PLUMAS BANCORP
Form 10-Q
November 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED September 30, 2018

TRANSITION REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM __________ TO ___________

COMMISSION FILE NUMBER: 000-49883

PLUMAS BANCORP

(Exact Name of Registrant as Specified in Its Charter)

California	**75-2987096**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
35 S. Lindan Avenue, Quincy, California	**95971**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code **(530) 283-7305**

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule12b-2 of the Exchange Act:

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of October 31, 2018. 5,125,476 shares.

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PLUMAS BANCORP

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands, except share data)

	September 30, 2018	**December 31, 2017**
Assets		
Cash and cash equivalents	$ 35,256	$ 87,537
Investment securities available for sale	156,734	137,466
Loans, less allowance for loan losses of $6,846 at September 30, 2018 and $6,669 at December 31, 2017	535,998	482,248
Real estate acquired through foreclosure	1,088	1,344
Premises and equipment, net	13,748	11,346
Bank owned life insurance	12,774	12,866
Accrued interest receivable and other assets	15,150	12,620
Total assets	$ 770,748	$ 745,427
Liabilities and Shareholders' Equity		
Deposits:		
Non-interest bearing	$ 289,859	$ 282,239
Interest bearing	392,983	380,418
Total deposits	682,842	662,657
Repurchase agreements	8,210	10,074
Accrued interest payable and other liabilities	7,020	6,686
Junior subordinated deferrable interest debentures	10,310	10,310
Total liabilities	708,382	689,727
Commitments and contingencies (Note 5)		
Shareholders' equity:		
	6,854	6,415

Common stock, no par value; 22,500,000 shares authorized; issued and outstanding – 5,125,476 shares at September 30, 2018 and 5,064,972 at December 31, 2017		
Retained earnings	59,357	49,855
Accumulated other comprehensive loss, net	(3,845)	(570)
Total shareholders’ equity	62,366	55,700
Total liabilities and shareholders’ equity	$ 770,748	$ 745,427

See notes to unaudited condensed consolidated financial statements.

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PLUMAS BANCORP

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Interest Income:				
Interest and fees on loans	$ 7,693	$6,560	$21,680	$19,101
Interest on investment securities	1,037	618	2,873	1,782
Other	113	223	402	402
Total interest income	8,843	7,401	24,955	21,285
Interest Expense:				
Interest on deposits	159	149	462	429
Interest on note payable	-	-	-	28
Interest on junior subordinated deferrable interest debentures	131	103	370	295
Other	2	1	5	4
Total interest expense	292	253	837	756
Net interest income before provision for loan losses	8,551	7,148	24,118	20,529
Provision for Loan Losses	300	200	800	600

Net interest income after provision for loan losses	8,251	6,948	23,318	19,929
Non-Interest Income:				
Service charges	628	617	1,919	1,841
Interchange revenue	572	521	1,619	1,470
Gain on sale of loans	564	557	1,763	1,870
Gain on equity securities with no readily determinable fair value	-	-	209	-
Loss on sale of investments	-	-	(8)	(17)
Other	520	488	1,538	1,449
Total non-interest income	2,284	2,183	7,040	6,613
Non-Interest Expenses:				
Salaries and employee benefits	3,049	2,822	9,086	8,613
Occupancy and equipment	721	713	2,127	2,136
Other				

On October 1, 2001, we acquired effective control of the Intelligent Imaging business unit of Quintiles, Inc., a North Carolina corporation, referred to as Quintiles, and a wholly-owned subsidiary of Quintiles Transnational Corporation. The acquisition of Intelligent Imaging closed on October 25, 2001. In connection with the acquisition of Intelligent Imaging, as of February 1, 2002, we are obligated to pay quarterly payments of principal of $41,667 under a note, referred to as the Quintiles Note, plus accrued interest thereon, and one payment of principal of $500,000 on November 1, 2004, unless the Quintiles Note is previously converted into shares of our common stock. The Quintiles Note bears interest at the rate in effect on the business day immediately prior to the date on which payments are due under the Quintiles Note equal to the three-month LIBOR (London Interbank Offering Rate) as published from time to time in The Wall Street Journal plus 3%, compounded annually based on a 365-day year. We have recorded the balance of the Quintiles Note of $624,997 as a current liability as of March 31, 2004.

