

CLINICAL TRIALS ASSISTANCE CORP  
Form 10SB12G/A  
May 08, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 4 TO FORM 10-SB

GENERAL FORM FOR REGISTRATION OF SECURITIES OF SMALL BUSINESS ISSUERS  
Under Section 12(b) or (g) of the Securities Exchange Act of 1934

Clinical Trials Assistance Corporation

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(Name of Small Business Issuer in its charter)

Nevada

27-0009939

-----  
(State or other jurisdiction of (I.R.S. Employer Identification Number)  
incorporation or organization)

2078 Redwood Crest, Vista, California

92083-7340

-----  
(Address of principal executive offices)

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(zip code)

Issuer's telephone number: (760) 727-8448 Fax number: (760) 598-2611  
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Securities to be registered under section 12(b) of the Act:

Title of Each Class  
to be registered

Name on each exchange on which  
each class is to be registered

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Securities to be registered under section 12(g) of the Act:

Common Stock, \$.001 par value per share, 20,000,000 shares authorized,  
12,000,000 issued and outstanding as of December 31, 2002. Preferred  
Stock, \$.001 par value per share, 5,000,000 shares authorized, none  
issued nor outstanding as of December 31, 2002.

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#### FORWARD LOOKING STATEMENTS

Clinical Trials Assistance Corporation, a developmental stage company (afterwards referred to ("Clinical Trials ") or the ("Company") cautions readers that certain important factors may affect the Company's actual results and could cause such results to differ materially from any forward-looking statements that may be deemed to have been made in this Form 10-SB or that are otherwise made by or on behalf of the Company. For this purpose, any statements contained in the Form 10-SB that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "expect," "believe," "anticipate," "intend," "could," "estimate," "plans," or "continue" or the

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negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. With respect to any forward-looking statements contained herein, the Company believes that it is subject to a number of risk factors, including: a limited operating history, its dependence on certain key personnel, the eventual need for additional capital, potential competition, the possible inability to find suitable employees, possible regulatory hurdles performing pharmaceutical and biotechnology clinical trials, difficulties encountered creating a national presence in the recruitment of patients for physician researchers, the inability to pay dividends, possible liabilities for service provided, and general economic and business conditions. Any forward-looking statements in this report should be evaluated in light of these important risk factors.

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#### Part I

Item 1. Description of Business

(i) Business Development, Organization and Acquisition Activities

Clinical Trials Assistance Corporation, a developmental stage company, hereinafter referred to as "the Company" or "CTAC", was organized by the filing of Articles of Incorporation with the Secretary of State of the State of Nevada on April 22, 2002. The original articles of the Company authorized the issuance of twenty million (20,000,000) shares of Common Stock at par value of \$0.001 per share and five million (5,000,000) shares of Preferred Stock at par value of \$0.001. On April 30, 2002, the Company issued ten million (10,000,000) shares of its \$0.001 par value Common Stock for cash of \$10,000, held by one (1) shareholders of record.

On September 30, 2002, the Company completed a private offering of shares of common stock of the Company pursuant to Regulation D, Rule 504 of the Securities Act of 1933, as amended, which resulted in the sale of an additional 2,000,000 shares of its \$0.001 par value common stock to approximately 46 shareholders. As of December 31, 2002, therefore, the number of common shares issued and outstanding is twelve million (12,000,000).

The Company anticipates that the proceeds from the sale of the common shares offered in the 504 Offering referred to above were sufficient to provide the capital requirements to implement the Company's initial plans over the next twelve months to evaluate its business model.

The Company's president and CEO, Kamill Rohny, has been actively involved in the pharmaceutical industry for the past thirty-two years. Prior to his retirement from Procter & Gamble Pharmaceuticals, he developed recruiting methodologies for patient studies. This included the identification of computer data bases to help research physicians find patients for their investigative studies.

From inception through December of 2002, the Company's efforts has been devoted primarily to startup and development activities, which include the following:

1. Formation of the Company and obtaining start-up capital;
2. Developing services;
3. Developing new recruitment tools.
4. Testing the identified recruitment tools.

Clinical Trials Assistance Corporation is a development stage company which plans to help physician researchers recruit appropriate patients to participate in specific clinical research trials sponsored by the pharmaceutical industry. In helping the investigative sites to recruit patients for clinical studies, by developing effective recruitment programs, which enlist patients to participate in the early stages of these studies, clinical recruitment companies help the pharmaceutical industry shorten its development cycles and reduce the cost for evaluating new pharmaceutical products. There are no assurances that the Company will be able to recruit patients faster than its competition.

The Company has begun evaluating its business model to identify prospective customers for its clinical recruiting services. Initially, the customer list will be derived from known physician acquaintances and past contacts made by Kamill Rohny, during his 32 years in the pharmaceutical industry. This would include known clinical researchers in the industry who conduct clinical trials. Management views this as the most efficient and cost effective manner to develop a customer base.

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The company expects to develop its business over a number of years with the first stage taking approximately a year to complete. The Company's plan of operations for the next twelve months includes:

1. The success of this development program will be measured by the amount dollars a physician researcher is willing to spend versus the time and dollars spent to recruit patients for clinical research trials. If the cost to recruit patients exceeds the amount a physician can spend based on his research budget, the Company will need to find a more economical means to recruit patients. Management believes the Company has sufficient funding to complete this development period. Management expects this development period will take one year to complete and estimates a cost of approximately \$20,000 to complete this development period.
2. If the Company can identify a successful financial success model to recruit patients for clinical studies through this, during its development period, management plans to expand its operations beyond Southern California. This expansion would be scheduled for Fiscal Year 2004, and would require additional funding of approximately \$50,000-\$75,000 to hire and train recruiters as well as identify physician researchers as a client base. It should be noted that Southern California's population provides a sufficient number of participants for clinical studies. However, the sufficiency of the population base is dependent on the particular disease state or conditions for which a clinical trial is being conducted or designed to address. Additionally, the area provides other investigative sites, such as, private practice physicians, hospitals, major medical centers, health maintenance organizations, pharmaceutical and biotechnology companies, all who conduct clinical studies. This offers the Company with a solid base to expand its operations.

If this developmental period can become financially successful for the Company, management's future plans, following this developmental period would include the raising of an additional \$50,000-\$75,000 in funding to expand its operations beyond Southern California in Fiscal Year 2004. If in the future the Company should seek to raise additional capital it would be accomplished via a private placement offering pursuant to Regulation D, Rule 505. To do so, management believes the Company should be a fully reporting entity with the U.S. Securities and Exchange Commission. In this sense, potential investors will have the opportunity to review the company's activities and financial status. There is no guarantee that such financing will be available to the Company, or if available, will be on terms and conditions satisfactory to management.

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As a fully reporting company with the U.S. Securities and Exchange Commission, ("SEC") the company will be required to pay for financial audits and quarterly financial reviews, along with the legal preparation of the required documents to maintain its reporting status. Based on the future complexity of the business, the accounting and legal fees could cost the Company a minimum of \$5,000 to \$10,000 per year. If the company fails to raise or generate sufficient funding to maintain its full reporting status, it will be required to withdraw its Registration with the SEC.

The Company currently has no understandings, commitments or agreements with respect to engage in any material acquisitions and no material acquisition is currently being pursued. Additionally, the Company does not plan to be acquired. If appropriate opportunities present themselves, the Company would

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consider acquiring businesses, technologies, services or product(s) that the Company believes are strategic to its operations.

### (ii) Principal Products and Principal Markets

Clinical Trials Assistance Corporation plans to help physician researchers find patients for ongoing clinical studies. These clinical trials would be conducted in a physician's office, hospital setting, or private clinic, who have separately contracted with a major pharmaceutical Company or U.S. Government agency to test developmental pharmaceutical products, which have been approved by the Food and Drug Administration ("FDA") for testing in humans. In some case, the pharmaceutical companies themselves conduct clinical research studies. The Company plans to solely focus on patient recruitment for these clinical studies. Said differently, the Company helps these researchers find patients for on-going studies. The researchers screen and evaluate whether these patients qualify for these studies. The Company does not plan to involve itself with data analysis, regulatory services, quality assurance and other consultation services. The actual clinical trials are performed at the investigative sites as approved by the FDA. The Company's business is currently focused on the U.S. markets.

Management believes the Company's services to the investigative sites would allow them to build and maintain successful clinical research businesses.

### Patient Recruitment

CTAC will need to develop a series of patient recruitment tools for the investigative sites. These tools might include: an 1-800 phone number for patients to obtain information and schedule an appointment, an attractive newspaper ad, mail flyers or radio commercials. To date, the Company's best success in developing patient recruitment tools has been with first class pre-sorted postcard directed to specific age groups in targeted geographic locations.

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### Business Strategy

The first priority for Clinical Trials Assistance Corporation is to create new business and evaluate its recruiting concepts with physician researchers in Southern California. The Company's business plans encompasses the following strategies:

- o Market its services to physicians who conduct research projects. The clientele would include investigative sites, such as, private practice physicians, hospitals, major medical centers, health maintenance organizations, pharmaceutical and biotechnology companies, all who conduct clinical studies.
- o Identify physician researchers and offer the services of patient recruitment for these studies.
- o Based on the type of studies performed, such as targeted age group

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or specific illness, develop specific patient data base to target. The database would include purchasing names and addresses and sorting by age group and gender to determine who is most likely to suffer from a particular disease state. The Company plans to rent mailing labels from brokers who specialize collecting this type of demographic data. These mailing labels will be rented on a Quarterly basis, when the Company undertakes a specific recruitment program. There is no way of knowing, who has a particular disease state to target; therefore, a mass population is targeted to receive a mailer, which invites them to participate in a study. Patients who participate in a clinical study receive free medication and a small fee to entice them to participate.

- o Utilize known networking groups, e.g., senior centers, churches, social clubs, ethnic groups, who conduct regular meetings among their members. to recruit these patients. These groups consists of people who talk among themselves to give the studies a word-of mouth endorsement, where the recommend that their friends are evaluated for the study. CTAC plans to utilize these groups to by scheduling the investigative physician(s), as guest speakers, for their regular scheduled meetings. This gives the audience an opportunity to determine whether or not they wish to participate in the study, by meeting the investigative physician who will be conducting the study. CTAC has already enrolled three patients, in a clinical study, by working with a senior center and church group. In each case, management of the Company had not difficulty in contacting the administrators' to schedule a presentation at one of their monthly social meetings.
- o Advertise for patients utilizing newspapers, radio, and television to recruit these patients.
- o Schedule these subject patients with the physician researchers as candidates to be evaluated for their studies.
- o Establish a reputation for Clinical Trials Assistance Corporation as a premier patient recruitment company.

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In order to accomplish these objectives, the Company has established a business development program with Eugene Boling, MD, a Rheumatologist at Boling Clinical Trials, located at 8263 Grove Avenue, Suite 100, Rancho Cucamonga, CA 91730. Boling Clinical Trials is one of the larger patient research centers in Southern California. This is measured by the number of patients enrolled in their clinical trials. This was shared with Dr. Boling by the sponsoring pharmaceutical companies who are conducting these studies. They can conduct as many as sixteen different patients studies at the same time. Each study seeks to enroll anywhere from 24 to 60 patients, on average. Boling Clinical Trials is situated in an area of Southern California with a surrounding population of 500-600,000 inhabitants. CTAC has participated in recruiting patients for two separate studies at Boling Clinical Trails, and the Company is in process of recruiting patients two additional patient studies for Boling Clinical Trials. The clinical studies included recruitment for an osteoporosis study and a rheumatoid arthritis study. The Company's best results in the recruitment of patients for these two studies came from a targeted mail program directed to an older age group, in zip codes adjacent to Boling Clinical Trials.

The Company evaluated two different postcard recruitment initiatives, they are:

- a) Through a mailing of ten thousand postcards per month for a three month period, which commenced on July 11, 2002, for a total of 30,000 postcards,

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the Boling Clinic received appointment calls from approximately 150 patients per month. These patients were initially interviewed over the telephone by the staff of Boling Clinical Trials. They invited approximately 100 of these patients into their offices for a screening test, approximately 9 patients qualified for the study, and approximately 6 patients were ultimately enrolled in a clinical trial during a three month period. The cost to enroll these 6 patients was \$8,850 or \$1,475 per patient enrolled.

- b) The second initiative was a scaled-up version of the first initiative. Through a mailing of thirty thousand postcard mailings, per month, over a three month period, which commenced on August 23, 2002, for a total of 90,000 postcards, the Boling Clinic received appointment calls from approximately 450 patients per month. These patients were initially interviewed over the telephone by the staff of Boling Clinical Trials. They invited approximately 300 of these patients in for a screening test, approximately 27 patients qualified for the study, and approximately 18 patients were ultimately enrolled in a clinical trial during this three month period. The cost to enroll 18 patients was approximately \$26,000 or \$1,444 per patient enrolled.

Based on the results of these two postcard mailing initiatives, the end results per enrolled patient were proportionally the same based on the size of the mailing. There are no assurances CTAC can duplicate these results for similar studies conducted by different investigative centers. The Company was compensated for its efforts with these two initiatives through an oral understanding it has in place with Boling Clinical Trials. This oral understanding includes:

- a) CTAC and Boling Clinical Trials will work together to recruit patients for clinical studies conducted by Boling Clinical Trials.

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- b) CTAC bills Boling Clinical Trials 50 percent of the amount of its estimated invoice for recruitment services, and the balance is due 30 days after the completion of services, for that particular invoice. This invoice includes any agreed upon hard cost, such as the rental of mailing labels, printing costs, the cost of a mailing, or newspaper advertising. The final invoice will include actual costs plus a 20 percent mark-up.
- c) Boling Clinical Trials is responsible to hire and pay for additional personnel. This would include the hiring of two additional technicians for screening patients, two clerical personnel and one registered nurse to help screen patients. They are also responsible for paying for an answering service, which screens initial enrollees and sets appointments.
- d) Boling Clinical Trials and the Company agreed to work together to measure the financial costs of this developmental program to recruit patients for clinical studies. They agreed to evaluate recruitment for clinical trails per individual disease state. Initially, they are focusing on osteoporosis and rheumatoid arthritis patient recruitment. The initial data indicates that it after a twenty (20) percent mark-up, it costs \$1,475 in recruitment fees per patient enrolled in the clinical study. The measurements are based on the final costs of the six patients enrolled in the studies.
- e) The oral understanding can be cancelled by either party, without notice or penalties to the party who cancels this agreement.

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At this time, until CTAC can further develop its recruitment programs, the Company does not plan to enter into a formal written agreement with Boling Clinical Trials. It should be noted that Dr. Eugene Boling, who is the head of Boling Clinical Trials is a director of CTAC.

The purpose of this development period is to help the company establish a cost effective business model which it can duplicate and market its services at other research centers. According to Dr. Boling, of Boling Clinical Trials, they paid CTAC approximately \$8,850 to recruit six (6) patients per study during one month, this equates to a 20% mark-up cost of \$1,475 per enrolled patient. This development period includes:

- a) Establish what a physician researcher is willing to pay to recruit a particular patient type for a clinical study. For example, based on the disease state to be studied, what is a physician researcher willing to pay to recruit a patient with diabetes versus osteoporosis versus osteoarthritis? Management recognizes that certain disease states would be difficult to recruit patients, e.g. Crohn's disease, AIDS patients, heart disease. In these cases, the patients would most likely be unwilling to forego their present treatment regimen, to participate in a study. For this reason, management plans to be selective in the types of studies the Company would undertake recruitment activities.

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(Note: There are no clear payment schedules for patient recruitment services. Some clinical researchers, such as Boling Clinical Trials, have advanced payments to recruitment companies for standard services to be rendered, e.g., newspaper and radio advertising, without any guarantees of results. These payment advances come from their own pockets, rather

than sponsoring pharmaceutical Company. Other clinical researchers, wait until they receive an advance from the sponsoring pharmaceutical company before they spend any monies on patient recruitment. Based on past recruitment costs from Boling Clinical Trials, recruitment costs can account for one-third of the total budget for a clinical trial.)

- b) Determine what are the best services to recruit patients versus advertising dollars to be spent, e.g., newspaper advertising, radio advertising, mail flyers, contacting church and social groups.
- c) Determine the amount of time it will take to recruit patients for these clinical studies based on their particular disease states.
- d) Determine a dollar value to recruit patients by disease types, based on geographic and demographic data. For example, it is more or less costly to recruit patients with diabetes versus osteoporosis versus other disease states.
- e) Develop of cost versus revenue model for each of these disease states to determine which patient studies offer the greatest return for the Company to pursue.

The Company will use this model to market its services. In addition, if the Company can establish a successful model, management plans to attend trade shows and conventions to market its services and keep abreast of new opportunities.

Since CTAC has begun its recruiting activities, the average cost, to recruit patients for Boling Clinical Trials has been \$1,475 per enrolled patient. These figures include a twenty (20)percent mark-up fee the Company charges Boling Clinical Trails. This mark-up fee does not include the cost of any salaries. The Company has yet to determine additional mark-ups to cover the costs of salaries. This cost is based a targeted postcard mail program directed to an older age group, in zip codes adjacent to Boling Clinical Trials. The data is based on a three month postcard mailing program of 30,000 mailings per month for a total of 90,000 mailings. The results of this postcard program has enrolled, on average, six (6) patients per month at a 20% mark-up cost of \$8,850 (\$1,475 times 6 patients) per month versus Boling's historic patient recruitment costs of \$2,950 per enrolled patient. The historic \$2,950 cost includes mark-ups paid by Boling Clinical Trials, which includes salary costs paid to a third party recruiting company. These patient recruitment costs do not include the costs incurred by Boling Clinical Trials in screening potential patients. During this developmental stage, as of December 31, 2002, CTAC has received \$7,200 from Boling Clinical Trials for its hard costs, which includes postcard printing and postage. There are no assurances CTAC can duplicate these results for similar studies conducted by different investigative centers.

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#### The Pharmaceutical Industry

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Before a new pharmaceutical or biotechnology product can be marketed in the United States, it must undergo extensive testing and regulatory review to determine its relative safety and effectiveness. Companies seeking approval of these products are responsible for performing and analyzing the results of preclinical and multi-phase clinical trials. Preclinical trials can last for up to three years and involve animal testing and laboratory analysis to determine the basic biological activity and safety of the product. Upon successful completion of the preclinical phase, the product undergoes a series of clinical tests in humans, this includes healthy volunteers as well as patients with the specific disease. Clinical trials generally take longer to perform than preclinical trials, typically lasting five to seven years. in the United States, preclinical and clinical testing must comply with the requirements of Good Clinical Practices and other standards promulgated by the Food and Drug Administration, or the FDA, and other federal and state governmental authorities. The FDA defines Good Clinical Practices as "a standard for the design, conduct, performance, monitoring, auditing, recording, analyses, and reporting of clinical trials that provides assurance that the data and reported results are credible and accurate and that the rights, integrity, and confidentiality of trial subjects are protected."

According to clinical trials data provided by the National Institutes of Health website, at [www.clinicaltrials.gov](http://www.clinicaltrials.gov), they list approximately 7,000 on-going clinical studies, with approximate enrollment of 200 patients per study being conducted throughout the United States. These clinical studies are sponsored by the National Institutes of Health, other federal agencies, and the pharmaceutical industry.

Clinical trials often represent the most expensive and time-consuming part of the overall drug development process. The information generated during these trials is critical for gaining marketing approval from the FDA or other regulatory agencies. After the successful completion of Phase III trials, the

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sponsor of a new drug must submit a New Drug Application ("NDA") to the FDA. The NDA is a comprehensive filing that includes, among other things, the results of all preclinical and clinical studies, information about the drug's composition and the sponsor's plans for producing, packaging and labeling the drug. Most of the clinical data contained in an NDA is generated during the Phase II and III trials. The FDA's review of an NDA can last from several months to several years, with the average review lasting two years. Drugs that successfully complete this review may be marketed in the United States, subject to the conditions imposed by the FDA in its approval.

Pharmaceutical and biotechnology companies face increased pressure to bring new drugs to market in the shortest possible time, thereby reducing costs, maintaining market share and accelerating realization of revenue. Currently, total development of a new drug takes approximately eight to twelve years, a significant portion of a drug's twenty year period for protection under United States patent laws. Certain pharmaceutical companies have initiated

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plans to reduce this time to approximately five to seven years. Pharmaceutical and biotechnology companies are attempting to increase the speed of new product development, and thereby maximize the period of marketing exclusivity and economic returns for their products, by outsourcing development activities.

The clinical research process generally has been inefficient and costly for sponsors, requiring the expenditure of considerable resources and efforts associated with study start-up, meeting enrollment quotas and collecting complete and consistent data. Historically, sponsors have had to identify and negotiate contracts and study budgets with numerous geographically dispersed clinical research investigators, a process which impedes quick study start-up. These clinical trials are generally reviewed and approved by an independent institutional review board ("IRB") for each research site participating in a study. There is a separate IRB for each ongoing clinical trial.

The IRB has been established to assure the protection of all human subjects in research projects. In accordance with U. S. Department of Health and Human Services Regulations for Protection of Human Subjects (45 CFR 46), an institutional review board committee, composed of members from a variety of scientific disciplines as well as community members, assists investigators in the protection of the rights and welfare of human subjects. The IRB also serves to facilitate valuable human subject research as well as protect the investigator and the institution through a comprehensive review process. All human research projects must be reviewed and approved by the IRB prior to initiation and then conducted in full compliance with the IRB guidelines established by U. S. Department of Health and Human Services.

The clinical research industry is driven by the need of the pharmaceutical and biotechnology companies to produce new drugs at low costs while at the same time maintaining compliance with governmental regulations principally imposed by the FDA. Competition and the increasing pressure to control costs are forcing pharmaceutical and biotechnology companies to become more efficient in developing new drugs. The pharmaceutical and biotechnology companies are actively seeking improved ways to save time in the clinical development process in order to bring products to market faster. The benefit in bringing their products to the market faster, helps these companies recover their research and development costs and achieve higher prices on their patented products before they lose their patent protection and

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generics enter the market. In an effort to save time and cut costs, physician researchers are outsourcing certain aspects of the clinical research process to third parties, including research networks.

It is the burden of the Clinical Investigators to obtain IRB approval for post card designs and related flyers designed by Clinical Trials Assistance Corporation to be used in patient recruitment.

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The IRB is required to apply institutional rules, federal, state laws and regulation in reviewing study protocols, evaluating risks and benefits, ensuring the selection of subjects is equitable, monitoring the data collected to ensure the safety of subjects, protecting the privacy of subjects and to maintain the confidentiality of files. During their regularly scheduled board meetings, they also review and approve brochures, advertisements post card designs and related flyers to ensure compliance with the study protocol. CTAC will present post card designs and related flyers to the Clinical Investigators, who will present these materials to the IRB for approval. The Company will not interact directly with the IRB. This is the requirement CTAC with regards to IRB approval.

### Investigative Sites

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The investigative site industry includes all of the clinical investigators who enroll patients in clinical trials and collect information at the patient level for pharmaceutical and biotechnology companies and contract research organizations ("CRO"). The investigative site industry is facing significant cost reduction pressures as a result of the pressures on pharmaceutical and biotechnology companies to reduce costs and the amount of time required to bring a drug to market. As a result of increased pressures, pharmaceutical and biotechnology companies who need to conduct clinical research have reduced their use of academic medical centers for clinical studies and have increased their use of private practice research sites. In many instances, private practice physician sites can provide greater access to patients and the ability to conduct trials more rapidly and efficiently than academia. In addition, participation in clinical trials by private physicians has increased as healthcare providers discover that they are able to offer patients access to more advanced therapies and the opportunity to receive free or reduced-cost medical care.

