

# HOOPER HOLMES INC

## FORM 10-K (Annual Report)

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

**FORM 10-K**

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the fiscal year ended December 31, 2010

**Commission file number: 001-09972**

**HOOPER HOLMES, INC.**

(Exact name of Registrant as specified in its charter)

**New York**

(State or other jurisdiction of incorporation or organization)

**22-1659359**

(I.R.S. Employer Identification No.)

**170 Mt. Airy Road**

**Basking Ridge, NJ**

(Address of principal executive offices)

**07920**

(Zip Code)

**Registrant's telephone number, including area code: (908) 766-5000**

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

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Common Stock (\$.04 par value per share)	NYSE Amex Stock Exchange

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K.

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes  No

The aggregate market value of the shares of common stock held by non-affiliates of the Registrant (63,393,035 shares), based on the closing price of these shares on June 30, 2010 (the last business day of the registrant's most recently completed second fiscal quarter) on the NYSE Amex Stock Exchange, was \$36,134,030.

The number of shares outstanding of the Registrant's common stock as of February 28, 2011 was 69,589,587.

**Documents Incorporated by Reference**

Items 10, 11, 12, 13 and 14 of Part III incorporate by reference information from the Registrant's proxy statement for the Registrant's Annual Meeting of Shareholders to be held on May 24, 2011 to be filed with the Securities and Exchange Commission within 120 days of the Registrant's fiscal year ended December 31, 2010.

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**FORM 10K**

**PART 1**

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In this Report, the terms “Hooper Holmes,” “Company,” “we,” “us” and “our” refer to Hooper Holmes, Inc. and its subsidiaries.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Report contains forward-looking statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including, but not limited to, statements about our plans, strategies and prospects under the headings “Business,” “Risk Factors,” “Management's Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Annual Report. When used in this Report, the words “expects,” “anticipates,” “believes,” “estimates,” “plans,” “intends,” “could,” “will,” “may” and similar expressions are intended to identify forward-looking statements. These are statements that relate to future periods and include statements as to our operating results, revenues, sources of revenues, cost of revenues, gross margins, net and operating profits/losses, our new IT system and the expansion of certain service line offerings.

Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expected. These risks and uncertainties include, but are not limited to risks related to customer concerns about our financial health, our liquidity, future claims arising from the sale of our business, declines in our business, our competitive disadvantage, our ability to successfully implement cost reduction initiatives, as well as risks discussed in Item 1A- Risk Factors, below. Investors should consider these factors before deciding to make or maintain an investment in our securities. The forward-looking statements included in this Annual Report are based on information available to us as of the date of this Annual Report. We expressly disclaim any intent or obligation to update any forward-looking statements to reflect subsequent events or circumstances.

**Overview**

We are a publicly-traded New York corporation whose shares of common stock are listed on the NYSE Amex Stock Exchange. Our corporate headquarters are located in Basking Ridge, New Jersey.

Our Company was founded in 1899. Over the last 40 years, our business focus has been on providing health risk assessment services. We currently engage in several service lines that are managed as one division: the Health Information Division.

Our **Health Information Division (HID)** consists of the following service lines:

- **Portamedic** – performs paramedical and medical examinations of individuals, primarily on behalf of insurance companies in connection with the offering or rating of insurance coverage (mainly life insurance), along with medical examinations of health plan participants in order to provide medical information on plan members to the plan sponsors;
- **Heritage Labs** – performs tests of blood, urine and oral fluid specimens, primarily generated in connection with the paramedical exams and wellness screenings performed by our Portamedic and Health & Wellness service lines, and assembles and sells specimen collection kits;
- **Health & Wellness** – collects health information via on-site biometric screenings, self-collection laboratory test kits and health risk assessments for health management companies, including wellness companies, disease management organizations and health plans; and
- **Hooper Holmes Services** – conducts telephone interviews of insurance candidates, retrieval of medical records and inspections; provides risk management solutions and underwriting services for simplified issue products and products requiring full underwriting.

The table below provides a breakdown of our revenues by service line for each of the three most recently completed fiscal years. Historical financial information presented in this Annual Report reflects our former Claims Evaluation Division (“CED”), sold in June 2008, and our United Kingdom-based subsidiary, Medicals Direct Group (“MDG”), sold in October 2007, as discontinued operations. Accordingly, except where specific discussion of MDG and/or CED is made, all financial information presented in this Annual Report excludes CED and MDG for all periods presented.

<i>(in thousands)</i>	For the Years Ended December 31,					
	2010	% of Total	2009	% of Total	2008	% of Total
Portamedic	\$ 118,555	71.3 %	\$ 134,373	73.7 %	\$ 140,720	71.0 %
Heritage Labs	13,682	8.2 %	14,955	8.2 %	15,738	7.9 %
Health & Wellness	14,343	8.6 %	10,961	6.0 %	7,587	3.8 %
Hooper Holmes Services	21,859	13.1 %	24,698	13.5 %	37,075	18.7 %
Subtotal	168,439		184,987		201,120	
Intercompany eliminations <sup>(a)</sup>	(2,069)	(1.2)%	(2,586)	(1.4)%	(2,887)	(1.5)%
Total	\$ 166,370		\$ 182,401		\$ 198,233	

(a) represents intercompany sales from Heritage Labs to Portamedic

**Description of Services***Portamedic*

Life insurance underwriting decisions are based, in part, on statistical probabilities of mortality (death) and morbidity (illness or disease), such that insurance companies generally require quantitative data reflecting an insurance applicant’s general health. We assist insurance companies, their affiliated agents, independent agents and brokers, in gathering these data.

We perform paramedical and medical examinations of applicants for insurance, primarily life insurance, throughout the United States under the *Portamedic* trade name, the results of which are used by our clients in processing applications for insurance. We provide our paramedical examination services through our network of paramedical examiners, consisting largely of phlebotomists, registered nurses, nurse practitioners, licensed practical nurses, emergency medical technicians (EMTs) and other medically trained professionals. A paramedical exam typically consists of asking questions about an applicant's medical history and taking measurements of the applicant's height and weight, blood pressure and pulse. Blood and urine specimens are typically collected to be tested by a laboratory – in many cases, our Heritage Labs laboratory.

When our customers require a medical examination beyond the capacity of a paramedical examiner, we contract with physicians who are licensed and in good standing and practice in a specialty specified by the customer. Insurance companies have different guidelines for determining when a more complete medical examination is required and the scope of such examination. The likelihood that an insurance company will require a more complete examination of an applicant is primarily influenced by the applicant's age and the amount of insurance coverage he or she is seeking. In general, insurance companies insist upon more stringent underwriting standards as the age of the applicant and amount of coverage increase.

In the fourth quarter of 2009, we expanded our service offering to include medical exam assessments for senior individuals who are enrolled in Medicare Advantage healthcare plans. We provide these services utilizing our network of licensed and trained physicians, nurse practitioners and physician assistants. The purpose of these medical assessments is to provide health insurance payors with health information on their plan members to assist in validating pricing/reimbursement information and to provide information used in quality improvement and disease management initiatives.

In the second quarter of 2010, we began providing examination services to several health insurance providers. We provide these services using our network of medical professionals. The purpose of these examinations is to assist health insurance companies in evaluating risk and insurability for health insurance applicants.

#### *Heritage Labs*

Heritage Labs performs tests of blood, urine and oral fluid specimens and assembles and sells kits used in the collection and transportation of such specimens to its lab facility. The results of these tests are used primarily in connection with the life insurance underwriting process and, to a lesser extent, in connection with biometric screening and health insurance underwriting activities.

Approximately 75-80% of the total volume of specimens tested by Heritage Labs originates from a Portamedic paramedical exam or Health & Wellness screening. This percentage has been fairly constant over the past several years. As a result, Heritage Labs is affected by the market trends and conditions influencing our Portamedic service line. The other specimens Heritage Labs tests are generated by third-party health information service providers, including other paramedical exam providers, health insurers and others.

Heritage Labs performs a defined group of standard tests (referred to as "panels") on the specimens tested, as well as a secondary level of additional reflex tests that can be used to supplement the basic panels. Heritage Labs provides testing services that consist of certain specimen profiles designed to provide its customers with specific information of relevance to the assessment of a person's health profile, such as:

- the presence of antibodies to the human immunodeficiency virus (HIV);
- cholesterol and related lipids;
- liver or kidney disorders;
- the presence of antibodies to hepatitis;
- prostate specific antigens;
- immune disorders;
- tobacco/nicotine use; and
- the use of certain medications, cocaine and other drugs.

In addition to performing lab testing services, Heritage Labs assembles blood/urine kits, urine-only kits and oral fluid kits. The kits are primarily sold to paramedical examination companies, including our Portamedic service line, which then bill their customers for the kits they use. Heritage Labs also assembles kits for a number of other companies.

Heritage Labs continues its efforts to expand its kit assembly products and services. Heritage Labs has registered with the U.S. Food and Drug Administration ("FDA") as a medical device assembler.

Heritage Labs also markets a line of self-collected finger stick blood test kits directly to customers. These kits are used to test hemoglobin A1c. The hemoglobin A1c test is particularly important for diabetics, who should regularly monitor their hemoglobin A1c levels. Heritage Labs uses two blood testing methods for hemoglobin A1c, one for testing whole blood specimens and the other for testing dried blood spots. The test kits are currently available in a number of retail locations nationwide.

### *Health & Wellness*

We formed our Health & Wellness service line in 2007 in an effort to leverage our existing assets and services in a market that is experiencing growth: the health and care management market. See the discussion under the caption "Market Conditions and Strategic Initiatives" below.

Our Health & Wellness service line collects health information via on-site biometric screenings, self collection laboratory tests kits and health risk assessments for health and care management companies including wellness companies, disease management organizations and health plans. The information collected is used by our customers to measure the populations they manage, to identify risks in those populations, to target interventional programs, and to measure the results of their health and care management programs.

Our Health & Wellness services include:

- scheduling of individual and group screenings;
- provision and fulfillment of needed supplies (e.g., examination kits, blood pressure cuffs, stadiometers, scales, centrifuges, etc.) at screening events;
- end-to-end event management;
- biometric screenings (e.g., height, weight, body mass index, the taking of a person's hip, waist and neck measurements, as well as his or her pulse and blood pressure) and blood draws via venipuncture or fingerstick, all performed by our wellness certified examiners;
- lab testing of blood specimens – utilizing our Heritage Labs laboratory; and
- data processing and transmission.

In October 2010, we expanded our Health & Wellness service line by adding Hooper Holmes OnSite<sup>sm</sup>, a face-to-face, on-premises health coaching service for work locations with any number of employees. The service is delivered by specially trained Health Champions, many of whom are physical therapists, personal trainers and nutritionists. We believe OnSite is an important addition to our service line because this service better enables our customers to deliver behavior change and motivation.

### *Hooper Holmes Services*

Our Hooper Holmes Services line provides four categories of service: Health Information Services, Health Risk Analytics, Consumer Services and Business Entity Services.

*Health Information Services* - collects and provides applicant health information to insurance company underwriters.

- **Medical Record Retrieval:** We obtain medical records of an applicant for life insurance. Medical records provide an insurance company with information that will help determine whether the applicant is insurable and, if so, the appropriate rate class.
- **Inspection Report:** We conduct personal health interviews over the telephone during which we gather information about an insurance applicant's health, as well as financial and employment history.

- **Health Risk Assessment / Physicians Information Line (“PIL”):** We conduct in-depth interviews with a proposed insured’s physician about a single disease state or multiple impairments. Insurance carriers also use PILs to assess a proposed insured’s cognitive state.
- **Record and Database Check and Employment Verification:** We collect a variety of information available from public records and private database sources, such as motor vehicle reports, real estate owned and criminal history. In addition, we contact current and past employers to verify dates and periods of employment.

*Health Risk Analytics* - provides risk management consultative support and underwriting services to insurance carriers and reinsurance companies active in the life, annuity and health insurance markets.

- **Full Underwriting:** We assess health and lifestyle data associated with a prospective insured and then make an evaluation about insurability and appropriate rate class consistent with the insurance carrier’s product pricing, risk tolerances and reinsurance agreements.
- **Simplified Underwriting:** We review information about a proposed insured’s general health to evaluate insurability for products having predetermined benefit limits. This service provides for limited medical and non-medical data collection when compared to fully underwritten applications.
- **Medical Record Summarization:** We review medical records of an insurance applicant. Our underwriters provide an analysis of the records and provide an indication of general insurability and indicative rate class.
- **Impaired Risk Underwriting Services:** We gather information, review medical records and review lab test results on proposed insureds attempting to purchase life insurance or long-term care insurance who have known health or lifestyle conditions that may affect insurability. We assess the degree of impairment, project life expectancy and make recommendations about insurability and the appropriate rate class.

*Consumer Services* – gathers information via telephonic interviews with insurance applicants to complete all or a portion of an insurance application, verifies information provided by the applicant, assesses an applicant's general cognitive state and assists the insurance carrier to facilitate the insurance purchase process.

*Business Entity Services* – helps an insurance company assess the quality of decisions made by the carrier's underwriting group, determine adherence to the carrier's underwriting policies, evaluates benefit claims, both pre and post-payment, and ensures that underwriting files are complete and accurate.

## **Market Conditions and Strategic Initiatives**

Our operating results for the past several years (discussed more fully in the Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report) reflect, in part, the challenging market conditions we have experienced in our business.

### *Portamedic*

The general market for Portamedic's services has steadily declined. For example, according to LIMRA, a life insurance industry research organization, there were approximately nine million applications for life insurance completed in the United States in 2009, compared to approximately 17 million applications in 1985. The U.S. Life Insurance Application Index maintained by MIB Solutions, a life insurance industry research organization, declined 1.2% for 2010 compared to 2009. Notwithstanding these declines, we believe that the market continues to offer attractive opportunities to a company that can sell its services effectively and distinguish itself from its competitors.

In 2010, we have taken the following steps to improve top-line Portamedic revenue:

- We introduced iParamed, a new technology platform that improves underwriting accuracy and requires only "one touch" with an applicant. The iParamed platform delivers a complete, digital case file for any life insurance applicant, sending structured data into our customers' underwriting or workflow systems. We believe iParamed will help our customers place more business faster, and has the potential to significantly reduce our customers' total cost of underwriting.

- We deployed 400 iParmed-equipped netbooks to 64 Portamedic branch offices in 16 states. We expect this rollout to continue in 2011.
- We introduced new, one-stop services for customers who bring most insurance products to market: brokers, direct marketing organizations, broker dealers, and producer groups. Our national service center in Allentown, Pennsylvania now gives these customers a single point of contact for application quality assurance, case management service, application packet processes, and custom work flow processes.
- We have implemented operational improvements that have reduced the average time required to complete an insurance exam. We have extended the weekday hours of operation of Portamedic's Dallas-based Managed Scheduling Center to 11:00 p.m. eastern time, and Saturday until 5:00 p.m. We developed and introduced Instant Scheduling, a service which has been adopted by many local life insurance producers. As a result of these and other changes, we estimate that Portamedic's average time to schedule and complete an insurance exam is two to four calendar days faster than in 2009, giving Portamedic a speed advantage that benefits local producers who order our services.
- We began providing examination services to several health insurance providers. We provide these services using our network of medical professionals. The purpose of these examinations is to enable health insurance companies to evaluate risk and insurability for health insurance applicants.
- We instituted a pricing increase for Portamedic examinations of approximately 2% for non-contract customers.

Although the number of paramedical examinations Portamedic performs continues to decline, we believe that we are a market leader in the industry. We also believe that the above steps we have taken and are taking to improve our selling ability, and the speed and quality of our services, will enable us to reduce the rate of revenue decline experienced in the last several years. However, life insurance market conditions in 2011 are expected to remain challenging; according to a survey of 70 industry leaders conducted by LIMRA in early December 2010, 59% of insurance executives believe overall individual life insurance sales will remain flat in 2011.

#### *Heritage Labs*

Most of Heritage Labs revenue originates from paramedical exam companies (including Portamedic), and therefore Heritage Labs is affected by the same negative market trends affecting Portamedic, namely the decline in the number of life insurance applications.

Heritage Labs continues to focus on data modeling to gain a better understanding of the true mortality consequences of the laboratory tests that we provide to the insurance industry. Our objective is to assist our clients in their ability to develop new insurance products and establish more accurate premium rating or pricing techniques using the lab mortality data that we have developed. We have developed risk scores to help our insurance clients better understand the mortality implications between and among interactions of multiple tests related to specific disease states. We believe that the mortality data we are providing are unique and more complex than the data being provided by our competitors. We believe we will be able to leverage the value of the data we supply to gain new business. Although we are evaluating whether to sell this data, our primary strategy is to provide these data to our customers as a means of securing increased lab testing business.