The number of shares of our common stock into which the Quintiles Note may be converted is calculated by dividing the outstanding principal balance of the Quintiles Note, plus all accrued and unpaid interest thereon, by the greater of: (i) 75% of the average closing price of our common stock over the ten consecutive trading days ending prior to the date of conversion; or (ii) $0.906 per share. At March 31, 2004, the Quintiles Note would have been convertible into 134,823 shares of our common stock. This was calculated by dividing the unpaid principal balance ($624,997 as of March 31, 2004) plus accrued interest ($4,626 as of March 31, 2004), totaling $629,623, by $4.67 (75% of the average closing price of our common stock over the ten consecutive trading days ending on March 31, 2004). Under the formula contained in the Quintiles Note, at the minimum price per share of $0.906, the maximum number of shares of our common stock to be issued to Quintiles, based upon the outstanding principal amount and accrued interest at March 31, 2004, would be 694,948 shares.

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BIO-IMAGING TECHNOLOGIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 5 Business Segments

FASB Statement No. 131, Disclosures about Segments of an Enterprise and Related Information, requires companies to provide certain information about their operating segments. In November 2003, we acquired the intellectual property of CapMed Corporation, accordingly, we now have two reportable segments: pharmaceutical contract services and CapMed. Our pharmaceutical contract service segment provides services that support the product development process of the pharmaceutical, biotechnology and medical device industries. Our CapMed segment offers a software application that enables users to manage and store personal health information, including their medical images, on the privacy of their desktop computer, while linking directly to sponsor-directed resources such as drug information, patient education, or disease guidelines. The operating segments are managed separately because each offers different services and applications to different markets. Our management evaluates performance based upon operating earnings or losses before interest and income taxes.

Summarized financial information concerning our reportable segments is shown in the following table:

(in thousands)	Pharmaceutical Contract Services	CapMed	Consolidated Total
For the three months ended March 31, 2004			
Total revenues	$ 6,619	$ 5	$ 6,624
Total cost and expenses	$ 5,794	$ 182	$ 5,976
Income (loss) from operations	$ 825	$ (177)	$ 648
Segment assets at March 31, 2004	$ 24,988	$ 855	$ 25,843
For the three months ended March 31, 2003			
Total revenues	$ 5,705		$ 5,705
Total cost and expenses	$ 5,311		$ 5,311
Income from operations	$ 394		$ 394
Segment assets at March 31, 2003	$ 12,630		$ 12,630

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

Overview

We are a pharmaceutical contract service organization, providing services that support the product development process of the pharmaceutical, biotechnology and medical device industries. We specialize in assisting our clients in the design and management of the medical-imaging component of clinical trials for all imaging modalities, including computerized tomography, magnetic resonance imaging, x-rays, dual energy x-ray absorptiometry, position emission tomography, single photon emission computerized tomography and ultrasound. We provide services that include the processing and analysis of medical images and the data-basing and regulatory submission of medical images, quantitative data and text. We also offer a service called Bio-Imaging ET&C[SM], which focuses on education, training and certification for medical imaging equipment, facilities and staff.

Our sales cycle, referring to the period from the presentation by us to a potential client to the engagement of us by such client, has historically been approximately 12 months. In addition, the contracts under which we perform services typically cover a period of 12 to 60 months and the volume and type of services performed by us generally vary during the course of a project. We cannot assure you that our project revenues will remain at levels sufficient to maintain profitability. Service revenues were generated from 64 clients encompassing 147 distinct projects for the three months ended March 31, 2004. This compares to 46 clients encompassing 115 distinct projects for the three months ended March 31, 2003.

Our contracted/committed backlog, referred to as backlog, is the amount of service revenue that remains to be earned and recognized on both signed and verbally agreed to contracts. Our backlog was approximately $42.6 million as of March 31, 2004. This compares to approximately $36.3 million as of March 31, 2003, an increase of 17.4% Contracts included in backlog are subject to termination by our clients at any time. In the event that a contract is cancelled by the client, we would be entitled to receive payment for all services performed up to the cancellation date. The duration of the projects included in our backlog range from less than 3 months to 7 years. We believe that our backlog assists our management as an indicator of our long-term business. However, we do not believe that backlog is a reliable predictor of near-term results because service revenues may be incurred in a given period on contracts that were not included in the previous reporting period s backlog and/or contract cancellations may occur in a given period on contracts that were included in the previous reporting period s backlog.

