 30, 2008. The increase is due primarily to the interest expense related to the borrowings on our line of credit.

*Provision for income taxes.* The provision for income taxes for the nine months ended September 30, 2009 increased to \$2.7 million versus a provision of \$2.3 million for the nine months ended September 30, 2008. The increase in the provision is due to both an increase in taxable income in the United States during the period, as well as an increase in the overall effective tax rate. The effective tax rate increased as we are not recording a tax benefit for net operating losses generated in certain foreign subsidiaries as we may not realize the tax benefit of these operating losses.

*Net income.* As a result of the factors discussed above, net income for the nine months ended September 30, 2009 decreased to \$2.0 million or \$0.05 per basic and diluted share, for the nine months ended September 30, 2009 from net income of \$3.2 million for the nine months ended September 30, 2008 or \$0.10 per basic share and \$0.09 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.

At September 30, 2009 the Company maintained a working capital line of credit with a bank, with a maximum potential borrowing capacity of \$30.0 million. At September 30, 2009, there were \$12.0 million in outstanding borrowings under this facility. Interest on outstanding borrowings under this facility is at the Federal Funds open rate, plus 2% (4.75% at September 30, 2009). 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 September 30, 2009, the Company was in compliance with these covenants. The facility is secured by all of the assets of the Company. At September 30, 2009, the Company had available cash and cash equivalent balances of \$6.2 million and working capital of \$20.7 million, which the Company believes will provide sufficient liquidity for the next twelve months.

During the nine months ended September 30, 2009, the Company's operating activities used cash of \$1.8 million, a further use of \$1.4 million from the corresponding amount for the nine months ended September 30, 2008. The operating activities use of cash during the nine month period can be attributed to an increase in both the amount of revenue to be collected and the time it takes to collect that revenue, as reflected in the accounts receivable. Accounts receivable, net of allowance for doubtful accounts, increased \$7.3 million, or 16.8%, to \$50.8 million at September 30, 2009 from \$43.2 million at December 31, 2008. In addition, during the nine months ended September 30, 2009, the Company used cash in other operating assets and liabilities of \$3.1 million consisting primarily of \$0.6 million in accounts payable and \$2.6 million in customer deposits, as well as noncash charges of \$0.3 million of deferred taxes. These uses of cash were offset by net income for the nine months ended September 30, 2009 of \$2.0 million, a \$1.8 million increase in deferred revenue, a \$1.8 million increase in accrued expenses and other liabilities, along with noncash charges of \$0.5 million related to stock based compensation and \$2.6 million related to depreciation and amortization.

Cash used in investing activities for the nine months ended September 30, 2009 totaled \$2.1 million, consisting primarily of \$3.1 million paid during the year relating to the European Acquisitions and the Paramax Acquisition, and \$1.6 million for the purchase of property and equipment, which was offset by the increase in restricted cash of \$2.6 million.

Cash provided by financing activities for the nine months ended September 30, 2009 totaled \$3.9 million, consisting primarily of \$4.5 million in net borrowings on the Company's line of credit which was offset by \$0.6 million in principal payments on capital lease obligations.

*Contractual Obligations*

Set forth below is information concerning our known contractual obligations as of September 30, 2009.

	<b>Payments Due by Period</b>				
	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>More than 5 years</b>
<b>Contractual Obligations</b>					
Capital leases	\$ 1,049,190	\$ 151,062	\$ 893,538	\$ 4,590	—
Operating leases	<u>\$ 15,343,644</u>	<u>829,524</u>	<u>4,868,134</u>	<u>4,246,455</u>	<u>5,399,531</u>
Total	<u>\$ 16,392,834</u>	<u>\$ 980,586</u>	<u>\$ 5,761,672</u>	<u>\$ 4,251,045</u>	<u>\$ 5,399,531</u>

*Off-Balance Sheet Arrangements*

At December 31, 2008, 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 Standards*

The Company adopted new accounting guidance on fair value measurements effective January 1, 2008, for financial assets and liabilities. In addition, effective January 1, 2009, the Company adopted this guidance as it relates to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on at least an annual basis. This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability, referred to as 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 of financial assets, the Company primarily uses prices and other relevant information generated by market transactions involving identical or comparable assets, called the market approach. As of September 30, 2009 and December 31, 2008, the fair value of all of the Company's financial assets are based on level one observable inputs. The implementation of this guidance for nonfinancial assets and liabilities did not have an impact on the Company's consolidated financial statements as of September 30, 2009. The provisions of this guidance will be applied at such time a fair value measurement of a nonfinancial asset or liability is required, which may result in a fair value that is materially different than would have been calculated prior to the adoption of this guidance.