Heritage Labs continues to operate its kit assembly products and services. Heritage Labs is marketing a line of self-collected finger stick blood test kits directly to customers which are used to test hemoglobin A1c. The hemoglobin A1c test is particularly important for diabetics, who should regularly monitor their hemoglobin A1c levels. Heritage Labs uses two blood testing methods for hemoglobin A1c, one for testing whole blood specimens and the other for testing dried blood spots. The test kits are currently available in retail locations nationwide. Heritage Labs also assembles collection kits used in paramedical exams and by a variety of independent customers.

## *Health & Wellness*

The health and care management industry continues to grow. Our Health & Wellness service line supports health and care management companies including health plans, disease management organizations, and wellness companies. We help these companies transition from traditional disease management to total population health management. Total population health management attempts to reverse the trend of rising healthcare costs through prevention and early intervention. According to *2010 Population Health Management: A Market Survey Report*, published by the Care Continuum Alliance, Washington, D.C., in 2010, more purchasers adopted the population health management approach and have expanded from programs that target individuals to a spectrum of programs that cover the population, from wellness to chronic conditions. We help our customers move into total population health management by providing the laboratory and biometric data needed to identify risks and engage participants in taking control of their health.

## *Hooper Holmes Services*

Hooper Holmes Services has been adversely affected by the decline in life insurance application activity brought about by the weak U.S. economy and the resulting trend of insurance carriers to discontinue or deemphasize outsourcing relationships, including risk analytic services such as underwriting.

In mid-2010, the Chief Operations Officer hired in December 2009 to oversee the operations of the Heritage Labs and Health & Wellness service lines assumed operational responsibility for Hooper Holmes Services as well. This individual continues to focus on improving operations, identifying efficiencies in the organization, and further reducing costs.

## **Sales and Marketing**

### *Portamedic*

Our Portamedic service line generally requires a two-step sales process for the business we do for life insurance companies. First, our corporate sales representatives negotiate with the national office of a life insurance company to get on its list of approved outside risk assessment service providers. Second, our field sales personnel must sell to the insurance company's local agents and to the community of independent brokers and agents that sell the insurer's products. Success at the local level requires establishing, maintaining and nurturing relationships with the agents and brokers. We have taken steps to coordinate localized marketing campaigns, develop on-line sales training programs for new sales personnel, and otherwise provide better support for local field sales personnel. We also utilize a pay-for-performance program for our sales personnel, with the incentive compensation potentially payable under the program being tied solely to the development of local business.

### *Heritage Labs*

One of our main strategies is to gain new business by leveraging the value of our mortality data and by marketing new services to the insurance industry. Steps to execute this strategy have included:

- In June 2010, Heritage Labs announced a collaboration with MIB Solutions to help insurers better evaluate excess mortality risk in their book of new business. By incorporating specifically identified laboratory results from Heritage Labs, MIB Solutions is able to provide clearer insights into business exceptions and risk concentrations across every risk class to help fine tune underwriting performance. We believe this will be the first of several collaborative efforts between Heritage Labs and MIB Solutions to help insurers better manage mortality risk, and believe this will lead to increased lab testing business.
- We have developed a "risk score" methodology to help our insurance clients better understand the mortality implications between and among interactions of multiple tests related to specific disease states. We believe that the mortality data we are providing is unique and more complex than the data being provided by our competitors.
- We continue to use sophisticated data modeling to gain a better understanding of the true mortality consequences of the laboratory tests that we provide to the insurance industry. Our objective has been to assist our clients in their ability to develop new insurance products and establish more accurate premium rating or pricing techniques using the lab mortality data that we have developed. We believe we will be able to leverage the value of the data we supply to gain new business.

- Heritage Labs is marketing a line of self-collected finger stick blood test kits directly to customers, under the trade name "Appraise." These kits are used to test hemoglobin A1c. The hemoglobin A1c test is particularly important for diabetics, who should regularly monitor their hemoglobin A1c levels. Heritage Labs uses two blood testing methods for hemoglobin A1c, one for testing whole blood specimens and the other for testing dried blood spots. The test kits are currently available in retail locations nationwide.

### *Health & Wellness*

Health & Wellness services include event scheduling, provision and fulfillment of all supplies (e.g., examination kits, blood pressure cuffs, stadiometers, scales, centrifuges, lab coats, bandages, etc.) at screening events, event management, biometric screenings (height, weight, body mass index, hip, waist, neck, pulse, blood pressure), blood draws via venipuncture or finger stick, lab testing, participant and aggregate reporting, data processing and data transmission. Heritage Labs does all of the testing on the venipuncture samples we collect at health and wellness screenings. Our key market advantages are our ability to screen both individuals and groups in every major jurisdiction in the U.S. using a variety of screening methods.

Sales and marketing milestones in our Health & Wellness business include:

- In March 2010, we were named "Vendor of the Year" by Healthways, Inc., a leading provider of health improvement solutions to employees, in recognition of the high level of participant satisfaction delivered by Hooper Holmes.
- In April 2010, we developed and launched Diabetes Know Now! <sup>sm</sup>, a health awareness platform to combat diabetes which combines an online risk assessment and at-home test kit assembled and sold by Heritage Labs. We believe Diabetes Know Now! is a novel and efficient way to target diabetes screenings. Diabetes Know Now! improves the efficiency and effectiveness of our customers' programs by identifying, and facilitating blood tests on targeted groups that are at the highest risk for diabetes.
- In October 2010, we introduced Hooper Holmes OnSite <sup>sm</sup>, a face-to-face, on-premises health coaching service for work locations with any number of employees. The service is delivered by specially trained Health Champions, many of whom are physical therapists, personal trainers and nutritionists. We believe OnSite is an important addition to our service line because it better enables our customers to deliver behavior change and motivation.

### *Hooper Holmes Services*

Hooper Holmes Services markets its services and products through our team of sales professionals, each with established relationships with key customer decision makers, and through our Brokers Elite platform. Aimed at insurance distribution organizations, Brokers Elite offers a range of products available through an integrated order platform.

### **Information Technology**

Information technology systems are used extensively in virtually all aspects of our business. We have made substantial investments in our IT systems, believing that IT capability is or can be a competitive differentiator.

- In 2010, we began the design of a new web site, integrated with our back end operations, to make it easier for Portamedic customers to enter orders and track order status. We believe that this web site will increase customer satisfaction and revenue. We expect to deploy this new website to our Portamedic customers in the first quarter of 2011, and eventually to extend this web site to facilitate the ordering and status of all of our risk assessment services.
- In 2010, we introduced iPamed, a new technology platform that improves underwriting accuracy and requires only "one touch" with an applicant. The iPamed platform delivers a complete, digital case file for any life insurance applicant, sending structured data into our customers' underwriting or workflow systems. We believe iPamed will help our customers place more business faster, and has the potential to significantly reduce our customers' total cost of underwriting. In 2010, we deployed 400 iPamed-equipped netbooks to 64 Portamedic branch offices in 16 states. We expect this rollout to continue in 2011.

- In an effort to improve the speed, accuracy and consistency of services provided to our Portamedic customers, we decided in December 2008 to begin the development of a new IT system for processing customer orders. Based on our current project timetable, this system is scheduled for completion during the fourth quarter of 2011 and is now expected to cost \$2.6 million, including implementation costs. This represents a change in our previously estimated completion date (March 31, 2011) and is attributable to a longer than planned development cycle, additional testing and validation of the new system, and incorporation of additional specifications and features to better meet customer needs. We believe this new IT system will enhance the quality of service to our customers, while improving productivity and decreasing future cash outlay.
- In 2010, we successfully completed our second annual SAS70 Type II engagement, a third-party review of our IT processes and procedures for handling customer data. We believe this review gives customers confidence in our information controls, information security and technology management processes.
- We upgraded branch telephone systems to Voice Over IP, using our secure backbone network for voice communication. We believe this will result in decreased future cash outlay for communications and increased customer satisfaction through faster response to calls.

Our Health & Wellness service line utilizes a customer order, tracking and scheduling IT system which is separate and distinct from our Portamedic system.

## **Competition**

### *Portamedic*

Our Portamedic service line is one of four national providers whose businesses encompass arranging paramedical examinations, providing specimen analysis, conducting interviews of insurance applicants and collecting medical records for life insurers. In addition, a significant number of regional and local firms also compete in this industry. Most of our customers use two or more risk assessment service providers. Pricing is a primary basis of competition for the business of certain of these insurance carriers.

### *Heritage Labs*

There are two other major laboratories providing testing services to the life and health industries. We estimate that Heritage Labs is the smallest of the three, measured by market share. With the smallest market share, we believe there is room to grow and capture additional market share. Most large insurance companies tend to use more than one lab, while many small or medium-sized companies may use only a single lab.

### *Health & Wellness*

Our Health & Wellness service line markets only to health and care management companies, which in turn serve large employers. We believe this customer focus is a competitive advantage, as it minimizes our marketing costs and positions us to screen large populations. We believe our additional competitive advantages include our:

- complete ownership of every phase of the wellness screening process, including an internal lab testing capability through Heritage Labs;
- ability to screen both individuals and groups of all sizes;
- ability to conduct screenings via venipuncture, fingerstick or self-collection blood draws;
- ability to conduct screenings in every major jurisdiction in the United States;
- fulfillment capability based in part on our access to collection kits assembled by Heritage Labs; and
- wellness examiner certification process through “Hooper Holmes University,” an online training program.

Our Health & Wellness service line needs to continually refine and enhance its value proposition to maintain its advantage and capitalize on the evolving nature of the wellness market.

## *Hooper Holmes Services*

Hooper Holmes Services competes with a number of companies that offer one or more services and products similar to ours. They range from small local service providers to companies with a national presence. When competing for market share, we believe we are the only provider that offers full underwriting, simplified underwriting, and impaired risk services in addition to medical record retrieval, inspections, and telephone application and interview services.

Hooper Holmes Services maintains a qualified workforce made up of approximately 30 underwriters and two physicians. We also employ nurses, health care professionals and individuals with experience in the life and health insurance industry. We believe that we have a competitive advantage in our targeted market due to the experienced underwriting staff which we employ and the current scarcity of qualified insurance underwriters.

### **Governmental Regulation**

All of our service lines (particularly paramedical examinations, health screenings and lab services) are subject to federal and state regulation. The paramedical examiners we utilize are subject to certain licensing and certification requirements and regulations with respect to the drawing of blood and needle disposal. We are subject to federal and state regulations relating to the transportation, handling and disposal of the various specimens obtained in the course of a paramedical or medical examination or wellness screening. The FDA regulates certain aspects of Heritage Labs' business, including the assembly and marketing of specimen collection kits and other devices. In addition, many of the services we provide are subject to certain provisions of the Health Information Portability and Accountability Act of 1996, as amended ("HIPAA"), and other federal and state laws relating to the privacy of health and other personal information.

### **Employees**

We employ approximately 1,700 persons in our Company (of whom approximately 900 are full time employees), including approximately 95 employees in our corporate headquarters in Basking Ridge, New Jersey.

### **General Information**

Hooper Holmes, Inc. is a New York corporation. Our principal executive offices are located at 170 Mt. Airy Road, Basking Ridge, New Jersey 07920. Our telephone number is (908) 766-5000. Our website address is [www.hooperholmes.com](http://www.hooperholmes.com). We have included our website address as an inactive textual reference only. The information on our website is not incorporated by reference into this Annual Report.

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document that we file with the SEC at the SEC's Public Reference Room located at 100 F Street, NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC. The SEC's website is [www.sec.gov](http://www.sec.gov). We also make available free of charge, through our website, our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, our proxy statements, the Form 3, 4 and 5 filings of our directors and executive officers, and all amendments to these reports and filings, as soon as reasonably practicable after such material is electronically filed with the SEC.

You should carefully consider all the information included in this annual report, particularly the following risk factors, before deciding to invest in our shares of common stock. The risk factors set forth below are not the only risks we face. Additional risks not presently known to or understood by us may also negatively affect our business, financial condition, results of operations or cash flows.

***Continued weakness in the economy in general, or the financial health of the life insurance industry in particular, could have a material adverse effect on our financial condition, results of operations or cash flows.***

We derive a significant percentage of our revenues from customers in the life insurance industry. If the condition of the U.S. economy continues to remain weak or weakens further, demand for life insurance products may decline more steeply, resulting in less business for our Company. If some of our life insurance company customers fail or curtail operations as a result of economic conditions in the life insurance industry, such failures or curtailments of operations would result in less business for our Company. Either event would negatively affect our financial condition, results of operations or cash flows.

***Lower or negative cash flow from operations in 2011 may limit our ability to make the desired level of investment in our businesses.***

While we do not believe we are facing any immediate or near-term liquidity issues, we experienced revenue declines in 2010 and recent prior years. This decline in revenue could continue in 2011 due to current economic conditions and the negative impact on our customers. We generated approximately \$9.4 million of cash from continuing operations in 2010 in part due to lowered selling, general and administrative (SG&A) expenses and improved collections. However, if we continue to experience the rates of decline in our consolidated revenues that we have experienced for the past several years and we are unable to maintain our current collection results, it could become difficult to generate cash from operations and invest in our businesses at optimal levels.

***Our liquidity may be adversely affected by the terms of our Loan and Security Agreement.***

If we experience negative cash flows from operations, we may need to borrow in the future under our Loan and Security Agreement. We have an available borrowing base of \$14.4 million under this facility as of December 31, 2010. The Loan and Security Agreement contains a financial covenant that requires us to maintain a fixed charge coverage ratio (as defined in the Loan and Security Agreement), on a trailing 12-month basis, of no less than 1.1 to 1.0 as of the end of each of our fiscal quarters. The fixed charge coverage ratio allows for the exclusion of capital expenditures in excess of one dollar from the denominator of the calculation, provided we maintain pre-defined minimum cash balances at TD Bank on average for the 90 days ended as of the measurement date. As of December 31, 2010, our average cash balance at TD Bank for the 90 days exceeded the pre-defined cash balance requirements, thereby allowing all capital expenditures in excess of one dollar to be excluded from the denominator of the fixed charge coverage ratio calculation. As of December 31, 2010, our fixed charge coverage ratio measured on a trailing 12-month period and excluding capital expenditures in excess of one dollar was 15.8 to 1.0 and, as such, we satisfied this financial covenant. However, there is no assurance that we will satisfy this financial covenant as of the end of each fiscal quarter thereafter.

***Our business results would be adversely affected if we were alleged or found to have violated certain regulatory requirements.***

Each of our service lines is subject to varying degrees of state and federal regulation. For example, Health & Wellness and Portamedic are subject to regulations regarding licensing (supervision of phlebotomists and the conduct of certain specimen draws). Heritage Labs is subject to FDA regulation of device assembly and marketing. All of our service lines are subject to federal and state laws, including HIPAA, regarding security and privacy of personal health information and other personal information. Although the Company devotes substantial effort to comply with these regulatory requirements, major violations could subject the Company to significant liability and/or damage our relationship with our customers.

***Future claims arising from the sale of one business unit (discontinued operations) could negatively impact our results of operations.***

We sold our CED business in 2008. In regard to this sale, we retained potential liability for certain types of claims pertaining to periods prior to the sale of this unit. For example, we have recorded a liability of \$0.2 million as of December 31, 2010 representing the present value of a potential liability on a long-term lease for the CED. If additional claims for which we may be liable arise related to this discontinued operation in the future, this may result in additional cost to us which could negatively impact our financial condition, results of operations or cash flows.

***We continue to experience declines in Portamedic unit volumes.***

We have experienced period-over-period declines in Portamedic unit volumes for the past several years. The decline in unit volumes has often exceeded our budgeted forecasts. We have taken a number of steps to slow and reverse the decline, such as implementing operational improvements that have reduced the average amount of time required to complete an insurance exam, introducing iParamed which delivers a complete digital case file for life insurance applicants, introducing one-stop services for brokers, direct marketing organizations, broker dealers and provider groups, and seeking to identify customers for our services outside the life insurance industry. However, we cannot be sure that these initiatives will prove sufficient to stop or offset the decline in Portamedic unit volumes.

Additionally, since 75-80% of the total volume of specimens tested by Heritage Labs originate from a Portamedic paramedical exam or Health & Wellness screening, continued declines in Portamedic unit volumes could have a negative impact on Heritage Labs specimen testing volumes.