We believe that demand for our services and technologies will continue to grow as the use of digital technologies for data acquisition and management increases in the radiology and drug development communities. We also believe that there is a growing recognition within the bio-pharmaceutical industry of the advantages in using an independent centralized core laboratory for analysis of medical-imaging data and compliance with the regulatory demands for the submission of such data. In addition, the FDA is gaining experience with electronic

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submissions and is continuing to develop sophisticated guidelines for computerized submission of clinical trial data, including medical images. Furthermore, the increased use of digital medical images in clinical trials, especially for important drug classes such as anti-inflammatory, neurologic and oncologic therapeutics and diagnostic image agents, generate large amounts of image data from a large number of imaging sources. These studies require processing, analysis, data management and submission services best handled by vendors with scalable logistical capabilities and extensive experience working with research facilities worldwide. Due to several factors, including, without limitation, competition from commercial competitors and academic research centers, we cannot assure you that demand for our services and technologies will grow, sustain growth, or that additional revenue generating opportunities will be realized by us.

In November 2003, we acquired the intellectual property of CapMed Corporation, located in Wilmington, Delaware, including the Personal Health Record software, referred to as PHR, and the patent-pending Personal HealthKey technology. The PHR is a software application that enables users to manage and store personal health information, including their medical images, on the privacy of their desktop computer, while linking directly to sponsor-directed resources such as drug information, patient education, or disease guidelines. The Personal HealthKey plugs into a computer s USB port, allowing doctors and patients easy access to the patient s medical record without the need for additional hardware or software, and it is password protected. The negotiations between us and CapMed were conducted on an arms-length basis. In connection with the acquisition, CapMed received aggregate consideration of $550,000, consisting of $211,828 in cash paid directly to CapMed s creditors and $338,171 of our common stock, which amounted to a total of 51,724 shares, of which 40,361 were issued to CapMed and 11,363 were issued to an escrow agent pursuant to the terms of the acquisition.

We intend to expand our CapMed division through partnerships and marketing efforts devoted to the PHR and Personal HealthKey products. We believe that continued emphasis on improving patient care and reducing cost will contribute to the growth of the personal electronic medical records market.

Certain matters discussed in this Form 10-QSB are forward-looking statements intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as believes, expects, may, will, should, or anticipates or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. In particular, our statements regarding the demand for our services and technologies, growing recognition for the use of independent centralized core laboratories, trends toward the outsourcing of imaging services in clinical trials, realized return from our marketing efforts and increased use of digital medical images in clinical trials are examples of such forward-looking statements. The forward-looking statements include risks and uncertainties, including, but not limited to, the timing of revenues due to the variability in size, scope and duration of projects, estimates made by management with respect to our critical accounting policies, regulatory delays,

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clinical study results which lead to reductions or cancellations of projects, and other factors, including general economic conditions and regulatory developments, not within our control. The factors discussed in this Form 10-QSB and expressed from time to time in our filings with the Securities and Exchange Commission, as well as the risk factors set forth in our most recent Form 10-KSB, could cause actual results and developments to be materially different from those expressed in or implied by such statements. The forward-looking statements are made only as of the date of this filing and we undertake no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.

Results of Operations

Three Months Ended March 31, 2004 and 2003

	Three Months Ended March 31, 2004	% of Total Revenue	Three Months Ended March 31, 2003	% of Total Revenue	$ Change	% Change
Service revenues	$ 5,933,551	89.6%	$ 5,096,702	89.3%	$ 836,849	16.4%
Reimbursement Revenues	$ 690,860	10.4%	$ 608,552	10.7%	$ 82,308	13.5%
Total revenues	$ 6,624,411	100.0%	$ 5,705,254	100.0%	$ 919,157	16.1%
Cost of revenues	$ 4,265,108	64.4%	$ 3,946,893	69.2%	$ 318,215	8.1%
General and administrative expenses	$ 1,060,475	16.0%	$ 913,197	16.0%	$ 147,278	16.1%
Sales and marketing Expenses	$ 651,047	9.8%	$ 451,215	7.9%	$ 199,832	44.3%
Total cost and Expenses	$ 5,976,630	90.2%	$ 5,311,305	93.1%	$ 665,325	12.5%
Interest income (expense)-net	$ 16,698	0.3%	$ (27,387)	(0.5)%	$ 44,085	161.0%
Income before income tax provision	$ 664,479	10.0%	$ 366,562	6.4%	$ 297,917	81.3%
Income tax provision	$ 268,988	4.1%	$ 110,000	1.9%	$ 158,988	144.5%