CTAC plans to assist the investigative sites, with planning and coordinating the patient recruitment of independent clinical trials on drugs for pharmaceutical and biotechnology companies. By assisting these investigative sites in patient recruitment, and helping them identify and enroll patients in the early stages of their clinical studies, the Company plans to facilitate faster study start-up. It is not uncommon for an investigate site to undertake a clinical study project, and not begin their patient recruitment efforts for six months after the study is scheduled to begin. CTAC by assisting physician researches in recruiting patients for their studies, at the outset of the study, plans to help will be helping the pharmaceutical and biotechnology companies conducting clinical trials to complete the clinical research process efficiently and cost effectively, by saving them time in completing these studies. According to Boling Clinical Trials, based on historical data, compiled by Boling Clinical Trials, the costs to conduct a clinical trial

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research project for an osteoporosis and rheumatoid arthritis study it can cost, on average, \$500,000 per study, of which one-third (\$166,000) of these funds are used to recruit approximately 57 patients for each study. Initial cost data from CTAC results and Boling Clinical Trials indicates that it costs the Company

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\$1,475 after mark-up charges, in recruitment fees per patient enrolled in a similar osteoporosis and rheumatoid arthritis clinical study versus \$2,950 paid in recruitment fees per enrolled patient for similar studies conducted in the past. When monies are spent on recruiting patients for a clinical trial, it can take a year just to recruit patients for a study and there are no guarantees that advertising methodologies used will bring in any patients for trial evaluation. If CTAC can develop a cost-effective methodology to recruit patients, it could reduce the time and money spent on recruiting patients. A cost-effective methodology benefits the investigate site.

The investigative sites typically perform the clinical trials, focusing on Phases II through IV of the drug development process. The clinical research portion of the drug development process involves selection of investigative sites to conduct the trials. The physician researchers are responsible for the actual conduct of the trials and the gathering and completion of the data generated during the trials. CTAC solely assists these sites by helping them find patients, who are subsequently screen by these physician recruiters who are in the process of conducting research studies. The physician researchers are responsible to determine whether or not these patients should be enrolled in their studies, based on the criteria of the study protocols.

In conducting these studies, the investigative sites administer medical evaluations, healthcare procedures and study medications to patients in accordance with the protocol under the direction of a qualified principal investigator. A "qualified principal investigator" has been approved by both the FDA and sponsoring pharmaceutical/biotechnology company to conduct human clinical trials.

A "qualified principal investigator" requires sufficient knowledge, scientific training, a medical degree and accreditation as evidenced by their credentials, to conduct clinical studies to investigate the effectiveness and in-use safety of investigational products in conducting clinical trials on human patients. The qualified principal investigator needs to be familiar with the background and requirement of the study before taking receipt of the investigational product. The qualified principal investigator is responsible for all aspects of the conduct of the study. This would include: the dispensing and the administration of the investigational product(s), the implementation of the study protocol, the collection and reporting of the study data and the protection of the health and welfare of the personnel and patients involved in the study. The qualified principal investigator is employed by the sponsor or a contract research organization. The investigator may be assisted by trained technical assistants in collecting, recording and the subsequent processing of data.

Clinical Trials Assistance Corporation plans to focus its patient recruitment activities with investigative sites that are owned by private practice physicians. The size of the private physician practices range from one physician to approximately twenty physicians. Typically, management expects the investigative sites in its network will consist of two to four partners in a private practice medical office.

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Marketing Strategies

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CTAC also plans to assist pharmaceutical and biotechnology companies in developing and implementing patient recruitment programs to speed completion of these studies. These services would include the development and implementation of advertising programs, public service announcements and other tools to assist sites in finding and enrolling suitable patients into studies. These can include, but not limited to newspaper, radio, television, senior centers, churches, social clubs, and ethnic groups. The Company is investigating the utilization and subcontracting of a phone room as a tool to help the clinical investigators screen patients and set appointments. These phone rooms are third-party services with multiple clients who outsource their services. The management and training of the phone room staff would be the responsibility of the clinical investigators. These phone rooms would serve as the answering and screening service for the clinical investigators who are understaffed. The Company plans to provide the clinical investigators with a list of phone rooms to outsource these services. The purpose of the phone room is to hire and train an 24-hour answering service to screen patients and answer basic questions about the clinical study. They would subsequently set an appointment for the patient to come into the office for further evaluation. This service would relieve the investigators staff in screening these initial calls. It was initially discovered that where investigate offices are understaffed, phone calls were unanswered and potential study patients did not pursue enrolling in a clinical study.

The Company plans to contact known physicians who participate in medical studies and pharmaceutical companies who wish to conduct a pharmaceutical study. Based on the results of the Company's pilot program development period, the Company will decide which specific disease states to target, based on the cost effectiveness to recruit patients. Once this known, the Company will plans market its services to specific physician who specialize in conducting clinical trials with these known disease states.

The industry is highly fragmented with many small, limited-service providers as well as in-house research departments, universities and teaching hospitals, have substantially greater resources than the Company. However, the Company believes it has an opportunity to take advantage of the trend toward outsourcing. Physicians who conduct clinical trials do not have the time or staff to recruit patients for their studies. They are busy with their own medical practices and qualifying patients for the clinical studies. They prefer to outsource the patient recruitment job to a third party. The Company's strategy is to help facilitate patent enrollment in these preclinical trials.

CTAC plans to market its patient recruitment services to investigative sites, so that the physicians at these sites are not encumbered in devoting a greater percentage of their time in recruiting patients versus attending to their own practice.

The Company's success is dependent upon its ability to attract and retain high quality investigative sites and recruit patients for their active studies.

Competition

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The clinical research industry is highly fragmented. The Company will primarily compete with Clinical Research Organizations, other patient recruitment

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organizations and private practice research sites who are competing to recruit the same patient based in Southern California. The majority of these private practice research sites are single sites. CTAC will also compete with hospitals and academic medical centers and site management organizations ("SMO"), who recruit patients for their clinical studies. No single competitor or group of competitors has a substantial presence in the recruitment of patients for clinical trials. All of the Company's competitors, who recruit patients, have greater financial resources and name recognition, greater experience in specific diseases and conditions and larger medical specialist networks than Clinical Trials Assistance Corporation.

CTAC has little experience in competing favorably in most of these areas, there are no assurances that the Company will be able to respond to these pressures or changes. Further, there are no significant barriers to entry into the recruitment of patients for clinical trials. A better funded company with knowledge of the industry could capture any potential business from CTAC.

### (iii) Risk Factors

#### a) LIMITED OPERATING HISTORY AND DEVELOPMENT PERIOD MAKES POTENTIAL DIFFICULT TO ASSESS.

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The Company was incorporated in the State of Nevada on April 22, 2002 (Nevada File Number: C9967-20). As of the date of this document, the Company has developed a business plan, established administrative offices and an operating facility in Vista, California and begun the process of testing its model for recruiting patients for human pharmaceutical research studies. During the development period, the company hopes to evaluate methodologies to recruit patients in a timely, cost effective basis for investigative clinical research centers. There are no assurances the company will be able to identify efficient and cost effective methodologies to recruit patients during this development period. Failure to find effective patient recruitment methodologies can have an adverse effect on the Company's future.

The Company has limited operating history and must be considered to be a developmental stage company. Prospective investors should be aware of the difficulties encountered by such new enterprises, as the Company faces all of the risks inherent in any new business and especially with a developmental stage company. The likelihood of success of the Company must be considered in light of these problems, expenses that are frequently incurred in the operation of a new business and the competitive environment in which the Company will operate.

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#### b) EVENTUAL NEED FOR ADDITIONAL CAPITAL TO REMAIN A GOING CONCERN.

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As of September, 2002, the Company initiated a 504 Offering and was able to generate enough working capital to implement plans for the first year of its operations. However, management believes the Company will need \$50,000-\$75,000 of additional capital in order to expand its operations, provided it can create a successful business model. Management believes the Company will need \$50,000-\$75,000 reserve of capital from which to draw in order to expand its operations and identify customer bases of physician researchers, outside of Southern California. These funds would be use to hire and train staff on how to duplicate the business model in other areas of the country. The funds would also be used to duplicate the Company's database for other

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geographic areas. This need for additional funds will be derived from any future revenues and earnings the Company might generate, further management believes the majority of funding will be received from future private placement stock offerings pursuant to Regulation "D" Rule 505 or 506. Without this funding, the Company might exhaust all of its cash reserves to remain as a Going Concern.

- c) ISSUANCE OF STOCK TO FUND THE COMPANY MAY DILUTE YOUR INVESTMENT AND REDUCE YOUR EQUITY INTEREST IN THE COMPANY.

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It is likely that the Company will issue additional shares of common stock or preferred stock to expand operations. The proceeds of any offering will be used for the operations of the business. This would include, but not limited to hiring additional personnel, upgrading demographic data bases, and the development of marketing materials to attract new business. The consequences may be a significant dilution to shareholders' investment, and a material decrease in shareholders' equity interest in the company. Since CTAC has not made any determination with respect to new equity funding, management cannot speculate on the amount of securities which CTAC might issue. At its sole discretion, the board of directors may issue additional company securities without seeking shareholder approval. These future offerings could significantly dilute the value of any previous investor's investment value.

- d) OPERATING LOSSES, NEGATIVE CASH FLOW FROM OPERATIONS LIKELY FOR FORESEEABLE FUTURE.

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In its initial operating period from April 22, 2002 (date of inception) through September 30, 2002, the Company incurred an operating net loss of \$12,767 and a negative cash flow of \$26,767 from operations. From the period April 22, 2002 (date of inception) through December 31, 2002, the Company incurred an operating net loss of \$28,691 and a negative cash flow of \$19,091 from operations. There is no guarantee that the Company will ever be able to operate profitably or derive any significant revenues from its operation. The Company could be required to raise additional \$50,000-\$75,000 through a Regulation D, 505 or 506 Offering to expand its business plan to other markets.

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- e) COMPANY MAY FAIL TO CONVINCE ENOUGH CUSTOMERS TO USE ITS SERVICES.

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The Company's plans to establish a patient recruitment business with a primary emphasis in Southern California with physician researchers. Despite contacts and a referral base from the Company's management, if CTAC cannot establish itself as an effective business in its home market CTAC will not be able to expand its business plan regionally or subsequently nationally. There can be no assurances that its market acceptance will be forthcoming.

- f) THE COMPANY IS DEPENDENT ON ONE KEY OFFICER TO DEVELOP AND IMPLEMENT ITS BUSINESS PLAN.

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The Company plans to rely heavily on the expertise from its sole officer, Mr. Kamill Rohny, who has knowledge of the pharmaceutical industry. Should the Company be deprived of the services of its sole officer for any reason during this period of initial and expansion, the results would be devastating

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to the Company and could lead to its dissolution. Although this sole officer has had experience in helping physician researchers in the past recruit patients, he cannot be sure that this business model will be successful in other markets. For example, the Company may be unable to train other personnel on how to develop another market to recruit patients for clinical studies. Future operating results would be adversely affected if the Company is unable to expand its operations. The Company does not have an employment agreement with Mr. Rohny and Mr. Rohny is engaged in other business activities which may detract his attention from the Company.

g) THE COMPANY'S MANAGEMENT HAS LITTLE EXPERIENCE IN PROVIDING PATIENT RECRUITMENT SERVICES  
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Our sole officer/director, Kamill Rohny, has limited business experience in providing patient recruitment services for clinical studies. As such, the business model and methodologies he develops may be unsuccessful. As a consequence, failure to identify effective patient recruitment methodologies and build a customer base can have an adverse effect on the Company's future.

h) THERE IS A LACK OF INFORMATION ON THE DOLLARS SPENT BY THE PHARMAECEUTICAL INDUSTRY FOR CLINICAL TRIALS AND PATIENT RECRUITING.  
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The majority of the company's expected revenue is expected to be derived from pharmaceutical spending in clinical research projects. Pharmaceutical companies generally do not break down their expenses relating to patient recruitment. As such, it is difficult to collect data on pharmaceutical spending for clinical trials and patient recruitment. Therefore, there are no spending trends to evaluate. This means the Company could be facing declines in pharmaceutical research spending without the knowledge this is taking place. Any event that results in decreased pharmaceutical research would likely have a negative effect on the Company's operating results.

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i) PLANS FOR EXPANSION MAY BE UNREALISTIC BASED ON UNPROVEN BUSINESS MODEL.  
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The management of Clinical Trials Assistance Corporation has confidence in its vision for the Company and believes that in time, if the Company can create a successful business model, the Company may wish to expand its clinical trials recruitment business to other geographic area. However the fact that the Company has not developed a successful business model is indicative of the strong possibility that the difficulties and challenges in creating such a company are too great to be overcome. Other companies, pursuing this market have had such a vision and have been unsuccessful in their attempts to realize it. Potential investors should carefully consider the possibility that the Company's plans to expand may not be realistic and could ultimately prove to be unworkable.

j) PATIENT RECRUITMENT MAY INFRINGE ON PRIVACY CONCERNS.  
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The Company collects and utilizes data derived from various sources to recruit patients for clinical studies. The Company has access to names and addresses of potential patients who may participate in these studies. This subjects the Company to knowledge of what studies are taking place, and who may be participating in these studies. In order to deliver a targeted mail program,

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the Company compiles specific demographic information. This information needs to be protected to circumvent privacy concerns. The information keyed to a specific disease state could inadvertently fall into the wrong hands without the consent of the patient.

Due to privacy concerns, the company must take steps to ensure patient lists remain confidential. There can be no assurance that any protection will be available for such data or that others will not claim rights to such data.

### k) GOVERNMENT REGULATION COULD UNDERMINE THE COMPANY'S PROFITABILITY.

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Though the Company plans on obtaining all required federal and state permits, licenses, and bonds to operate its facilities, there can be no assurance that the Company's operation and profitability will not be subject to more restrictive regulation. The services Clinical Trials Assistance Corporation plans to provide are subject to various federal regulations. For example, it is the burden of the Clinical Investigators to obtain Independent Review Board approval for post card designs and related flyers by Clinical Trials Assistance Corporation to be used in patient recruitment. (See Independent Review Board Section under "The Pharmaceutical Industry.")

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### l) SHARES SUBJECT TO RULE 144, IF SOLD COULD HAVE A MATERIAL NEGATIVE IMPACT UPON THE MARKET PRICE OF THE COMPANY'S SHARES.

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On December 31, 2002, the Company had 10,000,000 Common Shares issued and outstanding that have not been registered with the Commission or any State securities agency and which are currently restricted pursuant to Rule 144 promulgated by the Commission under the 1933 Act. Rule 144 provides, in essence, that a person holding restricted securities for two years from the date the securities were purchased from the issuer, or an affiliate of the issuer, and fully paid, may sell limited quantities of the securities to the public without registration, provided there shall be certain public information with respect to the issuer. Pursuant to Rule 144, securities held by non-affiliates for more than three years may generally be sold without reference to the current public information or broker transaction requirements, or the volume limitations. None of the current outstanding restricted shares are available for resale pursuant to Rule 144. The sale of some or all of the currently restricted Common Shares could have a material negative impact upon the market price of the Common Shares if a market for the Common Shares should develop in the future. (See "PRINCIPAL STOCKHOLDERS")

### m) RISKS ASSOCIATED WITH ACQUISITIONS MAY NOT BENEFIT THE COMPANY AND DILUTE THE VALUE OF THE COMPANY'S SHARES.

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If appropriate opportunities present themselves, the Company would acquire businesses, technologies, or service(s) that the Company believes are

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strategic and would help it to expand its operations and/or future customer base.

The Company currently has no understandings, commitments or agreements with respect to any other material acquisition and no other material acquisition is currently being pursued. There can be no assurance that the Company will be able to identify, negotiate or finance future acquisitions successfully, or to integrate such acquisitions with its current business. The process of integrating an acquired business, technology, service or product(s) into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Further, there can be no assurance that the anticipated benefits of any acquisition will be realized.

Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any future acquisitions of other businesses, technologies, services or product(s) might require the Company to obtain additional equity or debt financing, which might not be available on terms favorable to the Company, or at all, and such financing, if available, might be dilutive.

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n) NO MARKET EXISTS FOR THE COMPANY'S STOCK WHICH MAKES IT DIFFICULT TO FIND A BUYER FOR THE COMPANY'S STOCK.

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There is currently no established public trading market for Clinical Trails Assistance Corporation securities. A trading market in the Company's securities may never develop or, if developed, it may not be able to be sustained. If for any reason Clinical Trials Assistance Corporation's common stock is not listed on the OTC Bulletin Board or a public trading market does not otherwise develop, purchasers of the shares may have difficulty selling their common stock should they desire to do so. Various factors, such as the Company's operating results, changes in laws, rules or regulations, general market fluctuations, and other factors may have a significant impact on the market price of Clinical Trials Assistance Corporation's securities.

o) LOW-PRICED STOCKS MAY AFFECT THE RESELL THE COMPANY'S SHARES.

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Penny Stock Regulation Broker-dealer practices in connection with transactions in "Penny Stocks" are regulated by certain penny stock rules adopted by the Securities and Exchange Commission. Penny stocks generally are equity securities with a price of less than \$5.00 (other than securities registered on certain national securities exchanges or quoted on the NASDAQ system). The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document that provides information about penny stocks and the risk associated with the penny stock market. The broker-dealer must also provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction, and monthly account statements showing the market value of each penny stock held in the customer's account. In addition, the penny stock rules generally require that prior to a transaction in a penny stock, the broker-dealer must make a written determination that the penny stock is a suitable investment for the purchaser

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and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for a stock that becomes subject to the penny stock rules. When the Registration Statement becomes effective and the Company's securities become registered, the stock will likely have a trading price of less than \$5.00 per share and will not be traded on any exchanges. Therefore, the Company's stock is initially selling at \$0.01 per share they will become subject to the penny stock rules and investors may find it more difficult to sell their securities, should they desire to do so.

### p) RISKS ASSOCIATED WITH INFRINGEMENT OF INTELLECTUAL PROPERTY.

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If the Company is successful in developing materials from its evaluation program which demonstrates above average results in recruiting patients, the Company is subject to intellectual property infringement from its competition. Likewise, the competitors in the industry, hold their recruiting methods highly confidential. The more widely the Company employs any methods which are successful, the more likely these methods become vulnerable to duplication by other recruiting centers. There are no assurances that the Company will be able to protect, even if it copyrights its recruiting methodologies, from the competition.

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#### (iv) Customers

The Company has yet to establish a customer base of physician researchers. There are no assurances that the Company will be able to offer its services that would attract future customers from its competition.

#### (v) Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreements, or Labor Contracts

The Company regards substantial elements of its future and underlying infrastructure and technology as proprietary and attempts to protect them by relying on trademark, service mark, copyright and trade secret laws and restrictions on disclosure and transferring title and other methods. This would include the methodologies the Company develops to recruit patients for clinical studies. The Company plans to enter into confidentiality agreements with its future physician researchers and employees. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use the Company's proprietary information without authorization or to develop similar technology independently. Legal standards relating to the validity, enforceability and scope of protection of certain proprietary rights in the clinical trials business may be uncertain, and no assurance can be given as to the future viability or value of any of the Company's proprietary rights. This can be no assurance that the steps taken by the Company will prevent misappropriation or infringement of its proprietary information, which could have a material adverse effect on the Company's business, results of operations and financial condition.

#### (vi) Employees

As of December 31, 2002, the Company currently has one (1) employee who is the Company's President and Chief Executive Officer. In order to implement its business plan of the Company, management recognizes that additional staff may be required.

No assurances can be given that the Company will be able to find suitable

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employees that can support the future needs of the Company or that these employees can be hired on terms favorable to the Company.

### Item 2. Management's Discussion and Analysis or Plan of Operation

#### A. Management's Plan of Operation

(i) In its initial operating period from April 22, 2002 (date of inception) through September 30, 2002, the Company incurred an operating net loss of \$12,767 and a negative cash flow of \$26,767 from operations. From the period April 22, 2002 (date of inception) through December 31, 2002, the Company generated \$7,200 in revenues, and incurred an operating net loss of \$28,691 and a negative cash flow of \$19,091 from operations. The majority of these costs were State incorporation fees, accounting costs, business license fees, legal fees and the rental of mailing lists for of patient databases. Clinical Trials Assistance Corporation has yet to receive any positive net income from operations.

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Management wants to develop a fee structure for its services based on results versus effort made. In other words, the Company cannot be held responsible for the number of patients enrolled in a study, and the enrollment screening process is controlled by the investigative physician. The Company believes it should be compensated for the number of patients it can generate to call the research center for a screening appointment. The other patient recruiters charge investigative research centers for an advertising campaign. They receive a flat fee for advertising, and no incentive as to whether or not they recruit one or one hundred patients for appointment screening. By establishing a fee structure based on patient inquiry results, the Company plans to set itself apart from its competition. The Company has yet to determine a fee schedule for results produced. According to Boling Clinical Trials, based on historical data compiled by Boling Clinical Trials, the costs to conduct a clinical trial research project for an osteoporosis and rheumatoid arthritis study it can cost, on average, \$500,000 per study, of which one-third (\$166,000) of these funds are used to recruit approximately 57 patients for each study. Initial cost data from CTAC and Boling Clinical Trials indicates that it costs \$1,475 after a twenty percent mark-up, in recruitment fees per patient enrolled in a similar osteoporosis and rheumatoid arthritis clinical study versus Boling's historic patient recruitment costs of \$2,950 per enrolled patient. The \$1,475 fee does not include the cost of any CTAC salaries, whereas the \$2,950 fee does include the cost of salaries. The Company has yet to determine additional mark-ups to cover the costs of salaries. These patient recruitment costs do not include the costs incurred by Boling Clinical Trials in screening potential patients. There are no assurances CTAC can duplicate these results for similar studies conducted by different investigative centers. Management believes it can currently handle a work capacity of ten studies per year. Based on the costs of advertising, developing data bases, and mailing flyers to these data bases, management expects its hard costs of services to represent approximately forty percent of revenues generated.

The major components to expenses faced by the company in its day to day operations includes auditor fees, legal fees, developing databases of potential patients, based on demographic information, and general administrative expenses. If the Company becomes profitable, the company will access salaries and adding additional personnel to the payroll. Management intends to continue minimize costs until such a time in its discretion it believes expansion would be prudent. One element in making this determination is positive cash flow on a quarterly basis. If or when the company is successful in achieving this

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quarterly positive cash flow, it is likely that the company will consider expanding its personnel which will increase costs.

In April of 2002, one (1) founding shareholder purchased 10,000,000 shares of the Company's authorized treasury stock for cash totaling \$10,000. This original stock offering was made pursuant to Nevada Revised Statutes Chapter 90.490. Additionally, in September of 2002, the Company completed an offering of two million (2,000,000) shares of the Common Stock of the Company to approximately forty-six (46) unaffiliated shareholders, which resulted in \$20,000 to the company. This offering was made in reliance upon an exemption from the registration provisions of Section 4(2) of the Securities Act of 1933, as amended, pursuant to Regulation D, Rule 504 of the Act. As of the date of this filing, the Company has twelve million (12,000,000) shares of its \$0.001 par value common voting stock issued and outstanding which are held by approximately forty-seven (47) shareholders of record. This number includes the founding shareholder. Management has determined that the proceeds from the sale of all of the Common Shares sold in the public offering

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delineated above and revenues the Company hopes to generate will be sufficient to provide the Company's capital needs for the next twelve (12) months. The Company currently has no arrangements or commitments for accounts and accounts receivable financing. There can be no assurance that any such financing can be obtained or, if obtained, that it will be on reasonable terms.