***Our Health & Wellness service line would be adversely affected if health and wellness interventional programs are determined not to produce a sufficient return on investment.***

Based on published information from industry analysts, no standard methodology exists yet for measuring whether disease management and/or wellness programs produce cost savings to the employers and others who sponsor them and, if so, how much. If a methodology is established and health insurance companies, employers and other payers then determine that health and wellness interventional programs do not provide the anticipated return on investment, this may adversely affect the health management industry. This, in turn, could adversely affect our Health & Wellness service line.

***Each of our service lines derives a significant percentage of its revenues from a limited number of customers, such that a loss of some or all of the business of one or more customers could have a material adverse effect on our financial condition, results of operations or cash flows.***

Each of our service lines, including our core Portamedic service line, derives a significant percentage of its revenues from a limited number of customers. Losing some or all of the business of one or more of these customers can result in a significant reduction in the revenues of the applicable service line. If this were to occur, we would face significant challenges in replacing the lost revenues. Further, the loss of business from key customers can negatively affect our financial condition, results of operations or cash flows.

A number of circumstances could prompt our loss of one or more key customers or a substantial portion of its or their business. For example, if one of our customers were to be acquired by or merged into another company for whom we do not provide services, we could lose the acquired company's business. Additionally, we could lose one or more significant customers due to competitive pricing pressures or other reasons.

***If we cannot maintain and upgrade our information technology platform so that we can meet critical customer requirements, the competitiveness of our businesses will suffer.***

In each of our businesses, the speed with which we make information available to our customers is critical. As a result, we are dependent on our information technology platforms and our ability to store, retrieve, process, manage and enable timely customer access to the health-related and other data we gather on behalf of our customers. Disruption of the operation of our IT systems for any extended period of time, loss of stored data, programming errors or other system failures could cause customers to turn elsewhere to address their service needs.

In addition, we must continue to enhance our IT systems – potentially at substantial cost – to meet our customers’ demands for service and product enhancements. We license the customer order system software utilized by Portamedic, and as such, have difficulties in getting improvements or enhancements to the software and also find that it requires significant cash outlay. We have identified and acquired new technology resources to develop and support a new customer ordering system which is now scheduled for completion during the fourth quarter of 2011. If work on this system experiences further delays, or if we are unable to successfully complete and deploy this technology, or the enhancements to our other systems, within the required time frames and within the budget allocated for these projects, the competitiveness of our business could suffer, and our financial condition, results of operations or cash flows could be negatively impacted.

***Allegations of improper actions by our paramedical examiners or other medical professionals could result in claims against us and/or our incurring expenses to indemnify our clients.***

Allegations of improper actions by our paramedical examiners or other medical professionals could result in claims against us, require us to indemnify our clients for any harm they may suffer, or damage our reputation and relationships with important clients.

***Allegations of our failure to provide accurate health-related risk assessment analyses of that data may result in claims against us.***

Our clients rely on the accuracy of the medical data we gather on their behalf – whether derived from a Portamedic paramedical exam, a Hooper Holmes Services tele-interview, a Health & Wellness screening, a Heritage Labs specimen test, or our Hooper Holmes Services underwriting resources – in connection with their insurance underwriting, interventional programs, patient treatment and other decisions. As a result, we face exposure to claims that may arise or result from the decisions of our customers based on allegedly inaccurate data or faulty analysis of such data. We maintain professional liability insurance and such other coverage as we believe appropriate, but such insurance may prove insufficient. Regardless of insurance, any such claims could damage our reputation and relationships with important clients.

***Our classification of most of our paramedical examiners in many states as independent contractors, rather than employees, exposes us to possible litigation and legal liability.***

In the past, some state agencies have claimed that we improperly classified our examiners as independent contractors for purposes of state unemployment and/or workers compensation tax laws and that we were therefore liable for taxes in arrears, or for penalties for failure to comply with such state agencies’ interpretations of the laws. In some states, our classification of examiners has been upheld and in others it has not. However, there are no assurances that we will not be subject to similar claims in other states in the future.

***Our operations could be adversely affected by the effects of a natural disaster or an act of terrorism.***

Our operations, in particular those of Heritage Labs’ laboratory, would be adversely affected in the event of a natural disaster, such as a tornado or hurricane, or an act of terrorism. While Heritage Labs has a back-up lab facility available (also located in Kansas) and a disaster recovery plan, damage to its primary laboratory or to its available back-up lab facility could nonetheless disrupt its ability to provide its testing services, which could have a material adverse effect on its operations and business.

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**ITEM 1B** **Unresolved Staff Comments**

Not applicable.

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**ITEM 2** **Properties**

We own our corporate headquarters located at 170 Mt. Airy Road, Basking Ridge, New Jersey, approximately 35 miles west of New York City. Of approximately 53,000 total square feet of office space, we maintain our operations in approximately 45,000 square feet and the balance is leased or available for lease to several tenants. We have pledged our corporate headquarters as collateral under our asset-based lending facility provided by TD Bank, N.A.

We lease our laboratory facility, regional operations centers, and our approximately 100 Portamedic branch offices, with the term of such branch office leases typically being three years.

We also lease 9,200 square feet in Allentown, PA for a business continuity and customer service operations center.

We believe that, in general, our facilities are suitable and adequate for our current and anticipated future levels of operations and are adequately maintained. We believe that if we were unable to renew a lease on any of our facilities, we could find alternative space at competitive market rates and relocate our operations to such new location without material disruption to our business.

**ITEM 3**

**Legal Proceedings**

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On July 22, 2009, an individual named Nicolo Genovese filed suit in the Supreme Court of the State of New York, County of Suffolk in which he alleged, among other things, that an insurance company and numerous other corporate and individual defendants, including Hooper Evaluations, Inc. (which was part of the CED the Company sold in June 2008) and Hooper Holmes, Inc. violated various state laws in connection with the arranging of independent medical exams. With respect to Hooper Evaluations, Inc. and certain other named defendants who were part of the CED, the Company has retained liability for this litigation following the sale of substantially all of the assets of the CED. It is not yet possible to estimate the size of the alleged claim against the defendants as a whole, or the Company or the former CED entities in particular. On October 26, 2009, a motion to dismiss the complaint was filed on behalf of the Company and the former CED entities. The Company believes the plaintiff's claims are without merit and intends to defend itself vigorously in this matter. The Company has also initiated steps to invoke insurance coverage that may apply to some or all of the potential liability and/or costs of suit.

The Company is a party to a number of other legal actions arising in the ordinary course of its business. In the opinion of management, the Company has substantial legal defenses and/or insurance coverage with respect to all of its pending legal matters. Accordingly, none of these actions is expected to have a material adverse effect on the Company's liquidity, its consolidated results of operations or its consolidated financial position.

## PART II

### ITEM 5 Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

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#### Market Information

Our common stock is traded on the NYSE Amex Stock Exchange under the symbol "HH."

#### Common Stock Price Range

The following table shows, for the periods indicated, the high and low sales prices per share of our common stock based on published financial sources (dollars):

Quarter	2010		2009	
	High	Low	High	Low
First	\$1.14	\$0.85	\$0.49	\$0.15
Second	\$0.99	\$0.56	\$0.63	\$0.30
Third	\$0.94	\$0.45	\$1.16	\$0.35
Fourth	\$0.81	\$0.55	\$1.10	\$0.66

#### Holdings

According to the records of our transfer agent, Registrar and Transfer Company, Cranford, New Jersey, as of February 28, 2011, there were 1,108 holders of record of our common stock.

#### Dividends

No dividends were paid in 2010 or 2009.

In 2006, our Board of Directors suspended the payment of cash dividends on the Company's common stock. Furthermore, we were precluded from declaring or making any dividend payments or other distributions of assets with respect to any class of our equity securities under the terms of our Revolving Credit Facility with CitiCapital Commercial Corporation which terminated on March 9, 2009, and continue to be precluded from declaring or making any dividend payments under our new Loan and Security Agreement with TD Bank, N.A., which was effective as of March 9, 2009 (See Note 8 to our consolidated financial statements).

#### Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities during the fiscal year ended December 31, 2010.

#### Purchase of Equity Securities by the Issuer and Affiliated Purchaser

We did not repurchase any shares of our common stock during the fourth quarter of our fiscal year ended December 31, 2010.

The following table of selected financial data should be read in conjunction with our consolidated financial statements and related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and other financial information appearing elsewhere in this annual report. The statement of operations data set forth below for each of the years in the three year periods ended December 31, 2010, and the balance sheet data as of December 31, 2010 and 2009, have been derived from, and are qualified by reference to, our consolidated financial statements appearing elsewhere in this Annual Report. The statement of operations data for the years ended December 31, 2007 and 2006, and the balance sheet data as of December 31, 2008, 2007 and 2006, are derived from the Company's consolidated financial statements that are not included in this Annual Report.

<i>(in thousands except for share data and footnotes)</i>	2010	2009	2008	2007	2006
<b>Statement of operations data:</b>					
Revenues	\$ 166,370	\$ 182,401	\$ 198,233	\$ 208,632	\$ 223,907
Operating income (loss) from continuing operations	234 <sup>(a)</sup>	(1,013) <sup>(c)</sup>	(1,428) <sup>(e)</sup>	(10,390) <sup>(g)</sup>	(49,970) <sup>(i)</sup>
Interest expense	12	17	3	181	138
Income (loss) from continuing operations	1,421 <sup>(b)</sup>	37 <sup>(d)</sup>	(1,559)	(10,506)	(79,043)
Income (loss) from discontinued operations	55	(41)	(326) <sup>(f)</sup>	3,199 <sup>(h)</sup>	(7,048) <sup>(j)</sup>
Net income (loss)	1,476	(4)	(1,885)	(7,307)	(86,091)
<b>Basic and diluted earnings (loss) per share:</b>					
Continuing operations	\$ 0.02	\$ —	\$ (0.02)	\$ (0.15)	\$ (1.18)
Discontinued operations	—	—	—	0.05	(0.11)
Net income (loss)	\$ 0.02	\$ —	\$ (0.03)	\$ (0.11)	\$ (1.29)
<b>Cash dividends per share</b>	\$ —	\$ —	\$ —	\$ —	\$ —
<b>Weighted average shares:</b>					
Basic	69,437,710	68,692,176	68,657,975	68,476,194	66,804,605
Diluted	69,896,969	69,392,243	68,657,975	68,476,194	66,804,605
<b>Balance sheet data (as of December 31):</b>					
Working capital <sup>(k)</sup>	\$ 32,321	\$ 30,102	\$ 24,135	\$ 24,752	\$ 31,831
Total assets	\$ 57,479	\$ 56,702	\$ 59,669	\$ 67,149	\$ 86,209
Stockholders' equity	\$ 43,626	\$ 41,426	\$ 40,768	\$ 41,909	\$ 47,969

(a) Includes restructuring and other charges totaling \$1.0 million.

(b) Includes reversal of \$1.6 million relating to previously accrued interest and penalties associated with a state unclaimed property matter for which the audit period has lapsed.

(c) Includes restructuring and other charges totaling \$1.2 million.

(d) Includes a \$1.5 million federal tax benefit resulting from carrying back net operating losses from 2008 of \$4.3 million.

(e) Includes restructuring and other charges totaling \$1.6 million.

(f) Includes a \$0.9 million net gain on the sale of the CED.

(g) Includes restructuring and other charges totaling \$4.7 million.

(h) Includes goodwill and intangible asset impairment charges of \$5.7 million and \$0.6 million, respectively, and a \$9.2 million net gain on the sale of MDG.

(i) Includes goodwill and intangible asset impairment charges of \$29.9 million and \$1.8 million, respectively, along with restructuring and other charges totaling \$10.3 million.

(j) Includes a goodwill impairment charge of \$6.3 million and restructuring and other charges totaling \$0.2 million.

(k) Working capital includes the net assets and liabilities of discontinued operations for the years 2007-2006, including assets and liabilities of \$6.3 million and \$1.7 million, respectively, in 2007, and \$26.8 million and \$10.3 million, respectively, in 2006.

## **ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis contains forward-looking statements. See page 1 of this Annual Report for information regarding our use of forward-looking statements in this Annual Report. This discussion and analysis should be read in conjunction with our audited consolidated financial statements and related notes included in Item 8 of this Annual Report.

### **Overview**

As discussed in greater detail in Item 1 ("Business"), we currently engage in several service lines that are managed as one division: the Health Information Division.

Our **Health Information Division (HID)** consists of the following service lines:

- **Portamedic** – performs paramedical and medical examinations of individuals, primarily on behalf of insurance companies in connection with the offering or rating of insurance coverage (mainly life insurance), along with medical examinations of health plan participants in order to provide medical information on plan members to the plan sponsors;
- **Heritage Labs** – performs tests of blood, urine and oral fluid specimens, primarily generated in connection with the paramedical exams and wellness screenings performed by our Portamedic and Health & Wellness service lines, and assembles and sells specimen collection kits;
- **Health & Wellness** – collects health information via onsite biometric screenings, self-collection laboratory test kits and health risk assessments for health management companies, including wellness companies, disease management organizations and health plans; and
- **Hooper Holmes Services** – provides telephone interviews of insurance candidates, retrieval of medical records and inspections, risk management solutions and underwriting services for simplified issue products and products requiring full underwriting.

Our core Portamedic paramedical examination business accounted for approximately 71% , 74%, and 71% of our total consolidated revenues in 2010, 2009 and 2008, respectively.

### **Basis of Presentation of Management's Discussion and Analysis**

On June 30, 2008, we sold substantially all of the assets and liabilities of our CED operating segment for \$5.6 million and received cash payments totaling \$5.1 million and a \$0.5 million note receivable due in six equal monthly installments beginning July 31, 2008. We recognized a net gain on the sale of the CED of approximately \$0.9 million for the year ended December 31, 2008.

In connection with the sale of MDG on October 9, 2007, we agreed to indemnify the purchaser for certain pre-closing tax liabilities. As of December 31, 2008, we had recorded a liability totaling \$1.4 million relating to these pre-closing tax obligations of MDG. In 2009, we recorded an additional reserve of \$0.04 million in loss on sale of subsidiaries.

Our decision to sell the CED and MDG was based on several factors, including their limited ability to significantly contribute to our long-term specific goals. See Note 4 to our consolidated financial statements included in this Annual Report for further discussion of our sale of the CED and MDG. Except where specific discussion of the CED and MDG is made, our discussion of our results of operations and financial condition excludes the CED and MDG for all periods presented.

### **2010 Highlights and Business Outlook for 2011**

#### **2010 Consolidated Financial Performance**

For the year ended December 31, 2010, consolidated revenues totaled \$166.4 million , representing a decline of approximately 8.8% from the prior year. Our revenues continued to decline in 2010 primarily due to a weak economy and its negative impact on the customers we serve (i.e., the life insurance industry). In addition, several of our large customers experienced a reduction in their business during 2010 due to a change in the pricing or design of their life insurance products.

Our gross margin declined approximately 80 basis points to 26.1% primarily due to the 11.8% year-over-year revenue decline in our Portamedic service line. We reduced our selling, general and administrative expenses to \$42.2 million, representing a reduction of \$6.7 million, or approximately 13.7% from the prior year. We generated income from continuing operations of \$1.4 million for the year ended December 31, 2010, which included restructuring and other charges of approximately \$1.0 million and a gain of \$1.6 million representing the reversal of a reserve previously established for interest and penalties associated with a state unclaimed property matter for which the audit period has lapsed. This represents an improvement from our approximate break even prior year results, which included restructuring and other charges of approximately \$1.2 million and an income tax recovery of \$1.5 million.

### *Business Outlook for 2011*

On November 5, 2010, we held a conference call with shareholders to discuss third quarter 2010 financial results and our business outlook. At that time, we emphasized that our future success depended upon increasing sales and investing to improve operations in 2011. Our 2011 priorities will include improving our processes and organization structure, and focusing on customer channels including brokers, direct marketers, insurance agents, examiners, and healthcare companies.

New senior managerial talent has been brought in to the Company to strengthen business performance. Ransom J. Parker was appointed President and CEO in September 2010. Mr. Parker is a senior executive, director, and private equity investor with considerable experience in operations and management, sales and marketing, and healthcare technology. In January 2011, Lori Gorman was appointed Chief Operations Officer. In the prior year, Ms. Gorman demonstrated success in improving operational performance and reducing costs in three of the Company's service lines. In January 2011, Anthony Mendicino was appointed Senior Vice President for Risk Assessment Sales, a newly-created position responsible for the sale of all products and services to the insurance industry. Mr. Mendicino joined the Company from Siemens Medical Solutions USA, a leading provider of software and medical equipment to the healthcare industry.