In December 2007, the FASB issued new guidance related to business combinations. This guidance retains the fundamental requirements of existing guidance that the acquisition method of accounting be used for all business combinations and for an acquirer to be identified for each business combination. This guidance defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date the acquirer achieves control. This guidance was effective for the Company beginning January 1, 2009 and the impact of the adoption of this guidance depends upon the nature and terms of business combinations that the Company consummates on or after January 1, 2009.

In June 2008, the FASB issued new guidance related to assessing whether an equity-linked financial instrument (or embedded feature) is indexed to an entity's own stock for the purposes of determining whether such equity-linked financial instrument (or embedded feature) is subject to derivative accounting. The Company adopted this new guidance effective January 1, 2009. The adoption of this guidance did not have a material impact on our results of operations or financial condition.

In May 2009, the FASB issued new guidance on subsequent events. The standard provides guidance on management's assessment of subsequent events and incorporates this guidance into accounting literature. The standard is effective prospectively for interim and annual periods ending after June 15, 2009 and the Company adopted this guidance commencing with our June 30, 2009 consolidated financial statements. The implementation of this standard did not have a material impact on our consolidated financial position and results of operations. We have evaluated subsequent events through November 13, 2009, the date of issuance of our consolidated balance sheet and results of operations.

In April 2009, the FASB issued a staff position requiring fair value disclosures in both interim as well as annual financial statements in order to provide more timely information about the effects of current market conditions on financial instruments. The guidance is effective for interim and annual periods ending after June 15, 2009, and the Company adopted this guidance commencing with our June 30, 2009 consolidated financial statements. The implementation of this standard did not have a material impact on our consolidated balance sheet and results of operations.

In June 2009, FASB Accounting Standards Codification (Codification) was issued, effective for financials statements issued for interim and annual periods ending after September 15, 2009. The Codification supersedes literature of the FASB, Emerging Issues Task Force and other sources. The Codification did not change U.S. generally accepted accounting principles. The implementation of this standard did not have a material impact on our consolidated balance sheet and 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.

Approximately 16% and 16% of our net revenues for the three months and nine months ended September 30, 2009 respectively, 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, as we contemplate future anticipated foreign currency working capital requirements, capital asset acquisitions of our foreign operations, and our continued international expansion, 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 4T. 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 September 30, 2009. 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 September 30, 2009, 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 and nine months ended September 30, 2009 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

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, which to our knowledge have not materially changed other than as set forth below.

#### **Bio-pharmaceutical industry consolidation may adversely affect our business.**

A number of large bio-pharmaceutical companies have recently completed mergers or other acquisitions that will consolidate the research and development expenditures and outsourcing trends of the bio-pharmaceutical industry into fewer companies. Our clients, Wyeth and Schering-Plough, which represented 17% and 12% of our service revenues during the nine months ended September 30, 2009, respectively, and 16% and 10% of our service revenues during the three months ended September 30, 2009, respectively, have recently been acquired by other large bio-pharmaceutical companies. As the integration of these acquisitions continues, the surviving bio-pharmaceutical companies may decide to use other CROs, keep clinical research services in-house, or otherwise diminish the use of our services. We cannot predict the potential impact of these acquisitions and subsequent integration, but any resulting decisions related to outsourcing clinical trial services could have an adverse effect on our business.

#### **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 nine months ended September 30, 2009, our top five clients represented approximately 48% of service revenues and our twenty top clients comprised approximately 78% of service revenues. For the nine months ended September 30, 2009, our largest customer was responsible for 17% 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 our aggregate backlog is not a necessarily meaningful indicator of future results. Our current total backlog as of September 30, 2009 was \$156.8 million, of which approximately \$105.3 million is not expected to be realized in 2009.

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**Our stockholders have approved a proposal to effect a reverse stock split, which may impact our ability to attract institutional investors and cause stockholders to own “odd lots” of shares.**

At our 2008 Annual Meeting of Stockholders, our stockholders approved a proposal that gives our Board of Directors the authority to effect a reverse stock split at a ratio of one-for-two to one-for-four, to be determined by our Board of Directors. Our stock is not currently listed on any national securities exchange or automated quotation system, so the market price of the stock would not be affected by such a reverse stock split. However, the book value of our stock would be affected, and if the reverse stock split is implemented, the resulting per-share price may not attract institutional investors or investment funds and may not satisfy the investing guidelines of these investors.