Net income	$ 395,491	6.0%	$ 256,562	4.5%	$ 138,929	54.2%

Service revenues for the three months ended March 31, 2004 and 2003 were $5,933,551 and $5,096,702, respectively, an increase of $836,849 or 16.4%. The increase in service revenues was due to an increase in the number of projects resulting from the overall market growth for medical-imaging related services for clinical trials and what we believe to be our increasing market share.

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Service revenues were generated from 64 clients encompassing 147 distinct projects for the three months ended March 31, 2004. This compares to 46 clients encompassing 115 distinct projects for the three months ended March 31, 2003. Two clients, Eli Lilly and Company and Amgen Inc., encompassing 18 projects represented 21.8% of our service revenues for the three months ended March 31, 2004, while for the comparable period last year, two clients encompassing six projects represented 27.4% of our service revenues. No other client accounted for more than 10% of service revenues in each of the three-month periods ended March 31, 2004 and 2003. Service revenues generated from our client base, while still concentrated as measured by the number of clients, has continued to become more dispersed over time and we believe more diversification is evident when revenue concentration is measured by the number of individual projects. We believe that measuring revenue concentration by project diversification may be more indicative of revenue concentration risk since we are often working on several separately-based and funded projects with a single client, with each project often being wholly independent from the others. Our primary scope of work in both periods included medical-imaging core laboratory services and image-based information management services.

Reimbursement revenues consist of pass-through costs reimbursed by the customer. Reimbursement revenues fluctuate significantly over the course of any given project and quarter to quarter variations are a reflection of this project timing. Therefore, our management believes that reimbursement revenues are not a significant indicator of our overall performance trends.

Cost of revenues for the three months ended March 31, 2004 and 2003 was $4,265,108 and $3,946,893, respectively, an increase of $318,215 or 8.1%. The increase in cost of revenues is substantially all due to the variable costs associated with the increase in staffing levels required for project related tasks due to the increase in revenues for the three months ended March 31, 2004. Cost of revenues for the three months ended March 31, 2004 and three months ended March 31, 2003 were comprised of professional salaries and benefits, allocated overhead and pass-through costs. We expect that our cost of revenues will continue to increase in fiscal 2004 as revenue increases.

The decrease in the cost of revenues as a percentage of total revenues to 64.4% for the three months ended March 31, 2004 from 69.2% for the three months ended March 31, 2003 is primarily due to our increase in total revenues with a lesser increase in costs associated with project related tasks. The cost of revenues as a percentage of total revenues also fluctuates due to work-flow variations in the utilization of staff and the mix of services provided by us in any given period.

General and administrative expenses for the three months ended March 31, 2004 and 2002 were $1,060,475 and $913,197, respectively, an increase of $147,278 or 16.1%. The increase is primarily due to an increase in personnel to support the growth in our service revenues and also includes approximately $73,000 of expenses associated with CapMed. General and

administrative expenses in each of the three months ended March 31, 2004 and 2003 consisted primarily of professional salaries and benefits, depreciation and amortization, professional and consulting services, office rent and corporate insurance. We expect that our general and administrative expenses will continue to increase in fiscal 2004 as revenue increases.

General and administrative expenses as a percentage of total revenues remained constant at 16.0% for the three months ended March 31, 2004 and 2003.

Sales and marketing expenses for the three months ended March 31, 2004 and 2003 were $651,047 and $451,215, respectively, an increase of $199,832 or 44.3%. The increase is primarily due to an increase in personnel as we focus on gaining more market share and also includes approximately $109,000 of expenses associated with CapMed. Sales and marketing expenses in each of the three months ended March 31, 2004 and March 31, 2003 were comprised of direct sales and marketing costs, professional salaries and benefits and allocated overhead. We expect that sales and marketing expenses will increase in fiscal 2004 as we continue to expand our market presence in the United States and Europe.