Additionally, management believes the Company will need to implement the following before it can fully proceed with its business plan:

- a) Management anticipates the Company will incur additional start-up costs which include but is not limited to: telephone expenses, utilities, insurance, office expenses, travel expenses, computer expenses, and the development of customer demographic data bases. To date, the Company has rented its mailing data bases from a local mailing labeler supplier, who breaks the mailing labels into zip codes and age groups. The Company rented these mailing labels from brokers who specialize collecting this data. The Company plans to rent this information on a Quarterly basis, when it undertakes a specific recruitment program. The Company has developed a postcard which has been sent to senior citizens who reside near the clinical researcher's office. Management still needs to understand distance a patient will travel to participate in one of these studies. Management anticipates this phase will take an additional three months to complete. Management estimates the cost for start-up expenses between \$10,000 and \$20,000 for the calendar year.
- b) Develop promotional tools to generate new business and new customers. Management estimates the cost to develop promotional tools could range between \$5,000 to \$10,000 depending on graphics, art work, quality of paper and printing costs. Management anticipates this phase will take an additional twelve months to complete.
- c) Initiate marketing efforts of its recruitment services through the use of promotional activities. Promotional activities would include contacting known clinical trials research centers and physician researchers. Management estimates the cost of advertising could range from \$10,000 to \$15,000 based on reach of audience. Management anticipates this phase will take an additional twelve months to complete.
- d) The Company needs to evaluate its patient recruitment strategies with physician researchers to determine costs, results, efficiencies and

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deficiencies. This includes performing a cost analysis on patient recruitment. It is a time consuming process to analyze the cost versus potential return on patients who ultimately qualify for patient studies. Management anticipates this phase will take an additional twelve months to complete.

The Company has no current commitments or other long-term debt. Additionally, the Company has and may in the future invest in short-term investments from time to time. There can be no assurance that these investments will result in profit or loss.

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As of December 31, 2002, the Company has generated \$7,200 in revenues from its development period with one physician researcher, Eugene Boling, M.D., Boling Clinical Trials, Rancho Cucamonga, CA 91730. The Company presented Dr. Boling with an invoice for expenses it incurred in recruiting patients through a mail program. Boling Clinical Trials paid the Company for this invoice of \$7,200. The Company does not have any formal agreement in place with Boling Clinical Trials, as it needs to determine how to structure its fee for recruitment services. The Company does not expect to generate positive cash flows from operations until it can further define its patient recruitment abilities, and develop a client base. The company believes that it has sufficient liquidity and cash reserves for the next 12 months. If management can develop successful patient recruitment methodologies during its development period, in order to expand its operations beyond Southern California, management believes it will need to raise approximately \$50,000-\$75,000. While these expectations are formulated based upon prudent and conservative presumptions, there can be no assurance that in fact such projections will indeed come to fruition. The company does believe however, that by positioning itself as a fully reporting company with the U.S. Securities and Exchange Commission, it will secure a more optimal position in the view of the investing public to invest funds in the Company. As such management believes that it would be more likely to attract additional investors via potential private placements for additional capitalization.

It should be noted that any investor investing in a private placement will hold restricted securities. In order for such investor to sell such securities, they must register the resale or the investor must have a valid exemption. Notwithstanding such an assessment, the company is not presently aware of any specific interest from potential investors, nor is management certain that such additional private capital will be available or that the company will in fact be successful in securing additional capital. The raising an additional \$50,000 to \$75,000 privately via the issuance of common stock, debt, or hybrid instruments as of yet not determined. This capital infusion shall be used mainly for furtherance of the company's business plan to expand its customer base and enhance its patient recruitment strategies. If the company cannot succeed in implementing such a strategy, then its prospects for growth are substantially undermined. There are no guarantees that such financing will be available to the Company, or if available, will be on terms and conditions satisfactory to management. If additional financing does not become available to the Company, Clinical Trials may be forced to terminate its business.

The Company does not have any preliminary agreements or understandings between the company and its stockholders/officers and directors with respect to loans or financing to operate the company. The Company currently has no arrangements or commitments for accounts and accounts receivable financing. There can be no assurance that any such financing

can be obtained or, if obtained, that it will be on reasonable terms.

There remains no guarantees that other companies might not be working on similar plans and that some of these may have better funding or more workable business plans. These could curtail the Company's earning potential or even force it out of business entirely.

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(ii) Management believes that the Company's future growth and success will be largely dependent on its ability to find physician researchers who need help in recruiting patients for their clinical studies.

(iii) The Company does not expect to purchase or sell any of its facilities or equipment.

(iv) Management does not anticipate any significant changes in the number of its employees over the next approximately twelve (12) months.

B. Segment Data

Clinical Trials has only one business segment, therefore, no table showing percentage breakdown of revenue by business segment or product line is included.

Item 3. Description of Property

A. Description of Property

The Company's administrative offices/corporate headquarters and operating facility are located at: 2078 Redwood Crest, Vista, California 92083-7340. Telephone number: (760) 727-8448. An officer of the Company provides the Company with 120 square feet of office space. The estimated fair market value of the office space is valued at \$2,400 per year.

B. Investment Policies

The Company does not currently own and the Company has not made any investments in real estate, including real estate mortgages, and the Company does not intend to make such investments in the near future.

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Item 4. Security Ownership of Management and Certain Security Holders

A. The following table sets forth information concerning stock ownership of (i) each director, (ii) each executive officer, (iii) the directors and officers of the Company as a group, (iv) and each person known by the Company to own beneficially more than five percent (5%) of the Common Stock of the Company. Unless otherwise indicated, the owners have sole voting and investment power with respect to their respective shares.

Amount

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Title of Class	Name and Address of Beneficial Owner of Shares	Position	of shares held by Owner	Date Acquired	Percent of Class
Common	Kamill Rohny	Pres./CEO	10,000,000	04/30/02	83.33%
	Eugene P. Boling, M.D.	Director	0	-	-
All Executive Officers as a Group (2 persons)			10,000,000		83.33%

(1) c/o Clinical Trials Assistance Corporation, 2078 Redwood Crest, Vista, California 92083.

## B. Persons Sharing Ownership of Control of Shares

Kamill Rohny owns and shares the power to vote ten percent (10%) or more of the Company's securities.

## C. Non-voting Securities and Principal Holders Thereof

The Company has not issued any non-voting securities.

## D. Options, Warrants and Rights

There are no options, warrants or rights to purchase securities of the Company.

## E. Parents of the Issuer

Under the definition of parent, as including any person or business entity who controls substantially all (more than 80%) of the issuers of common stock, the Company has no parents.

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## Item 5. Directors, Executive Officers and Significant Employees

### A. Directors, Executive Officers and Significant Employees

The names, ages and positions of the Company's directors and executive officers are as follows:

Name	Age	Position	Appointed
Kamill Rohny	62	Chairman of the Board President, CEO, CFO Secretary	April, 2002
Eugene P. Boling, M.D.	52	Director	Nov., 2002

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B. Family relationships

None.

C. Work Experience

Kamill Rohny, Director, President, CEO/CFO, Secretary

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Kamill Rohny had 32-years of service (December, 1969 through February, 2002) with Procter & Gamble Pharmaceuticals (formerly known as Norwich Eaton Pharmaceuticals). He voluntarily retired from the Company in February, 2002.

While at Procter and Gamble Pharmaceuticals, Kamill Rohny was a Regional Scientific Manager of the Professional Scientific Organization of Procter & Gamble Pharmaceuticals, leading and executing educational and clinical research projects, disseminating scientific data to national and regional physician thought leaders, in one-on-one and group settings. This resulted in the education of current and future treatment modalities and included patient recruitment activities.

Key strategies and activities included but were not limited to, working with clinical research departments in identifying investigators, clinical research centers, including site assessment and pre-study visits and served as a conduit for handling independent research proposals.

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During his last year at Procter and Gamble Pharmaceuticals, Mr. Rohny designed, tested and implemented a patient recruitment program for people with osteoporosis that helped participants improve their bone health through self management. The company implemented his recruitment programs on a national level. These programs were not offered to physicians by any other pharmaceutical company. Pharmaceutical companies are in business to sell their pharmaceutical products through physician prescriptions. This was a patient recruitment program offered by a pharmaceutical which helped build goodwill and did not directly sell pharmaceutical products. After Mr. Rohny retired from Procter and Gamble Pharmaceuticals, his former employer did not actively pursue patient recruitment programs.

He plans to develop 25-30 hours per week to Clinical Trials Assistance Corporation ("CTAC").

Eugene P. Boling, M.D., F.A.C.P., F.A.C.R., Director

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Office Address: 8283 Grove Avenue, Suite 203, Rancho Cucamonga, California 91730; Medical License # G57099

Private Practice Physician: Establishment of a single specialty group rheumatology practice. The practice services an area in Southern California populated by of 500-600,000 people. Practice employs and is supported by twelve full time and five part-time personnel (not including the physician).

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1986 to present.

Research Practice: Boling Clinical Trials a.k.a. Inland Clinical Research. 1989 to present. Boling Clinical Trials works with approximately fifteen pharmaceutical and biotechnology companies, in conducting human clinical trials for pharmaceutical products in their final stages of approval by the FDA. Dr. Boling is responsible for screening clinical study candidates and evaluating their response to these treatment modalities. The results of his work will help determine whether or not a pharmaceutical product offers any marked patient benefit and its subsequent FDA approval.

Clinical Assistant Professor, Rheumatology Department University of Southern California/ Los Angeles County Hospital 1987-1994 Clinical Assistant Professor, Rheumatology Department, Department of Medicine, Loma Linda University Loma Linda, California 1987-1997.

Military Service: Staff Internist, Malcolm Grow USAF Hospital, Andrew AFB, Wash. D.C. 1979-1981; Fellowship 1981-1983; Staff Rheumatologist, Malcolm Grow, USAF Hospital, 1983-1986; Visiting Research Institute, Naval Medical Research Institute, Bethesda, Maryland, 1983-1986; Acting Director, Malcolm Grow U.S. Air Force Rheumatology fellowship program, 1983-1986.

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Education: FELLOWSHIP: Johns Hopkins University, 1981-1983. Baltimore, Maryland Rheumatology fellowship; RESIDENCY: University of Utah, 1977-1979. Salt Lake City, Utah. INTERNSHIP: University of Utah, 1976-1977. Bachelor of Science, University of California at Los Angeles School of Medicine, 1972-1976; M.D. Degree. Loyola University Los Angeles, 1968-1972.

D. Involvement on Certain Material Legal Proceedings During the Last Five Years

- (1) No director, officer, significant employee or consultant has been convicted in a criminal proceeding, exclusive of traffic violations or is subject to any pending criminal proceeding.
- (2) No bankruptcy petitions have been filed by or against any business or property of any director, officer, significant employee or consultant of the Company nor has any bankruptcy petition been filed against a partnership or business association where these persons were general partners or executive officers.
- (3) No director, officer, significant employee or consultant has been permanently or temporarily enjoined, barred, suspended or otherwise limited from involvement in any type of business, securities or banking activities.
- (4) No director, officer or significant employee has been convicted of violating a federal or state securities or commodities law.

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### Item 6. Executive Compensation

#### (i) Remuneration of Directors and Executive Officers

##### Compensation of Executive Officer/Director

Name	Title	Salary	Bonus	Common Stock
Kamill Rohny(1)	President/CEO	(1)	None	None
Eugene P. Boling, M.D.	Director	None	None	None

All Executive Officers as a Group (2 persons)

(1) An officer of the Company agreed to take no salary until the Company can generate enough revenues to support salaries on a regular basis. The estimated fair market value of the services rendered is valued at \$12,000 per year. Total officer compensation expense is \$5,000 for the 5 months ended September 30, 2002. The sole officer will not be compensated for services previously provided, he will only be compensated on a going forward bases at the time until the Company can generate enough revenues to support salaries on a regular basis.

The Company currently does not have employment agreements with its executive officers. The executive officer will not draw any salary until the Company can generate a profit for three consecutive Quarters. Kamill Rohny, is currently involved in other activities.

#### (ii) Compensation of Directors

There were no arrangements pursuant to which any director of the Company was compensated for the period from April 22, 2002 to November 13, 2002 for any service provided as a director. In addition, no such arrangement is contemplated for the foreseeable future.

### Item 7. Interest of Management and Others in Certain Transactions

By Board Resolution, the Company hired the professional services of Beckstead and Watts, LLP, Certified Public Accountants, 3340 Wynn Road, Suite C, Las Vegas, NV 89102, Phone: (702) 257-1984. There Certified Public Accountants were hired to perform audited financials for the Company. Beckstead and Watts, LLP, own no stock in the Company. The company has no formal contracts its CPA, who is paid on a fee-for-service basis.

The Company is conducting an evaluation of its recruiting methods at Boling Clinical Trials, a.k.a. Inland Clinical Research in Rancho Cucamonga, California. This research facility is owned and operated by Eugene P. Boling, M.D. who is a Director of the Company. This arrangement benefits both the Company and Dr. Boling, in that, it helps the Company develop and define its

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methodologies for recruiting patients in a real clinical setting; and, it helps Dr. Boling recruit patients for his clinical studies. Dr. Boling receives no direct compensation from the Company other than the Company helping him to recruit patients. Dr. Boling provides the management of the Company with feedback as to which methodologies work best in recruiting patients during this developmental program. Once the Company defines its methodologies, and markets its services to other medical research centers, it will most likely to continue recruiting patients for Dr. Boling's research clinic to further refine and develop its recruiting methods.

Because of the Company's development stage nature and its relatively recent inception, April 22, 2002, the Company has no other relationships or transactions to disclose.

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### Part II

#### Item 1. Legal Proceedings

The Company is not currently involved in any legal proceedings nor does it have knowledge of any threatened litigation.

#### Item 2. Market Price of and Dividends of the Registrant's Common Equity and Other Stockholder Matters.

##### A. Market Information

(1) The common stock of the Company is currently not traded on the OTC Bulletin Board or any other formal or national securities exchange. There is no trading market for the Company's Common Stock at present and there has been no trading market to date. At this time, management has not undertaken any discussions, preliminary or otherwise, with any prospective market maker concerning the participation of such market maker in the aftermarket for the Company's securities, but the Company may initiate such discussions in the future. In addition, being a start-up, there is no fiscal history to disclose.

(2)(i) There is currently no Common Stock which is subject to outstanding options or warrants to purchase, or securities convertible into, the Company's Common Stock.

(ii) There is currently no common Stock of the Company which could be sold under Rule 144 under the Securities Act of 1933, as amended, or that the registrant has agreed to register for sale by the security holders.

(iii) There is currently no common equity that is being or is proposed to be publicly offered by the registrant, the offering of which could have a material effect on the market price of the issuer's common equity.

##### B. Dividends

The Company has never paid or declared any dividend on its Common Stock and does not anticipate paying cash dividends in the foreseeable future.

##### C. Holders

As of December 31, 2002, the Company has approximately 47 stockholders of record.

##### D. Reports to Shareholders

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The Company intends to furnish its shareholders with annual reports containing audited financial statements and such other periodic reports as the Company may determine to be appropriate or as may be required by law. Upon the effectiveness of this Registration Statement, the Company will be required to comply with periodic reporting, proxy solicitation and certain other requirements by the Securities Exchange Act of 1934.

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### E. Transfer Agent and Registrar

The Transfer Agent for the shares of common voting stock of the Company is Holladay Stock Transfer, 2939 North 67th Place, Scottsdale, Arizona, Phone: 480-481-3940.

### Item 3. Recent Sales of Unregistered Securities

On April 30, 2002, the Company issued ten million (10,000,000) shares of its \$0.001 par value Common Stock for cash of \$10,000, purchased by Mr. Kamill Rohny, President and founder of the Company.

On September 10, 2002, Clinical Trials was issued a permit to sell securities by the State of Nevada, pursuant to our application for registration by qualification of our offering of Common Stock in that state (See Exhibit 99 "Notice of Effectiveness"). The application for registration by qualification was filed pursuant to the provisions of NRS 90.490, which requires the public filing and delivery to investors of a substantive disclosure document before sale. On September 30, 2002, Clinical Trials completed a private offering of shares of our common stock pursuant to Regulation D, Rule 504 of the Securities Act of 1933, as amended, and the registration by qualification of said offering in the State of Nevada, whereby Clinical Trials sold 2,000,000 shares of Common Stock for an accumulated total of \$20,000 to approximately 46 unaffiliated shareholders of record, none of whom were or are officers, directors or affiliates of the Company. The entire offering was conducted exclusively in the State of Nevada, pursuant to the permit issued by the State of Nevada. The Company filed an original Form D with the Securities and Exchange Commission on or about September 30, 2002.

The 46 investors in the Rule 504 offering include the following:

Shareholders -----	Shares Purchased -----
1. Arnone, Angela	80,000
2. Arnone, Frank	90,000
3. Artis, Michael	150,000
4. Berger, Shawn	2,500
5. Bishop, Jacquelyn	10,000
6. Bishop, Jamie	10,000
7. Camarena, Enrique	2,500
8. Carlson, Daniel	50,000
9. Colello, Anthony	20,000
10. Corchado, Fe	2,500
11. Corchado, Jesus	2,500

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12.	Corchado, Liszet	2,500
13.	Daniels, Justine	10,000
14.	Galanto, Arnold	2,500

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15.	Gropp, Tommy	40,000
16.	Guidry, Chad	110,000
17.	Hegerty, Patrick	40,000
18.	Jarvela, Keith	140,000
19.	Kirk, Rose	20,000
20.	Mares, Juan	2,500
21.	McGrath, Sherrie	60,000
22.	Melki, Jean	2,500
23.	Moody, Jon	50,000
24.	Moroney, Brendan	30,000
25.	Mura, Marion	30,000
26.	Myestyechkina, Iryna	185,000
27.	Narcross, David	25,000
28.	Natko, Peter	20,000
29.	Palacio, Gene	30,000
30.	Perrino, EJ	190,000
31.	Pike, Linda	150,000
32.	Pike, Branden	60,000
33.	Pinney, Aaron	50,000
34.	Roth, Shannon	30,000
35.	Salazar, Arturo	2,500
36.	Salazar, Irma	2,500
37.	Serrano, Noe	2,500
38.	Sisson, James	10,000
39.	Surgeoner, Alicia	2,500
40.	Toliver, Seth	50,000
41.	Tucker, Albert	2,500
42.	Tucker, Sandra	2,500
43.	Vasquez-Esparza, Esther	150,000
44.	Vitiello, Ralph	10,000
45.	Westenfield, Brian	25,000
46.	Williams, Laura	40,000

Sub Total:	2,000,000
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47.	Kamill Rohny, President	10,000,000
-----	-------------------------	------------

TOTALS:	12,000,000
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As of December 31, 2002, therefore, the number of common shares issued and outstanding is twelve million (12,000,000).

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In addition, this offering was made on a best efforts basis and was not underwritten. In regards to the September, 2002 offering, listed below are the requirements set forth under Regulation D, Rule 504 and the facts which

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support the availability of Rule 504 to the September, 2002 offering:

a. Exemption. Offers and sales of securities that satisfy the conditions in paragraph (b) of this Rule 504 by an issuer that is not:

1. subject to the reporting requirements of section 13 or 15(d) of the Exchange Act;
2. an investment company; or
3. a development stage company that either has no specific business plan or purpose or has indicated that its business plan is to engage in a merger or acquisition with an unidentified company or companies, or other entity or person, shall be exempt from the provision of section 5 of the Act under section 3(b) of the Act.

At the time of the September, 2002 offering, Clinical Trials was not subject to the reporting requirements of section 13 or section 15(d) of the Exchange Act. Further, the Company is not now, nor at the time of the September, 2002 offering, considered to be an investment company. Finally, since its inception, the Company has pursued a specific business plan of providing patient recruitment services to physician researchers in Southern California.

b. Conditions to be met.

1. General Conditions. To qualify for exemption under this Rule 504, offers and sales must satisfy the terms and conditions of Rule 501 and Rule 502 (a), (c) and (d), except that the provisions of Rule 502 (c) and (d) will not apply to offers and sales of securities under this Rule 504 that are made:

i. Exclusively in one or more states that provide for the registration of the securities, and require the public filing and delivery to investors of a substantive disclosure document before sale, and are made in accordance with those state provisions;

ii. In one or more states that have no provision for the registration of the securities or the public filing or delivery of a disclosure document before sale, if the securities have been registered in at least one state that provides for such registration, public filing and delivery before sale, offers and sales are made in that state in accordance with such provisions, and the disclosure document is delivered before sale to all purchasers (including those in the states that have no such procedure); or

iii. Exclusively according to state law exemptions from registration that permit general solicitation and general advertising so long as sales are made only to "accredited investors" as defined in Rule 501(a). Clinical Trials was issued a permit to sell securities by the State of Nevada, pursuant to our application for registration by qualification of our offering of Common Stock in Nevada.

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2. The aggregate offering price for an offering of securities under this Rule 504, as defined in Rule 501(c), shall not exceed \$1,000,000, less the aggregate offering price for all securities sold within the twelve months before the start of and during the offering of securities under this Rule 504, in reliance on any exemption under section 3(b), or in violation of section 5(a) of the Securities Act.

### Item 4. Description of Securities

#### A. Common Stock

(1) Description of Rights and Liabilities of Common Stockholders

i. Dividend Rights - The holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available therefore at such times and in such amounts as the Board of Directors of the Company may from time to time determine. The board of directors of the Company will review its dividend policy from time to time to determine the desirability and feasibility of paying dividends after giving consideration the Company's earnings, financial condition, capital requirements and such other factors as the board may deem relevant.

ii. Voting Rights - Each holder of the Company's common stock are entitled to one vote for each share held of record on all matters submitted to the vote of stockholders, including the election of directors. All voting is noncumulative, which means that the holder of fifty percent (50%) of the shares voting for the election of the directors can elect all the directors. The board of directors may issue shares for consideration of previously authorized but unissued common stock without future stockholder action.

iii. Liquidation Rights - Upon liquidation, the holders of the common stock are entitled to receive pro rata all of the assets of the Company available for distribution to such holders.

iv. Preemptive Rights - Holders of common stock are not entitled to preemptive rights.

v. Conversion Rights - No shares of common stock are currently subject to outstanding options, warrants, or other convertible securities.

vi. Redemption rights - no such rights exist for shares of common stock.

vii. Sinking Fund Provisions - No sinking fund provisions exist.

viii. Further Liability For Calls - No shares of common stock are subject to further call or assessment by the issuer. The Company has not issued stock options as of the date of this registration statement.

(2) Potential Liabilities of Common Stockholders to State and Local Authorities

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No material potential liabilities are anticipated to be imposed on stockholders under state statutes. Certain Nevada regulations, however, require regulation of beneficial owners of more than 5% of the voting securities. Stockholders that fall into this category, therefore, may be subject to fines in circumstances where non-compliance with these regulations are established.

B. Preferred Stock

The authorized preferred stock of the corporation consists of 5,000,000 shares with a par value of \$0.001 per share.

Two million (2,000,000) authorized Series A Preferred Shares with a par value of \$0.001 and such other terms as determined by the board of Directors of the corporation prior to their issuance. Each Series A Preferred Share shall have voting rights and shall carry a voting weight equal to ten (10) Common Shares.

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Each Series A Preferred Share may be converted into ten (10) Common Shares upon approval by the Board of Directors of the corporation.

Two million (2,000,000) authorized Series B Preferred Shares with a par value of \$0.001 per share and such other terms as may be determined prior to their issuance by the Board of Directors. Each Series B Preferred Share shall have voting rights and shall carry a voting weight equal to two (2) Common Shares. Each Series B Preferred Share may be converted into two (2) Common Shares upon approval by the Board of Directors.

One million (1,000,000) authorized Series C Preferred Shares with a par value of \$0.001 per share and such other terms as may be determined by the Board of Directors prior to their issuance. No Series C Preferred Share shall have voting rights.

The Company has not issued any preferred stock to date, nor have they developed the descriptive attributes of these preferred shares. The Company can issue shares of preferred stock in series with such preferences and designations as its board of directors may determine. The board of directors can, without shareholder approval, issue preferred stock with voting, dividend, liquidation, and conversion rights. This could dilute the voting strength of the holders of common stock and may help the Clinical Trials' management impede a takeover or attempted change in control.

### C. Debt Securities

The Company is not registering any debt securities, nor are any outstanding.

### D. Other Securities To Be Registered

The Company is not registering any security other than its Common Stock.