In 2011, we will continue to invest in new systems such as the deployment of our iParamed e-Exam, along with a new website to simplify customer ordering and tracking. We will invest in our employees, both new and existing, through strategic hiring and pay-for-performance plans that will enable us to attract and retain talented employees. Although we will be investing in targeted initiatives to improve revenue, we will continue to manage our costs efficiently, as we have demonstrated the ability to do in past years. We believe the impact of these investments will become apparent in 2011, as demonstrated by a reduced rate of revenue decline, while positioning the Company for sustained growth and profitability in 2012.

### *Portamedic*

For the year ended December 31, 2010, Portamedic revenues decreased approximately 11.8% in comparison to the prior year. We continue to believe that achieving acceptable profitability levels will require top-line revenue growth, and reversing past revenue declines. Although we have contracts or billing approvals with over 90% of the insurance carriers in the marketplace, the number of paramedical examinations we complete on life insurance applicants continued to decline. The rate of decline in completed examinations for the full year 2010 was 11.7% compared to 2009, with a 8.3% decline in 2009 compared to 2008. In order to reverse our decline in completed examinations, we are taking steps to achieve greater sales success with local agents, brokers, direct marketers and insurance carriers.

The general market for Portamedic's services has steadily declined. For example, according to LIMRA, a life insurance industry research organization, there were approximately 9 million applications for life insurance completed in the United States in 2009, compared to approximately 17 million applications in 1985. The U.S. Life Insurance Application Index maintained by MIB Solutions, a life insurance industry research organization, declined 1.2% for 2010 compared to 2009. Notwithstanding these declines, we believe that the market continues to offer attractive opportunities to a company that can sell its services effectively and distinguish itself from its competitors.

We have taken the following steps to increase our market share and improve top-line revenue:

- In early 2011, we instituted sales leadership changes which are expected to positively impact our Portamedic service line. As noted previously, Anthony Mendicino has been appointed Senior Vice President for Risk Assessment Sales and is responsible for the sale of all products and services to our insurance industry customers. In addition, we are taking steps to strengthen our national and local sales forces, including recruiting experienced sales leaders and improving sales training.

- In 2010, we introduced iParamed, a new technology platform that improves underwriting accuracy and requires only "one touch" with an applicant. The iParamed platform delivers a complete, digital case file for any life insurance applicant, sending structured data into our customers' underwriting or workflow systems. We believe iParamed will help our customers place more business faster, and has the potential to significantly reduce our customers' total cost of underwriting. In 2010, we deployed 400 iParamed-equipped netbooks to 64 Portamedic branch offices in 16 states. We expect this rollout to continue in 2011.
- We have implemented operational improvements that have reduced the average amount of time required to complete an insurance exam. We have extended the weekday hours of operation of Portamedic's Dallas-based Managed Scheduling Center to 11:00 p.m. eastern time, and Saturday until 5:00 p.m. We developed and introduced Instant Scheduling, a service which is being utilized by many local producers. As a result of these and other changes, we estimate that Portamedic's average time to schedule and complete an insurance exam is two to four calendar days faster than in 2009, giving Portamedic a speed advantage that is important to local producers.
- In 2010, we introduced new, one-stop services for customers who bring most insurance products to market: brokers, direct marketing organizations, broker dealers, and producer groups. Our national service center in Allentown, Pennsylvania now gives these customers a single point of contact for application quality assurance, case management service, application packet processes, and custom work flow processes.
- In 2010, we began the design of a new website, integrated with our back end operations, to make it easier for Portamedic customers to enter orders and track order status. We believe that this web site will increase customer satisfaction. We expect to deploy this new website to our Portamedic customers in the first quarter of 2011, and eventually to extend this website to facilitate the ordering and status of all of our risk assessment services.
- In an effort to improve the speed, accuracy and consistency of services provided to our Portamedic customers, we decided in December 2008 to begin the development of a new IT system for processing customer orders. Based on our current project timetable, this system is scheduled for completion during the fourth quarter of 2011 and is now expected to cost \$2.6 million, including implementation costs. This represents a change in our previously estimated completion date (March 31, 2011) and is attributable to a longer than planned development cycle, additional testing and validation of the new system, and incorporation of additional specifications and features to better meet customer needs. We believe this new IT system will enhance the quality of service to our customers, while improving productivity and decreasing future cash outlay.
- We successfully completed our second annual SAS70 Type II engagement, a third-party review of our IT processes and procedures for handling customer data. We believe this review gives customers confidence in our information controls, information security and technology management processes.
- We upgraded branch telephone systems to Voice Over IP, using our secure backbone network for voice communication. We believe this will result in decreased future cash outlay for communications and increased customer satisfaction through faster response to calls.

Although the number of paramedical examinations Portamedic performs continues to decline, we believe that we are a market leader in the industry. We also believe that the steps we are taking to improve our selling ability, and the quality and speed of our services, will enable us to reduce the rate of decline experienced in the last several years. However, life insurance market conditions in 2011 are expected to remain challenging: according to a survey of 70 industry leaders conducted by LIMRA in early December 2010, 59% of insurance executives believe overall individual life insurance sales will remain flat in 2011.

### *Heritage Labs*

For the year ended December 31, 2010, Heritage Labs revenues decreased 8.5% to \$13.7 million from \$15.0 million in the comparable prior year period. In 2010, we tested 523,000 specimens, compared to 561,000 specimens in 2009, a decrease of 6.7%. Revenues from lab kit assembly decreased 16.1% in 2010 compared to 2009.

Heritage Labs' services consist principally of performing tests of blood, urine and oral fluid specimens and the assembly and sale of kits used in the collection and transportation of such specimens to its lab facility. In 2010, approximately 60% of Heritage Labs revenue came from lab testing and 40% came from the sale of specimen kits.

Most of Heritage Labs' revenue originates from paramedical exam companies (including Portamedic), and therefore Heritage Labs is affected by the same negative market trends affecting Portamedic, namely the decline in the number of life insurance applications. In response, Heritage Labs has taken the following steps to expand its market share and increase revenues:

- In June 2010, Heritage Labs announced a collaboration with MIB Solutions to help insurers better evaluate excess mortality risk in their book of new business. By incorporating specifically identified laboratory results from Heritage Labs, MIB Solutions is able to provide clearer insights into business exceptions and risk concentrations across every risk class to help fine tune underwriting performance. We believe this will be the first of several collaborative efforts between Heritage Labs and MIB Solutions to help insurers better manage mortality risk, and believe this will lead to increased lab testing business.
- We have developed a "risk score" methodology to help our insurance clients better understand the mortality implications between and among interactions of multiple tests related to specific disease states. We believe that the mortality data we are providing is unique and more complex than the data being provided by our competitors.
- We continue to use sophisticated data modeling to gain a better understanding of the true mortality consequences of the laboratory tests that we provide to the insurance industry. Our objective has been to assist our clients in their ability to develop new insurance products and establish more accurate premium rating or pricing techniques using the lab mortality data that we have developed. We believe we will be able to leverage the value of the data we supply to gain new business.
- Heritage Labs received a Certificate of Registration on May 28, 2010 and is now an ISO 13485:2003 registered company. The certification means that Heritage Labs has passed all of the audit requirements and is officially recognized as being a provider of medical devices and related services that consistently meet customer and regulatory requirements. The certification also means that Heritage Labs has developed, implemented and maintained a quality management system that focuses on providing safe and effective medical devices. ISO 13485 is currently recognized by the European Union, the United States, Canada, Japan, and Taiwan, among others.
- Heritage Labs is marketing a line of self-collected finger stick blood test kits directly to customers which are used to test hemoglobin A1c. The hemoglobin A1c test is particularly important for diabetics, who should regularly monitor their hemoglobin A1c levels. Heritage Labs uses two blood testing methods for hemoglobin A1c, one for testing whole blood specimens and the other for testing dried blood spots. The test kits are currently available in retail locations nationwide.

While we intend for these measures to increase our market share and revenues, there can be no assurance we will achieve those results. We believe that, as a result of the initiatives noted above, along with Portamedic revenue improvements, we may achieve future growth at Heritage Labs.

### *Health & Wellness*

Our Health & Wellness service line, established in 2007, recorded revenues of approximately \$14.3 million for the year ended December 31, 2010, an increase of \$3.4 million, or approximately 30.9%, from the prior year. In 2010, we performed approximately 277,000 health screenings and sold approximately 28,000 home specimen collection kits. In 2009, we performed approximately 214,000 screenings and sold approximately 17,000 home specimen collection kits. We provided our services to 57 health management companies in 2010, up from 49 companies in 2009. We have conducted screening events in every state in the U.S. as well as the District of Columbia and Puerto Rico. Currently we have approximately 2,300 "wellness certified" examiners within our network of examiners.

Health & Wellness services include event scheduling, provision and fulfillment of all supplies (e.g., examination kits, blood pressure cuffs, stadiometers, scales, centrifuges, lab coats, bandages, etc.) at screening events, event management, biometric screenings (height, weight, body mass index, hip, waist, neck, pulse, blood pressure), blood draws via venipuncture or finger stick, lab testing, participant and aggregate reporting, data processing and data transmission. Heritage Labs does all of the testing on the venipuncture samples we collect at health and wellness screenings. Our key market advantage is our ability to screen both individuals and groups in every jurisdiction in the U.S. using a variety of screening methods.

We marked a number of milestones in our Health & Wellness business in 2010:

- In March 2010, we were named "Vendor of the Year" by Healthways, Inc., a leading provider of health improvement solutions to employers, in recognition of the high level of participant satisfaction delivered by Hooper Holmes.

- In April 2010, we announced Diabetes Know Now!, a health awareness platform to combat diabetes which combines an online risk assessment and at-home diabetes test kit assembled and sold by Heritage Labs. We believe Diabetes Know Now! is a novel and efficient way to target diabetes screenings. Diabetes Know Now! improves the efficiency and effectiveness of our customers' programs by only completing blood tests on targeted groups that are at the highest risk for diabetes.
- In October 2010, we introduced Hooper Holmes OnSite <sup>sm</sup>, a face-to-face, on-premises health coaching service for work locations with any number of employees. The service is delivered by specially trained Health Champions many of whom are physical therapists, personal trainers and nutritionists. We believe OnSite is an important addition to our service line because it better enables our customers to deliver behavior change and motivation.

We believe that we are well-positioned to capture a significant share of the health and care management market. However, the success of Health & Wellness will depend in part upon the yet to be proven success of our health and care management initiatives. If the return on investment in these initiatives is not sufficiently high, our Health & Wellness business may not reach its full potential. Notwithstanding, we believe we are well positioned to capitalize on this opportunity given our Company's unique set of assets, including Heritage Labs, our proprietary Health & Wellness IT system, and our network of certified examiners.

### *Hooper Holmes Services*

For the year ended December 31, 2010, Hooper Holmes Services revenues decreased 11.5% in comparison to the prior year. A significant contributing factor to this decrease was reduced tele-underwriting/interviewing service revenues from several of our largest insurance company customers. These customers experienced a substantial slowdown in their business (reduced insurance applications) which resulted in fewer tele-interviews.

Also significantly contributing to the decrease in Hooper Holmes Services revenue is a decline in our 2010 attending physician statement (APS) retrieval revenue as compared to 2009. This decline is attributable to the overall decrease in life insurance application activity.

Throughout 2010, we implemented cost reduction actions to bring expenses in-line with our reduced revenues. These actions included a significant reduction of staff, along with several branch office closures.

### **Key Financial and Other Metrics Monitored by Management**

In our periodic reports filed with the SEC, we provide certain financial information and metrics about our businesses, and information that our management uses in evaluating our performance and financial condition. Our objective in providing this information is to help our shareholders and investors generally understand our overall performance and assess the profitability of our businesses and our prospects for future net cash flows.

In 2010, we primarily focused on tracking our actual results relative to our forecasts and budgets, and measuring the degree of success of our efforts to align our costs with lower revenue levels. We monitored the following metrics in 2010:

- the number of paramedical examinations performed by Portamedic;
- the average revenue per paramedical examination;
- time service performance, from examination order to completion;
- the MIB Life Index data, which represents an indicator of the level of life insurance application activity and LIMRA (a life insurance industry research organization) which tracks the number of completed life insurance applications;
- the number of health screenings completed by our Health & Wellness business;
- the number of tele-interviewing/underwriting reports we generate;
- the number of specimens tested by Heritage Labs;
- the average revenue per specimen tested;
- budget to actual performance at the branch level as well as in the aggregate; and

- customer and product line profitability.

Certain of the above-cited metrics are discussed in the comparative discussion and analysis of our results of operations that follows.

## Results of Operations

### *Comparative Discussion and Analysis of Results of Operations in 2010, 2009 and 2008*

The table below sets forth our revenue by service line, for the periods indicated.

<i>(in thousands)</i>	For the Years Ended December 31,				
	2010	% Change	2009	% Change	2008
Portamedic	\$ 118,555	(11.8)%	\$ 134,373	(4.5)%	\$ 140,720
Heritage Labs	13,682	(8.5)%	14,955	(5.0)%	15,738
Health & Wellness	14,343	30.9 %	10,961	44.5 %	7,587
Hooper Holmes Services	21,859	(11.5)%	24,698	(33.4)%	37,075
Subtotal	168,439	—	184,987	—	201,120
Intercompany eliminations <sup>(a)</sup>	(2,069)	—	(2,586)	—	(2,887)
Total	\$ 166,370	(8.8)%	\$ 182,401	(8.0)%	\$ 198,233

(a) represents intercompany sales from Heritage Labs to Portamedic

## Revenues

Consolidated revenues for the year ended December 31, 2010 were \$166.4 million, a decline of \$16.0 million or 8.8% from the prior year. Revenues for the year ended December 31, 2009 were \$182.4 million, a decline of \$15.8 million or 8.0% below 2008 results. As explained in greater detail below, similar market forces influenced the revenues and operating results of our services throughout the three year period ended December 31, 2010.

### *Portamedic*

The decline in Portamedic revenues for the years ended December 31, 2010 and 2009 were 11.8% and 4.5%, respectively, reflecting the impact of:

- fewer paramedical examinations performed ( 1,342,000 in 2010, or 5,306 per day, vs. 1,520,000 in 2009, or 6,008 per day, vs. 1,664,000 in 2008, or 6,550 per day); and
- lower average revenue per paramedical examination ( \$88.63 in 2010 vs. \$89.44 in 2009), and higher average revenue per paramedical examination in 2009 as compared to 2008 (\$89.44 in 2009 vs. \$86.98 in 2008).

The reduction in the number of paramedical examinations and related services performed in 2010 and 2009 is due to the continued decline in life insurance application activity in the United States (as reported by the MIB Life Index), along with a weak U.S. economy and its negative impact on the market for life insurance products. Also, several of our large customers experienced a reduction in their business during 2010 due to a change in the pricing and design of their life insurance products.

### *Heritage Labs*

Heritage Labs revenues in 2010 were \$13.7 million, a decrease of \$1.3 million, or 8.5%, compared to 2009.

During 2010, revenue from lab testing (approximately 60% of total Heritage Labs revenue in 2010) declined 2.5% compared to 2009. Heritage Labs tested 6.7% fewer specimens compared to the prior year ( 523,000 in 2010 vs. 561,000 in 2009), as reduced demand for lab testing services from one large customer exceeded increased revenues from new and existing Heritage Labs customers. The decline in revenue due to the decrease in the number of specimens tested was partially offset by an increase in Heritage Labs average revenue per insurance specimen tested ( \$15.78 in 2010 vs. \$15.10 in 2009).

Revenues from lab kit assembly (approximately 40% of total Heritage Labs revenue in 2010) decreased by 16.1% in comparison to 2009. This decrease is primarily attributable to reduced demand from one large customer, along with fewer kit orders from Portamedic (due to their revenue decline).

The reduced demand for Heritage Labs testing services from insurance companies is also attributable to the reduction in the number of paramedical examinations completed by Portamedic. Approximately 75-80% of the total volume of specimens tested by Heritage Labs originate from a Portamedic paramedical exam or a Health & Wellness screening.

Heritage Labs revenues in 2009 were \$15.0 million, a decrease of \$0.8 million, or 5.0%, compared to 2008. Heritage Labs tested fewer specimens in 2009 compared to the prior year (561,000 in 2009 vs. 612,000 in 2008). Heritage Labs average revenue per specimen tested decreased in 2009 (\$15.10 in 2009 vs. \$16.45 in 2008). Revenues from lab kit assembly (approximately 43% of total Heritage Labs revenue in 2009) increased by 14% in comparison to 2008.