The reverse stock split may also result in some stockholders owning “odd lots” of less than 100 shares of our common stock on a post-split basis. Odd lots may be more difficult to sell, or require greater transaction costs per share to sell, than shares in “round lots” of even multiples of 100 shares.

Further, the reverse stock split will result in an increase in the number of our authorized but unissued shares. If a one-for-two reverse stock split is implemented, we will have at least 131,361,096 authorized but unissued shares, and will have even more unissued but unissued shares if the reverse stock split is implemented at a ratio of one-for-three or one-for-four. We may issue these shares without the approval of our stockholders, and any such issuance will have a dilutive effect on the ownership interests of our current stockholders or any stockholders that own our shares prior to effectiveness of the reverse stock split.

**Item 4. Submission of Matters to a Vote of Security Holders.**

We held a special meeting of our stockholders on August 26, 2009 at our corporate headquarters at 520 Virginia Drive, Fort Washington, Pennsylvania 19034. The following proposals were submitted to our stockholders:

- Proposal One: approval of the cancellation of admission of our common stock from trading on AIM on or about September 4, 2009; and
- Proposal One-W: approval of the cancellation of admission of our warrants from trading on AIM on or about September 4, 2009.

The results of voting on Proposal One and Proposal One-W is as follows:

Proposal	Votes For	Votes Against	Votes Abstaining
Proposal One: Cancellation of admission of our common stock from trading on AIM	29,268,826	5,453	0 <sup>(1)</sup>
Proposal One-W: Cancellation of admission of our warrants from trading on AIM	100,000	0	4,826 <sup>(2)</sup>

(1) Represents the number of stockholder proxies marked and returned as abstaining from voting. The number of votes abstaining does not include the 8,003,529 stockholder proxies that were not returned and therefore did not cast a vote.

(2) Represents the number of warrant holder proxies marked and returned as abstaining from voting. The number of votes abstaining does not include the 1,252,353 warrant holder proxies that were not returned and therefore did not cast a vote.

All proposals put to the stockholders were approved. The warrant holders did not approve cancellation of the admission of the warrants on AIM.

**Item 5. Other Information.**

On July 9, 2009, our wholly owned subsidiary, ReSearch Pharmaceutical Services, LLC, as the successor by merger to our predecessor company, ReSearch Pharmaceutical Services, Inc., a Pennsylvania corporation (“Former RPS”), entered into an amendment to the Credit Agreement by and between Former RPS and PNC Bank, N.A. The Credit Agreement provided for \$15,000,000 of available borrowings, subject to certain borrowing base restrictions. Borrowings under the Credit Agreement required interest at the Federal Funds open rate, as defined, plus 1%. The Credit Agreement was secured by all corporate assets and also contains financial and non-financial covenants including restrictions on the payment of dividends, restrictions on acquisitions and restrictions on the repurchase, redemption, or retirement of outstanding equity.

Under the Amended Credit Agreement, the available borrowings were increased to \$30,000,000, the termination date was extended to October 31, 2012, the interest rate on outstanding borrowings was increased to the Federal Funds open rate, as defined, plus 2%, and the facility, collateral evaluation, collateral monitoring, and related fees were increased. All other material terms of the Credit Agreement, including a security interest in all corporate assets, remain unchanged.

We remain the guarantor of all of the obligations of ReSearch Pharmaceutical Services, LLC under the Amended Credit Agreement.

The foregoing description of the Amended Credit Agreement is qualified in its entirety by reference to the full text of the Amended Credit Agreement, attached hereto as Exhibit 10.1.

**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 herein by 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: November 13, 2009

ReSearch Pharmaceutical Services, Inc.

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

<u>Exhibit No.</u>	<u>Description</u>
10.1	Third Amendment to Revolving Credit and Security Agreement
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.

**Exhibit 10.1**

**THIRD AMENDMENT**

THIRD AMENDMENT (this "Agreement"), dated as of July 9, 2009, by and among RESEARCH PHARMACEUTICAL SERVICES, LLC, a Delaware limited liability company (successor by merger to Research Pharmaceutical Services, Inc., a Pennsylvania corporation) ("Borrower"), and PNC BANK, NATIONAL ASSOCIATION, as the sole lender (in such capacity, "Lender") and as agent under the Credit Agreement (as hereinafter defined) (in such capacity, "Agent").