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### E. Nevada Anti-Takeover Provisions

The anti-takeover provisions of Sections 78.411 through 78.445 of the Nevada Corporation Law apply to Clinical Trials. Section 78.438 of the Nevada law prohibits the Company from merging with or selling Clinical Trials or more than 5% of our assets or stock to any shareholder who owns or owned more than 10% of any stock or any entity related to a 10% shareholder for three years after the date on which the shareholder acquired the Clinical Trials shares, unless the transaction is approved by Clinical Trials' Board of Directors. The provisions also prohibit the Company from completing any of the transactions described in the preceding sentence with a 10% shareholder who has held the shares more than three years and its related entities unless the transaction is approved by our Board of Directors or a majority of our shares, other than shares owned by that 10% shareholder or any related entity. These provisions could delay, defer or prevent a change in control of Clinical Trials .

### Item 5. Indemnification of Directors and Officers

The Bylaws of the Company provide for indemnification of its directors, officers and employees as follows:

Every director, officer, or employee of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him/her in connection with any proceeding to which he/she may be made a party, or in which he/she may become involved, by reason of being or having been a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of the Corporation, partnership, joint venture, trust or enterprise, or any settlement thereof, whether or not he/she is a director, officer, employee or agent at the time such expenses are incurred, except in such cases wherein the director, officer, employee or agent is adjudged guilty of willful misfeasance or malfeasance in the performance of his/her duties; provided that in the event of a settlement the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interests of the Corporation.

The Bylaws of the Company further state that the Company shall provide to any person who is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of the corporation, partnership, joint venture, trust or enterprise, the indemnity against expenses of a suit, litigation or other proceedings which is specifically permissible under applicable Nevada law. The Board of Directors may, in its discretion, direct the purchase of liability insurance by way of implementing the provisions of this Article. However, the Company has yet to purchase any such insurance and has no plans to do so.

The Articles of Incorporation of the Company states that a director or officer of the corporation shall not be personally liable to this corporation or its stockholders for damages for breach of fiduciary duty as a director or officer, but this Article shall not eliminate or limit the liability of a director or officer for (i) acts or omissions which involve intentional misconduct, fraud or a knowing violation of the law or (ii) the unlawful payment of dividends. Any repeal or modification of this Article by stockholders of the corporation shall be prospective only, and shall not adversely affect any limitation on the personal liability of a director or officer of the corporation for acts or omissions prior to such repeal or modification.

Article VII of the Articles of Incorporation states: "Every person who was or is a party to, or is threatened to be made a party to, or is involved in any such action, suit or proceeding, whether civil, criminal, administrative or investigative, by the reason of the fact that he or she or a person with whom he or she is a legal representative, is or was a director of the Corporation, or who is serving at the request of the Corporation as a director or officer of another corporation, or is a representative in a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless to the fullest extent legally permissible under the laws of the State of Nevada from time to time against all expenses, liability and loss (including attorneys' fees, judgments, fines, and amounts paid or to be paid in a settlement) reasonably incurred or suffered by him or her in connection therewith. Such right of indemnification shall be contract right which may be enforced in any manner desired by such person. The expenses of officers and directors incurred in defending a civil suit or proceeding must be paid by the

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Corporation as incurred and in advance of the final disposition of the action, suit, or proceeding, under receipt of an undertaking by or on behalf of the director or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by the Corporation. Such right of indemnification shall not be exclusive of any other right of such directors, officers or representatives may have or hereafter acquire, and without limiting the generality of such statement, they shall be entitled to their respective rights of indemnification under any bylaw, agreement, vote of stockholders, provision of law, or otherwise, as well as their rights under this article.

Without limiting the application of the foregoing, the Board of Directors may adopt By-Laws from time to time without respect to indemnification, to provide at all times the fullest indemnification permitted by the laws of the State of Nevada, and may cause the Corporation to purchase or maintain insurance on behalf of any person who is or was a director or officer."

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Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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### Part F/S

#### Item 1. Financial Statements

The following documents are filed as part of this report:

a) Financial Statements

CLINICAL TRIALS ASSISTANCE CORPORATION  
(A Development Stage Company)

FINANCIAL STATEMENTS

September 30, 2002

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- b) Interim Financial Statements are provided through September 30, 2002.
- c) Financial Statements of businesses acquired or to be acquired are not provided at this time, as they are not applicable.
- d) Proforma Financial Information is not provided at this time, as it is not applicable at this time.

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BECKSTEAD AND WATTS, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

3340 Wynn Road, Suite B  
Las Vegas, NV 89102  
702.257.1984  
702.362.0540 (fax)

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Clinical Trials Assistance Corporation  
Las Vegas, Nevada

We have audited the Balance Sheets of Clinical Trials Assistance Corporation (the "Company"), as of September 30, 2002, and the related Statements of Operations, Stockholders' Equity, and Cash Flows for the period April 22, 2002 (inception) to September 30, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clinical Trials Assistance Corporation as of September 30, 2002, and the results of its operations and cash flows for the period April 22, 2002 (inception) to September 30, 2002, in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has had limited operations and have not commenced planned principal operations. This raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ G. Brad Beckstead

-----  
October 30, 2002

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CLINICAL TRIALS ASSISTANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET

BALANCE SHEETS

	September 30, 2002
	-----
	ASSETS
Current assets:	
Cash	\$ 8,233
Funds held in escrow	20,000
	-----
Total current assets	28,233
	-----
	\$ 28,233
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	\$ -
	-----
Stockholders' equity:	
Preferred stock - Series A, \$0.001 par value, 2,000,000 shares authorized, no shares issued and outstanding	-
Preferred stock - Series B, \$0.001 par value, 2,000,000 shares authorized, no shares issued and outstanding	-
Preferred stock - Series C, \$0.001 par value, 1,000,000 shares authorized, no shares issued and outstanding	-
Common stock - Class A, \$0.001 par value, 20,000,000 shares authorized, 12,000,000 shares issued and outstanding	12,000
Additional paid-in capital	29,000
(Deficit) accumulated during development stage	(12,767)
	-----
	28,233
	-----
	\$ 28,233
	=====

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CLINICAL TRIALS ASSISTANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENT OF OPERATIONS

STATEMENT OF OPERATIONS

April 22, 2002  
(Inception) to  
September 30,  
2002

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Revenue	\$ 7,200
Expenses:	
Executive Compensation	5,000
General and administrative expenses	13,967
General and administrative expenses - related party	1,000
Total expenses	19,967
Net (loss)	\$ (12,767)
Weighted average number of common shares outstanding - basic and fully diluted	9,518,519
Net (loss) per share - basic and fully diluted	\$ (0.00)

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CLINICAL TRIALS ASSISTANCE CORPORATION  
(A Development Stage Company)  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock		Additional		(Deficit) Accumulated During the	Total
	Shares	Amount	Paid-in Capital		Development Stage	Stockholders' Equity
April 2002						
Founder shares issued for cash	10,000,000	\$10,000	\$ 5,000	\$ -		\$ 15,000
September 2002						
504 offering issued for cash	2,000,000	2,000	18,000			20,000
September 2002						

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Donated capital			6,000			6,000
Net (loss)						
April 22, 2002						
(inception) to						
September 30, 2002			(12,767)			(12,767)
	-----	-----	-----	-----	-----	-----
Balance,						
September 30, 2002	12,000,000	\$12,000	\$	29,000	\$	(12,767) \$ 28,233
	=====	=====	=====	=====	=====	=====

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CLINICAL TRIALS ASSISTANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS

	April 22, 2002 (Inception) to September 30, 2002 -----
CASH FLOWS FROM OPERATING ACTIVITIES	
Net (loss)	\$ (12,767)
Non-cash executive compensation	1,000
Adjustments to reconcile net (loss) to net cash (used) by operating activities:	5,000
(Increase) in funds held in escrow	(20,000)
	-----
Net cash (used) by operating activities	(26,767)
	-----
CASH FLOWS FROM INVESTING ACTIVITIES	-
	-----
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuances of common stock	35,000
	-----
Net cash provided by financing activities	35,000
	-----
Net increase in cash	8,233
Cash - beginning	-
	-----
Cash - ending	\$ 8,233
	=====
Supplemental disclosures:	
Interest paid	\$ -
	=====

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Income taxes paid	\$ -
	=====

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CLINICAL TRIALS ASSISTANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
FOOTNOTES

NOTE 1 - HISTORY AND ORGANIZATION OF THE COMPANY

The Company was organized April 22, 2002 (Date of Inception) under the laws of the State of Nevada, as Clinical Trials Assistance Corporation. The Company has minimal operations and in accordance with SFAS #7, the Company is considered a development stage company.

NOTE 2 - ACCOUNTING POLICIES AND PROCEDURES

Cash and cash equivalents

-----  
The Company maintains a cash balance in a non-interest-bearing account that currently does not exceed federally insured limits. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. There are no cash equivalents as of September 30, 2002.

Revenue recognition

-----  
Upon recruiting the agreed upon number of patients as specified in the contracts with its customers (physician researchers), the Company then invoices for its services.

As of September 30, 2002, the Company recognized 100% of its \$7,200 revenue from Boling Clinical Trials ("Boling"), a related party. The revenue represents reimbursement of expenses incurred while conducting a "test program" for Boling. The Company has yet to commence its principle/planned operations.

Advertising costs

-----  
The Company expenses all costs of advertising as incurred. There were no advertising costs included in general and administrative expenses as of September 30, 2002.

Use of estimates

-----  
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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CLINICAL TRIALS ASSISTANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
FOOTNOTES

Fair value of financial instruments  
-----

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of September 30, 2002. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash and payables because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

Impairment of long-lived assets  
-----

Long-lived assets held and used by the Company are reviewed for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable or is impaired. No such impairments have been identified by management at September 30, 2002.

Reporting on the costs of start-up activities  
-----

Statement of Position 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities," which provides guidance on the financial reporting of start-up costs and organizational costs, requires most costs of start-up activities and organizational costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. With the adoption of SOP 98-5, there has been little or no effect on the Company's financial statements.

Loss per share  
-----

Net loss per share is provided in accordance with Statement of Financial Accounting Standards No. 128 (SFAS #128) "Earnings Per Share". Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period. As of September 30, 2002, the Company had no dilutive common stock equivalents, such as stock options or warrants.

Dividends  
-----

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid or declared since inception.

Segment reporting  
-----

The Company follows Statement of Financial Accounting Standards No. 130, "Disclosures About Segments of an Enterprise and Related Information." The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

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(A DEVELOPMENT STAGE COMPANY)  
FOOTNOTES

## Income taxes

-----  
The Company follows Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" ("SFAS No. 109") for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

## Recent pronouncements

-----  
In July 2001, SFAS No. 143, "Accounting for Asset Retirement Obligations," was issued which requires the recognition of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the carrying amount of the related long-lived asset is correspondingly increased. Over time, the liability is accreted to its present value and the related capitalized charge is depreciated over the useful life of the asset. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The impact of the adoption of SFAS No. 143 on the Company's reported operating results, financial position and existing financial statement disclosure is not considered to be material.

In August 2001, SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued. This statement addresses the financial accounting and reporting for the impairment or disposal of long-lived assets and broadens the definition of what constitutes a discontinued operation and how results of a discontinued operation are to be measured and presented. The provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001. The impact of the adoption of SFAS No. 144 on the Company's reported operating results, financial position and existing financial statement disclosure is not considered to be material.

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CLINICAL TRIALS ASSISTANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
FOOTNOTES

## Stock-Based Compensation

## Edgar Filing: CLINICAL TRIALS ASSISTANCE CORP - Form 10SB12G/A

The Company accounts for stock-based awards to employees in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations and has adopted the disclosure-only alternative of SFAS No. 123, "Accounting for Stock-Based Compensation." Options granted to consultants, independent representatives and other non-employees are accounted for using the fair value method as prescribed by SFAS No. 123.

Year end

-----

The Company has adopted December 31 as its fiscal year end.

### NOTE 3 - GOING CONCERN

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not commenced its planned principle operations and it has generated minimal revenues. In order to obtain the necessary capital, the Company raised funds via private offering. However, the Company is dependent upon its ability to secure equity and/or debt financing and there are no assurances that the Company will be successful, without sufficient financing it would be unlikely for the Company to continue as a going concern.

The officers and directors are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

### NOTE 4 - INCOME TAXES

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), which requires use of the liability method. SFAS No. 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

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### CLINICAL TRIALS ASSISTANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) FOOTNOTES

### NOTE 4 - INCOME TAXES (CONTINUED)

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income taxes. The sources and tax effects of the differences are as follows:

U.S federal statutory rate	(34.0%)
----------------------------	---------

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Valuation reserve	34.0%
	-----
Total	-%

As of September 30, 2002, the Company has a net operating loss carry forward of approximately \$12,767 respectively, for tax purposes, which will be available to offset future taxable income. If not used, this carry forward will expire in 2022.

## NOTE 5 - STOCKHOLDER'S EQUITY

The Company is authorized to issue 20,000,000 shares of \$0.001 par value class A common stock, 2,000,000 shares of \$0.001 par value series A preferred stock, 2,000,000 shares of \$0.001 par value series B preferred stock, and 1,000,000 shares of \$0.001 par value series C preferred stock. The series A preferred stock has voting rights with each share having a voting weight equal to 10 shares of 0.001 par value class A common stock, and each share may be converted to 10 shares of 0.001 par value class A common stock. The series B preferred stock has voting rights with each share having a voting weight equal to 2 shares of 0.001 par value class A common stock, and each share may be converted to 2 shares of 0.001 par value class A common stock. The series C preferred stock has no voting rights.

On April 30, 2002, the Company issued 10,000,000 shares of its \$0.001 par value class A common stock to an individual who is an officer and director of the Company in exchange for cash of \$15,000.

On September 30, 2002, the Company closed and issued 2,000,000 shares of its \$0.001 par value class A common stock in a Regulation D, Rule 504 offering for total cash received of \$20,000.

There have been no other issuances of common and/or preferred stock.

## NOTE 6 - WARRANTS AND OPTIONS

As of September 30, 2002, there are no warrants or options outstanding to acquire any additional shares of common and/or preferred stock.

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## CLINICAL TRIALS ASSISTANCE CORPORATION (A DEVELOPMENT STAGE COMPANY) FOOTNOTES

## NOTE 7 - RELATED PARTY TRANSACTIONS

On April 30, 2002, the Company issued 10,000,000 shares of its \$0.001 par value class A common stock to an individual who is an officer and director of the Company in exchange for cash of \$15,000.

An officer of the Company provides the Company with 120 square feet of office space. The estimated fair market value of the office space is valued at \$2,400 per year. Total occupancy expense included in general and administrative expenses - related party is \$1,000 for the 5 months ended September 30, 2002. The offsetting accounting entry is included in "paid-in capital" since the officer does not expect to be reimbursed for the office space.

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An officer of the Company agreed to take no salary until the Company can generate enough revenues to support salaries on a regular basis. The estimated fair market value of the services rendered is valued at \$12,000 per year. Total officer compensation expense is \$5,000 for the 5 months ended September 30, 2002. The offsetting accounting entry is included in "paid-in capital" since the officer does not expect to be compensated until the Company can generate enough revenues to support salaries on a regular basis.

As of September 30, 2002, the Company generated \$7,200 in revenue from its test program with one physician researcher, Eugene Boling, M.D., owner of Boling Clinical Trials. Dr. Boling is also a Company director. The Company presented Dr. Boling with an invoice for expenses it incurred in recruiting patients through a mail program. Boling Clinical Trials paid the Company for this invoice of \$7,200.

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### Clinical Trials Assistance Corporation

Balance Sheet  
as of  
December 31, 2002

and

Statement of Operations,  
Changes in Stockholders' Equity, and  
Cash Flows  
for the period ended

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BECKSTEAD AND WATTS, LLP  
-----  
CERTIFIED PUBLIC ACCOUNTANTS

3340 Wynn Road, Suite B  
Las Vegas, NV 89102  
702.257.1984  
702.362.0540 (fax)

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Clinical Trials Assistance Corporation  
Las Vegas, Nevada

We have audited the Balance Sheet of Clinical Trials Assistance Corporation (the "Company"), as of December 31, 2002, and the related Statement of Operations, Stockholders' Equity, and Cash Flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clinical Trials Assistance Corporation as of December 31, 2002, and the results of its operations and cash flows for the period then ended, in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 3 to the financial statements, the Company has had limited operations and have not commenced planned principal operations. This raises substantial doubt about its ability to continue as a going concern. Management's plan in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Beckstead and Watts, LLP  
-----

March 30, 2003

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CLINICAL TRIALS ASSISTANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
BALANCE SHEET

BALANCE SHEETS

	December 31, 2002
	-----
ASSETS	
Assets	
Current assets:	
Cash	\$ 15,909
	-----
Total current assets	15,909
	-----
	\$ 15,909
	=====
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	\$ -
	-----
Stockholders' equity:	
Preferred stock - Series A, \$0.001 par value, 2,000,000 shares authorized, no shares issued and outstanding	-
Preferred stock - Series B, \$0.001 par value, 2,000,000 shares authorized, no shares issued and outstanding	-
Preferred stock - Series C, \$0.001 par value, 1,000,000 shares authorized, no shares issued and outstanding	-
Common stock - Class A, \$0.001 par value, 20,000,000 shares authorized, 12,000,000 shares issued and outstanding	12,000
Additional paid-in capital	32,600
(Deficit) accumulated during development stage	(28,691)
	-----
	15,909
	-----
	\$ 15,909
	=====

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CLINICAL TRIALS ASSISTANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENT OF OPERATIONS

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## STATEMENT OF OPERATIONS

	April 22, 2002 (Inception) to December 31, 2002
	-----
Revenue	\$ 7,200
	-----
Expenses:	
Executive compensation	8,000
General and administrative expenses	26,291
General and administrative expenses - related party	1,600
	-----
Total expenses	35,891
	-----
Net (loss)	\$ (28,691)
	=====
Weighted average number of common shares outstanding - basic and fully diluted	10,417,323
	=====
Net (loss) per share - basic and fully diluted	\$ (0.00)
	=====

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## CLINICAL TRIALS ASSISTANCE CORPORATION (A Development Stage Company) STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

### STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

	Common Stock	Additional	(Deficit) Accumulated	Total
	Shares	Paid-in	During the	Stockholders'
	Amount	Capital	Development	Equity
	-----	-----	Stage	-----
April 2002				
Founder shares				
issued for cash	10,000,000	\$10,000	\$ 5,000	\$ - 15,000

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September 2002					
504 offering					
issued for cash	2,000,000	2,000	18,000		20,000
December 2002					
Donated capital			9,600		9,600
Net (loss)					
April 22, 2002					
(inception) to					
December 31, 2002			(28,691)		(28,691)
	-----	-----	-----	-----	-----
Balance,					
December 31, 2002	12,000,000	\$12,000	\$ 32,600	\$ (28,691)	\$ 15,909
	=====	=====	=====	=====	=====

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CLINICAL TRIALS ASSISTANCE CORPORATION  
(A DEVELOPMENT STAGE COMPANY)  
STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS

	April 22, 2002 (Inception) to December 31, 2002 -----
CASH FLOWS FROM OPERATING ACTIVITIES	
Net (loss)	\$ (28,691)
Non-cash general and administrative expense	1,600
Non-cash executive compensation	8,000
	-----
Net cash (used) by operating activities	(19,091)
	-----
CASH FLOWS FROM INVESTING ACTIVITIES	-
	-----
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuances of common stock	35,000
	-----
Net cash provided by financing activities	35,000
	-----
Net increase in cash	15,909
Cash - beginning	-
	-----
Cash - ending	\$ 15,909
	=====
Supplemental disclosures:	

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Interest paid	\$ -
	=====
Income taxes paid	\$ -
	=====

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## Clinical Trials Assistance Corporation (a Development Stage Company) Notes

### Note 1 - History and organization of the company

The Company was organized April 22, 2002 (Date of Inception) under the laws of the State of Nevada, as Clinical Trials Assistance Corporation. The Company has minimal operations and in accordance with SFAS #7, the Company is considered a development stage company. The Company is authorized to issue 20,000,000 shares of \$0.001 par value class A common stock, 2,000,000 shares of \$0.001 par value series A preferred stock, 2,000,000 shares of \$0.001 par value series B preferred stock, and 1,000,000 shares of \$0.001 par value series C preferred stock. The series A preferred stock has voting rights with each share having a voting weight equal to 10 shares of 0.001 par value class A common stock, and each share may be converted to 10 shares of 0.001 par value class A common stock. The series B preferred stock has voting rights with each share having a voting weight equal to 2 shares of 0.001 par value class A common stock, and each share may be converted to 2 shares of 0.001 par value class A common stock. The series C preferred stock has no voting rights.

### Note 2 - Accounting policies and procedures

#### Cash and cash equivalents

-----

The Company maintains a cash balance in a non-interest-bearing account that currently does not exceed federally insured limits. For the purpose of the statements of cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. There are no cash equivalents as of December 31, 2002.

#### Revenue recognition

-----

The Company recognizes revenue and gains when earned and related costs of sales and expenses when incurred.

#### Advertising costs

-----

The Company expenses all costs of advertising as incurred. There were no advertising costs included in general and administrative expenses as of December 31, 2002.

#### Use of estimates

-----

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions

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that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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### Clinical Trials Assistance Corporation (a Development Stage Company) Notes

#### Fair value of financial instruments -----

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2002. The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values. These financial instruments include cash and accounts payable. Fair values were assumed to approximate carrying values for cash and payables because they are short term in nature and their carrying amounts approximate fair values or they are payable on demand.

#### Impairment of long-lived assets -----

Long-lived assets held and used by the Company are reviewed for possible impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable or is impaired. No such impairments have been identified by management at December 31, 2002.

#### Reporting on the costs of start-up activities -----

Statement of Position 98-5 (SOP 98-5), "Reporting on the Costs of Start-Up Activities," which provides guidance on the financial reporting of start-up costs and organizational costs, requires most costs of start-up activities and organizational costs to be expensed as incurred. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. With the adoption of SOP 98-5, there has been little or no effect on the Company's financial statements.

#### Loss per share -----

Net loss per share is provided in accordance with Statement of Financial Accounting Standards No. 128 (SFAS #128) "Earnings Per Share". Basic loss per share is computed by dividing losses available to common stockholders by the weighted average number of common shares outstanding during the period. As of December 31, 2002, the Company had no dilutive common stock equivalents, such as stock options or warrants.

#### Dividends -----

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid or declared since inception.

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Clinical Trials Assistance Corporation  
(a Development Stage Company)  
Notes

Segment reporting  
-----

The Company follows Statement of Financial Accounting Standards No. 130, "Disclosures About Segments of an Enterprise and Related Information." The Company operates as a single segment and will evaluate additional segment disclosure requirements as it expands its operations.

Income taxes  
-----

The Company follows Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes" ("SFAS No. 109") for recording the provision for income taxes. Deferred tax assets and liabilities are computed based upon the difference between the financial statement and income tax basis of assets and liabilities using the enacted marginal tax rate applicable when the related asset or liability is expected to be realized or settled. Deferred income tax expenses or benefits are based on the changes in the asset or liability each period. If available evidence suggests that it is more likely than not that some portion or all of the deferred tax assets will not be realized, a valuation allowance is required to reduce the deferred tax assets to the amount that is more likely than not to be realized. Future changes in such valuation allowance are included in the provision for deferred income taxes in the period of change.

Deferred income taxes may arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes are classified as current or non-current, depending on the classification of assets and liabilities to which they relate. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or non-current depending on the periods in which the temporary differences are expected to reverse.

Recent pronouncements  
-----

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses financial accounting and reporting for costs associated with exit or disposal activities and supersedes EITF No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF No. 94-3, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. The provisions of SFAS No. 146 will be adopted for exit or disposal activities that are initiated after December 31, 2002.