The decline in Heritage Labs revenue for the year ended December 31, 2009 as compared to the prior year was primarily due to reduced demand for lab testing services resulting from fewer insurance applications processed by Heritage Labs customers and the loss of a significant customer in April 2008 who transferred its lab testing services to a different company's lab. This customer generated approximately \$1.9 million in revenues for Heritage Labs in 2008. Decreased revenues due to the loss of this customer were partially offset by revenue earned from new customers in the lab testing and kit manufacturing businesses. The decreased average revenue per specimen experienced in the year ended December 31, 2009 was primarily due to a reduction in the amount we charged our customers resulting from a reduction in overnight delivery costs incurred by us and passed on to our customers. To a lesser extent, product mix also contributed to the decrease in average revenue per specimen for the year ended December 31, 2009 as compared to the prior year.

#### *Health & Wellness*

Health & Wellness revenues in 2010 were \$14.3 million , an increase of \$3.4 million , or 30.9% , compared to 2009. In 2010, we performed approximately 277,000 health screenings and sold approximately 28,000 home specimen collection kits. In 2009, we performed approximately 214,000 screenings and sold approximately 17,000 home specimen collection kits. We provided our services to 57 health management companies in 2010, up from 49 companies in 2009. We have conducted screening events in every state in the U.S. as well as The District of Columbia and Puerto Rico. Currently we have approximately 2,300 "wellness certified" examiners within our network of examiners. Our revenue increase in 2010 compared to 2009 is primarily due to our sales and marketing efforts in 2010, as we continue to grow and develop this business.

Health & Wellness revenues in 2009 were \$11.0 million, an increase of \$3.4 million, or 44.5%, compared to 2008. Health & Wellness, established in 2007, performed approximately 214,000 health screenings and sold approximately 17,000 home specimen collection kits in 2009, compared to approximately 160,000 health screenings and a minimal volume of home specimen collection kits in 2008. We provided our services to 49 health management companies in 2009, up from 28 companies in 2008. At year end 2009, we had certified approximately 2,700 of our examiners to be "wellness certified" examiners.

#### *Hooper Holmes Services*

Hooper Holmes Services revenue decreased 11.5% to \$21.9 million for 2010 versus the prior year.

Our Health Information Services, which includes attending physician statement ("APS") retrieval and physicians information line ("PIL"), is the largest revenue component within Hooper Holmes Services. Revenues from Health Information Services decreased 9.3% to \$13.0 million for the year 2010 versus the prior year. The decrease in revenues is primarily due to a reduction in the number of APS units of approximately 3.3% as compared to 2009, attributable to the overall decline in life insurance activity, and a decrease of approximately 3.9% as compared to 2009, in the average price per unit of an APS. The decrease in the average price per unit is attributable to a reduction in fees charged to customers for medical records retrieval.

Consumer Services includes our tele-underwriting/interviewing services. Revenue from Consumer Services for the year 2010 decreased 23.7% as compared to the prior year. The decrease in revenue is primarily due to a decline of 25.0% in the number of tele-underwriting/interviewing units completed (primarily due to reduced demand for our services from one significant customer), partially offset by an increase of 1.8% in the average price per unit as compared to the prior year.

Health Risk Analytics includes our risk management and underwriting services. Revenues from Health Risk Analytics increased 1.4% in 2010 to \$3.9 million compared to the prior year. The slight increase in revenue is due to increased volume from our existing customers.

Hooper Holmes Services revenue decreased 33.4% to \$24.7 million for 2009 versus the prior year.

Revenues from Health Information Services decreased \$6.1 million to \$14.4 million for the year 2009 versus the prior year. The decrease in revenues was primarily due to a reduction in the number of APS units of approximately 27% as compared to 2008, attributable to the overall decline in life insurance activity, and a decrease of approximately 10% as compared to 2008 in the average price per unit of an APS. The decrease in the average price per unit was attributable to a reduction in fees charged to customers for medical records retrieval.

Revenue from Consumer Services for the year 2009 decreased 8.5% as compared to the prior year. The decrease in revenue was primarily due to a decline of 14.2% in the number of tele-underwriting/interviewing units completed, partially offset by an increase of 6.9% in the average price per unit as compared to the prior year.

Revenue from Health Risk Analytics declined 60% in 2009 to \$3.8 million compared to the prior year. The decrease was primarily due to the overall decline in life insurance application activity, which resulted in a significant amount of underwriting services previously outsourced to us being greatly reduced or taken back in-house by customers.

### **Cost of Operations**

Our total cost of operations amounted to \$122.9 million in 2010 compared to \$133.3 million in 2009 and \$148.3 million in 2008. The following table shows the cost of operations as a percentage of revenues broken down by service line.

<i>(in thousands)</i>	<b>For the Years Ended December 31,</b>					
	<b>2010</b>	<b>As a % of Revenues</b>	<b>2009</b>	<b>As a % of Revenues</b>	<b>2008</b>	<b>As a % of Revenues</b>
Portamedic/Health & Wellness	\$ 98,578	74.2%	\$ 105,486	72.6%	\$ 113,033	76.2%
Heritage Labs	8,553	62.5%	9,529	63.7%	10,091	64.1%
Hooper Holmes Services	17,772	81.3%	20,895	84.6%	28,114	75.8%
Subtotal	124,903	—	135,910	—	151,238	—
Intercompany eliminations (a)	(2,014)	—	(2,580)	—	(2,953)	—
<b>Total</b>	<b>\$ 122,889</b>	<b>73.9%</b>	<b>\$ 133,330</b>	<b>73.1%</b>	<b>\$ 148,285</b>	<b>74.8%</b>

(a) represents intercompany cost of operations pertaining to sales from Heritage Labs to Portamedic

Cost of operations, as a percentage of revenue, increased to 73.9% for the year ended December 31, 2010 compared to 73.1% for the comparable prior year period. This percentage increase is largely due to Portamedic revenues declining at a rate greater than its associated costs. A significant percentage of costs associated with our Portamedic business are fixed and therefore did not decrease as revenue declined. The increase in cost of sales as a percentage of revenue for Portamedic was offset by declines in cost of sales as a percentage of revenue for Heritage Labs and Hooper Holmes Services, resulting from revenue levels decreasing at a rate greater than cost reduction initiatives implemented during 2010 and 2009.

The decrease in our cost of operations for the year ended December 31, 2009 compared to 2008 was primarily attributable to lower cost of operations in our Portamedic and Heritage Labs businesses attributable to reduced revenue levels and cost reduction initiatives implemented as revenues declined. This decrease was offset by increased cost of sales as a percentage of revenues for Hooper Holmes Services. In July 2009, we combined the Underwriting Solutions and Infolink service lines into a new service line, Hooper Holmes Services. This combination resulted in a lower overall cost structure, which was not fully implemented until the fourth quarter of 2009.

***Selling, General and Administrative Expenses***

<i>(in thousands)</i>	<b>For the years ended December 31,</b>			<b>Decrease</b>	
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2010 vs. 2009</b>	<b>2009 vs. 2008</b>
Total	\$ 42,221	\$ 48,900	\$ 49,774	\$ 6,679	\$ 874

For the past three years, we have continually focused on reducing SG&A expenses in response to our declining revenues. As reflected in the table above, consolidated selling, general and administrative (“SG&A”) expenses in 2010 were \$6.7 million less than 2009 and in 2009 were \$0.9 million less than 2008.

The decrease in 2010 SG&A expenses compared to 2009 was primarily due to reductions of:

- consulting costs associated with a strategic advisor retained in 2009 totaling \$0.5 million;
- employee benefits, primarily health insurance and workers compensation costs, totaling \$2.3 million;
- depreciation expense primarily related to extending the estimated useful life of our current customer services order tracking IT system totaling \$2.1 million;
- external and internal audit costs and bank fees totaling \$0.3 million;
- legal, general insurance and 401k costs totaling \$0.4 million;
- Portamedic regional and administrative salaries and related expenses and sales salaries for all service lines totaling \$0.6 million;
- moving expense associated with Heritage Labs' move to a new facility in January 2009 totaling \$0.2 million;
- amortization expense resulting from certain intangible assets being fully amortized totaling \$0.1 million; and
- headcount reductions in Corporate IT Department totaling \$0.4 million.

The decrease in 2009 SG&A expenses compared to 2008 was primarily due to reductions of:

- employee benefit costs such as health insurance, 401(k) employer match and workers compensation plan costs totaling \$1.0 million;
- legal and general insurance costs totaling \$0.7 million;
- amortization expense resulting from certain intangible assets now fully amortized totaling \$0.6 million;
- incentive compensation expense totaling \$0.3 million;
- Portamedic regional and administrative salaries and related expense totaling \$1.0 million; and
- audit, stock compensation, Board of Director fees and general business taxes totaling \$0.6 million.

The 2009 SG&A expense reductions listed above were partially offset by the following expense increases:

- depreciation expense (non-cash) resulting from a reduction in the estimated useful life of our current IT systems originally scheduled to be replaced in mid 2010, totaling \$2.7 million; and
- consulting costs associated with retaining the services of a strategic advisor in 2009 totaling \$0.5 million.

### ***Impairment of Long-Lived Assets***

#### *Intangible Assets*

In accordance with current accounting standards, long-lived assets, including amortizable intangible assets, are to be tested for impairment when impairment indicators are present.

As a result of the decline in revenues during 2010, 2009 and 2008, principally due to the downturn in the economy and its negative impact on the life insurance industry in which we serve, we performed an impairment analysis of our intangible assets. Based on our analysis, we concluded that the undiscounted cash flows expected to be generated by our intangible assets (primarily customer relationships) exceeded their carrying values. As a result, no impairment was recorded on our intangible assets during 2010, 2009 and 2008.

### ***Restructuring and Other Charges***

For the year ended December 31, 2010, we recorded restructuring charges of \$1.0 million . These charges are attributable to severance related to the resignation of our former CEO and employee severance costs related to headcount reduction actions in Portamedic and Hooper Holmes Services.

For the year ended December 31, 2009, we recorded restructuring and other charges of \$1.2 million. These charges were attributable to:

- restructuring charges for employee severance and office closures totaling \$0.8 million; and
- legal and other costs related to the 2009 Board of Director election proxy contest totaling \$0.4 million.

For the year ended December 31, 2008, we recorded restructuring and other charges of \$1.6 million. These charges were attributable to:

- the early termination of an agreement with the outside consultant utilized in our 2006 strategic review totaling \$0.9 million;
- severance charges related to the resignation of the former CEO of \$0.4 million; and
- restructuring charges for employee severance and office closures totaling \$0.3 million.

### ***Operating Income / Loss from Continuing Operations***

Our consolidated operating income from continuing operations for the year ended December 31, 2010 totaled \$0.2 million , compared to a loss of \$1.0 million in the prior year. These improved results are primarily due to a decrease in SG&A of \$6.7 million ( \$42.2 million in 2010 vs. \$48.9 million in 2009) offset by a decrease in gross profit of \$5.6 million ( \$43.5 million in 2010 vs. \$49.1 million in 2009). The decrease in our gross profit is primarily due to a decline in revenues of 8.8% .

Our consolidated operating loss from continuing operations for the year ended December 31, 2009 totaled \$1.0 million, compared to a loss of \$1.4 million in the prior year. These improved results were primarily due to a decrease of \$0.4 million in restructuring and other charges (\$1.2 million in 2009 vs. \$1.6 million in 2008) and a decrease in SG&A of \$0.9 million (\$48.9 million in 2009 vs. \$49.8 million in 2008).

### ***Other income (expense)***

Interest income for the years ended December 31, 2010, 2009 and 2008 was \$0.1 million, \$0.1 million and \$0.3 million, respectively. The reduction in interest income for the years ended December 31, 2010 and 2009 was due to lower interest rates earned on invested funds.

Other income (expense), net for the years ended December 31, 2010, 2009 and 2008 was \$1.3 million, \$(0.4) million and \$(0.4) million, respectively. Included in the results for the year ended December 31, 2010 is a gain of approximately \$1.6 million representing the reversal of a reserve previously established for interest and penalties associated with a state unclaimed property matter for which the audit period has lapsed.

### ***Income Taxes***

We have significant deferred tax assets attributable to tax deductible intangibles, capital loss carryforwards and federal and state net operating loss carryforwards, which may reduce taxable income in future periods. Based on the continued decline in revenues, the cumulative tax and operating losses, the lack of taxes in the carryback period and the uncertainty surrounding the extent or timing of future taxable income, we do not believe we will realize the tax benefits of these deferred tax assets. Accordingly, we continue to record a full valuation allowance on our net deferred tax assets of \$50.5 million and \$50.9 million as of December 31, 2010 and 2009, respectively.

The income tax expense recorded in the year ended December 31, 2010, including interest, is primarily due to an accrual for amended tax returns filed in one state for tax years 2007 and 2008, and the true-up of the 2009 tax provision for that state.

Prior to the passage of the Worker, Homeownership and Business Assistance Act of 2009 (the "2009 Act"), signed into law in the fourth quarter of 2009, corporations were allowed to carryback net operating losses two years and forward 20 years to offset taxable income. Under the 2009 Act, corporations can elect to carryback net operating losses incurred in either 2008 or 2009 to a profitable fifth year preceding the loss year. The net operating loss carried back is limited to 50% of the available taxable income for that year. We were able to carryback approximately \$4.3 million of federal net operating losses incurred in 2008 to tax year 2003 and in the fourth quarter of 2009, we filed an amended tax return to recover approximately \$1.5 million of federal income tax previously paid. In February 2010, we received \$1.5 million of cash related to the carryback claim, which included \$0.02 million of interest.

The federal tax benefit recorded in the year ended December 31, 2009 reflected the utilization of fully reserved net operating losses that were carried back to 2003 under the 2009 Act referred to above, offset by certain state tax liabilities. The income tax expense recorded in the year ended December 31, 2008 reflected certain state tax liabilities.

As of December 31, 2010 and 2009, no amounts were recorded for unrecognized tax benefits or for the payment of interest or penalties. Furthermore, no such amounts were accrued during the years ended December 31, 2010 and 2009.

In July 2008, we received notification from the U.S. Internal Revenue Service (the "IRS") that it had completed its audits of our tax returns for the years 2001 through 2006 with no adjustments. State income tax returns for the year 2006 and forward are subject to examination.

As of December 31, 2010, we had U.S. federal and state net operating loss carryforwards of approximately \$84.7 million and \$87.3 million, respectively. The net operating loss carryforwards, if not utilized, will expire in the years 2011 through 2030.

The effective tax rate for the years ended December 31, 2010, 2009 and 2008 was 14%, (103%) and 1%, respectively.

### ***Discontinued Operations***

On June 30, 2008, we sold substantially all of the assets and liabilities of our CED operating segment for \$5.6 million and received cash payments totaling \$5.1 million and a \$0.5 million note receivable due in six equal monthly installments beginning July 31, 2008. The note receivable was fully collected by March 2009. In connection with the sale of the CED, we were released as the primary obligor for certain lease obligations acquired but remain secondarily liable in the event the buyer defaults. This guarantee is provided for the term of the lease, which expires in July 2015. During the year ended December 31, 2008, we recorded a reserve of \$0.3 million representing the fair value of the guarantee obligation. During 2010, we reduced this reserve to \$0.2 million. For the year ended December 31, 2010, we reported a gain on the sale of subsidiaries of \$0.06 million representing the reduction of this reserve. As of December 31, 2010, the maximum potential amount of future payments under the guarantee is \$0.5 million. We recognized a net gain on the sale of the CED of approximately \$0.9 million for the year ended December 31, 2008, inclusive of the above mentioned reserve of \$0.3 million, which was reported in discontinued operations.

In connection with the sale of MDG on October 9, 2007, we agreed to indemnify the purchaser for certain pre-closing tax liabilities. In 2008, information became available to us relating to certain pre-closing tax obligations of MDG. Based on this information, we recorded a reserve of \$1.4 million in loss on sale of subsidiaries. In the first quarter of 2009, we increased this reserve by \$0.04 million resulting in a total liability for these pre-closing tax matters of \$1.5 million as of March 31, 2009.

On May 7, 2009, we reached a settlement agreement with Medicals Direct Holding Limited (“MD”) (successor-in-interest to the purchaser of MDG) whereby we agreed with MD to fully release and discharge each other from any and all claims known or unknown under the MDG Stock Purchase Agreement and the Tax Deed executed on October 9, 2007. On May 8, 2009, we paid MD the sum of \$0.3 million, and further released MD from the additional purchase price payments due us, totaling \$1.2 million. The \$0.3 million payment is presented within cash (used in) provided by operating activities of discontinued operations in our consolidated statement of cash flows for the year ended December 31, 2009.