**WITNESSETH:**

**WHEREAS**, Borrower, Lender and Agent are parties to a Revolving Credit and Security Agreement dated as of November 1, 2006 (as heretofore amended, the "Credit Agreement");

**WHEREAS**, Borrower is a wholly-owned subsidiary of Research Pharmaceutical Services, Inc., a Delaware corporation (the "Guarantor"); and

**WHEREAS**, Borrower, Lender and Agent have agreed to amend the Credit Agreement to provide for (i) an increase in the Maximum Revolving Advance Amount, (ii) an increase in the applicable interest rates and fees, (iii) an extension of the Term, (iv) changes in financial reporting requirements and (v) certain other modifications to the Credit Agreement, all on the terms and subject to the conditions set forth herein.

**NOW, THEREFORE**, in consideration of the foregoing and for other consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. **Defined Terms.** Unless otherwise defined herein (including in the foregoing recitals), terms defined in the Credit Agreement are used herein as therein defined.

2. **Amendments to Credit Agreement.** The Credit Agreement is hereby amended and supplemented as follows:

(a) The definitions of "Alternate Base Rate", "Applicable Margin", "Maximum Revolving Advance Amount" and "Revolving Interest Rate" in Section 1.2 of the Credit Agreement are hereby amended and restated to read in full as follows:

"Alternate Base Rate" shall mean, for any day, a rate per annum equal to the highest of (i) the Base Rate in effect on such day, (ii) the sum of Federal Funds Open Rate in effect on such day plus 1/2 of 1%, and (iii) the sum of the Daily LIBOR Rate plus 1.00%.

"Applicable Margin" shall mean (i) 1.50% in respect of Domestic Rate Loans, and (ii) 2.50% in respect of Eurodollar Rate Loans.

"Maximum Revolving Advance Amount" shall mean \$30,000,000.

“Revolving Interest Rate” shall mean an interest rate per annum equal to (a) the sum of the Alternate Base Rate plus the Applicable Margin with respect to Domestic Rate Loans and (b) the sum of the greater of (i) the Eurodollar Rate and (ii) two percent (2.00%) plus the Applicable Margin with respect to any Eurodollar Loan.

(b) The following definitions of “Daily LIBOR Rate” and “Published Rate” are added to Section 1.2 in the appropriate alphabetical order:

“Daily LIBOR Rate”: for any day, the rate per annum determined by the Agent by dividing (x) the Published Rate by (y) a number equal to 1.00 minus the Eurocurrency Reserve Requirements.

“Published Rate”: the rate of interest published each Business Day in the Wall Street Journal “Money Rates” listing under the caption “London Interbank Offered Rates” for a one month period (or, if no such rate is published therein for any reason, then the Published Rate shall be the eurodollar rate for a one month period as published in another publication selected by the Agent).

(c) The following new Section 2.1(c) is added to the Credit Agreement:

“(c) For purposes of determining at any time the Formula Amount pursuant to Section 2.1 (a), the amount of Eligible Receivables indicated on the most recent monthly Borrowing Base Certificate delivered to and accepted by Agent in accordance with Section 9.2 shall be used in such determination notwithstanding the subsequent receipt of payment of any such Eligible Receivables, provided, however, that if at the time of any such determination of the Formula Amount Undrawn Availability is less than \$5,000,000, and thereafter until such time as Undrawn Availability has been restored to at least \$5,000,000 for a period of 60 consecutive days, Eligible Receivables shall be determined based on the amount of Eligible Receivables actually outstanding on the date of such determination after giving effect to payments of Eligible Receivables received subsequent to the date of the most recent Borrowing Base Certificate.”

(d) Section 3.3(b) of the Credit Agreement is amended and restated to read in full as follows:

“(b) Facility Fee. If, for any calendar quarter during the Term, the average daily unpaid balance of the Revolving Advances and undrawn amount of any outstanding Letters of Credit for each day of such calendar quarter does not equal the Maximum Revolving Advance Amount, then Borrower shall pay to Agent for the ratable benefit of Lenders a fee at a rate equal to one half of one percent (0.50%) per annum on the amount by which the Maximum Revolving Advance Amount exceeds such average daily unpaid balance. Such fee shall be payable to Agent in arrears on the first day of each calendar quarter with respect to the previous calendar quarter.”

(e) Section 3.4 of the Credit Agreement is amended and restated to read in full as follows:

“3.4. Collateral Evaluation Fee, Collateral Monitoring Fee and Fee Letter.