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Clinical Trials Assistance Corporation

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(a Development Stage Company)

Notes

Recent pronouncements (continued)

-----

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of SFAS No. 123." This Statement amends SFAS No. 123, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The adoption of SFAS No. 148 is not expected to have a material impact on the company's financial position or results of operations.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees and Indebtedness of Others", an interpretation of FIN No. 5, 57 and 107, and rescission of FIN No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others". FIN 45 elaborates on the disclosures to be made by the guarantor in its interim and annual financial statements about its obligations under certain guarantees that it has issued. It also requires that a guarantor recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002; while, the provisions of the disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. The company believes that the adoption of such interpretation will not have a material impact on its financial position or results of operations and will adopt such interpretation during fiscal year 2003, as required.

In January 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities", an interpretation of Accounting Research Bulletin No. 51. FIN No. 46 requires that variable interest entities be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. FIN No. 46 also requires disclosures about variable interest entities that companies are not required to consolidate but in which a company has a significant variable interest. The consolidation requirements of FIN No. 46 will apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements will apply to entities established prior to January 31, 2003 in the first fiscal year or interim period beginning after June 15, 2003. The disclosure requirements will apply in all financial statements issued after January 31, 2003. The company will begin to adopt the provisions of FIN No. 46 during the first quarter of fiscal 2003.

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Clinical Trials Assistance Corporation

(a Development Stage Company)

Notes

Stock-Based Compensation  
-----

The Company accounts for stock-based awards to employees in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations and has adopted the disclosure-only alternative of SFAS No. 123, "Accounting for Stock-Based Compensation." Options granted to consultants, independent representatives and other non-employees are accounted for using the fair value method as prescribed by SFAS No. 123.

Year end  
-----

The Company has adopted December 31 as its fiscal year end.

Note 3 - Going concern

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. However, the Company has not commenced its planned principal operations and it has generated minimal revenues. In order to obtain the necessary capital, the Company raised funds via private offering. If the securities offering does not provide sufficient capital, the shareholder of the Company has agreed to provide sufficient funds as a loan over the next twelve-month period. However, the Company is dependent upon its ability to secure equity and/or debt financing and there are no assurances that the Company will be successful, without sufficient financing it would be unlikely for the Company to continue as a going concern.

The officers and directors are involved in other business activities and may, in the future, become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between the Company and their other business interests. The Company has not formulated a policy for the resolution of such conflicts.

Note 4 - Income taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"), which requires use of the liability method. SFAS No. 109 provides that deferred tax assets and liabilities are recorded based on the differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, referred to as temporary differences. Deferred tax assets and liabilities at the end of each period are determined using the currently enacted tax rates applied to taxable income in the periods in which the deferred tax assets and liabilities are expected to be settled or realized.

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Clinical Trials Assistance Corporation  
(a Development Stage Company)  
Notes

Note 4 - Income taxes (continued)

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before provision for income

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taxes. The sources and tax effects of the differences are as follows:

U.S federal statutory rate	(34.0%)
Valuation reserve	34.0%
	-----
Total	-%
	=====

=

As of December 31, 2002, the Company has a net operating loss carry forward of approximately \$19,086, for tax purposes, which will be available to offset future taxable income. If not used, this carry forward will expire in 2022.

### Note 5 - Stockholder's equity

The Company is authorized to issue 20,000,000 shares of its \$0.001 par value class A common stock, 2,000,000 shares of it \$0.001 par value series A preferred stock, 2,000,000 shares of it \$0.001 par value series B preferred stock, and 1,000,000 shares of it \$0.001 par value series C preferred stock.

On April 30, 2002, the Company issued 10,000,000 shares of its \$0.001 par value class A common stock to an individual who is an officer and director of the Company in exchange for cash of \$15,000.

On September 30, 2002, the Company closed and issued 2,000,000 shares of its \$0.001 par value class A common stock in a Regulation D, Rule 504 offering for total cash received of \$20,000.

There have been no other issuances of common and/or preferred stock.

### Note 6 - Warrants and options

As of December 31, 2002, there are no warrants or options outstanding to acquire any additional shares of common and/ or preferred stock.

### Note 7 - Related party transactions

On April 30, 2002, the Company issued 10,000,000 shares of its \$0.001 par value class A common stock to an individual who is an officer and director of the Company in exchange for cash of \$15,000.

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### Item 2. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None -- Not applicable.

## Part III

Item 1. Index to Exhibits (Pursuant to Item 601 of Regulation SB)

## EXHIBIT INDEX

The following exhibits are filed as part of this Registration statement with the Securities and Exchange Commission, following Item 601 of Regulation S-B. All exhibits refer to Clinical Trials Assistance Corporation, unless otherwise indicated.

EXHIBITS SEC REFERENCE NUMBER	TITLE OF DOCUMENT	LOCATION
3 (a)	Articles of Incorporation* (Filed on April 22, 2002)	Previously filed
3 (b)	Bylaws* (Adopted April 22, 2002)	Previously filed
4	Sample Stock Certificate*	Previously filed
10.1	Oral Understanding***	Previously filed
23.1	Consent of CPA*	Previously filed
23.2	Consent of CPA**	Previously filed
23.3	Consent of CPA****	This filing
99.1	Certification of Chief Executive Officer	Previously filed
99.2	Notice of Effectiveness issued by Nevada Secretary of State*	Previously filed
99.3	Letter to Shareholders**	Previously filed

\* Previously filed as an exhibit to the Company's Form 10SB12G filed on November 19, 2002.

\*\* Previously filed as an exhibit to the Company's Form 10SB12G filed on January 14, 2003.

\*\*\* Previously filed as an exhibit to the Company's Form 10SB12G filed on April 3, 2003.

\*\*\*\* This filing.

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the registrant caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Clinical Trials Assistance Corporation

-----  
(Registrant)

Dated: May 7, 2003

By: /s/ Kamill Rohny

-----  
Kamill Rohny  
Chairman of the Board  
President  
Chief Executive Officer  
Chief Financial Officer  
Secretary

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" style="font-family:times;border-bottom:solid #000000 1.0pt;">

Total Revenues

544,155 56,382 179,254 779,791

Operating Expenses:

Cost of Sales (Excluding Depreciation and Amortization)

195,840 21,187 91,500 308,527

Selling, General and Administrative

20 170,812 9,340 55,484 235,656

Depreciation and Amortization

53 59,454 4,692 21,119 85,318

(Gain) Loss on Disposal/Writedown of Property, Plant and Equipment, Net

(154) (29) 39 (144)

Total Operating Expenses

73 425,952 35,190 168,142 629,357

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Operating (Loss) Income

(73) 118,203 21,192 11,112 150,434

Interest Expense (Income), Net

49,469 (8,025) 11,290 3,511 56,245

Other Expense (Income), Net

(26,417) 236 (10) 30,210 4,019

(Loss) Income Before Provision (Benefit) for Income Taxes

(23,125) 125,992 9,912 (22,609) 90,170

Provision (Benefit) for Income Taxes

44,247 3,222 949 48,418

Equity in the (Earnings) Losses of Subsidiaries, Net of Tax

(64,417) 17,231 47,186

Net Income (Loss)

41,292 64,514 6,690 (23,558) (47,186) 41,752

Less: Net Income (Loss) Attributable to Noncontrolling Interests

460 460

Net Income (Loss) Attributable to Iron Mountain Incorporated

\$41,292 \$64,514 \$6,690 \$(24,018) \$(47,186) \$41,292

Table of Contents**IRON MOUNTAIN INCORPORATED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(Unaudited)****(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors (Continued)**

	<b>Six Months Ended June 30, 2009</b>					
	<b>Parent</b>	<b>Guarantors</b>	<b>Canada Company</b>	<b>Non-Guarantors</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Revenues:</b>						
Storage	\$	\$ 616,634	\$ 43,160	\$ 165,873	\$	\$ 825,667
Service		435,098	45,575	163,034		643,707
Total Revenues		1,051,732	88,735	328,907		1,469,374
<b>Operating Expenses:</b>						
Cost of Sales (Excluding Depreciation and Amortization)		419,251	38,340	172,087		629,678
Selling, General and Administrative	40	319,290	15,283	91,634		426,247
Depreciation and Amortization	110	112,084	7,124	35,642		154,960
Loss (Gain) on Disposal/Writedown of Property, Plant and Equipment, Net		276	144	(1,182)		(762)
Total Operating Expenses	150	850,901	60,891	298,181		1,210,123
Operating (Loss) Income	(150)	200,831	27,844	30,726		259,251
Interest Expense (Income), Net	98,766	(13,385)	20,175	5,140		110,696
Other Expense (Income), Net	49,970	(3,083)		(58,126)		(11,239)
(Loss) Income Before Provision (Benefit) for Income Taxes	(148,886)	217,299	7,669	83,712		159,794
Provision (Benefit) for Income Taxes		38,116	1,025	6,197		45,338
Equity in the (Earnings) Losses of Subsidiaries, Net of Tax	(265,323)	(84,462)			349,785	
Net Income (Loss)	116,437	263,645	6,644	77,515	(349,785)	114,456
Less: Net (Loss) Income Attributable to Noncontrolling Interests				(1,981)		(1,981)
Net Income (Loss) Attributable to Iron Mountain Incorporated	\$ 116,437	\$ 263,645	\$ 6,644	\$ 79,496	\$ (349,785)	\$ 116,437

Table of Contents**IRON MOUNTAIN INCORPORATED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(Unaudited)****(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors (Continued)**

	Six Months Ended June 30, 2010					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
<b>Revenues:</b>						
Storage	\$	\$ 630,230	\$ 54,432	\$ 186,230	\$	\$ 870,892
Service		451,102	57,070	177,233		685,405
Total Revenues		1,081,332	111,502	363,463		1,556,297
<b>Operating Expenses:</b>						
Cost of Sales (Excluding Depreciation and Amortization)		405,416	42,979	185,364		633,759
Selling, General and Administrative	47	341,998	18,133	109,330		469,508
Depreciation and Amortization	109	118,984	9,287	42,722		171,102
(Gain) Loss on Disposal/Writedown of Property, Plant and Equipment, Net		(1,239)	(55)	97		(1,197)
Total Operating Expenses	156	865,159	70,344	337,513		1,273,172
Operating (Loss) Income	(156)	216,173	41,158	25,950		283,125
Interest Expense (Income), Net	99,459	(16,022)	22,365	7,005		112,807
Other Expense (Income), Net	(59,099)	261	(8)	71,684		12,838
(Loss) Income Before Provision (Benefit) for Income Taxes	(40,516)	231,934	18,801	(52,739)		157,480
Provision (Benefit) for Income Taxes		81,495	6,206	2,188		89,889
Equity in the (Earnings) Losses of Subsidiaries, Net of Tax	(107,374)	43,828			63,546	
Net Income (Loss)	66,858	106,611	12,595	(54,927)	(63,546)	67,591
Less: Net Income (Loss) Attributable to Noncontrolling Interests				733		733
Net Income (Loss) Attributable to Iron Mountain Incorporated	\$ 66,858	\$ 106,611	\$ 12,595	\$ (55,660)	\$ (63,546)	\$ 66,858

[Table of Contents](#)**IRON MOUNTAIN INCORPORATED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(Unaudited)****(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors (Continued)**

	Six Months Ended June 30, 2009					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Cash Flows from Operating Activities	\$ (100,822)	\$ 293,375	\$ 15,562	\$ 40,176	\$	\$ 248,291
Cash Flows from Investing Activities:						
Capital expenditures		(90,669)	(6,539)	(36,668)		(133,876)
Cash paid for acquisitions, net of cash acquired		(186)		(1,262)		(1,448)
Intercompany loans to subsidiaries	145,709	1,236			(146,945)	
Investment in subsidiaries	(6,236)	(6,236)			12,472	
Additions to customer relationship and acquisition costs		(3,181)	(362)	(896)		(4,439)
Proceeds from sales of property and equipment and other, net		889	26	923		1,838
Cash Flows from Investing Activities	139,473	(98,147)	(6,875)	(37,903)	(134,473)	(137,925)
Cash Flows from Financing Activities:						
Repayment of revolving credit and term loan facilities and other debt	(52,117)	(9,214)	(25,066)	(13,507)		(99,904)
Proceeds from revolving credit and term loan facilities and other debt				15,574		15,574
Debt financing (repayment to) and equity contribution from (distribution to) noncontrolling interests, net				530		530
Intercompany loans from parent		(147,283)	3,452	(3,114)	146,945	
Equity contribution from parent		6,236		6,236	(12,472)	
Proceeds from exercise of stock options and employee stock purchase plan	10,983					10,983
Excess tax benefits from stock-based compensation	2,483					2,483
Payment of debt financing costs			(37)	(60)		(97)
	(38,651)	(150,261)	(21,651)	5,659	134,473	(70,431)

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Cash Flows from Financing Activities				
Effect of exchange rates on cash and cash equivalents		742	(2,991)	(2,249)
Increase (Decrease) in cash and cash equivalents	44,967	(12,222)	4,941	37,686
Cash and cash equivalents, beginning of period	210,636	17,069	50,665	278,370
Cash and cash equivalents, end of period	\$ 255,603	\$ 4,847	\$ 55,606	\$ 316,056

Table of Contents**IRON MOUNTAIN INCORPORATED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(Unaudited)****(6) Selected Consolidated Financial Statements of Parent, Guarantors, Canada Company and Non-Guarantors (Continued)**

	Six Months Ended June 30, 2010					
	Parent	Guarantors	Canada Company	Non-Guarantors	Eliminations	Consolidated
Cash Flows from Operating Activities	\$ (78,404)	\$ 248,740	\$ 26,375	\$ 71,387	\$	\$ 268,098
Cash Flows from Investing Activities:						
Capital expenditures		(77,019)	(8,194)	(52,795)		(138,008)
Cash paid for acquisitions, net of cash acquired		(113,149)		(9,794)		(122,943)
Intercompany loans to subsidiaries	179,167	5,597			(184,764)	
Investment in subsidiaries	(8,419)	(8,419)			16,838	
Investment in restricted cash	(35,102)					(35,102)
Additions to customer relationship and acquisition costs		(3,688)	(453)	(1,347)		(5,488)
Proceeds from sales of property and equipment and other, net		5,023	12	5,938		10,973
Cash Flows from Investing Activities	135,646	(191,655)	(8,635)	(57,998)	(167,926)	(290,568)
Cash Flows from Financing Activities:						
Repayment of revolving credit and term loan facilities and other debt	(2,050)	(14,244)	(1,257)	(48,631)		(66,182)
Proceeds from revolving credit and term loan facilities and other debt				39,886		39,886
Debt financing (repayment to) and equity contribution from (distribution to) noncontrolling interests, net				(65)		(65)
Intercompany loans from parent		(178,133)	(442)	(6,189)	184,764	
Equity contribution from parent		8,419		8,419	(16,838)	
Stock repurchases	(50,564)					(50,564)
Parent cash dividends	(12,720)					(12,720)
Proceeds from exercise of stock options and employee stock purchase plan	9,174					9,174
Excess tax benefits from stock-based compensation	1,284					1,284

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Cash Flows from Financing Activities	(54,876)	(183,958)	(1,699)	(6,580)	167,926	(79,187)
Effect of exchange rates on cash and cash equivalents			(602)	(3,918)		(4,520)
Increase (Decrease) in cash and cash equivalents	2,366	(126,873)	15,439	2,891		(106,177)
Cash and cash equivalents, beginning of period		382,588	3,906	60,162		446,656
Cash and cash equivalents, end of period	\$ 2,366	\$ 255,715	\$ 19,345	\$ 63,053	\$	\$ 340,479

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(7) Segment Information**

Corporate and our five operating segments are as follows:

North American Physical Business throughout the United States and Canada, the storage of paper documents, as well as all other non-electronic media such as microfilm and microfiche, master audio and videotapes, film, X-rays and blueprints, including healthcare information services, vital records services, service and courier operations, and the collection, handling and disposal of sensitive documents for corporate customers ("Hard Copy"); the storage and rotation of backup computer media as part of corporate disaster recovery plans, including service and courier operations ("Data Protection"); information destruction services ("Destruction"); and the storage, assembly, and detailed reporting of customer marketing literature and delivery to sales offices, trade shows and prospective customers' sites based on current and prospective customer orders, which we refer to as the "Fulfillment" business.

Worldwide Digital Business information management services for electronic records conveyed via telecommunication lines and the Internet, including online backup and recovery solutions for server data and personal computers, as well as email archiving, third party intellectual property escrow services that protect and manage source code, and electronic discovery services for the legal market that offers in-depth discovery and data investigation solutions.

Europe information management services throughout Europe, including Hard Copy, Data Protection and Destruction (in the U.K.).

Latin America information management services throughout Mexico, Brazil, Chile, Argentina and Peru, including Hard Copy and Data Protection.

Asia Pacific information management services throughout Australia and New Zealand, including Hard Copy, Data Protection and Destruction; and in certain cities in India, Singapore, Hong Kong-SAR, China, Indonesia and Sri Lanka, including Hard Copy and Data Protection.

Corporate consists of costs related to executive and staff functions, including finance, human resources and information technology, which benefit the enterprise as a whole. These costs are primarily related to the general management of these functions on a corporate level and the design and development of programs, policies and procedures that are then implemented in the individual segments, with each segment bearing its own cost of implementation. Corporate also includes stock-based employee compensation expense associated with all Employee Stock-Based Awards.

The Latin America, Asia Pacific and Europe operating segments have been aggregated given their similar economic characteristics, products, customers and processes and reported as one reportable segment, "International Physical Business." The Worldwide Digital Business does not meet the quantitative criteria for a reportable segment; however, management determined that it would disclose such information on a voluntary basis.

[Table of Contents](#)**IRON MOUNTAIN INCORPORATED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(Unaudited)****(7) Segment Information (Continued)**

An analysis of our business segment information and reconciliation to the consolidated financial statements is as follows:

	<b>North American Physical Business</b>	<b>International Physical Business</b>	<b>Worldwide Digital Business</b>	<b>Corporate</b>	<b>Total Consolidated</b>
<b>Three Months Ended June 30, 2009</b>					
Total Revenues	\$ 524,309	\$ 163,997	\$ 57,722	\$	\$ 746,028
Depreciation and Amortization	43,750	17,345	9,088	8,497	78,680
Depreciation	40,803	14,346	6,472	8,433	70,054
Amortization	2,947	2,999	2,616	64	8,626
Adjusted OIBDA	212,881	31,728	13,303	(40,436)	217,476
Expenditures for Segment Assets	30,967	23,835	4,112	5,149	64,063
Capital Expenditures	29,211	23,478	4,117	5,149	61,955
Cash Paid for Acquisitions, Net of Cash acquired	21		(5)		16
Additions to Customer Relationship and Acquisition Costs	1,735	357			2,092
<b>Three Months Ended June 30, 2010</b>					
Total Revenues	544,295	174,936	60,560		779,791
Depreciation and Amortization	45,732	20,722	9,624	9,240	85,318
Depreciation	42,871	17,266	5,998	9,187	75,322
Amortization	2,861	3,456	3,626	53	9,996
Adjusted OIBDA	242,581	30,817	6,853	(44,643)	235,608
Expenditures for Segment Assets	30,581	23,200	3,322	6,619	63,722
Capital Expenditures	27,982	18,058	3,401	6,619	56,060
Cash Paid for Acquisitions, Net of Cash acquired		4,682	(79)		4,603
Additions to Customer Relationship and Acquisition Costs	2,599	460			3,059
<b>Six Months Ended June 30, 2009</b>					
Total Revenues	1,035,840	320,670	112,864		1,469,374
Depreciation and Amortization	85,327	34,992	17,890	16,751	154,960
Depreciation	79,458	28,846	12,661	16,641	137,606
Amortization	5,869	6,146	5,229	110	17,354
Adjusted OIBDA	407,771	60,888	23,496	(78,706)	413,449
Total Assets(1)	4,351,716	1,575,747	434,524	110,512	6,472,499
Expenditures for Segment Assets	71,243	47,814	9,266	11,440	139,763
Capital Expenditures	67,490	45,680	9,266	11,440	133,876
Cash Paid for Acquisitions, Net of Cash acquired	186	1,262			1,448
Additions to Customer Relationship and Acquisition Costs	3,567	872			4,439
<b>Six Months Ended June 30, 2010</b>					
Total Revenues	1,084,781	354,369	117,147		1,556,297
Depreciation and Amortization	91,263	41,948	19,434	18,457	171,102
Depreciation	85,543	35,004	12,857	18,348	151,752
Amortization	5,720	6,944	6,577	109	19,350
Adjusted OIBDA	464,395	64,933	13,954	(90,252)	453,030
Total Assets(1)	4,431,331	1,559,680	498,253	157,832	6,647,096
Expenditures for Segment Assets	67,205	63,798	118,084	17,352	266,439
Capital Expenditures	61,094	52,657	6,905	17,352	138,008
Cash Paid for Acquisitions, Net of Cash acquired	1,970	9,794	111,179		122,943
Additions to Customer Relationship and Acquisition Costs	4,141	1,347			5,488

(1)

Excludes all intercompany receivables or payables and investment in subsidiary balances.

Table of Contents**IRON MOUNTAIN INCORPORATED****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(In Thousands, Except Share and Per Share Data)****(Unaudited)****(7) Segment Information (Continued)**

The accounting policies of the reportable segments are the same as those described in Note 2. Adjusted OIBDA, previously referred to as Contribution, for each segment is defined as operating income before depreciation and amortization expenses, excluding (gain) loss on disposal/writedown of property, plant and equipment, net which are directly attributable to the segment. Internally, we use Adjusted OIBDA as the basis for evaluating the performance of and allocating resources to our operating segments.

A reconciliation of Adjusted OIBDA to income (loss) before provision (benefit) for income taxes on a consolidated basis is as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
Adjusted OIBDA	\$ 217,476	\$ 235,608	\$ 413,449	\$ 453,030
Less: Depreciation and Amortization	78,680	85,318	154,960	171,102
Loss (Gain) on Disposal/Writedown of Property, Plant and Equipment, Net	742	(144)	(762)	(1,197)
Interest Expense (Income), net	55,175	56,245	110,696	112,807
Other (Income) Expense, net	(18,394)	4,019	(11,239)	12,838
Income (Loss) before Provision (Benefit) for Income Taxes	\$ 101,273	\$ 90,170	\$ 159,794	\$ 157,480

**(8) Commitments and Contingencies**

a.

**Litigation**

We are involved in litigation from time to time in the ordinary course of business with a portion of the defense and/or settlement costs being covered by various commercial liability insurance policies purchased by us. In the opinion of management, no material legal proceedings are pending to which we, or any of our properties, are subject, except as discussed below. We record legal costs associated with loss contingencies as expenses in the period in which they are incurred.

b.

**Pittsburgh Litigation**

In May 2006, we filed an eviction lawsuit against a tenant, Digital Encoding Factory, LLC ("DEF"), leasing space in our Boyers, Pennsylvania records storage facility for its failure to make required rent payments. In October 2006, DEF and two related companies, EDA Acquisition, LLC, and Media Holdings, LLC, filed a lawsuit against us in the U.S. Federal District Court for the Western District of Pennsylvania alleging that they started a digital scanning business in our Boyers, Pennsylvania, records storage facility because we verbally agreed to refer customer digital scanning business in the facility to them (the "Pittsburgh Lawsuit") and promised substantial business. The plaintiffs contended that we breached this alleged verbal agreement and sought to recover damages in the range of \$6,500 to \$53,500. We disputed the plaintiffs' claims and contended that there was no such verbal agreement. A bench trial occurred in the case in March 2010. In July 2010, we executed an

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(8) Commitments and Contingencies (Continued)**

agreement with the plaintiffs settling the case before the judge reached a decision in the matter. The legal proceedings related to this event did not have a material impact to our consolidated results of operations or financial condition.

c.