### ***Net Income / Loss***

Net income for the year ended December 31, 2010 was \$1.5 million, or \$0.02 per share on both a basic and diluted basis, compared to our essentially break even results for the year ended December 31, 2009. In 2008, we reported a net loss of \$1.9 million, or (\$0.03) per share.

### ***Liquidity and Financial Resources***

As of and for the years ended December 31, 2010 and 2009, our primary sources of liquidity are our internally generated funds, holdings of cash and cash equivalents and our revolving line of credit. At December 31, 2010 and 2009, our working capital was \$32.3 million and \$30.1 million, respectively. Our current ratio as of December 31, 2010 was 3.6 to 1 compared to 3.2 to 1 at December 31, 2009. Significant sources affecting our cash flows for the year ended December 31, 2010 include:

- income from continuing operations of \$1.4 million, including non-cash charges of \$4.9 million in depreciation and amortization expense and \$0.6 million in stock-based compensation expense;
- a decrease in accounts receivable of \$0.8 million ;
- a decrease in other assets of \$0.9 million ; and
- receipt of a \$1.5 million income tax refund.

These sources of cash were offset by the following:

- a decrease in accounts payable, accrued expense and other long-term liabilities (including \$1.1 million of restructuring payments related to employee severance) of \$1.5 million ; and
- capital expenditures of \$4.3 million .

Our income from continuing operations was \$1.4 million and \$0.04 million for the years ended December 31, 2010 and 2009, respectively. For the year ended December 31, 2008, we incurred a loss from continuing operations of \$1.6 million. These results include operating income (losses), and restructuring and other charges. We have managed our liquidity during this period through a series of cost reduction initiatives, sales of assets and working capital reductions.

At December 31, 2010, we had approximately \$21.4 million in cash and cash equivalents and no debt outstanding. Our net cash provided by operating activities of continuing operations for the years ended December 31, 2010, 2009 and 2008 was \$9.4 million, \$8.7 million and \$0.1 million, respectively.

#### Revolving Credit Facility

As of December 31, 2008 and for the majority of the first quarter of 2009, we had a three year Revolving Credit Facility (the "Credit Facility") with CitiCapital Commercial Corporation ("CitiCapital"). The Credit Facility was due to expire on October 10, 2009. During each of the years 2009 and 2008, we incurred unused fees of \$0.03 million and \$0.1 million, respectively, under the Credit Facility with CitiCapital. On March 9, 2009, we entered into a three year Loan and Security Agreement ("Loan and Security Agreement") with TD Bank, N.A. ("TD Bank") which, pursuant to the First Amendment and Modification to Loan and Security Agreement ("First Amendment") executed on December 1, 2010, now expires on March 8, 2013 (see Note 8 to the consolidated financial statements). In connection with entering into the Loan and Security Agreement with TD Bank, we terminated our Credit Facility with CitiCapital.

#### Loan and Security Agreement

On December 1, 2010, we entered into the First Amendment with TD Bank. The First Amendment amends the terms and conditions of the Loan and Security Agreement dated as of March 9, 2009. Under the First Amendment, we will have the ability, on or prior to the second anniversary of the First Amendment, and subject to a determination by our Board of Directors authorizing such a transaction, to repurchase up to \$5 million of our capital stock out of Qualified Cash (as such term is defined in the First Amendment), provided no Default or Event of Default (as such terms are defined in the Loan and Security Agreement) shall have otherwise occurred. In addition, under the First Amendment, the maturity date of the Loan and Security Agreement has been extended by one year (to March 8, 2013 from March 8, 2012), and commencing March 8, 2012 and at all times thereafter the unused line fee (usage fee) under the Loan and Security Agreement has been reduced from one percent (1%) per annum to one-half of one percent (1/2%) per annum, in each case on the difference between \$15 million and the sum of the average outstanding principal balance of cash advances under the revolving credit line and the average daily aggregate undrawn portion of all outstanding letters of credit for the preceding month.

The First Amendment also adjusts the applicable interest rate provisions under the Loan and Security Agreement such that commencing March 8, 2012 and at all times thereafter the terms "LIBOR Market Index Rate" and "LIBOR Rate" shall each be defined without regard to a one percent (1%) per annum minimum. The First Amendment also contains other customary representations, warranties, covenants and terms and conditions.

On February 25, 2011, we entered into the Second Amendment and Modification to Loan and Security Agreement (the "Second Amendment"). Under the Second Amendment, the maximum aggregate future purchase money indebtedness and capitalized lease obligations of the Company in respect of specific items of equipment was increased to \$2.0 million from \$0.25 million effective December 31, 2010. The Second Amendment also contains other customary representations, warranties, covenants and terms and conditions.

The Loan and Security Agreement provides us with a revolving line of credit, the proceeds of which are to be used for general working capital purposes. Under the terms of the Loan and Security Agreement, TD Bank has agreed to make revolving credit loans to us in an aggregate principal amount at any one time outstanding which, when combined with the aggregate undrawn amount of all unexpired letters of credit, does not exceed 85% of "Eligible Receivables" (as that term is defined in the Loan and Security Agreement), provided that in no event can the aggregate amount of the revolving credit loans and letters of credit outstanding at any time exceed \$15 million. The maximum aggregate face amount of letters of credit that may be outstanding at any time may not exceed \$1.5 million pursuant to the terms of the Loan and Security Agreement.

Borrowings of revolving credit loans shall take the form of LIBOR rate advances with the applicable interest rate being the greater of 1% per annum or the LIBOR rate, plus 3.5% for any borrowings up to March 7, 2012. Borrowings on March 8, 2012 and thereafter shall bear interest at the LIBOR rate plus 3.5% per annum (i.e., without regard to a one percent (1%) per annum minimum).

During each of the years 2010 and 2009, we incurred unused line fees of \$0.1 million. In addition, we are required to pay an annual loan fee of \$0.1 million.

As security for our full and timely payment and other obligations under the Loan and Security Agreement, we granted TD Bank a security interest in all of our existing and after-acquired property and of our subsidiary guarantors, including our receivables (which are subject to a lockbox account arrangement), inventory and equipment. As further security, we have granted TD Bank a mortgage lien encumbering our corporate headquarters. In addition, the obligations are secured under the terms of security agreements and guarantees provided by all of our subsidiaries. The aforementioned security interest and mortgage lien are collectively referred to herein as the "Collateral".

Pursuant to the terms of the Loan and Security Agreement, TD Bank, in its sole discretion based upon its reasonable credit judgment, may (A) establish and change reserves required against Eligible Receivables, (B) change the advance rate against Eligible Receivables or the fair market value of our corporate headquarters, and (C) impose additional restrictions on the standards of eligibility for Eligible Receivables, any of which could reduce the aggregate amount of indebtedness that may be incurred under the Loan and Security Agreement.

The Loan and Security Agreement contains covenants that, among other things, restrict our ability, and that of our subsidiaries, to:

- pay any dividends or distributions on, or redeem or retire any shares of any class of our capital stock or other equity interests;
- incur additional indebtedness;
- sell or otherwise dispose of any of our assets, other than in the ordinary course of business;
- create liens on our assets;
- enter into any sale and leaseback transactions; and
- enter into transactions with any of our affiliates on other than an arm's-length or no less favorable basis.

The Loan and Security Agreement contains a financial covenant that requires us to maintain a fixed charge coverage ratio (as defined in the Loan and Security Agreement), measured on a trailing 12-month basis, of no less than 1.1 to 1.0 as of the end of each of our fiscal quarters. The fixed charge coverage ratio allows for the exclusion of unfinanced capital expenditures of up to \$5.5 million from the denominator of the calculation provided we maintain pre-defined minimum cash balances at TD Bank on average for the 90 days ended as of the measurement date. As of December 31, 2010, our average cash balance at TD Bank for the 90 days then ended, exceeded the pre-defined cash balance requirements, thereby allowing all unfinanced capital expenditures to be excluded from the denominator of the fixed charge coverage ratio calculation. As of December 31, 2010, our fixed charge coverage ratio measured on a trailing 12-month period and excluding capital expenditures in excess of one dollar was 15.8 to 1 and, as such, we satisfied the financial covenant. However, there is no assurance that we will satisfy this financial covenant as the end of each fiscal quarter thereafter.

On April 22, 2009, we obtained from TD Bank and issued a letter of credit under the Loan and Security Agreement in the amount of \$0.5 million to the landlord of our Heritage Labs facility as security for performance of our obligations under the lease. The letter of credit will automatically extend for additional periods of one year, unless notice is given to terminate the letter of credit 60 days prior to its expiration date. In no event shall the letter of credit be renewed beyond December 31, 2011. Also, in December 2009, we opened a \$0.1 million TD VISA credit card account to be used by Hooper Holmes Services medical records retrieval service line. The letter of credit and the credit card reduced our borrowing capacity under our revolving line of credit. As of December 31, 2010, our borrowing capacity under the revolving line of credit totaled \$14.4 million.

The failure of us or any subsidiary guarantor to comply with any of the covenants or the breach of any of our representations and warranties contained in the Loan and Security Agreement constitutes an event of default under that agreement. In addition, the Loan and Security Agreement provides that "Events of Default" include the occurrence or failure of any event or condition that, in TD Bank's sole judgment, could have a material adverse effect (i) on our business, operations, assets, management, liabilities or condition, (ii) on the value of or the perfection or priority of TD Bank's lien upon the Collateral, or (iii) on the ability of us and our subsidiary guarantors to perform under the Loan and Security Agreement.

The revolving credit loans are payable in full, together with all accrued and unpaid interest, on the earlier of March 8, 2013 (as amended) or the date of termination of the loan commitments, termination being one of the actions TD Bank may take upon the occurrence of an Event of Default. We may prepay any revolving credit loan, in whole or in part without penalty. We may also terminate the Loan and Security Agreement, provided that on the date of such termination all of our obligations thereunder are paid in full. We will be required to pay an early termination fee equal to \$0.2 million if the termination occurs prior to March 9, 2011, and \$0.1 million if termination occurs thereafter.

Based on our anticipated level of future revenues, the cost reduction initiatives implemented to date, our existing cash and cash equivalents and unused borrowing capacity, we believe we have sufficient funds to meet our cash needs through December 31, 2011.

### ***Cash Flows from Operating Activities***

For the years ended December 31, 2010, 2009 and 2008, net cash provided by operating activities of continuing operations was \$9.4 million, \$8.7 million and \$0.1 million, respectively.

The net cash provided by operating activities of continuing operations for 2010 of \$9.4 million includes net income of \$1.4 million from continuing operations, non-cash charges of \$4.9 million of depreciation and amortization, and \$0.6 million of share-based compensation expense. Changes in working capital items included:

- a decrease in accounts receivable of \$0.8 million, primarily due to increased Portamedic cash collections. Our consolidated days sales outstanding (DSO), measured on a rolling 90-day basis was 40 days at December 31, 2010, compared to 41 days at December 31, 2009. Historically, our accounts receivable balances and our DSO are at their lowest point in December as many of our customers utilize the remainder of their operating budgets before their year-end budget close-out. As a result, our DSO historically declines at year-end compared to other months during the year. Our average DSO for 2010 was 46.0 days compared to 47.6 days in 2009. We believe our increased collection efforts in 2010, along with our continued focus on electronic customer billing, are the primary drivers of our improvement in our 2010 DSO relative to our historic experience. As a result of these improvements, our allowance for doubtful accounts, which includes a reserve for revenue reductions, declined approximately \$0.3 million since December 31, 2009, of which \$0.2 million was reversed to revenue during the year ended December 31, 2010.
- a decrease in other assets and income tax receivable of \$2.3 million; and
- a decrease in accounts payable, accrued expenses and other long-term liabilities of \$1.5 million.

The net cash provided by operating activities of continuing operations for 2009 of \$8.7 million includes net income of \$0.04 million from continuing operations non-cash charges of \$7.2 million of depreciation and amortization, and \$0.7 million of share-based compensation expense. Changes in working capital items included:

- a decrease in accounts receivable of \$4.9 million, primarily due to increased Portamedic cash collections. Our consolidated days sales outstanding (DSO), measured on a rolling 90-day basis was 41 days at December 31, 2009, compared to 48 days at December 31, 2008. Our average DSO for 2009 was 47.6 days compared to 53.7 days in 2008. We believe our increased collection efforts in 2009, along with our continued focus on electronic customer billing, are the primary drivers of our improvement in our 2009 DSO relative to our historic experience. As a result of these improvements, our allowance for doubtful accounts, which includes a reserve for revenue reductions, declined approximately \$1.8 million since December 31, 2008, of which \$0.5 million was reversed to revenue during the year ended December 31, 2009.
- an increase in other assets and income tax receivable of \$2.8 million; and
- a decrease in accounts payable, accrued expenses and other long-term liabilities of \$1.6 million.

The net cash provided by operating activities of continuing operations for 2008 of \$0.1 million reflects a loss of \$1.6 million from continuing operations and includes non-cash charges of \$4.7 million of depreciation and amortization, \$0.7 million of share-based compensation expense and a \$0.4 million write-off of software. Changes in working capital items included:

- a decrease in accounts receivable of \$1.0 million, primarily due to increased Portamedic cash collections from increased collection efforts primarily in the fourth quarter of 2008. Our consolidated DSO, measured on a rolling 90-day basis was 48 days at December 31, 2008, compared to 46 days at December 31, 2007 (increase in DSO is due to lower revenue in the fourth quarter of 2008 compared to the same period of the prior year);
- the receipt of \$0.5 million in federal and state income tax refunds in 2008; and
- a decrease in accounts payable, accrued expenses and other long-term liabilities of \$5.9 million primarily related to payments to an outside consultant related to our 2006 strategic review of \$2.3 million, an unclaimed property payment of \$1.4 million and restructuring payments for severance and branch office closure costs of \$1.7 million.

### ***Cash Flows used in Investing Activities***

For the year ended December 31, 2010, we used \$4.3 million in net cash for investing activities of continuing operations for capital expenditures primarily related to the development of a new IT system for processing customer orders and our new iParamed technology platform.

For the year ended December 31, 2009, we used \$3.1 million in net cash for investing activities of continuing operations for capital expenditures primarily relating to leasehold improvements associated with the relocation of Heritage Labs in the first quarter of 2009 and the purchase of IT hardware and software.

For the year ended December 31, 2008, we used \$5.6 million in net cash for investing activities of continuing operations for capital expenditures, primarily relating to upgrading our branch operating system software, the development of a new Health & Wellness billing system and the purchase of IT hardware. Net cash provided by investing activities of discontinued operations during 2008 was \$5.5 million, due primarily to the net cash received from the sale of the CED in June 2008.

### ***Cash Flows used in Financing Activities***

For the year ended December 31, 2010, net cash used in financing activities of continuing operations was \$0.1 million consisting of proceeds received from stock purchases under the employee stock purchase plan, offset by reduction in our capital lease obligations and costs associated with our Loan and Security Agreement with TD Bank.

For the year ended December 31, 2009, net cash used in financing activities of continuing operations of \$0.4 million represents debt issuance costs associated with entering into our new Loan and Security Agreement with TD Bank and reduction in our capital lease obligations.

For the year ended December 31, 2008, net cash used in financing activities of continuing operations of \$0.1 million represents reduction in our capital lease obligations.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

### **Share Repurchases**

We did not purchase any shares of our common stock during 2010, 2009 or 2008.

### **Dividends**

No dividends were paid in 2010, 2009 or 2008. We are precluded from declaring or making any dividend payments or other distributions of assets with respect to any class of our equity securities under the terms of the Loan and Security Agreement with TD Bank.

## Contractual Obligations

The following table sets forth our schedule of contractual obligations at December 31, 2010, including future minimum lease payments under non-cancelable operating and capital leases, employment contract payments and our software license fees.

<i>(In thousands)</i>	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating Lease Obligations	\$ 17,324	\$ 4,363	\$ 5,946	\$ 3,263	\$ 3,752
Capital Lease Obligations	348	239	109	—	—
Employment Contracts	1,214	920	294	—	—
Software License Fees	828	828	—	—	—
Total	\$ 19,714	\$ 6,350	\$ 6,349	\$ 3,263	\$ 3,752

## Inflation

Inflation has not had, nor is it expected to have, a material impact on our consolidated financial results.

## Critical Accounting Policies

A critical accounting policy is one that is important to the portrayal of a company's operating results and/or financial condition and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Our consolidated financial statements and accompanying notes are prepared in accordance with US generally accepted accounting principles (US GAAP). Preparation of financial statements in accordance with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. We base these determinations upon the best information available to us during the period in which we are accounting for our results. Our estimates and assumptions could change materially as conditions within and beyond our control change or as further information becomes available. Further, these estimates and assumptions are affected by management's application of accounting policies. Changes in our estimates are recorded in the period the change occurs.