(a) Collateral Evaluation Fee. Borrower shall pay Agent a collateral evaluation fee equal to \$750 per month commencing on the first day of the month following the Closing Date and on the first day of each month thereafter during the Term, provided however, that such fee shall be increased to \$1,000 per month during any period when the determination of the amount of Eligible Receivables is being made in accordance with the provisions of the proviso to Section 2.1(c). The collateral evaluation fee shall be deemed earned in full on the date when same is due and payable hereunder and shall not be subject to rebate or proration upon termination of this Agreement for any reason.

(b) Collateral Monitoring Fee. Borrower shall pay to Agent on the first day of each month following any month in which Agent performs any collateral monitoring — namely any field examination, collateral analysis or other business analysis, the need for which is to be determined by Agent and which monitoring is undertaken by Agent or for Agent’s benefit — a collateral monitoring fee in an amount equal to \$850 per day for each person employed to perform such monitoring, plus all costs and disbursements incurred by Agent in the performance of such examination or analysis. Agent shall not conduct on-site collateral monitoring of the nature described in this Section 3.4(b) more frequently than four (4) times per calendar year; provided, that, if an Event of Default shall have occurred and be continuing, there shall be no limit on the frequency of on-site collateral monitoring of the nature described in this Section 3.4(b).”

(f) Section 7.5 of the Credit Agreement is hereby amended and restated to read in full as follows:

“7.5. Loans. Make or have outstanding advances, loans or extensions of credit to or for the benefit of any Person except (a) with respect to the extension of commercial trade credit in the Ordinary Course of Business, (b) loans to employees of Borrower in the Ordinary Course of Business not to exceed the aggregate amount of \$100,000 at any time outstanding, (c) loans from Borrower to a Domestic Subsidiary of Borrower, (d) loans by Borrower to its Foreign Subsidiaries in an aggregate amount outstanding at any time not to exceed the aggregate amount of loans or advances necessary to adequately fund the ongoing operating expenses of such Foreign Subsidiaries and (e) loans, advances or extensions of credit by Borrower to or for the benefit of Guarantor or any of its Subsidiaries (which are not also Subsidiaries of Borrower) in an aggregate amount outstanding at any time not to exceed \$7,500,000 provided, however, that from and after any day that Undrawn Availability is less than \$5,000,000 no additional loans, advances or extensions of credit may be made in reliance on the provisions of this clause (e) until such time as Undrawn Availability has thereafter

been restored to at least \$5,000,000 for a period of thirty (30) consecutive days, and provided, further, that the transfer of \$2,200,000 from Borrower to Guarantor in December, 2008 shall not be considered a loan, advance or extension of credit for purposes of this Section 7.5.”

(g) The following new Section 7.26 is added to the Credit Agreement:

“7.26. Net Loss. Permit either Borrower and its Subsidiaries on a consolidated basis or Guarantor and its Subsidiaries on a consolidated basis to suffer a net loss, determined in accordance with GAAP (but excluding for such determination any extraordinary gains or losses and any non-recurring, non-cash gains or losses), for any fiscal year.”

(h) Section 9.7 of the Credit Agreement is hereby amended and restated to read as follows:

“9.7. Annual Financial Statements. Furnish Agent and Lenders within one hundred twenty (120) days after the end of each fiscal year of Guarantor, (a) financial statements of Guarantor and its Subsidiaries on a consolidated basis including, but not limited to, statements of income and stockholders’ equity and cash flow from the beginning of the current fiscal year to the end of such fiscal year and the balance sheet as at the end of such fiscal year, all prepared in accordance with GAAP applied on a basis consistent with prior practices, and in reasonable detail and reported upon without qualification by an independent certified public accounting firm selected by Guarantor and satisfactory to Agent (the “Accountants”), (b) unaudited balance sheets as at the end of such fiscal year and statements of income from the beginning of the current fiscal year to the end of such fiscal year (i) for Borrower and its Subsidiaries on a consolidated basis and (ii) for ReSearch Pharmaceutical Services Netherlands BV and its Subsidiaries on a consolidated basis, all prepared in accordance with GAAP applied on a basis consistent with prior practices, and complete and correct in all material respects and (c) a Compliance Certificate.”