The increase in sales and marketing expenses as a percentage of total revenues to 9.8% for the three months ended March 31, 2004 from 7.9% for the three months ended March 31, 2003 is primarily due to increased personnel expenses.

Net interest income for the three months ended March 31, 2004 was $16,698 and net interest expense for the three months ended March 31, 2003 was $27,387, an increase of $44,085 or 161.0%. This increase is primarily due to interest income earned on a higher average cash balance for the three months ended March 31, 2004 as compared to the three months ended March 31, 2003. Net interest income and expense for the three months ended March 31, 2004 and 2003 is comprised of interest income earned on our cash balance and interest expense incurred on equipment lease obligations and the Quintiles Note.

Income before income taxes was $664,479 for the three months ended March 31, 2004 and $366,562 for the three months ended March 31, 2003, an increase of $297,917 or 81.3%. The increase was attributable to the increased revenues associated with an increase in services performed on projects for which we were contracted offset, in part, by the costs associated with increased staffing levels necessary to perform the newly contracted services.

The increase in income before income taxes as a percentage of total revenues to 10.0% for the three months ended March 31, 2004 from 6.4% for the three months ended March 31, 2003 is primarily due to increased revenues associated with an increase in services performed on projects for which we were contracted with a lesser increase in costs of revenue as a percentage of total revenues for the three months ended March 31, 2004.

Income tax provision for the three months ended March 31, 2004 and 2003 was $268,988 and $110,000, respectively, an increase of $158,988 or 144.5%. The increase is primarily due to the increase in our estimated effective tax rate for 2004 of approximately 40% as compared to approximately 30% for the three months ending March 31, 2003.

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Business Segments

We have set forth certain financial information with respect to our two business segments, pharmaceutical contract services and CapMed, in Note 5 Business Segments to our Consolidated Financial Statements in this Form 10-QSB. The quarter ended March 31, 2004 is the first full quarter of operations of our CapMed business segment as we acquired the intellectual property of CapMed Corporation in November 2003. During the quarter ended March 31, 2004, we had CapMed segment sales of approximately $5,000 and total costs and expenses of approximately $182,000, consisting of approximately $109,000 of sales and marketing expenses and approximately $73,000 of general and administrative expenses.

Liquidity and Capital Resources

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003
Net cash(used in) provided by operating activities	$ (1,039,810)	$ 1,220,685
Net cash used in investing activities	$ (573,800)	$ (380,720)
Net cash used in financing activities	$ (134,197)	$ (93,435)

At March 31, 2004, we had cash and cash equivalents of $11,541,646. Working capital at March 31, 2004 was $13,146,344.

Net cash used in operating activities for the three months ended March 31, 2004 was $1,039,810 as compared to net cash provided by operating activities of $1,220,685 for the three months ended March 31, 2003. This decrease is primarily due to the increase in accounts receivable of $1,681,095 at March 31, 2004 from December 31, 2003, offset by the higher depreciation and amortization expense of $428,446 and the provision for deferred income taxes of $215,728.

Net cash used in investing activities represents our investment in capital and leasehold improvements. We currently anticipate that capital expenditures for the remainder of fiscal year ending December 31, 2004 will be approximately $1,400,000. These expenditures represent additional upgrades in our networking, data storage and core laboratory capabilities for both our United States and European operations.

Net cash used in financing activities is primarily attributable to payments under equipment lease obligations and the Quintiles Note.

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The following table lists our cash contractual obligations as of March 31, 2004:

	Payments Due By Period				
Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Long-term debt obligations					
Capital lease obligations	$ 1,230,163	$ 612,886	$ 617,277		
Facility rent operating leases	$ 5,301,188	$ 939,743	$ 2,757,663	$ 1,425,284	$ 178,498
Purchase obligations					
Employment agreements	$ 375,000	$ 375,000			
Quintiles Note	$ 624,997	$ 624,997			
Total contractual cash obligations	$ 7,531,348	$ 2,552,626	$ 3,374,940	$ 1,425,284	$ 178,498

On May 9, 2003, we renewed and amended our agreement with Wachovia Bank, National Association. The renewed and amended agreement is for a committed line of credit of $2,000,000, collateralized by our assets. Interest is payable at Wachovia Bank s prime rate. The agreement requires us, among other things, to maintain a debt service coverage ratio not less than 1.25 to 1.00, measured annually and a liquidity ratio of not less than 2.00 to 1.00 at all times. The committed line of credit matures June 30, 2004 and may be renewed on an annual basis. During the three months ended and at March 31, 2004, we had no borrowings under the committed line of credit and are compliant with the debt covenants. On May 4, 2004, we executed a commitment letter with Wachovia Bank to renew and amend the committed line of credit to an unsecured $5,000,000.