We have identified the accounting policies discussed below as critical to us. The discussion below is not intended to be a comprehensive list of our accounting policies. Our significant accounting policies are more fully described in Note 1 to the consolidated financial statements included elsewhere in this Annual Report.

### *Revenue Recognition*

Revenue is recognized for paramedical and medical examinations when the examination of the insurance policy applicant is completed. Revenues generated from medical record collection, laboratory testing, fingerstick test kits and other services are recognized when the related service is completed. In all cases, there must be evidence of an agreement with the customer, the sales price must be fixed or determinable, delivery of services must occur and the ability to collect must be reasonably assured.

### *Allowance for Doubtful Accounts*

We maintain allowances for doubtful accounts for (i) estimated losses resulting from the inability of our customers to make required payments, and (ii) estimated amounts that customers may deduct from their remittances to us for billed items not in compliance with customer specifications. Management regularly assesses the financial condition of our customers, the markets in which these customers participate as well as historical trends relating to customer deductions and adjusts the allowance for doubtful accounts based on this review. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, our ability to collect on accounts receivable could be negatively impacted, in which case additional allowances may be required.

We must make significant management judgments and estimates in determining allowances for doubtful accounts in any accounting period. One significant uncertainty inherent in our analysis is whether our past experience will be indicative of future periods. Adverse changes in general economic conditions could affect our allowance estimates, collection of accounts receivable, cash flows and results of operations.

### ***Impairment of Long-lived Assets, including Intangible Assets and Assets to be Disposed***

Long-lived assets with determinable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. Impairment is a condition that exists when the carrying amount of a long-lived asset exceeds its fair value.

The following are examples of events or changes in circumstances that may indicate an asset's carrying value may not be recoverable:

- a significant decrease in the market price of a long-lived asset;
- a significant adverse change in the extent or manner in which a long-lived asset is being used or in its physical condition;
- a significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator;
- a current period operating cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of the long lived asset; and
- a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life.

The process to identify if there is impairment includes the following steps:

- a comparison of the undiscounted net cash flows expected to be generated by the long lived assets or asset group to the carrying value of the long-lived assets or asset group; and
- if the carrying value exceeds the undiscounted net cash flows, an impairment is identified. The amount of the impairment is based on the excess of the carrying value of the long-lived assets to its fair value. We estimate the fair value of the long-lived assets based on discounted cash flow models.

As discussed in the Results of Operations, due to the decline in revenues during 2010, 2009 and 2008, principally due to the downturn in the economy and its negative impact on the life insurance industry in which we serve, we performed an impairment analysis of our intangible assets. Based on the analysis, we concluded that the undiscounted cash flows expected to be generated by our intangible assets (primarily customer relationships), exceeded their carrying values. As a result, no impairment was recorded on our intangible assets during 2010, 2009 and 2008.

Assets to be disposed of are reported at the lower of their carrying amount or fair value less the costs to sell.

### ***Accounting for Income Taxes***

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions which we operate. This process involves estimating our actual current tax expense together with assessing temporary differences resulting from different treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet.

We assess the realization of our deferred tax assets to determine whether an income tax valuation allowance is required. Based on the continued decline in revenues, the cumulative tax and operating losses, the lack of taxes in the carryback period and the uncertainty surrounding the extent or timing of future taxable income, we do not believe that we will realize the tax benefits of our deferred tax assets. Accordingly, we continue to record a full valuation allowance on our net deferred tax assets. During the year ended December 31, 2009, we recorded a \$1.5 million federal tax benefit due to the utilization of fully reserved net operating losses that were carried back to 2003 under the Worker, Homeownership and Business Assistance Act of 2009, signed into law in the fourth quarter of 2009.

## ***Share-Based Compensation***

Authoritative accounting literature addresses the accounting for transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. This literature establishes accounting principles which require companies to recognize compensation cost in an amount equal to the fair value of the share-based payments, such as stock options or non-vested stock granted to employees. Compensation cost for stock options and non-vested stock is recognized over the vesting period based on the estimated fair value on the date of the grant. The accounting principles also require that we estimate a forfeiture rate for all share based awards. We monitor share option exercise and employee termination patterns to estimate forfeiture rates within the valuation model. The estimated fair values of options are based on assumptions, including estimated lives, volatility, dividend yield, and risk-free interest rates. These estimates also consider the probability that the options will be exercised prior to the end of their contractual lives and the probability of termination or retirement of the holder, which are based on reasonable estimates and historical trends but are subject to change based on a variety of external factors.

## **Recently Issued Accounting Standards**

*Multiple Element Arrangements* – In September 2009, new authoritative accounting literature became effective requiring that revenue be allocated to each unit of accounting in many multiple deliverable arrangements based on the relative selling price of each deliverable. The literature also changed the level of evidence of standalone selling price required to separate deliverables by allowing a “best estimate” of the standalone selling price of deliverables when more objective evidence of selling price is not available. This accounting principle is effective as of January 1, 2011. We do not expect the adoption of this accounting principle to have a material impact on our consolidated financial statements.

We are exposed to interest rate risk primarily through our borrowing activities, which are described in Note 8 to the consolidated financial statements included in this Annual Report. Our credit facility is based on variable rates and is therefore subject to interest rate fluctuations. Accordingly, our interest expense will vary as a result of interest rate changes and the level of any outstanding borrowings. As of December 31, 2010, there were no borrowings outstanding.

As of December 31, 2010, we have determined that there was no material market risk exposure to our consolidated financial position, results of operations or cash flows as of such date.

## ITEM 8

## Financial Statements and Supplementary Data

## Financial Highlights (Unaudited)

<i>(in thousands, except share data, per share data and ratios)</i>	Years ended December 31,		
	2010	2009	2008
Revenues	\$ 166,370	\$ 182,401	\$ 198,233
Operating income (loss) from continuing operations	234	(1,013)	(1,428)
Net income (loss)	1,476	(4)	(1,885)
<b>Basic and diluted earnings (loss) per share:</b>			
Income (loss) from continuing operations	\$ 0.02	\$ —	\$ (0.02)
Income from discontinued operations	—	—	—
Net income (loss) per share	\$ 0.02	\$ —	\$ (0.03)
Weighted average number of shares:			
Basic	69,437,710	68,692,176	68,657,975
Diluted	69,896,969	69,392,243	68,657,975
Return on stockholders' equity	3.3%	—	(4.6)%
Net cash provided by operating activities of continuing operations	\$ 9,350	\$ 8,669	\$ 113
Working capital	\$ 32,321	\$ 30,102	\$ 24,135
Book value per weighted average share outstanding	\$ 0.63	\$ 0.60	\$ 0.59
Closing stock price per common share	\$ 0.70	\$ 1.04	\$ 0.25
Current ratio	3.6:1	3.2:1	2.3:1
Quick ratio	3.4:1	3.0:1	2.2:1

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders  
Hooper Holmes, Inc.:

We have audited the accompanying consolidated balance sheets of Hooper Holmes, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2010. In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule, Schedule II – Valuation and Qualifying Accounts. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hooper Holmes, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Short Hills, New Jersey

March 14, 2011

**Hooper Holmes, Inc.**  
**Consolidated Balance Sheets**  
(In thousands, except share and per share data)

	December 31, 2010	December 31, 2009
<b>ASSETS (Note 8)</b>		
Current Assets:		
Cash and cash equivalents	\$ 21,391	\$ 16,495
Accounts receivable, net of allowance for doubtful accounts of \$910 and \$1,237 at December 31, 2010 and 2009, respectively	19,484	20,365
Inventories	2,153	2,750
Income tax receivable	—	1,479
Other current assets	1,899	2,816
Total current assets	44,927	43,905
Property, plant and equipment, net	11,647	11,555
Intangible assets, net	537	932
Other assets	368	310
Total assets	\$ 57,479	\$ 56,702
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 6,665	\$ 5,167
Accrued expenses	5,941	8,636
Total current liabilities	12,606	13,803
Other long-term liabilities	1,247	1,473
Commitments and contingencies (Note 9)		
Stockholders' Equity:		
Common stock, par value \$.04 per share; authorized 240,000,000 shares; Issued: 69,598,982 shares and 68,713,982 shares at December 31, 2010 and 2009, respectively. Outstanding: 69,589,587 shares and 68,704,587 shares at December 31, 2010 and 2009, respectively.	2,784	2,748
Additional paid-in capital	148,195	147,507
Accumulated deficit	(107,282)	(108,758)
Total stockholders' equity	43,697	41,497
Less: Treasury stock, at cost; 9,395 shares as of December 31, 2010 and 2009	(71)	(71)
Total stockholders' equity	43,626	41,426
Total liabilities and stockholders' equity	\$ 57,479	\$ 56,702

*See accompanying notes to consolidated financial statements.*

**Hooper Holmes Inc.**  
**Consolidated Statements of Operations**  
(In thousands, except share and per share data)

	Years ended December 31,		
	2010	2009	2008
Revenues	\$ 166,370	\$ 182,401	\$ 198,233
Cost of operations	122,889	133,330	148,285
Gross profit	43,481	49,071	49,948
Selling, general and administrative expenses	42,221	48,900	49,774
Restructuring and other charges	1,026	1,184	1,602
Operating income (loss) from continuing operations	234	(1,013)	(1,428)
Other income (expense):			
Interest expense	(12)	(17)	(3)
Interest income	122	92	269
Other income (expense), net	1,302	(441)	(383)
	1,412	(366)	(117)
Income (loss) from continuing operations before income taxes	1,646	(1,379)	(1,545)
Income tax expense (benefit)	225	(1,416)	14
Income (loss) from continuing operations	1,421	37	(1,559)
Discontinued operations:			
Income from discontinued operations, net of income taxes	—	—	212
Gain (loss) on sale of subsidiaries	55	(41)	(538)
	55	(41)	(326)
Net income (loss)	\$ 1,476	\$ (4)	\$ (1,885)
<b>Basic and diluted earnings (loss) per share:</b>			
Continuing operations			
Basic	\$ 0.02	\$ —	\$ (0.02)
Diluted	\$ 0.02	\$ —	\$ (0.02)
Discontinued operations			
Basic	\$ —	\$ —	\$ —
Diluted	\$ —	\$ —	\$ —
Net income (loss)			
Basic	\$ 0.02	\$ —	\$ (0.03)
Diluted	\$ 0.02	\$ —	\$ (0.03)
<b>Weighted average number of shares:</b>			
Basic	69,437,710	68,692,176	68,657,975
Diluted	69,896,969	69,392,243	68,657,975

*See accompanying notes to consolidated financial statements.*

**Hooper Holmes, Inc.**  
**Consolidated Statements of Stockholders' Equity**  
(In thousands, except share data)

	Common Stock			Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total
	Number of Shares	Amount				Number of Shares	Amount	
Balance, December 31, 2007	68,643,982	\$ 2,746	\$ 146,103	\$ (106,869)	(9,395)	\$ (71)	\$ 41,909	
Net loss				(1,885)			(1,885)	
Issuance of stock awards	40,000	1	35				36	
Share-based compensation			708				708	
Balance, December 31, 2008	68,683,982	2,747	146,846	(108,754)	(9,395)	(71)	40,768	
Net loss				(4)			(4)	
Issuance of stock awards	30,000	1	17				18	
Share-based compensation			644				644	
Balance, December 31, 2009	68,713,982	2,748	147,507	(108,758)	(9,395)	(71)	41,426	
Net income				1,476			1,476	
Issuance of stock under employee stock purchase plan	850,000	35	118				153	
Issuance of stock awards	35,000	1	28				29	
Share-based compensation			542				542	
Balance, December 31, 2010	69,598,982	\$ 2,784	\$ 148,195	\$ (107,282)	(9,395)	\$ (71)	\$ 43,626	

*See accompanying notes to consolidated financial statements.*

**Hooper Holmes, Inc.**  
**Consolidated Statements of Cash Flows**  
(In thousands)

	Years ended December 31,		
	2010	2009	2008
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 1,476	\$ (4)	\$ (1,885)
Income (loss) from discontinued operations, net of income taxes	55	(41)	(326)
Income (loss) from continuing operations	1,421	37	(1,559)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities of continuing operations:			
Depreciation	4,476	6,660	3,799
Amortization	395	497	932
Provision for bad debt expense	78	20	143
Share-based compensation expense	572	662	744
Write-off of software	65	—	367
Loss on disposal of fixed assets	141	180	137
Change in assets and liabilities, net of effect from dispositions of businesses:			
Accounts receivable	803	4,885	974
Inventories	597	115	(317)
Other assets	859	(1,324)	362
Income tax receivable	1,479	(1,448)	487
Accounts payable, accrued expenses and other long-term liabilities	(1,536)	(1,615)	(5,956)
<b>Net cash provided by operating activities of continuing operations</b>	<b>9,350</b>	<b>8,669</b>	<b>113</b>
<b>Net cash (used in) provided by operating activities of discontinued operations</b>	<b>—</b>	<b>(300)</b>	<b>396</b>
<b>Net cash provided by operating activities</b>	<b>9,350</b>	<b>8,369</b>	<b>509</b>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(4,346)	(3,138)	(5,587)
<b>Net cash used in investing activities of continuing operations</b>	<b>(4,346)</b>	<b>(3,138)</b>	<b>(5,587)</b>
<b>Net cash provided by investing activities of discontinued operations</b>	<b>—</b>	<b>83</b>	<b>5,483</b>
<b>Net cash used in investing activities</b>	<b>(4,346)</b>	<b>(3,055)</b>	<b>(104)</b>
<b>Cash flows from financing activities:</b>			
Proceeds from employee stock purchase plan	153	—	—
Reduction in capital lease obligation	(160)	(130)	(125)
Debt financing fees	(101)	(236)	—
<b>Net cash used in financing activities of continuing operations</b>	<b>(108)</b>	<b>(366)</b>	<b>(125)</b>
<b>Net cash used in financing activities of discontinued operations</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net cash used in financing activities</b>	<b>(108)</b>	<b>(366)</b>	<b>(125)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,896</b>	<b>4,948</b>	<b>280</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>16,495</b>	<b>11,547</b>	<b>11,267</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 21,391</b>	<b>\$ 16,495</b>	<b>\$ 11,547</b>
<b>Supplemental disclosure of non-cash investing activities:</b>			
Fixed assets vouchered but not paid	\$ 467	\$ 224	\$ 627
Fixed assets acquired by capital leases	\$ 200	\$ —	\$ 400
Note receivable on sale of subsidiary	\$ —	\$ —	\$ 83
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the period for:			
Interest	\$ —	\$ 1	\$ 3
Income taxes	\$ 229	\$ 101	\$ 16

See accompanying notes to consolidated financial statements

**HOOPER HOLMES, INC.**  
**Notes to Consolidated Financial Statements**  
**(tabular amounts in thousands, except share and per share data, unless otherwise noted)**

**Note 1 — Summary of Significant Accounting Policies**

**(a) Description of the Business**

Hooper Holmes, Inc. and its subsidiaries (“Hooper Holmes” or the “Company”) provide outsourced health risk assessment services to the life insurance and health industries. The Company operates in one reportable operating segment and provides paramedical and medical examinations, personal health interviews and record collection, and laboratory testing, which help life insurance companies evaluate the risks associated with underwriting policies. The Company also conducts wellness screenings for wellness companies, disease management organizations and health plans.

The Company's core activities consist of arranging for paramedical examinations on behalf of insurance carriers, primarily in connection with such carriers' processing and evaluation of the risks associated with underwriting insurance policies - mainly life insurance policies. As a provider of health risk assessment services to the insurance industry, the Company's business is subject to seasonality, with third quarter sales typically dropping below the other quarters due to the decline in activity typically experienced by the insurance industry during the summer months.

**(b) Basis of Presentation**

On June 30, 2008, the Company sold substantially all of the assets and liabilities of its Claims Evaluation Division (“CED”). The CED met the definition of a “component of an entity” and therefore has been accounted for as discontinued operations. On October 9, 2007, the Company completed the sale of its U.K. subsidiary, Medicals Direct Group (“MDG”). MDG met the definition of a “component of an entity” and therefore has been accounted for as discontinued operations. See Note 4 for additional information on the sale of the CED and MDG.

**(c) Principles of Consolidation**

The consolidated financial statements include the accounts of Hooper Holmes, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

**(d) Liquidity**

For the years ended December 31, 2010, 2009 and 2008, the Company's income (loss) from continuing operations was \$1.4 million, \$0.04 million and \$(1.6) million, respectively. These results include operating losses from continuing operations for the two years ended December 31, 2009 and 2008, and near break even operating results for the year ended December 31, 2010. The Company has managed its liquidity during this period through a series of cost reduction initiatives, sales of assets and working capital reductions.