(i) Section 9.8 of the Credit Agreement is hereby amended and restated to read as follows:

“9.8. Quarterly Financial Statements. Furnish Agent and Lenders within sixty (60) days after the end of each fiscal quarter, (a) an unaudited balance sheet of Guarantor and its Subsidiaries on a consolidated basis and unaudited statements of income and cash flow of Guarantor and its Subsidiaries on a consolidated basis reflecting results of operations from the beginning of the fiscal year to the end of such quarter and for such quarter, prepared on a basis consistent with prior practices and complete and correct in all material respects, subject to normal and recurring year end adjustments that individually and in the aggregate are not material to the business of Guarantor and its Subsidiaries, (b) unaudited balance sheets and statements of income (i) for Borrower and its Subsidiaries on a consolidated basis and (ii) for Research Pharmaceutical Services Netherlands BV

and its Subsidiaries on a consolidated basis, in each case reflecting results of operations from the beginning of the fiscal year to the end of such quarter and for such quarter, all prepared on a basis consistent with past practices and complete and correct in all material respects, subject to normal and recurring year end adjustments that individually and in the aggregate are not material to the business of the Borrower and its Subsidiaries or the business of ReSearch Pharmaceutical Services Netherlands BV and its Subsidiaries, as the case may be and (c) a Compliance Certificate.”

(j) Section 9.9 of the Credit Agreement is hereby amended and restated to read as follows:

“9.9 Monthly Financial Statements. Furnish Agent and Lenders within forty-five (45) days after the end of each month (or in the case of any month ending on the last day of any fiscal quarter, sixty (60) days after the end of such month), an unaudited balance sheet of Borrower and its Subsidiaries on a consolidated basis and unaudited statement of income of Borrower and its Subsidiaries on a consolidated basis reflecting results of operations from the beginning of the fiscal year to the end of such month and for such month, prepared on a basis consistent with prior practices and complete and correct in all material respects, subject to normal and recurring year end adjustments that individually and in the aggregate are not material to the business of Borrower and its Subsidiaries.”

(k) Section 13.1 of the Credit Agreement is hereby amended and restated to read in full as follows:

“13.1 Term. This Agreement, which shall inure to the benefit of and shall be binding upon the respective successors and permitted assigns of Borrower, Agent and each Lender, shall become effective on the date hereof and shall continue in full force and effect until October 31, 2012 (the “Term”) unless sooner terminated as herein provided. Borrower may terminate this Agreement at any time upon ninety (90) days’ prior written notice upon payment in full of the Obligations. In the event the Obligations are prepaid in full prior to the last day of the Term (the date of such prepayment hereinafter referred to as the “Early Termination Date”), Borrower shall pay to Agent for the benefit of Lenders an early termination fee in an amount equal to (x) \$300,000 if the Early Termination Date occurs on or before October 31, 2011, and(y) \$150,000 if the Early Termination Date occurs after October 31, 2011 and before October 31, 2012.”

3. **Replacement Revolving Credit Note.** Concurrently with the execution and delivery of this Amendment, the Borrower shall execute and deliver to Lender a replacement Revolving Credit Note in the face amount of its Commitment Percentage of the Maximum Revolving Advance Amount (the “Replacement Revolving Credit Note”) in substitution for its existing Revolving Credit Note, which shall be returned to the Agent for delivery to the Borrower. The outstanding Revolving Advances of Lender shall be evidenced by its Replacement Revolving Credit Note.

4. **Representations and Warranties.** Borrower hereby represents and warrants to Lender and Agent that:

- (a) There exists no Default or Event of Default under the Credit Agreement as amended hereby;
- (b) The representations and warranties made by Borrower in the Credit Agreement are true and correct in all material respects on and as of the date hereof as if made on and as of the date hereof;
- (c) The execution and delivery of this Agreement and the Replacement Revolving Credit Note by and on behalf of Borrower have been duly authorized by all requisite action on behalf of Borrower, and this Agreement and the Replacement Revolving Credit Note constitute the legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law);
- (d) The execution, delivery and performance of this Agreement will not violate any applicable provision of law or judgment, order or regulation of any court or of any public or governmental agency or authority nor conflict with or constitute a breach of or a default under any instrument to which Borrower is a party or by which Borrower or any of its properties is bound; and
- (e) No approval, consent or authorization of, or registration, declaration or filing with, any governmental or public body or authority, or any trustee or holder of any indebtedness, is required in connection with the valid execution, delivery and performance by Borrower of this Agreement and the Replacement Revolving Credit Note, except such as have been obtained.