**London Fire**

In July 2006, we experienced a significant fire in a leased records and information management facility in London, England, that resulted in the complete destruction of the facility and its contents. The London Fire Brigade ("LFB") issued a report in which it was concluded that the fire resulted either from human agency, i.e., arson, or an unidentified ignition device or source, and its report to the Home Office concluded that the fire resulted from a deliberate act. The LFB also concluded that the installed sprinkler system failed to control the fire due to the primary electric fire pump being disabled prior to the fire and the standby diesel fire pump being disabled in the early stages of the fire by third-party contractors. We have received notices of claims from customers or their subrogated insurance carriers under various theories of liabilities arising out of lost data and/or records as a result of the fire. Certain of those claims have resulted in litigation in courts in the United Kingdom. We deny any liability in respect of the London fire and we have referred these claims to our excess warehouse legal liability insurer, which has been defending them to date under a reservation of rights. Certain of the claims have been settled for nominal amounts, typically one to two British pounds sterling per carton, as specified in the contracts, which amounts have been or will be reimbursed to us from our primary property insurer. An entity that provided certain security services related to the destroyed facility as a contractor to us is a defendant in an action by the owner of the property, seeking damages in the amount of approximately 10,700 British pounds sterling for negligence and breach of duty. The security service provider recently petitioned the court hearing the matter to join Iron Mountain (UK) as a third party defendant, seeking contribution in respect of its liability (if any) to the owner of the building, and the court has granted the motion. We believe there are meritorious defenses available to us with respect to the claim. Many claims, including substantial claims, remain outstanding; others have been resolved pursuant to consent orders. We believe we carry adequate property and liability insurance. We do not expect that legal proceedings related to this event will have a material impact to our consolidated results of operations or financial condition.

d.

**Chile Earthquake**

As a result of the February 27, 2010 earthquake in Chile, we experienced damage to certain of our 13 owned and leased records management facilities in that region. None of our facilities were destroyed by fire or significantly impacted by water damage. However, the structural integrity of five buildings was compromised, and some of the racking included in certain buildings was damaged or destroyed. Some customer materials were impacted by this event. Revenues from this country represent less than 1% of our consolidated enterprise revenues. We believe we carry adequate property and liability insurance and do not expect that this event will have a material impact to our consolidated results of operations or financial condition.

During the quarter ended June 30, 2010, we received payments from our insurance carrier of approximately \$21,000. Such amount represents a portion of our business personal property, business

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**IRON MOUNTAIN INCORPORATED**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(In Thousands, Except Share and Per Share Data)**

**(Unaudited)**

**(8) Commitments and Contingencies (Continued)**

interruption, and expense claims filed with our insurance carriers. We expect to utilize cash from our insurance settlements to fund capital expenditures and for general working capital needs. Recoveries from the business interruption portion of our insurance claim will be recorded as other income in the consolidated statement of operations when received. We expect to receive proceeds from our property claims that exceed the carrying value of the related assets. We, therefore, expect to record gains on the disposal/writedown of property, plant and equipment, net in our statement of operations in future periods when the cash received to date exceeds the carrying value of the related property, plant and equipment, net. Proceeds from our business personal property claims are reflected in our statement of cash flows under proceeds from sales of property and equipment and other, net included in the investing activities section when received. We have reflected approximately \$6,400 of the cash proceeds received to date as proceeds from sales of property and equipment, net in our statement of cash flows for the six months ended June 30, 2010. Proceeds from our business interruption claims are reflected in our statement of cash flows as a component of net income included in the operating activities section when received.

**(9) Stockholders' Equity Matters**

In February 2010, our board of directors approved a share repurchase program authorizing up to \$150,000 in repurchases of our common stock. This represented approximately 3% of our outstanding common stock based on the closing price on February 19, 2010. All purchases are subject to stock price, market conditions, corporate and legal requirements and other factors. In addition, in February 2010, our board of directors adopted a dividend policy under which we intend to pay quarterly cash dividends on our common stock. The first quarterly dividend of \$0.0625 per share was paid on April 15, 2010 to shareholders of record on March 25, 2010 in the aggregate amount of \$12,720. The second quarterly dividend of \$0.0625 per share was paid on July 15, 2010 to shareholders of record on June 25, 2010 in the aggregate amount of \$12,641. Declaration and payment of future quarterly dividends is at the discretion of our board of directors.

**(10) Subsequent Events**

In August 2010, we called \$200,000 of the \$431,255 aggregate principal amount outstanding of our 7<sup>3</sup>/<sub>4</sub>% notes due 2015 at a redemption price of 101.292% for each one thousand dollars of principal amount of notes redeemed, plus accrued and unpaid interest, all of which will be paid in September 2010. We will record a charge to other expense (income), net of approximately \$1,800 in the third quarter of 2010 related to the early extinguishment of the 7<sup>3</sup>/<sub>4</sub>% notes being redeemed. This charge consists of the call premium and deferred financing costs, net of original issue premiums related to the 7<sup>3</sup>/<sub>4</sub>% notes.

We have evaluated subsequent events through the date our financial statements were issued.

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**IRON MOUNTAIN INCORPORATED**

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

*The following discussion and analysis of our financial condition and results of operations for the three and six months ended June 30, 2010 should be read in conjunction with our Consolidated Financial Statements and Notes thereto for the three and six months ended June 30, 2010, included herein, and for the year ended December 31, 2009, included in our Annual Report on Form 10-K dated February 26, 2010.*

**FORWARD-LOOKING STATEMENTS**

We have made statements in this Quarterly Report on Form 10-Q that constitute "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 and other federal securities laws. These forward-looking statements concern our operations, economic performance, financial condition, goals, beliefs, future growth strategies, investment objectives, plans and current expectations, including our intent to repurchase shares and to pay dividends, our financial ability and sources to fund the repurchase program and dividend policy, and the amounts of such repurchases and dividends. The forward-looking statements are subject to various known and unknown risks, uncertainties and other factors. When we use words such as "believes," "expects," "anticipates," "estimates" or similar expressions, we are making forward-looking statements. Although we believe that our forward-looking statements are based on reasonable assumptions, our expected results may not be achieved, and actual results may differ materially from our expectations. Important factors that could cause actual results to differ from expectations include, among others: (1) the cost to comply with current and future laws, regulations and customer demands relating to privacy issues; (2) the impact of litigation that may arise in connection with incidents in which we fail to protect our customer's information; (3) changes in the price for our services relative to the cost of providing such services; (4) changes in customer preferences and demand for our services; (5) in the various digital businesses in which we are engaged, the cost of capital and technical requirements, demand for our services or competition for customers; (6) the impact of legal restrictions or limitations under stock repurchase plans on price, volume or timing of stock repurchases; (7) the impact of alternative, more attractive investments on dividends or stock repurchases; (8) our ability or inability to complete acquisitions on satisfactory terms and to integrate acquired companies efficiently; (9) the cost or potential liabilities associated with real estate necessary for our business; (10) the performance of business partners upon whom we depend for technical assistance or management expertise outside the U.S.; (11) changes in the political and economic environments in the countries in which our international subsidiaries operate; (12) claims that our technology violates the intellectual property rights of a third party; and (13) other trends in competitive or economic conditions affecting our financial condition or results of operations not presently contemplated. You should not rely upon forward-looking statements except as statements of our present intentions and of our present expectations, which may or may not occur. Other risks may adversely impact us, as described more fully under "Item 1A. Risk Factors" in our Annual Report on Form 10-K dated February 26, 2010. You should read these cautionary statements as being applicable to all forward-looking statements wherever they appear. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are also urged to carefully review and consider the various disclosures we have made in this document, as well as our other periodic reports filed with the Securities and Exchange Commission (the "SEC").

Table of Contents**Non-GAAP Measures***Adjusted Operating Income Before Depreciation and Amortization, or Adjusted OIBDA*

Adjusted OIBDA is defined as operating income before depreciation and amortization expenses, excluding (gain) loss on disposal/writedown of property, plant and equipment, net. Adjusted OIBDA Margin is calculated by dividing Adjusted OIBDA by total revenues. We use multiples of current or projected Adjusted OIBDA in conjunction with our discounted cash flow models to determine our overall enterprise valuation and to evaluate acquisition targets. We believe Adjusted OIBDA and Adjusted OIBDA Margin provide current and potential investors with relevant and useful information regarding our ability to generate cash flow to support business investment. These measures are an integral part of the internal reporting system we use to assess and evaluate the operating performance of our business. Adjusted OIBDA does not include certain items that we believe are not indicative of our core operating results, specifically: (1) (gains) and losses on disposal/writedown of property, plant and equipment, net, (2) other (income) expense, net, (3) cumulative effect of change in accounting principle and (4) net income (loss) attributable to noncontrolling interests.

Adjusted OIBDA also does not include interest expense, net and the provision (benefit) for income taxes. These expenses are associated with our capitalization and tax structures, which we do not consider when evaluating the operating profitability of our core operations. Finally, Adjusted OIBDA does not include depreciation and amortization expenses, in order to eliminate the impact of capital investments, which we evaluate by comparing capital expenditures to incremental revenue generated and as a percentage of total revenues. Adjusted OIBDA and Adjusted OIBDA Margin should be considered in addition to, but not as a substitute for, other measures of financial performance reported in accordance with accounting principles generally accepted in the United States of America ("GAAP"), such as operating or net income (loss) or cash flows from operating activities (as determined in accordance with GAAP).

*Reconciliation of Adjusted OIBDA to Operating Income (Loss) and Net Income (Loss) (in thousands):*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2010	2009	2010
Adjusted OIBDA	\$ 217,476	\$ 235,608	\$ 413,449	\$ 453,030
Less: Depreciation and Amortization	78,680	85,318	154,960	171,102
Loss (gain) on disposal/writedown of property, plant and equipment, net	742	(144)	(762)	(1,197)
Operating Income (Loss)	138,054	150,434	259,251	283,125
Less: Interest Expense, Net	55,175	56,245	110,696	112,807
Other (Income) Expense, Net	(18,394)	4,019	(11,239)	12,838
Provision (Benefit) for Income Taxes	13,761	48,418	45,338	89,889
Net Income (Loss) Attributable to Noncontrolling interests	(126)	460	(1,981)	733
Net Income (Loss) Attributable to Iron Mountain Incorporated	\$ 87,638	\$ 41,292	\$ 116,437	\$ 66,858

**Critical Accounting Policies**

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates, judgments and assumptions

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that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and for the period then ended.

On an on-going basis, we evaluate the estimates used. We base our estimates on historical experience, actuarial estimates, current conditions and various other assumptions that we believe to be reasonable under the circumstances. These estimates form the basis for making judgments about the carrying values of assets and liabilities and are not readily apparent from other sources. Actual results may differ from these estimates. Our critical accounting policies include the following, which are listed in no particular order:

*Revenue Recognition*

*Accounting for Acquisitions*

*Allowance for Doubtful Accounts and Credit Memos*

*Impairment of Tangible and Intangible Assets*

*Accounting for Internal Use Software*

*Income Taxes*

*Stock-Based Compensation*

*Self-Insured Liabilities*

Further detail regarding our critical accounting policies can be found in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes included in our Annual Report on Form 10-K, as filed with the SEC on February 26, 2010. Management has determined that no material changes concerning our critical accounting policies have occurred since December 31, 2009.

Prior to January 1, 2010, the financial position and results of operations of the operating subsidiaries of Iron Mountain Europe (Group) Limited (collectively referred to as "IME"), our European business, were consolidated based on IME's fiscal year ended October 31. Effective January 1, 2010, we changed the fiscal year-end (and the reporting period for consolidation purposes) of IME to coincide with Iron Mountain Incorporated's ("IMI") fiscal year-end of December 31. We believe that the change in accounting principle related to the elimination of the two-month reporting lag for IME is preferable because it will result in more contemporaneous reporting of events and results related to IME. In accordance with applicable accounting literature, a change in subsidiary year-end is treated as a change in accounting principle and requires retrospective application. The cumulative effect of the change was an increase in retained earnings of \$12.2 million as of January 1, 2008. We also recorded a corresponding decrease in other long-term liabilities for the same amount. The impact of the change was not material to the results of operations for the previously reported annual and interim periods after January 1, 2008, and, thus, those results have not been revised. There is, however, a charge of \$4.7 million recorded to other (income) expense, net in the six months ended June 30, 2010 to recognize the immaterial differences arising in 2008 and 2009.

**Recent Accounting Pronouncements**

Effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009, or January 1, 2010, for a calendar year-end entity, the Financial Accounting Standards Board (the "FASB") Accounting Standards Codification (the "Codification") will require more information about transfers of financial assets, including securitization transactions, and transactions where entities have continuing exposure to the risks related to transferred financial assets. The Codification eliminates the concept of a "qualifying special-purpose entity", changes the requirements for derecognizing financial assets, and requires additional disclosures about an entity's involvement with variable interest entities



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and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects such reporting entity's financial statements. The adoption of these Codification updates did not have a material impact on our consolidated financial statements and results of operations.

In October 2009, the FASB issued amended guidance on multiple-deliverable revenue arrangements and software revenue recognition. The multiple-deliverable revenue arrangements updates to the Codification apply to all deliverables in contractual arrangements in all industries in which a vendor will perform multiple revenue-generating activities. The change to the Codification creates a selling price hierarchy that an entity must use as evidence of fair value in separately accounting for all deliverables on a relative-selling-price basis which qualify for separation. The selling price hierarchy includes: (1) vendor-specific objective evidence; (2) third-party evidence and (3) estimated selling price. Broadly speaking, this update to the Codification will result in the possibility for some entities to recognize revenue earlier and more closely align with the economics of certain revenue arrangements if the other criteria for separation (e.g. standalone value to the customer) are met. The software revenue recognition guidance was issued to address factors that entities should consider when determining whether the software and non-software components of a product function together to deliver the product's essential functionality. The software revenue recognition updates to the Codification will allow revenue arrangements in which software and non-software components deliver together a product's essential functionality to follow the multiple-deliverable revenue recognition criteria as opposed to the criteria applicable to software revenue recognition. Both updates are effective for fiscal years beginning on or after June 15, 2010 and apply prospectively to new or materially modified revenue arrangements after its effective date. Early adoption is permitted; however, we do not anticipate early adopting. We are currently evaluating the impact of these Codification updates to our consolidated financial statements and results of operations.

In January 2010, the FASB issued amended guidance improving disclosures about fair value measurements to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. The new guidance also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The change in the Codification requires an entity, in determining the appropriate classes of assets and liabilities, to consider the nature and risks of the assets and liabilities as well as their placement in the fair value hierarchy (Level 1, 2 or 3). The Codification update is effective for the first reporting period, including interim periods, beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010. In the period of initial adoption, entities will not be required to provide the amended disclosures for any previous periods presented for comparative purposes. However, those disclosures are required for periods ending after initial adoption. Early adoption is permitted for the requirement to provide the Level 3 activity of purchases, sales, issuances and settlements on a gross basis; however, we do not anticipate early adopting. We do not expect adoption to have a material impact on our consolidated financial statements and results of operations.

**Overview**

The following discussions set forth, for the periods indicated, management's discussion and analysis of results. Significant trends and changes are discussed for the three and six month periods ended June 30, 2010 within each section. Trends and changes that are consistent within the three and six months periods are not repeated and are discussed on a year-to-date basis.

Our revenues consist of storage revenues as well as service revenues. Storage revenues, both physical and digital, which are considered a key performance indicator for the information management services industry, consist of largely recurring periodic charges related to the storage of materials or data

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(generally on a per unit basis), which are typically retained by customers for many years. Service revenues are comprised of charges for related core service activities and a wide array of complementary products and services. Included in core service revenues are: (1) the handling of records including the addition of new records, temporary removal of records from storage, refiling of removed records, destruction of records, and permanent withdrawals from storage; (2) courier operations, consisting primarily of the pickup and delivery of records upon customer request; (3) secure shredding of sensitive documents; and (4) other recurring services including maintenance and support contracts. Our complementary services revenues include special project work, data restoration projects, fulfillment services, consulting services and product sales (including software licenses, specially designed storage containers and related supplies). Our secure shredding business generates the sale of recycled paper (included in complementary services revenues), the price of which can fluctuate from period to period, adding to the volatility and reducing the predictability of that revenue stream.

Our consolidated revenues and expenses are subject to variations caused by the net effect of foreign currency translation on revenues and expenses incurred by our entities outside the U.S. In 2009, we saw decreases in both revenues and expenses as a result of the weakening of the British pound sterling, Canadian dollar and Euro against the U.S. dollar, based on an analysis of weighted average rates for the comparable periods. It is difficult to predict how much foreign currency exchange rates will fluctuate in the future and how those fluctuations will impact our consolidated statement of operations. Due to the expansion of our international operations, these fluctuations have become material on individual balances. However, because both the revenues and expenses are denominated in the local currency of the country in which they are derived or incurred, the impact of currency fluctuations on our operating income and operating margin is mitigated. In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we compare the percentage change in the results from one period to another period in this report using constant currency disclosure. The constant currency growth rates are calculated by translating the 2009 results at the 2010 average exchange rates.

The following table is a comparison of underlying average exchange rates of the foreign currencies that had the most significant impact on our U.S. dollar-reported revenues and expenses:

	Average Exchange Rates for the Three Months Ended June 30,		Percentage (Strengthening) / Weakening of the U.S. dollar
	2009(1)	2010	
British pound sterling	\$ 1.445	\$ 1.492	3.3%
Canadian dollar	\$ 0.858	\$ 0.973	13.4%
Euro	\$ 1.302	\$ 1.275	(2.1)%

	Average Exchange Rates for the Six Months Ended June 30,		Percentage (Strengthening) / Weakening of the U.S. dollar
	2009(1)	2010	
British pound sterling	\$ 1.468	\$ 1.526	4.0%
Canadian dollar	\$ 0.831	\$ 0.967	16.4%
Euro	\$ 1.310	\$ 1.330	1.5%

(1) Corresponding to the appropriate periods based on the operating subsidiaries of IME fiscal year ended October 31.

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**Results of Operations**

*Comparison of Three and Six Months Ended June 30, 2010 to Three and Six Months Ended June 30, 2009 (in thousands):*

	<b>Three Months Ended June 30,</b>		<b>Dollar</b>	<b>Percentage</b>
	<b>2009</b>	<b>2010</b>	<b>Change</b>	<b>Change</b>
Revenues	\$ 746,028	\$ 779,791	\$ 33,763	4.5%
Operating Expenses	607,974	629,357	21,383	3.5%
Operating Income	138,054	150,434	12,380	9.0%
Other Expenses, Net	50,542	108,682	58,140	115.0%
Net Income	87,512	41,752	(45,760)	(52.3)%
Net (Loss) Income Attributable to Noncontrolling Interests	(126)	460	586	465.1%
Net Income Attributable to Iron Mountain Incorporated	\$ 87,638	\$ 41,292	\$ (46,346)	(52.9)%
Adjusted OIBDA(1)	\$ 217,476	\$ 235,608	\$ 18,132	8.3%
Adjusted OIBDA Margin(1)	29.2%	30.2%		

	<b>Six Months Ended June 30,</b>		<b>Dollar</b>	<b>Percentage</b>
	<b>2009</b>	<b>2010</b>	<b>Change</b>	<b>Change</b>
Revenues	\$ 1,469,374	\$ 1,556,297	\$ 86,923	5.9%
Operating Expenses	1,210,123	1,273,172	63,049	5.2%
Operating Income	259,251	283,125	23,874	9.2%
Other Expenses, Net	144,795	215,534	70,739	48.9%
Net Income	114,456	67,591	(46,865)	(40.9)%
Net (Loss) Income Attributable to Noncontrolling Interests	(1,981)	733	2,714	137.0%
Net Income Attributable to Iron Mountain Incorporated	\$ 116,437	\$ 66,858	\$ (49,579)	(42.6)%
Adjusted OIBDA(1)	\$ 413,449	\$ 453,030	\$ 39,581	9.6%
Adjusted OIBDA Margin(1)	28.1%	29.1%		

(1)

See "Non-GAAP Measures Adjusted Operating Income Before Depreciation and Amortization, or Adjusted OIBDA" for definition, reconciliation and a discussion of why we believe these measures provide relevant and useful information to our current and potential investors.

[Table of Contents](#)**REVENUES**

	Three Months Ended June 30,		Dollar Change	Percentage Change		
	2009	2010		Actual	Constant Currency(1)	Internal Growth(2)
Storage	\$ 415,810	\$ 435,644	\$ 19,834	4.8%	3.3%	3.2%
Core Service	235,353	240,618	5,265	2.2%	0.1%	(0.6)%
Total Core Revenue	651,163	676,262	25,099	3.9%	2.1%	1.8%
Complementary Services	94,865	103,529	8,664	9.1%	7.8%	5.1%
Total Revenue	\$ 746,028	\$ 779,791	\$ 33,763	4.5%	2.8%	2.2%

	Six Months Ended June 30,		Dollar Change	Percentage Change		
	2009	2010		Actual	Constant Currency(1)	Internal Growth(2)
Storage	\$ 825,667	\$ 870,892	\$ 45,225	5.5%	3.3%	3.3%
Core Service	464,838	479,417	14,579	3.1%	0.2%	(0.3)%
Total Core Revenue	1,290,505	1,350,309	59,804	4.6%	2.2%	2.0%
Complementary Services	178,869	205,988	27,119	15.2%	12.9%	10.6%
Total Revenue	\$ 1,469,374	\$ 1,556,297	\$ 86,923	5.9%	3.5%	3.0%

(1) Constant currency growth rates are calculated by translating the 2009 results at the 2010 average exchange rates.

(2) Our internal revenue growth rate represents the weighted average year-over-year growth rate of our revenues after removing the effects of acquisitions, divestitures and foreign currency exchange rate fluctuations.

Our consolidated storage revenues increased \$19.8 million, or 4.8%, to \$435.6 million and increased \$45.2 million, or 5.5%, to \$870.9 million for the three and six months ended June 30, 2010, respectively, from \$415.8 million and \$825.7 million for the three and six months ended June 30, 2009, respectively. The increase is attributable to internal revenue growth of 3.2% and 3.3% for the three and six month periods ended June 30, 2010, respectively. Gains were moderated by economic effects that have constrained storage volume growth in recent quarters. Foreign currency exchange rate fluctuations added approximately 1.5% and 2.1% to our storage revenue growth rate for the three and six month periods ended June 30, 2010, respectively. Current economic factors resulting in lower pricing and longer new sales cycles in our digital business and lower new sales and higher destruction rates in our physical business led to a moderation in our storage growth rate.

Consolidated service revenues consisting of core service and complementary services increased \$13.9 million, or 4.2%, to \$344.1 million and increased \$41.7 million, or 6.5%, to \$685.4 million for the three and six months ended June 30, 2010, respectively, from \$330.2 million and \$643.7 million for the three and six months ended June 30, 2009, respectively. Service revenue internal growth was 1.0% and 2.7% for the three and six month periods as complementary service revenue internal growth of 5.1% and 10.6% for the three and six month periods was offset by negative core service revenue internal growth of 0.6% and 0.3% in the three and six months ended June 30, 2010. Complementary service revenues increased on a year-over-year basis primarily due to \$22.3 million more revenue from the sale of recycled paper resulting from higher recycled paper pricing in the first half of 2010 compared to the first half of 2009. Core service revenue internal growth in the three and six months ended June 30, 2010 was constrained by current economic trends and pressures on activity-based service revenues related to the handling and transportation of items in storage. Favorable foreign currency exchange rate



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fluctuations for the three and six months of 2010 compared to the same period in 2009 increased reported service revenues by 2.2% and 3.0%, respectively.

For the reasons stated above, our consolidated revenues increased \$33.8 million, or 4.5%, to \$779.8 million for the three months ended and increased \$86.9 million, or 5.9%, to \$1,556.3 million for the six months ended June 30, 2010, from \$746.0 million and \$1,469.4 million for the three and six months ended June 30, 2009. Internal revenue growth was 2.2% and 3.0% for the three and six months ended June 30, 2010, respectively. We calculate internal revenue growth in local currency for our international operations. For the three and six months ended June 30, 2010, foreign currency exchange rate fluctuations positively impacted our reported revenues by 1.8% and 2.5%, respectively, primarily due to the strengthening of the British pound sterling, Canadian dollar and Euro against the U.S. dollar, based on an analysis of weighted average rates for the comparable periods.