In connection with our acquisition of Intelligent Imaging, as of February 1, 2002, we are obligated to pay quarterly payments of principal of $41,667 under the Quintiles Note, plus accrued interest thereon, and one payment of principal of $500,000 on November 1, 2004, unless the Quintiles Note is previously converted into shares of our common stock. The Quintiles Note bears interest at the rate in effect on the business day immediately prior to the date on which payments are due under the Quintiles Note equal to the three-month LIBOR as published from time to time in The Wall Street Journal plus 3%, compounded annually based on a 365-day year. We have recorded the balance of the Quintiles Note of $624,997 as a current liability.

We have neither paid nor declared dividends on our common stock since our inception and do not plan to pay dividends on our common stock in the foreseeable future.

We have not entered into any off-balance sheet transactions, arrangements or other relationships with unconsolidated entities or other persons that are likely to affect liquidity or the availability of or requirements for capital resources.

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We anticipate that our existing capital resources together with cash flow from operations and borrowing capacity under the existing line of credit, will be sufficient to meet our foreseeable cash needs. However, we cannot assure you that our operating results will continue to achieve profitability on an annual basis in the future. The inherent operational risks associated with:

- our ability to gain new client contracts;
- the variability of the timing of payments on existing client contracts; and
- other changes in our operating assets and liabilities

may have a material adverse affect on our future liquidity.

We may seek to raise additional capital from equity or debt sources in order to take advantage of unanticipated opportunities, such as more rapid expansion, acquisitions of complementary businesses or the development of new services. We cannot assure you that additional financing will be available, if at all, on terms acceptable to us.

Our fiscal 2004 operating plan contains assumptions regarding revenue and expenses. The achievement of our operating plan depends heavily on the timing of work performed by us on existing projects and our ability to gain and perform work on new projects. Project cancellation, or delays in the timing of work performed by us on existing projects or our inability to gain and perform work on new projects could have an adverse impact on our ability to execute our operating plan and maintain adequate cash flow. In the event actual results do not meet the operating plan, our management believes it could execute contingency plans to mitigate these effects. Our plans include additional financing, to the extent available, through the line of credit discussed above. Considering the cash on hand and based on the achievement of the operating plan and management s actions taken to date, management believes it has the ability to continue to generate sufficient cash to satisfy our operating requirements in the normal course of business for at least the next 12 months and the foreseeable future.

Changes to Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are set forth in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003. As of March 31, 2004, there have been no changes to such critical accounting policies and estimates.

Item 3. Controls and Procedures.

Evaluation of disclosure controls and procedures. Based on their evaluation of our disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Exchange Act) as of March 31, 2004, our president and chief executive officer (principal executive officer) and our chief financial officer (principal accounting and financial officer) have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms and are operating in an effective manner.

Changes in internal control over financial reporting. There were no changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of our most recent evaluation.

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PART II. OTHER INFORMATION.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

31.1 Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of principal financial and accounting officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350.

32.2 Certification of principal financial and accounting officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. 1350.

(b) Reports on Form 8-K.

On February 4, 2004, we furnished a Current Report on Form 8-K under Item 12, containing a copy of our earnings release for the fourth quarter and year ended December 31, 2003 (including financial statements).

On January 5, 2004, we filed a Current Report on Form 8-K under Item 9, reporting that certain of our directors entered into trading plans pursuant to Rule 10b5-1 under the Securities Exchange Act of 1934, as amended.

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SIGNATURES

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

		BIO-IMAGING TECHNOLOGIES, INC.
DATE: May 14, 2004	By:	/s/ Mark L. Weinstein
		Mark L. Weinstein, President and Chief Executive Officer (Principal Executive Officer)
DATE: May 14, 2004	By:	/s/ Ted I. Kaminer
		Ted I. Kaminer, Senior Vice President and
		Chief Financial Officer (Principal Financial and Accounting Officer)