5. **Conditions Precedent.** The effectiveness of the waiver and amendments set forth herein is subject to the fulfillment, to the satisfaction of the Agent and its counsel, of the following conditions precedent:

- (a) Borrower shall have delivered to the Agent the following, all of which shall be in form and substance satisfactory to the Agent and shall be duly completed and executed by all parties:
  - (i) this Agreement, including the Consent of Guarantor attached hereto;
  - (ii) the Replacement Revolving Credit Note;
  - (iii) A certificate of the Secretary or Assistant Secretary of Borrower certifying (i) as to the resolutions or other limited liability company action authorizing the execution, delivery and performance of this Amendment, the Replacement Revolving Credit Note, and any other document contemplated hereby, (ii) as to the incumbency and specimen

signatures of each [officer] [member] of Borrower executing this Amendment and the Replacement Revolving Credit Note and (iii) that there have been no changes to the organizational documents of Borrower since the most recent date true and correct copies thereof were delivered to the Agent; and

(iv) such additional documents, certificates and information as Agent may require pursuant to the terms hereof or otherwise reasonably request.

(b) The representations and warranties set forth in the Credit Agreement shall be true and correct in all material respects on and as of the date hereof.

(c) The Borrower shall have paid to the Agent for the pro rata benefit of the Lenders an amendment fee of \$50,000.

6. **Ratification; References; No Waiver.** Except as expressly amended by this Agreement, the Credit Agreement shall continue to be, and shall remain, unaltered and in full force and effect in accordance with its terms. All references in the Credit Agreement to "this Agreement," "hereof," "hereto" and "hereunder" shall be deemed to be references to the Credit Agreement as amended hereby, and all references in any of the Other Documents to the Credit Agreement shall be deemed to be to the Credit Agreement as amended hereby. Except as expressly provided in Section 2 hereof, this Agreement does not and shall not be deemed to constitute a waiver by Agent or Lenders of any Default or Event of Default or of any of Agent's or Lenders' other rights or remedies.

7. **Release.** In consideration of the execution of this Agreement by Agent and Lender, Borrower hereby releases Agent and Lender and their respective officers, attorneys, agents and employees from any liability, suit, damage, claim, loss or expense of any kind or nature whatsoever and howsoever arising that Borrower ever had, now have, or may have against Agent or Lender arising out of or relating to the Credit Agreement or Agent's or Lender's acts or omissions with respect thereto occurring prior to the date hereof. Borrower further states that it has carefully read the foregoing release, knows the contents thereof and grants the same as its own free act and deed.

8. **Miscellaneous.**

(a) **Expenses.** Borrower agrees to pay all of Agent's reasonable out-of-pocket expenses incurred in connection with the preparation, negotiation and execution of this Agreement, including, without limitation, the reasonable fees and expenses of Ballard Spahr Andrews & Ingersoll, LLP.

(b) **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(c) **Successors and Assigns.** The terms and provisions of this Agreement shall be binding upon and shall inure to the benefit of Borrower, Agent and Lender and their respective successors and assigns.



(d) **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, and all of which shall constitute one and the same instrument.

(e) **Headings.** The headings of any paragraph of this Agreement are for convenience only and shall not be used to interpret any provision hereof.

(f) **Modifications.** No modification hereof or any agreement referred to herein shall be binding or enforceable unless in writing and signed on behalf of the party against whom enforcement is sought.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers or members, as the case may be, as of the day and year first above written.

**RESEARCH PHARMACEUTICAL  
SERVICES, LLC**

By: /s/ Steven Bell  
Name: STEVEN BELL  
Title: CFO

**PNC BANK, NATIONAL ASSOCIATION,**  
as Lender and as Agent

By: /s/ Craig T. Sheetz  
Name: CRAIG T. SHEETZ  
Title: V/P

**CONSENT OF GUARANTOR**

The undersigned guarantor (the "Guarantor") consents to the provisions of the foregoing Second Amendment and Waiver (the "Amendment") and confirms and agrees that: (a) such Guarantor's obligations under its Guaranty dated as of August 29, 2007 (as amended, the "Guaranty"), relating to the Obligations (as defined in the Credit Agreement referred to in the Amendment) shall be unimpaired by the Amendment; (b) such Guarantor has no defenses, setoffs, counterclaims, discounts or charges of any kind against the Agent or any Lender, its officers, directors, employees, agents or attorneys with respect to the Guaranty; and (c) all of the terms, conditions and covenants in the Guaranty remain unaltered and in full force and effect and are hereby ratified and confirmed and apply to the Obligations, as increased and modified by the Amendment. The Guarantor certifies that all representations and warranties made in the Guaranty are true and correct in all material respects as of the date of the amendment.

WITNESS the due execution of this Consent as of the date of the Amendment, intending to be legally bound hereby.