*Internal Growth Eight-Quarter Trend*

	2008		2009				2010	
	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter
Storage Revenue	7.5%	7.7%	7.4%	6.4%	6.8%	4.5%	3.4%	3.2%
Service Revenue	8.8%	5.2%	0.4%	1.3%	(3.7)%	0.2%	4.5%	1.0%
Total Revenue	8.1%	6.6%	4.2%	4.1%	2.0%	2.6%	3.9%	2.2%

During the past eight quarters our storage internal growth rate has ranged between 3% and 8%. The internal growth rate for service revenue is inherently more volatile than the storage revenue internal growth rate due to the more discretionary nature of certain complementary services we offer, such as large special projects, software licenses, and the volatility of prices for recycled paper. These revenues are often event driven and impacted to a greater extent by economic downturns as customers defer or cancel the purchase of certain services as a way to reduce their short-term costs, and may be difficult to replicate in future periods. As a commodity, recycled paper prices are subject to the volatility of that market. We expect our consolidated internal revenue growth for 2010 to be approximately 3%. The internal growth rate for service revenues reflects the following: (1) growth in North American storage-related service revenues, increased special project revenues and higher recycled paper revenues through the third quarter of 2008; (2) a large public sector contract in Europe that was completed in the third quarter of 2008; (3) declines in commodity prices for recycled paper and fuel, beginning in the fourth quarter of 2008, and improving through the end of 2009 and into the second quarter of 2010; (4) the expected softness in our complementary service revenues, such as project revenues and fulfillment services, beginning in the fourth quarter of 2008; and (5) pressures on activity-based service revenues related to the handling and transportation of items in storage and secure shredding.

Table of Contents**OPERATING EXPENSES****Cost of Sales**

Consolidated cost of sales (excluding depreciation and amortization) is comprised of the following expenses (in thousands):

	Three Months Ended June 30,			Percentage Change		% of Consolidated Revenues		Percentage Change (Favorable)/ Unfavorable
	2009	2010	Dollar Change	Actual	Constant Currency	2009	2010	
Labor	\$ 155,777	\$ 154,095	\$ (1,682)	(1.1)%	(3.1)%	20.9%	19.8%	(1.1)%
Facilities	98,570	98,925	355	0.4%	(1.4)%	13.2%	12.7%	(0.5)%
Transportation	27,161	26,647	(514)	(1.9)%	(3.6)%	3.6%	3.4%	(0.2)%
Product Cost of Sales and Other	31,190	28,860	(2,330)	(7.5)%	(9.2)%	4.2%	3.7%	(0.5)%
	\$ 312,698	\$ 308,527	\$ (4,171)	(1.3)%	(3.2)%	41.9%	39.6%	(2.3)%

	Six Months Ended June 30,			Percentage Change		% of Consolidated Revenues		Percentage Change (Favorable)/ Unfavorable
	2009	2010	Dollar Change	Actual	Constant Currency	2009	2010	
Labor	\$ 310,388	\$ 310,933	\$ 545	0.2%	(2.7)%	21.1%	20.0%	(1.1)%
Facilities	203,203	206,374	3,171	1.6%	(1.0)%	13.8%	13.3%	(0.5)%
Transportation	55,260	52,921	(2,339)	(4.2)%	(6.6)%	3.8%	3.4%	(0.4)%
Product Cost of Sales and Other	60,827	63,531	2,704	4.4%	1.7%	4.1%	4.1%	0.0%
	\$ 629,678	\$ 633,759	\$ 4,081	0.6%	(2.0)%	42.9%	40.7%	(2.2)%

*Labor*

Labor expense was unfavorably impacted by 2.0 and 2.9 percentage points of currency rate changes during the three and six months ended June 30, 2010, respectively. Excluding the effect of currency rate fluctuations, labor expense decreased in constant currency terms by 4.2% and 2.7% during the three and six months ended June 30, 2010, respectively, primarily due to productivity gains in our North American Physical Business.

*Facilities*

Facilities costs were unfavorably impacted by 1.8 and 2.6 percentage points of currency rate changes during the three and six months ended June 30, 2010, respectively. The largest component of our facilities cost is rent expense, which, in constant currency terms, increased by \$1.4 million for the first six months of 2010 over the first six months of 2009, but remained flat at approximately 12% of consolidated storage revenues for both the six months ended June 30, 2009 and 2010. Other facilities costs decreased by approximately \$3.3 million in constant currency terms for the six months ended June 30, 2010 compared to the six months ended June 30, 2009 primarily due to decreases in utilities costs of approximately \$4.1 million, which was partially offset by increased property taxes and insurance of \$1.0 million.

Table of Contents*Transportation*

Transportation expenses were unfavorably impacted by 1.7 and 2.4 percentage points of currency rate changes during the three and six months ended June 30, 2010, respectively. Transportation expenses decreased in constant currency terms during the three and six months ended June 30, 2010 as compared to 2009. A decrease of \$2.5 million in vehicle lease expense for the first six months of 2010 compared to the first six months of 2009 was due to the capitalization of leased vehicles upon renewal. The lease cost did not change, but the categorization of charges did, resulting in the cost now being allocated to depreciation and interest. There was also a \$1.7 million decrease in courier subcontractor costs in the first six months of 2010 compared to the first six months of 2009, reflecting the benefit of productivity gains from ongoing transportation improvement initiatives.

*Product Cost of Sales and Other*

Product cost of sales and other, which includes cartons, media and other service, storage and supply costs, is highly correlated to complementary revenue streams. These costs were unfavorably impacted by 2.7 percentage points of currency rate changes during the six months ended June 30, 2010. For the six months ending June 30, 2010, product cost of sales and other increased by \$2.7 million as compared to the prior year on an actual basis.

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses are comprised of the following expenses (in thousands):

	Three Months Ended June 30,		Dollar Change	Percentage Change		% of Consolidated Revenues		Percentage Change (Favorable)/ Unfavorable
	2009	2010		Actual	Constant Currency	2009	2010	
General and Administrative	\$ 110,345	\$ 116,708	\$ 6,363	5.8%	4.2%	14.8%	15.0%	0.2%
Sales, Marketing & Account Management	65,878	74,512	8,634	13.1%	11.8%	8.8%	9.6%	0.8%
Information Technology	35,660	40,854	5,194	14.6%	13.7%	4.8%	5.2%	0.4%
Bad Debt Expense	3,971	3,582	(389)	(9.8)%	(10.6)%	0.5%	0.5%	0.0%
	\$ 215,854	\$ 235,656	\$ 19,802	9.2%	7.8%	28.9%	30.2%	1.3%

	Six Months Ended June 30,		Dollar Change	Percentage Change		% of Consolidated Revenues		Percentage Change (Favorable)/ Unfavorable
	2009	2010		Actual	Constant Currency	2009	2010	
General and Administrative	\$ 219,831	\$ 241,189	\$ 21,358	9.7%	7.4%	15.0%	15.5%	0.5%
Sales, Marketing & Account Management	127,707	139,602	11,895	9.3%	7.3%	8.7%	9.0%	0.3%
Information Technology	71,322	80,538	9,216	12.9%	11.7%	4.9%	5.2%	0.3%
Bad Debt Expense	7,387	8,179	792	10.7%	9.1%	0.5%	0.5%	0.0%
	\$ 426,247	\$ 469,508	\$ 43,261	10.1%	8.1%	29.0%	30.2%	1.2%

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*General and Administrative*

General and administrative expenses were unfavorably impacted by 1.6 and 2.3 percentage points of currency rate changes during the three and six months ended June 30, 2010, respectively. In constant currency terms, compensation expense, including medical and other benefits, decreased by \$1.9 million and increased by \$4.8 million in the three and six months ended June 30, 2010, respectively, over the same periods in 2009. The increase during the six months ended June 30, 2010 is primarily a result of merit increases, \$1.1 million of incremental cost related to the acquisition of Mimosa Systems, Inc ("Mimosa"), and increased headcount primarily related to our continued investment in our hybrid records management services. In addition, legal costs and professional fees (related to project and cost saving initiatives) increased \$4.6 million and \$9.2 million in the three and six months ended June 30, 2010.

*Sales, Marketing & Account Management*

Sales, marketing and account management expenses were unfavorably impacted by 1.3 and 2.0 percentage points of currency rate changes during the three and six months ended June 30, 2010, respectively. In constant currency terms, the increase of \$9.5 million in the six months ended June 30, 2010 is primarily related to increased compensation of \$7.1 million, as a result of merit increases, \$3.5 million of incremental cost related to the Mimosa acquisition, and increased discretionary spending of \$3.0 million associated with various marketing programs and initiatives, partially offset by a decline in commission expense of \$0.8 million.

*Information Technology*

Information technology expenses were unfavorably impacted by 0.9 and 1.2 percentage points of currency rate changes during the three and six months ended June 30, 2010, respectively. In constant currency terms, information technology expenses increased \$8.4 million during the six months ended June 30, 2010 due to increased compensation of \$4.8 million, of which \$2.7 million relates to the Mimosa acquisition, and increased professional fees of \$2.9 million.

*Bad Debt Expense*

Consolidated bad debt expense decreased \$0.4 million to \$3.6 million (0.5% of consolidated revenues) for the three months ended June 30, 2010 from \$4.0 million (0.5% of consolidated revenues) for the three months ended June 30, 2009. Consolidated bad debt expense increased \$0.8 million to \$8.2 million (0.5% of consolidated revenues) for the six months ended June 30, 2010 from \$7.4 million (0.5% of consolidated revenues) for the six months ended June 30, 2009. We maintain an allowance for doubtful accounts that is calculated based on our past loss experience, current and prior trends in our aged receivables, current economic conditions, and specific circumstances of individual receivable balances. We continue to monitor our customers' payment activity and make adjustments based on their financial condition and in light of historical and expected trends.

**Depreciation, Amortization, and (Gain) Loss on Disposal/Writedown of Property, Plant and Equipment, Net**

Depreciation expense increased \$5.3 million and \$14.1 million for the three and six months ended June 30, 2010, respectively, compared to the three and six months ended June 30, 2009, primarily due to additional depreciation expense related to capital expenditures and acquisitions, including storage systems, which include racking, building and leasehold improvements, computer systems hardware and software, and buildings.

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Amortization expense increased \$1.4 million and \$2.0 million for the three and six months ended June 30, 2010, respectively, compared to the three and six months ended June 30, 2009, primarily due to the increased amortization of intangible assets, such as customer relationship intangible assets and intellectual property acquired through business combinations.

Consolidated gain on disposal/writedown of property, plant and equipment, net of \$1.2 million for the six months ended June 30, 2010, consisted primarily of a gain on the disposition of certain owned equipment of \$2.7 million in North America, offset by impairment losses related to certain owned facilities in North America of \$1.6 million.

Consolidated gain on disposal/writedown of property, plant and equipment, net of \$0.8 million for the six months ended June 30, 2009, consisted primarily of a \$1.9 million gain on an owned storage facility in France, which was taken by eminent domain in the first quarter of 2009, offset by write-offs of certain fixed assets in North America and Europe.

**OPERATING INCOME and ADJUSTED OIBDA**

As a result of all the foregoing factors, consolidated operating income increased \$12.4 million, or 9.0%, to \$150.4 million (19.3% of consolidated revenues) for the three months ended June 30, 2010 from \$138.1 million (18.5% of consolidated revenues) for the three months ended June 30, 2009. As a result of all the foregoing factors, consolidated operating income increased \$23.9 million, or 9.2%, to \$283.1 million (18.2% of consolidated revenues) for the six months ended June 30, 2010 from \$259.3 million (17.6% of consolidated revenues) for the six months ended June 30, 2009. Consolidated Adjusted OIBDA increased \$18.1 million, or 8.3%, to \$235.6 million (30.2% of consolidated revenues) for the three months ended June 30, 2010 from \$217.5 million (29.2% of consolidated revenues) for the three months ended June 30, 2009. As a result of all the foregoing factors, consolidated Adjusted OIBDA increased \$39.6 million, or 9.6%, to \$453.0 million (29.1% of consolidated revenues) for the six months ended June 30, 2010 from \$413.4 million (28.1% of consolidated revenues) for the six months ended June 30, 2009.

**OTHER EXPENSES, NET****Interest Expense, Net**

Consolidated interest expense, net increased \$1.1 million to \$56.2 million (7.2% of consolidated revenues) and \$2.1 million to \$112.8 million (7.2% of consolidated revenue) for the three and six months ended June 30, 2010, respectively, from \$55.2 million (7.4% of consolidated revenues) and \$110.7 million (7.5% of consolidated revenues) for the three and six months ended June 30, 2009, primarily due to an increase in our weighted average interest rate, which was 6.8% and 7.0% as of June 30, 2009 and 2010, respectively.

**Other (Income) Expense, Net (in thousands)**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2009	2010	Dollar Change	2009	2010	Dollar Change
Foreign currency transaction (gains) losses, net	\$ (17,127)	\$ 3,625	\$ 20,752	\$ (9,638)	\$ 8,890	\$ 18,528
Other, net	(1,267)	394	1,661	(1,601)	3,948	5,549
	\$ (18,394)	\$ 4,019	\$ 22,413	\$ (11,239)	\$ 12,838	\$ 24,077

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Net foreign currency transaction losses of \$8.9 million, based on period-end exchange rates, were recorded in the six months ended June 30, 2010. Losses resulted primarily from changes in the exchange rate of the British pound sterling, certain Latin American currencies and the Euro against the U.S. dollar compared to December 31, 2009, as these currencies relate to our intercompany balances with and between our European and Latin American subsidiaries, offset by gains as a result of British pound sterling and forward foreign currency swap contracts and Euro denominated bonds held by IMI.

Net foreign currency transaction gains of \$9.6 million, based on period-end exchange rates, were recorded in the six months ended June 30, 2009. Gains resulted primarily from changes in the exchange rate of the British pound sterling, Brazilian Real and Chilean Peso against the U.S. dollar compared to December 31, 2008, as these currencies relate to our intercompany balances with and between our European and Latin American subsidiaries, offset by losses as a result of British pound sterling denominated debt and forward contracts, as well as changes in the exchange rate of the Russian Ruble against the U.S. dollar, as it relates to our intercompany balances with and between our European subsidiaries.

The charge of \$4.7 million included in other (income) expense, net in the six months ended June 30, 2010 consists of losses related to the impact of the change in IME's fiscal year-end. Since its inception, IME has operated with an October 31 fiscal year-end. Therefore, IME's financial results have historically been consolidated with IMI's results with a two month lag. In order to better align our European processes with the enterprise, the IME fiscal year-end was changed to December 31 to match our fiscal year-end. The \$4.7 million charge represents the net impact of this change for the two years ended December 31, 2009.

**Provision for Income Taxes**

Our effective tax rate for the three and six months ended June 30, 2009 was 13.6% and 28.4%, respectively. Our effective tax rate for the three and six months ended June 30, 2010 was 53.7% and 57.1%, respectively, resulting in an increase of \$34.7 million and \$44.6 million in the provision for income taxes, respectively, over the same prior year periods. The primary reconciling items between the federal statutory rate of 35% and our overall effective tax rate are state income taxes (net of federal benefit) and differences in the rates of tax at which our foreign earnings are subject, including foreign exchange gains and losses in different jurisdictions with different tax rates. During the three and six months ended June 30, 2009, foreign currency gains were recorded in lower tax jurisdictions associated with our marking-to-market of intercompany loan positions while foreign currency losses were recorded in higher tax jurisdictions associated with our marking-to-market of debt and derivative instruments, which reduced the 2009 tax rate by 25.8% and 11.6% for the three and six months ended June 30, 2009, respectively. During the three and six months ended June 30, 2010, foreign currency gains were recorded in higher tax jurisdictions associated with our marking-to-market of debt and derivative instruments while foreign currency losses were recorded in lower tax jurisdictions associated with our marking-to-market of intercompany loan positions, which increased the 2010 tax rate by 13.1% and 16.0% for the three and six months ended June 30, 2010, respectively. We provide for income taxes during interim periods based on our estimate of the effective tax rate for the year. Discrete items and changes in our estimate of the annual effective tax rate are recorded in the period they occur.

Our effective tax rate is subject to future variability due to, among other items: (a) changes in the mix of income from foreign jurisdictions; (b) tax law changes; (c) volatility in foreign exchange gains and (losses); and (d) the timing of the establishment and reversal of tax reserves. We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. We are subject to examination by various tax authorities in jurisdictions in which we have significant business operations. We regularly assess the likelihood of additional assessments by tax authorities and provide for these matters as appropriate. Although we believe our tax estimates are appropriate, the final determination of tax audits and any related litigation could result in changes in our estimates.

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**NET INCOME**

As a result of all the foregoing factors, consolidated net income for the three months ended June 30, 2010 decreased \$45.8 million, or 52.3%, to \$41.8 million (5.4% of consolidated revenues) from net income of \$87.5 million (11.7% of consolidated revenues) for the three months ended June 30, 2009. Consolidated net income for the six months ended June 30, 2010 decreased \$46.9 million, or 40.9%, to \$67.6 million (4.3% of consolidated revenues) from net income of \$114.5 million (7.8% of consolidated revenues) for the six months ended June 30, 2009. The increase in operating income noted above, offset by the foreign currency exchange rate impacts and the impact of the change in IME's fiscal year-end included in other income (expense), net and the impact of our tax rate for the first six months of 2010 and the resulting increase in the provision for income taxes described above, contributed to the decrease in net income. Net loss attributable to noncontrolling interests was \$0.1 million and \$2.0 million for the three and six months ended June 30, 2009, respectively, and resulted in a benefit to net income attributable to Iron Mountain Incorporated. For the three and six months ended June 30, 2010, net income attributable to noncontrolling interests resulted in a decrease in net income attributable to Iron Mountain Incorporated of \$0.5 million and \$0.7 million, respectively. These represent our noncontrolling partners' share of earnings/losses in our majority-owned international subsidiaries that are consolidated in our operating results.

**Segment Analysis (in thousands)**

Corporate and our operating segments are discussed below. Our reportable operating segments are North American Physical Business, International Physical Business and Worldwide Digital Business. See Note 7 to Notes to Consolidated Financial Statements. Our North American Physical Business, which consists of the United States and Canada, offers the storage of paper documents, as well as all other non-electronic media such as microfilm and microfiche, master audio and videotapes, film, X-rays and blueprints, including healthcare information services, vital records services, service and courier operations, and the collection, handling and disposal of sensitive documents for corporate customers ("Hard Copy"); the storage and rotation of backup computer media as part of corporate disaster recovery plans, including service and courier operations ("Data Protection"); information destruction services ("Destruction"); and the storage, assembly, and detailed reporting of customer marketing literature and delivery to sales offices, trade shows and prospective customers' sites based on current and prospective customer orders ("Fulfillment"). Our International Physical Business segment offers information management services throughout Europe, Latin America and Asia Pacific, including Hard Copy, Data Protection and Destruction (in the U.K., Australia and New Zealand). Our Worldwide Digital Business offers information management services for electronic records conveyed via telecommunication lines and the Internet, including online backup and recovery solutions for server data and personal computers, as well as email archiving, third party intellectual property escrow services that protect intellectual property assets such as software source code, and electronic discovery services for the legal market that offers in-depth discovery and data investigation solutions. Corporate consists of costs related to executive and staff functions, including finance, human resources and information technology, which benefit the enterprise as a whole. These costs primarily relate to the general management of these functions on a corporate level and the design and development of programs, policies and procedures that are then implemented in the individual segments, with each segment bearing its own cost of implementation. Corporate also includes stock-based employee compensation expense associated with all employee stock-based awards.

Table of Contents*North American Physical Business*

	Three Months Ended June 30,		Dollar Change	Percentage Change		
	2009	2010		Actual	Constant Currency	Internal Growth
Segment Revenue	\$ 524,309	\$ 544,295	\$ 19,986	3.8%	2.6%	2.5%
Segment Adjusted OIBDA(1)	\$ 212,881	\$ 242,581	\$ 29,700	14.0%	12.6%	
Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue	40.6%	44.6%				

	Six Months Ended June 30,		Dollar Change	Percentage Change		
	2009	2010		Actual	Constant Currency	Internal Growth
Segment Revenue	\$ 1,035,840	\$ 1,084,781	\$ 48,941	4.7%	3.3%	3.2%
Segment Adjusted OIBDA(1)	\$ 407,771	\$ 464,395	\$ 56,624	13.9%	12.3%	
Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue	39.4%	42.8%				

(1)

See Note 7 to Notes to the Consolidated Financial Statements for definition of Adjusted OIBDA and for the basis on which allocations are made and a reconciliation of Adjusted OIBDA to income (loss) before provision (benefit) for income taxes.

During the six months ended June 30, 2010, revenue in our North American Physical Business segment increased 4.7% over the six months ended June 30, 2009, primarily due to internal growth of 3.2%. Internal growth was due to storage internal growth of 3.3% related to increased Hard Copy and Data Protection revenues and service internal growth of 3.2%. Current economic factors have led to a moderation in our storage growth rate, as a result of lower new sales and higher destruction rates in our physical business. Core service revenue growth was also constrained by current economic trends and pressures on activity-based services revenues related to the handling and transportation of items in storage. Our core services business yielded negative internal growth of 2.3%, which was more than offset by complementary services revenues internal growth of 19.8%, due primarily to higher recycled paper prices. Additionally, favorable foreign currency rate changes related to Canada resulted in increased 2010 revenue, as measured in U.S. dollars, of 1.5%. Adjusted OIBDA as a percentage of segment revenue increased in 2010 due mainly to productivity gains, pricing actions, disciplined cost management, partially offset by a \$4.2 million increase in professional fees (related to project and cost savings initiatives).

*International Physical Business*

	Three Months Ended June 30,		Dollar Change	Percentage Change		
	2009	2010		Actual	Constant Currency	Internal Growth
Segment Revenue	\$ 163,997	\$ 174,936	\$ 10,939	6.7%	2.9%	2.3%
Segment Adjusted OIBDA(1)	\$ 31,728	\$ 30,817	\$ (911)	(2.9)%	(5.8)%	
Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue	19.3%	17.6%				



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	Six Months Ended June 30,		Dollar Change	Percentage Change		
	2009	2010		Actual	Constant Currency	Internal Growth
Segment Revenue	\$ 320,670	\$ 354,369	\$ 33,699	10.5%	4.2%	3.8%
Segment Adjusted OIBDA(1)	\$ 60,888	\$ 64,933	\$ 4,045	6.6%	1.0%	
Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue	19.0%	18.3%				

(1)

See Note 7 to Notes to the Consolidated Financial Statements for definition of Adjusted OIBDA and for the basis on which allocations are made and a reconciliation of Adjusted OIBDA to income (loss) before provision (benefit) for income taxes.

Revenue in our International Physical Business segment increased 10.5% during the six months ended June 30, 2010 over the same period last year due to foreign currency fluctuations in 2010, primarily in Europe, which resulted in increased 2010 revenue, as measured in U.S. dollars, compared to 2009 of approximately 6.3%. Total internal revenue growth for the segment was 3.8%, supported by solid 6.0% storage internal growth and strong core services internal growth of 5.1%. These gains were offset slightly by the 8.7% reduction in complementary revenue internal growth. Adjusted OIBDA as a percentage of segment revenue decreased in the three and six months ended June 30, 2010 primarily due to increased compensation expense related to investments in our hybrid records management services, partially offset by productivity gains, pricing actions and disciplined cost management.