**RESEARCH PHARMACEUTICAL  
SERVICES, INC.**

By: /s/ Steven Bell

Name: STEVEN BELL

Title: CFO

**AMENDED AND RESTATED REVOLVING CREDIT NOTE**

\$30,000,000

Date: July 9, 2009  
Philadelphia, PA

This Revolving Credit Note is executed and delivered under and pursuant to the terms of that certain Revolving Credit and Security Agreement dated as of November 1, 2006 (as amended, restated, supplemented or modified from time to time, the "Loan Agreement") by and among RESEARCH PHARMACEUTICAL SERVICES, LLC, a Delaware limited liability company (successor by merger to ReSearch Pharmaceutical Services, Inc.) ("Borrower"), with a place of business at 610 West Germantown Pike, Plymouth Meeting, PA 19462 and PNC BANK, NATIONAL ASSOCIATION ("PNC"), the various financial institutions named therein or which hereafter become a party thereto, (together with PNC collectively, "Lenders") and PNC as agent for Lenders (in such capacity, "Agent"). Capitalized terms not otherwise defined herein shall have the meanings provided in the Loan Agreement.

FOR VALUE RECEIVED, Borrower hereby promises to pay to the order of PNC, at the office of Agent located at PNC Bank Center, 1600 Market Street, Philadelphia, Pennsylvania 19103 or at such other place as Agent may from time to time designate to Borrower in writing:

(i) the principal sum of Thirty Million Dollars (\$30,000,000) or, if different, from such amount, the unpaid principal balance of PNC's Commitment Percentage of the Revolving Advances as may be due and owing under the Loan Agreement, payable in accordance with the provisions of the Loan Agreement, subject to acceleration upon the occurrence of an Event of Default under the Loan Agreement or earlier termination of the Loan Agreement pursuant to the terms thereof; and

(ii) interest on the principal amount of this Note from time to time outstanding until such principal amount is paid in full at the applicable Revolving Interest Rate in accordance with the provisions of the Loan Agreement. In no event, however, shall interest exceed the maximum interest rate permitted by law. Upon and after the occurrence of an Event of Default, and during the continuation thereof, interest shall be payable at the Default Rate.

This Note is the Revolving Credit Note referred to in the Loan Agreement and is secured by the liens granted pursuant to the Loan Agreement and the Other Documents, is entitled to the benefits of the Loan Agreement and the Other Documents and is subject to all of the agreements, terms and conditions therein contained. This Note amends and restates, and is in substitution for a Revolving Credit Note from the Borrowers in the principal amount of \$15,000,000 dated November 1, 2006 payable to PNC (the "Original Note"). However, without duplication, this Note shall in no way extinguish the Borrower's unconditional obligation to repay all indebtedness evidenced by the Original Note.

This Note is subject to mandatory prepayment and may be voluntarily prepaid, in whole or in part, on the terms and conditions set forth in the Loan Agreement.

[E/O]

CRC: 58056  
EDGAR 2

**BPC C92451 710.01.11.00 0/1**  


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If an Event of Default under Section 10.7 of the Loan Agreement shall occur, then this Note shall immediately become due and payable, without notice, together with reasonable attorneys' fees if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof. If any other Event of Default shall occur under the Loan Agreement or any of the Loan Documents, which is not cured within any applicable grace period, then this Note may, as provided in the Loan Agreement, be declared to be immediately due and payable, without notice, together with reasonable attorneys' fees, if the collection hereof is placed in the hands of an attorney to obtain or enforce payment hereof.

This Note shall be construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania.

Borrower expressly waives any presentment, demand, protest, notice of protest, or notice of any kind except as expressly provided in the Loan Agreement.

RESEARCH PHARMACEUTICAL SERVICES,  
LLC

By: /s/ Steven Bell

Name: STEVEN BELL

Title: CFO

**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: November 13, 2009

/s/ Daniel M. Perlman

Daniel M. Perlman  
Chief Executive Officer

**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: November 13, 2009

/s/ Steven Bell

\_\_\_\_\_  
Steven Bell  
Chief Financial Officer

[E/O]

CRC: 4646  
EDGAR 2

**BPC C92451 732.01.01.00 0/2**  


**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 September 30, 2009, 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: November 13, 2009

/s/ Daniel M. Perlman

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Daniel M. Perlman  
Chief Executive Officer

**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 September 30, 2009, 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: November 13, 2009

/s/ Steven Bell

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Steven Bell  
Chief Financial Officer