**Worldwide Digital Business**

	Three Months Ended June 30,		Dollar Change	Percentage Change		
	2009	2010		Actual	Constant Currency	Internal Growth
Segment Revenue	\$ 57,722	\$ 60,560	\$ 2,838	4.9%	5.2%	(0.6)%
Segment Adjusted OIBDA(1)	\$ 13,303	\$ 6,853	\$ (6,450)	(48.5)%	(47.8)%	
Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue	23.0%	11.3%				

	Six Months Ended June 30,		Dollar Change	Percentage Change		
	2009	2010		Actual	Constant Currency	Internal Growth
Segment Revenue	\$ 112,864	\$ 117,147	\$ 4,283	3.8%	3.6%	(1.0)%
Segment Adjusted OIBDA(1)	\$ 23,496	\$ 13,954	\$ (9,542)	(40.6)%	(40.5)%	
Segment Adjusted OIBDA(1) as a Percentage of Segment Revenue	20.8%	11.9%				

(1)

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See Note 7 to Notes to the Consolidated Financial Statements for definition of Adjusted OIBDA and for the basis on which allocations are made and a reconciliation of Adjusted OIBDA to income (loss) before provision (benefit) for income taxes.

During the six months ended June 30, 2010, revenue in our Worldwide Digital Business segment increased 3.8% over the same period in 2009. Mimosa, which we acquired in February 2010, contributed \$5.2 million, or a 4.6% increase in revenue. This increase was offset by lower pricing and longer new sales cycles in our digital business. In the six months ended June 30, 2010, Adjusted OIBDA in the Worldwide Digital Business segment decreased compared to the same period in 2009 due to the impact of revenue mix and increased costs associated with the integration of Mimosa.

Table of Contents*Corporate*

	Three Months Ended June 30,		Dollar Change	Percentage Change
	2009	2010		
Segment Adjusted OIBDA(1)	\$ (40,436)	\$ (44,643)	\$ (4,207)	(10.4)%
Segment Adjusted OIBDA(1) as a Percentage of Consolidated Revenue	(5.4)%	(5.7)%		

	Six Months Ended June 30,		Dollar Change	Percentage Change
	2009	2010		
Segment Adjusted OIBDA(1)	\$ (78,706)	\$ (90,252)	\$ (11,546)	(14.7)%
Segment Adjusted OIBDA(1) as a Percentage of Consolidated Revenue	(5.4)%	(5.8)%		

(1)

See Note 7 to Notes to the Consolidated Financial Statements for definition of Adjusted OIBDA and for the basis on which allocations are made and a reconciliation of Adjusted OIBDA to income (loss) before provision (benefit) for income taxes.

During the six months ended June 30, 2010, expenses in the Corporate segment increased 14.7% over the six months ended June 30, 2009. This increase is primarily driven by higher professional fees of \$5.5 million related to productivity and cost saving initiatives, an insurance deductible of \$2.9 million associated with the recent Chilean earthquake, increased stock-based compensation of \$1.7 million, other expenses including marketing, recruiting and telephone and, to a lesser extent, increased compensation reflecting merit increases and higher benefit costs.

**Liquidity and Capital Resources**

The following is a summary (in thousands) of our cash balances and cash flows as of and for the six months ended June 30,

	2009	2010
Cash flows from operating activities	\$ 248,291	\$ 268,098
Cash flows from investing activities	(137,925)	(290,568)
Cash flows from financing activities	(70,431)	(79,187)
Cash and cash equivalents at the end of period	316,056	340,479

Net cash provided by operating activities was \$268.1 million for the six months ended June 30, 2010 compared to \$248.3 million for the six months ended June 30, 2009. The 8.0% increase resulted primarily from an increase in working capital of \$28.4 million, an increase in various non-cash charges of \$11.5 million, and an increase in realized foreign exchange gains of \$8.2 million, offset by a decrease in net income, excluding non-cash charges of \$28.3 million over the same period last year.

Due to the nature of our businesses, we make significant capital expenditures and additions to customer acquisition costs, which are included in cash flows from investing activities. Our capital expenditures are primarily related to growth and include investments in storage systems, information systems and discretionary investments in real estate. Cash paid for our capital expenditures, cash paid for acquisitions (net of cash acquired) and additions to customer acquisition costs during the six months ended June 30, 2010 amounted to \$138.0 million, \$122.9 million and \$5.5 million, respectively. For the six months ended June 30, 2010, capital expenditures, net, cash paid for acquisitions (net of cash acquired) and additions to customer acquisition costs were funded with cash flows provided by operating activities and cash equivalents on hand. Excluding potential future acquisitions, we expect our

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capital expenditures to be approximately \$280 million in the year ending December 31, 2010. Included in our estimated capital expenditures for 2010 is approximately \$20 million of opportunity-driven real estate purchases.

Net cash used in financing activities was \$79.2 million for the six months ended June 30, 2010. During the six months ended June 30, 2010, we had gross borrowings under our revolving credit and term loan facilities and other debt of \$39.9 million, \$9.2 million of proceeds from the exercise of stock options and employee stock purchase plan and \$1.3 million of excess tax benefits from stock-based compensation. We used the proceeds from these financing transactions to repay \$66.2 million on our revolving credit and term loans and other debt, \$50.6 million to repurchase our common stock and \$12.7 million to pay dividends on our common stock.

In February 2010, our board of directors approved a share repurchase program authorizing up to \$150.0 million in repurchases of our common stock. This represented approximately 3% of our outstanding common stock based on the closing price on February 19, 2010. All purchases are subject to stock price, market conditions, corporate and legal requirements and other factors. In addition, in February 2010, our board of directors adopted a dividend policy under which we intend to pay quarterly cash dividends on our common stock. The first quarterly dividend of \$0.0625 per share was paid on April 15, 2010 to shareholders of record on March 25, 2010 in the aggregate amount of \$12.7 million. The second quarterly dividend of \$0.0625 per share was paid on July 15, 2010 to shareholders of record on June 25, 2010 in the aggregate amount of \$12.6 million. Declaration and payment of future quarterly dividends is at the discretion of our board of directors. If we continue the \$0.0625 per share quarterly dividend we anticipate that the 2010 annual dividend payout will be approximately \$50 million based on our total outstanding shares as of February 19, 2010 (of which the fourth quarter 2010 payment would not be paid until January, 2011, if declared).

The following table is a summary of our repurchase activity under all of our share repurchase programs during the first six months of 2010:

	2010	
	Shares	Amount
		(In thousands)
Prior year authorization as of January 1,		\$
Authorizations		150,000
Repurchases paid	(2,022,443)	(50,523)
Repurchases unsettled	(163,200)	(3,750)
Authorization remaining as of June 30,		\$ 95,727

Financial instruments that potentially subject us to market risk consist principally of cash, money market funds and time deposits. As of June 30, 2010, we had significant concentrations of liquid investments with eight global banks and seven "Triple A" rated money market funds which we consider to be large, highly rated investment grade institutions. As of June 30, 2010, our cash and cash equivalent and restricted cash balance was \$375.6 million, including money market funds and time deposits amounting to \$266.7 million. A substantial portion of these money market funds are invested in U.S. treasuries.

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We are highly leveraged and expect to continue to be highly leveraged for the foreseeable future. Our consolidated debt as of June 30, 2010 was comprised of the following (in thousands):

Revolving Credit Facility(1)	\$ 12,054
Term Loan Facility(1)	398,250
7 <sup>1</sup> / <sub>4</sub> % GBP Senior Subordinated Notes due 2014(2)	225,008
7 <sup>3</sup> / <sub>4</sub> % Senior Subordinated Notes due 2015(2)	435,399
6 <sup>5</sup> / <sub>8</sub> % Senior Subordinated Notes due 2016(2)	317,282
7 <sup>1</sup> / <sub>2</sub> % CAD Senior Subordinated Notes due 2017(the "Subsidiary Notes")(3)	165,751
8 <sup>3</sup> / <sub>4</sub> % Senior Subordinated Notes due 2018(2)	200,000
8% Senior Subordinated Notes due 2018(2)	49,763
6 <sup>3</sup> / <sub>4</sub> % Euro Senior Subordinated Notes due 2018(2)	310,185
8% Senior Subordinated Notes due 2020(2)	300,000
8 <sup>3</sup> / <sub>8</sub> % Senior Subordinated Notes due 2021(2)	548,088
Real Estate Mortgages, Capital Leases and Other	205,035
<b>Total Long-term Debt</b>	<b>3,166,815</b>
Less Current Portion	(37,662)
<b>Long-term Debt, Net of Current Portion</b>	<b>\$ 3,129,153</b>

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- (1) The capital stock or other equity interests of most of our U.S. subsidiaries, and up to 66% of the capital stock or other equity interests of our first tier foreign subsidiaries, are pledged to secure these debt instruments, together with all intercompany obligations of foreign subsidiaries owed to us or to one of our U.S. subsidiary guarantors.
- (2) Collectively referred to as the Parent Notes. IMI is the direct obligor on the Parent Notes, which are fully and unconditionally guaranteed, on a senior subordinated basis, by substantially all of its direct and indirect wholly owned U.S. subsidiaries (the "Guarantors"). These guarantees are joint and several obligations of the Guarantors. Iron Mountain Canada Corporation ("Canada Company") and the remainder of our subsidiaries do not guarantee the Parent Notes.
- (3) Canada Company is the direct obligor on the Subsidiary Notes, which are fully and unconditionally guaranteed, on a senior subordinated basis, by IMI and the Guarantors. These guarantees are joint and several obligations of IMI and the Guarantors.

Our credit facility consists of revolving credit facilities, where we can borrow, subject to certain limitations as defined in the credit agreement we entered into on April 16, 2007 governing this facility (the "Credit Agreement"), up to an aggregate amount of \$765 million (including Canadian dollar and multi-currency revolving credit facilities), and a \$410 million term loan facility. Our revolving credit facility is supported by a group of 24 banks. Our subsidiaries, Canada Company and Iron Mountain Switzerland GmbH, may borrow directly under the Canadian revolving credit and multi-currency revolving credit facilities, respectively. Additional subsidiary borrowers may be added under the multi-currency revolving credit facility. The revolving credit facility terminates on April 16, 2012. With respect to the term loan facility, quarterly loan payments of approximately \$1.0 million are required through maturity on April 16, 2014, at which time the remaining outstanding principal balance of the term loan facility is due. The interest rate on borrowings under the Credit Agreement varies depending on our choice of interest rate and currency options, plus an applicable margin. IMI guarantees the obligations of each of the subsidiary borrowers under the Credit Agreement, and substantially all of our U.S. subsidiaries guarantee the obligations of IMI and the subsidiary borrowers. The capital stock or other equity interests of most of our U.S. subsidiaries, and up to 66% of the capital stock or other equity

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interests of our first tier foreign subsidiaries, are pledged to secure the Credit Agreement, together with all intercompany obligations of foreign subsidiaries owed to us or to one of our U.S. subsidiary guarantors. As of June 30, 2010, we had \$12.1 million of outstanding borrowings under the revolving credit facility, of which \$4.5 million was denominated in U.S. dollars and the remaining balance was denominated in Euro (EUR 2.7 million) and Australian dollars (AUD 5.0 million); we also had various outstanding letters of credit totaling \$2.6 million. The remaining availability, based on IMI's leverage ratio, which is calculated based on the last 12 months' earnings before interest, taxes, depreciation and amortization ("EBITDA"), and other adjustments as defined in the Credit Agreement and current external debt, under the revolving credit facility on June 30, 2010, was \$750.4 million. The interest rate in effect under the revolving credit facility and term loan facility was 3.2% and 2.1%, respectively, as of June 30, 2010.

The Credit Agreement, our indentures and other agreements governing our indebtedness contain certain restrictive financial and operating covenants, including covenants that restrict our ability to complete acquisitions, pay cash dividends, incur indebtedness, make investments, sell assets and take certain other corporate actions. The covenants do not contain a rating trigger. Therefore, a change in our debt rating would not trigger a default under the Credit Agreement and our indentures and other agreements governing our indebtedness. Our revolving credit and term loan facilities, as well as our indentures, use EBITDA-based calculations as primary measure of financial performance, including leverage ratios. IMI's revolving credit and term leverage ratio was 3.3 and 3.1 as of December 31, 2009 and June 30, 2010, respectively, compared to a maximum allowable ratio of 5.5. Similarly, our bond leverage ratio, per the indentures, was 4.1 and 3.8 as of December 31, 2009 and June 30, 2010, respectively, compared to a maximum allowable ratio of 6.5. Noncompliance with these leverage ratios would have a material adverse effect on our financial condition and liquidity. We were in compliance with all debt covenants in material agreements as of June 30, 2010 and we do not expect the debt covenants and restrictions to limit our recently approved share repurchase program or dividends under our dividend policy as more fully discussed above.

Our ability to pay interest on or to refinance our indebtedness depends on our future performance, working capital levels and capital structure, which are subject to general economic, financial, competitive, legislative, regulatory and other factors which may be beyond our control. There can be no assurance that we will generate sufficient cash flow from our operations or that future financings will be available on acceptable terms or in amounts sufficient to enable us to service or refinance our indebtedness, or to make necessary capital expenditures.

In February 2010, we acquired 100% of Mimosa, a leader in enterprise-class digital content archiving solutions, for approximately \$112 million in cash. Mimosa, based in Santa Clara, California, provides an on-premises integrated archive for email, SharePoint data and files, and complements our existing enterprise-class, cloud-based digital archive services. NearPoint, Mimosa's enterprise archiving platform, has applications for retention and disposition, eDiscovery, compliance supervision, classification, recovery, and end-user search, enabling customers to reduce risk, and lower their eDiscovery and storage costs.

To expand our geographical footprint in Europe, in May 2010 we acquired the remaining 87% interest of our joint venture in Greece (Safe doc S.A.) for a cash purchase price of approximately \$4.7 million and now control 100% of our Greek operations, which provide storage and records management services. The carrying value of the 13% interest that we had previously acquired and accounted for under the equity method of accounting amounted to approximately \$0.4 million and the fair value of such interest on the date of acquisition was approximately \$0.5 million and resulted in a gain being recorded on the date of transaction to other (income) expense, net included in the accompanying consolidated statement of operations of approximately \$0.1 million during the second quarter of 2010.

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As a result of the February 27, 2010 earthquake in Chile, we experienced damage to certain of our 13 owned and leased records management facilities in that region. None of our facilities were destroyed by fire or significantly impacted by water damage. However, the structural integrity of five buildings was compromised, and some of the racking included in certain buildings was damaged or destroyed. Some customer materials were impacted by this event. Revenues from this country represent less than 1% of our consolidated enterprise revenues. We believe we carry adequate property and liability insurance and do not expect that this event will have a material impact to our consolidated results of operations or financial condition.

During the quarter ended June 30, 2010, we received payments from our insurance carrier of approximately \$21.0 million. Such amount represents a portion of our business personal property, business interruption, and expense claims filed with our insurance carriers. We expect to utilize cash from our insurance settlements to fund capital expenditures and for general working capital needs. Recoveries from the business interruption portion of our insurance claim will be recorded as other income in the consolidated statement of operations when received. We expect to receive proceeds from our property claims that exceed the carrying value of the related assets. We, therefore, expect to record gains on the disposal/writedown of property, plant and equipment, net in our statement of operations in future periods when cash received to date exceeds the carrying value of the related property, plant and equipment, net. Proceeds from our business personal property claims are reflected in our statement of cash flows under proceeds from sales of property and equipment and other, net included in the investing activities section when received. We have reflected approximately \$6.4 million of the cash proceeds received to date as proceeds from sales of property and equipment, net, in our statement of cash flows for the six months ended June 30, 2010. Proceeds from our business interruption claims are reflected in our statement of cash flows as a component of net income included in the operating activities section when received.

In August 2010, we called \$200 million of the \$431.3 million aggregate principal amount outstanding of our 7<sup>3</sup>/<sub>4</sub>% Senior Subordinated Notes due 2015 (the "7<sup>3</sup>/<sub>4</sub>% notes") at a redemption price of 101.292% for each one thousand dollars of principal amount of notes redeemed, plus accrued and unpaid interest, all of which will be paid in September 2010. We will record a charge to other expense (income), net of approximately \$1.8 million in the third quarter of 2010 related to the early extinguishment of the 7<sup>3</sup>/<sub>4</sub>% notes being redeemed. This charge consists of the call premium and deferred financing costs, net of original issue premiums related to the 7<sup>3</sup>/<sub>4</sub>% notes.

We expect to meet our cash flow requirements for the next twelve months from cash generated from operations, existing cash, cash equivalents, borrowings under the Credit Agreement and other financings, which may include secured credit facilities, securitizations and mortgage or capital lease financings. We expect to meet our long-term cash flow requirements using the same means described above, as well as the potential issuance of debt or equity securities as we deem appropriate. See Notes 3, 5, and 8 to Notes to Consolidated Financial Statements.

*Net Operating Losses, Research Credits and Foreign Tax Credit Carryforwards*

We have federal net operating loss carryforwards of \$91.6 million (\$32.0 million, tax effected) which begin to expire in 2019 through 2029, to reduce future federal taxable income at June 30, 2010. We have an asset for state net operating losses of \$19.7 million (net of federal tax benefit), which begins to expire in 2010 through 2029, subject to a valuation allowance of approximately 81%. We have assets for foreign net operating losses of \$29.7 million, with various expiration dates, subject to a valuation allowance of approximately 81%. Additionally, at June 30, 2010, we have federal research credits of \$2.9 million, which begin to expire in 2010 through 2029 and state research credits of approximately \$1 million (net of federal tax benefit) which begin to expire in 2025 through 2029. We also have foreign tax credits of \$67.2 million, which begin to expire in 2014 through 2020. Based on

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current expectations and plans, we expect to fully utilize our foreign tax credit carryforwards prior to their expiration. All figures include amounts recorded as part of the Mimosa acquisition.

*Inflation*

Certain of our expenses, such as wages and benefits, insurance, occupancy costs and equipment repair and replacement, are subject to normal inflationary pressures. Although to date we have been able to offset inflationary cost increases through increased operating efficiencies and the negotiation of favorable long-term real estate leases, we can give no assurance that we will be able to offset any future inflationary cost increases through similar efficiencies, leases or increased storage or service charges.

**Item 4. Controls and Procedures**

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These rules refer to the controls and other procedures of a company that are designed to ensure that information is recorded, processed, summarized and communicated to management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding what is required to be disclosed by a company in the reports that it files under the Exchange Act. As of June 30, 2010 (the "Evaluation Date"), we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures are effective.

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**Part II. Other Information**

**Item 1. Legal Proceedings**

In May 2006, we filed an eviction lawsuit against a tenant, Digital Encoding Factory, LLC ("DEF"), leasing space in our Boyers, Pennsylvania records storage facility for its failure to make required rent payments. In October 2006, DEF and two related companies, EDA Acquisition, LLC, and Media Holdings, LLC, filed a lawsuit against us in U.S. Federal District Court for the Western District of Pennsylvania alleging that they started a digital scanning business in our Boyers, Pennsylvania, records storage facility because we verbally agreed to refer customer digital scanning business in the facility to them (the "Pittsburgh Lawsuit") and promised substantial business. The plaintiffs contended that we breached this alleged verbal agreement and sought to recover damages in the range of \$6.5 million to \$53.5 million. We disputed the plaintiffs' claims and contended that there was no such verbal agreement. A bench trial occurred in the case in March 2010. In July 2010, we executed an agreement with the plaintiffs settling the case before the judge reached a decision in the matter. The legal proceedings related to this event did not have a material impact to our consolidated results of operations or financial condition.

In July 2006, we experienced a significant fire in a leased records and information management facility in London, England, that resulted in the complete destruction of the facility and its contents. The London Fire Brigade ("LFB") issued a report in which it was concluded that the fire resulted either from human agency, i.e., arson, or an unidentified ignition device or source, and its report to the Home Office concluded that the fire resulted from a deliberate act. The LFB also concluded that the installed sprinkler system failed to control the fire due to the primary electric fire pump being disabled prior to the fire and the standby diesel fire pump being disabled in the early stages of the fire by third-party contractors. We have received notices of claims from customers or their subrogated insurance carriers under various theories of liabilities arising out of lost data and/or records as a result of the fire. Certain of those claims have resulted in litigation in courts in the United Kingdom. We deny any liability in respect of the London fire and we have referred these claims to our excess warehouse legal liability insurer, which has been defending them to date under a reservation of rights. Certain of the claims have been settled for nominal amounts, typically one to two British pounds sterling per carton, as specified in the contracts, which amounts have been or will be reimbursed to us from our primary property insurer. An entity that provided certain security services related to the destroyed facility as a contractor to us is a defendant in an action by the owner of the property, seeking damages in the amount of approximately 10.7 million British pounds sterling for negligence and breach of duty. The security service provider recently petitioned the court hearing the matter to join Iron Mountain (UK) as a third party defendant, seeking contribution in respect of its liability (if any) to the owner of the building, and the court has granted the motion. We believe there are meritorious defenses available to us with respect to the claim. Many claims, including substantial claims, remain outstanding; others have been resolved pursuant to consent orders. We believe we carry adequate property and liability insurance. We do not expect that legal proceedings related to this event will have a material impact to our consolidated results of operations or financial condition.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

There were no sales of unregistered securities for the three months ended June 30, 2010. The following table sets forth our common stock repurchased for the three months ended June 30, 2010:

<b>Issuer Purchases of Equity Securities</b>				
<b>Period(1)</b>	<b>Total Number of Shares Purchased(2)</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(3)</b>	<b>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs(4) (In Thousands)</b>
April 1, 2010 - April 30, 2010	209,125	\$ 27.11	209,125	\$ 133,581
May 1, 2010 - May 31, 2010	560,937	\$ 24.83	560,937	\$ 119,651
June 1, 2010 - June 30, 2010	1,005,618	\$ 23.79	1,005,618	\$ 95,727
Total	1,775,680	\$ 24.51	1,775,680	

- (1) Information is based on trade dates of repurchase transactions.
- (2) Consists of shares of our common stock, par value \$.01 per share. All repurchases were made pursuant to an announced plan. All repurchases were made in open market transactions under the terms of a Rule 10b5-1 plan adopted by us.
- (3) In February 2010, we announced that our board of directors had authorized a stock repurchase program for up to \$150 million of our common stock from time to time on the open market or in privately negotiated transactions. The board of directors did not specify an expiration date for this program.
- (4) Dollar amounts represented reflect \$150 million minus the total aggregate amount purchased in such month and all prior months during which the repurchase program was in effect and exclude commissions paid in connection therewith.

**Item 6. Exhibits****(a) Exhibits**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Amended and Restated Bylaws of Iron Mountain Incorporated. <i>(Incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the Commission on March 5, 2010, File No. 001-13045.)</i>
4.1	Form of stock certificate representing shares of Common Stock, \$.01 par value per share, of Iron Mountain Incorporated. <i>(Incorporated by reference to Exhibit 4.10 to the Company's Registration Statement on Form S-3, filed with the Commission on June 28, 2010, File No. 333-167837.)</i>

- 10.1 Amendment to the 2002 Stock Incentive Plan. *(Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Commission on June 9, 2010, File No. 001-13045.)*
- 10.2 Amendment to the 2006 Senior Executive Incentive Program. *(Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Commission on June 9, 2010, File No. 001-13045.)*

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Exhibit No.	Description
10.3	Amendment to the 2003 Senior Executive Incentive Program. <i>(Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed with the Commission on June 9, 2010, File No. 001-13045.)</i>
10.4	Restated Compensation Plan for Non-Employee Directors dated as of June 4, 2010. <i>(Filed herewith.)</i>
12	Statement re: Computation of Ratios.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a) Certification of Chief Financial Officer.
32.1	Section 1350 Certification of Chief Executive Officer. <i>(Furnished herewith.)</i>
32.2	Section 1350 Certification of Chief Financial Officer. <i>(Furnished herewith.)</i>
101	The following materials from Iron Mountain Incorporated's Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Equity, (iv) Consolidated Statements of Comprehensive Income (Loss), (v) Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text. <i>(Furnished herewith.)</i>

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**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.

August 5, 2010

IRON MOUNTAIN INCORPORATED  
By: /s/ BRIAN P. MCKEON

(DATE)

Brian P. McKeon  
*Executive Vice President and*  
*Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*

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