At December 31, 2010, the Company had \$21.4 million in cash and cash equivalents and no outstanding debt. The Company's net cash provided by operating activities of continuing operations for the years ended December 31, 2010, 2009 and 2008 was \$9.4 million, \$8.7 million and \$0.1 million, respectively.

As discussed in Note 8, the Company has a Loan and Security Agreement with TD Bank, N.A. (“TD Bank”), which expires on March 8, 2013 and provides the Company with a revolving line of credit limited to the lesser of \$15 million, or 85% of eligible accounts receivable, as defined. As of December 31, 2010, the Company's borrowing capacity under the revolving line of credit totals \$14.4 million.

The Loan and Security Agreement contains a financial covenant that requires the Company to maintain a fixed charge coverage ratio (as defined in the Loan and Security Agreement), measured on a trailing 12-month basis, of no less than 1.1 to 1.0 as of the end of each of the Company's fiscal quarters. The fixed charge coverage ratio allows for the exclusion of unfinanced capital expenditures of up to \$5.5 million from the denominator of the calculation, provided the Company maintains pre-defined minimum cash balances at TD Bank on average for the 90 days ended as of the measurement date. As of December 31, 2010, the Company's average cash balances at TD Bank for the 90 days ended December 31, 2010 exceeded the pre-defined cash balance requirement under the fixed charge coverage ratio, thereby allowing all unfinanced capital expenditures to be excluded from the denominator of the fixed charge coverage ratio calculation. As of December 31, 2010, the Company's fixed charge coverage ratio measured on a trailing 12-month period and excluding capital expenditures in excess of one dollar was 15.8 to 1.0 and as such, the Company satisfied the financial covenant. However, there is no assurance that the Company will satisfy this financial covenant as the end of each fiscal quarter thereafter.

The current challenging economic climate may lead to future reductions in revenues. If revenues continue to decline compared to the prior year, operating losses may occur, and the Company may be required to take additional actions to further reduce costs, capital spending and restructure operations. This would also reduce the Company's cash reserves and potentially require the Company to borrow under the Loan and Security Agreement with TD Bank. Furthermore, there is no guarantee that the Company's current and future cost reduction actions will generate the cost savings necessary to offset declining revenues and operating profits. If the Company is unsuccessful in implementing additional cost reduction initiatives and/or if revenues continue to decline at levels similar to or worse than that experienced in 2010, the Company may fail to satisfy the financial covenant contained in the Loan and Security Agreement and therefore would be prohibited from borrowing under the Loan and Security Agreement. Further, as defined in the Loan and Security Agreement, TD Bank may at its sole discretion request additional security, reduce availability or determine if negative events are Events of Default. These and other factors would adversely affect the Company's liquidity and its ability to generate profits in the future.

Based on the Company's anticipated level of future revenues, the cost reduction initiatives implemented to date, along with the Company's existing cash and cash equivalents, the Company believes it has sufficient funds to meet its cash needs through December 31, 2011.

#### **(e) Cash and Cash Equivalents**

The Company considers highly liquid investments with original maturities at the date of purchase of less than 90 days to be cash equivalents.

#### **(f) Accounts Receivable**

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains allowances for doubtful accounts for (i) estimated losses resulting from the inability of our customers to make required payments and (ii) estimated amounts that customers may deduct from their remittances to the Company for billed items not in compliance with customer specifications. Allowances for uncollectible accounts are estimated based on the Company's periodic review of accounts receivable historical losses, current receivables aging and existing industry and economic data. Account balances are charged off to the allowance after all means of collections have been exhausted and potential for recovery is considered remote. Customer billing adjustments are recorded against revenue whereas adjustments for bad debts are recorded within selling, general and administrative expenses. Accounts receivable are net of an allowance for doubtful accounts and pricing adjustments totaling \$ 0.9 million and \$1.2 million as of December 31, 2010 and 2009, respectively. The Company does not have any off-balance sheet credit exposure related to its customers.

#### **(g) Inventories**

Inventories, which consist of finished goods and component inventory, are stated at the lower of average cost or market using the first-in first-out (FIFO) inventory method. Included in inventories at December 31, 2010 and 2009 are \$1.4 million and \$1.7 million, respectively, of finished goods and \$0.8 million and \$1.1 million, respectively, of components.

## **(h) Property, Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the assets' estimated useful lives. Leasehold improvements are amortized over the shorter of the estimated useful life of the improvement or the remaining lease term. The cost of maintenance and repairs is charged to operations as incurred.

Internal use software and website development costs are capitalized and included in property, plant and equipment in the consolidated balance sheet. These assets are depreciated over the estimated useful life of the asset using the straight-line method. Subsequent modifications or upgrades to internal use software are capitalized only to the extent that additional functionality is provided.

## **(i) Long-Lived Assets**

Long-lived assets, including intangible assets with determinable useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets and is charged to earnings. Assets to be disposed of are reported at the lower of the carrying amount or fair value less the costs to sell. Intangible assets with determinable useful lives are amortized on a straight line basis over their respective estimated useful lives.

## **(j) Deferred Rent**

The Company accounts for scheduled rent increases contained in its leases on a straight-line basis over the term of the lease.

## **(k) Advertising**

Costs related to space in publications are expensed as incurred. Advertising expense was approximately \$0.3 million, \$0.3 million and \$0.3 million in 2010, 2009 and 2008, respectively.

## **(l) Revenue Recognition**

Revenue is recognized for paramedical and medical examinations when the examination of the insurance policy applicant is completed. Revenues generated from medical record collection, laboratory testing, fingerstick test kits and other services are recognized when the related service is completed.

Sales tax collected from customers and remitted to governmental authorities is accounted for on a net basis and therefore is excluded from revenues in the consolidated statements of operations.

## **(m) Share-Based Compensation**

The Company recognizes share-based compensation cost on a straight-line basis over the vesting period. Compensation cost is measured at the grant date based on the fair value of the award.

## **(n) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of deferred tax liabilities during the period in which related temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the tax authorities. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in income tax expense.

**(o) Earnings (loss) per Common Share**

“Basic” earnings (loss) per share equals net income (loss) divided by the weighted average common shares outstanding during the period. “Diluted” earnings (loss) per share equals net income (loss) divided by the sum of the weighted average common shares outstanding during the period plus dilutive common stock equivalents. The computation of basic and diluted earnings per share for the three years ended December 31, 2010 was as follows:

	<b>For the Years Ended December 31,</b>		
	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Earnings (loss) - basic and diluted:</b>			
Income (loss) from continuing operations	\$ 1,421	\$ 37	\$ (1,559)
Income (loss) from discontinued operations	55	(41)	(326)
Net income (loss)	\$ 1,476	\$ (4)	\$ (1,885)
<b>Weighted average shares outstanding:</b>			
Weighted average shares outstanding - basic	69,437,710	68,692,176	68,657,975
Effect of dilutive common stock options and restricted stock	459,259	700,067	—
Weighted average shares outstanding - diluted	69,896,969	69,392,243	68,657,975
<b>Earnings per share - basic and diluted:</b>			
Income (loss) from continuing operations	\$ 0.02	\$ —	\$ (0.02)
Income (loss) from discontinued operations	—	—	—
Net income (loss)	\$ 0.02	\$ —	\$ (0.03)

Outstanding options to purchase approximately 5,408,000, 4,857,100 and 6,209,000 shares of the Company's common stock were excluded from the calculation of diluted earnings (loss) per share for the years ended December 31, 2010, 2009 and 2008, respectively, because their exercise prices exceeded the average market price of the Company's common stock for such periods and therefore were antidilutive.

**(p) Use of Estimates**

The preparation of the accompanying consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Such estimates include the valuation of accounts receivable, property, plant and equipment, intangible assets, and deferred tax assets and the assessment of contingencies, among others. These estimates and assumptions are based on the Company's best estimates and judgment. The Company evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which the Company believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. The downturn in the economy and its negative impact on the life insurance industry which the Company serves have combined to increase the uncertainty inherent in such estimates and assumptions. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates will be reflected in the consolidated financial statements in future periods.

### (q) Concentration of Credit Risk

For each of the three years ended December 31, 2010, 2009 and 2008, no one customer accounted for more than 10% of consolidated revenues.

The Company's accounts receivable are due primarily from insurance companies. As of December 31, 2010 and 2009, no one customer accounted for more than 10% of the total consolidated accounts receivable.

### (r) Recently Issued Accounting Standards

*Multiple Element Arrangements* – In September 2009, new authoritative accounting literature was issued requiring that revenue be allocated to each unit of accounting in many multiple deliverable arrangements based on the relative selling price of each deliverable. The literature also changed the level of evidence of standalone selling price required to separate deliverables by allowing a “best estimate” of the standalone selling price of deliverables when more objective evidence of selling price is not available. This accounting principle is effective for the Company as of January 1, 2011. The Company does not expect the adoption of this accounting principle to have a material impact on the Company's consolidated financial statements.

### Note 2 — Intangibles

As a result of the decline in revenues during the past several years, principally due to the weak economy and its negative impact on the life insurance industry the Company serves, the Company performed an impairment analysis of its intangible assets. Based on the analysis, the Company concluded that the undiscounted cash flows expected to be generated by its intangible assets (primarily customer relationships), exceeded their carrying values. As a result, no impairment was recorded on our intangible assets during 2010, 2009 and 2008.

The following table presents certain information regarding the Company's intangible assets as of December 31, 2010 and 2009. All identifiable intangible assets are being amortized over their estimated useful lives, as indicated below, with no expected residual values.

	Weighted Average Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Balance
<b>At December 31, 2010:</b>				
Customer relationships	9.7	\$ 12,502	\$ 12,044	\$ 458
Trademarks and tradenames	15.7	487	408	79
		\$ 12,989	\$ 12,452	\$ 537
<b>At December 31, 2009:</b>				
Customer relationships	9.7	\$ 12,502	\$ 11,675	\$ 827
Trademarks and tradenames	15.7	487	382	105
		\$ 12,989	\$ 12,057	\$ 932

The aggregate intangible amortization expense for the years ended December 31, 2010, 2009 and 2008 was approximately \$0.4 million , \$0.5 million and \$0.9 million , respectively. Assuming no additional change in the gross carrying amount of intangible assets, the estimated intangible asset amortization expense for the fiscal years ended December 31, 2011 and 2012 is \$0.3 million and \$0.2 million , respectively.

### Note 3 — Share-Based Compensation

*Employee Stock-Based Compensation Plan* — On May 29, 2008, the Company’s shareholders approved the Hooper Holmes, Inc. 2008 Omnibus Employee Incentive Plan (the “2008 Plan”) providing for the grant of stock options, stock appreciation rights, non-vested stock and performance shares. The 2008 Plan provides for the issuance of an aggregate total of 5,000,000 shares. As of December 31, 2010, the Company is authorized to grant share-based awards of approximately 583,750 shares under the 2008 Plan.

Prior to the 2008 Plan, the Company’s shareholders had approved stock option plans providing for the grant of options exercisable for up to 4,000,000 shares of common stock in 1992 and 1994, 2,400,000 shares in 1997, 2,000,000 shares in 1999 and 3,000,000 shares in 2002. Upon the adoption of the 2008 Plan, no further awards could be granted under these prior stock option plans.

Options are granted at fair value on the date of grant and are exercisable in accordance with a vesting schedule specified in the grant agreement and have contractual lives of 10 years from the date of grant. Pursuant to such vesting schedules, options granted by the Company vest 25% on each of the second through fifth anniversaries of the grant, except for 800,000 options granted to certain executives of the Company in December 2010 which vest 50% on each of the first and second anniversaries of the grant.

During 2010, 2009 and 2008, options granted totaled 1,935,000 shares, 725,000 shares and 2,665,000 shares, respectively. The fair value of each stock option granted during the year was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2010	2009	2008
Expected life (years)	5.4	5.4	5.7
Expected volatility	91.9%	85.3%	59.7%
Expected dividend yield	—	—	—
Risk-free interest rate	1.7%	2.5%	3.3%
Weighted average fair value of options granted during the year	\$ 0.49	\$ 0.30	\$ 0.55

The expected life of options granted is derived from the Company’s historical experience and represents the period of time that options granted are expected to be outstanding. Expected volatility is based on the Company’s long-term historical volatility. The risk-free interest rate for periods within the contractual life of the options is based on the U.S. Treasury yield curve in effect at the time of the grant.

The following table summarizes stock option activity for the year ended December 31, 2010:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2009	5,782,100	\$ 2.54		
Granted	1,935,000	0.67		
Exercised	—	—		
Expired	(454,450)	4.37		
Forfeited	(892,500)	0.91		
Outstanding at December 31, 2010	6,370,150	\$ 2.07	7.0	\$ 256.0
Exercisable at December 31, 2010	2,435,775	\$ 3.90	4.3	\$ —

The aggregate intrinsic value disclosed in the table above represents the difference between the Company’s closing stock price on the last trading day of 2010 (December 31, 2010) and the exercise price, multiplied by the number of in-the-money stock options for each category.

No stock options were exercised during the years ended December 31, 2010, 2009 and 2008 .

Options for the purchase of 789,375 , 309,375 and 613,700 shares of common stock vested during the years ended December 31, 2010, 2009 and 2008 , respectively, and the fair value of these options was \$0.7 million , \$0.5 million and \$0.8 million , respectively. As of December 31, 2010 , there was approximately \$1.4 million of unrecognized compensation cost related to stock options which is expected to be recognized over a weighted average period of 2.8 years. Shares issued upon stock option exercises may be made available from authorized but unissued common stock or from treasury shares.

During the year ended December 31, 2009 , 500,000 shares of non-vested stock were granted under the 2008 Plan. The shares vest as follows: 25% after two years and 25% on each of the next three anniversary dates thereafter. As of December 31, 2010 , 200,000 shares of non-vested stock were forfeited. The fair value of the non-vested stock awards was based on the grant date fair value and amounted to \$0.45 per share. As of December 31, 2010, there was approximately \$0.1 million of total unrecognized compensation cost related to non-vested stock awards. The cost is expected to be recognized over 3.6 years.

The Company's initial accruals for share-based compensation expense are based on the estimated number of instruments for which the requisite service is expected to be rendered. Therefore, the Company is required to incorporate the probability of pre-vesting forfeitures in determining the number of vested options and restricted stock. The forfeiture rate is based on historical forfeiture experience. The Company monitors employee termination patterns to estimate forfeiture rates.

*Employee Stock Purchase Plan* — The Company's 2004 Employee Stock Purchase Plan (the "2004 Plan") provides for the granting of purchase rights for up to 2,000,000 shares of Company stock to eligible employees of the Company. The 2004 Plan provides employees with the opportunity to purchase shares on the date 13 months from the grant date ("the purchase date") at a purchase price equal to 95% of the closing price of the Company's common stock on the NYSE Amex Stock Exchange on the grant date. During the period between the grant date and the purchase date, up to 10% of a participating employee's compensation, not to exceed \$.025 million, is withheld to fund the purchase of shares. Employees can cancel their purchases at any time during the period without penalty. In February 2009, purchase rights for 850,000 shares were granted with an aggregate fair value of \$0.08 million, based on the Black-Scholes pricing model. The February 2009 offering concluded in March 2010 and in accordance with the 2004 Plan's provisions, a total of 850,000 shares were issued. In February 2010, purchase rights for 277,600 shares were granted with an aggregate fair value of \$0.1 million, based on the Black-Scholes pricing model. The February 2010 offering period will conclude in March 2011.

*Other Stock Awards* — On May 30, 2007, the Company's shareholders approved the Hooper Holmes, Inc. 2007 Non-Employee Director Restricted Stock Plan (the "2007 Plan"), which provides for the automatic grant, on an annual basis for 10 years, of shares of the Company's stock to the Company's non-employee directors. The total number of shares that may be awarded under the 2007 Plan is 600,000. As of December 31, 2010, the Company is authorized to grant restricted stock awards of approximately 450,000 shares under the 2007 Plan. Effective June 1, 2007, each non-employee member of the Board other than the non-executive chair receives 5,000 shares annually and the non-executive chair receives 10,000 shares annually of the Company's stock with such shares vesting immediately upon issuance. The Company believes that the shares awarded under the 2007 Plan are "restricted securities" as defined in SEC Rule 144 under the Securities Act of 1933, as amended. The Company filed a Registration Statement on Form S-8 with respect to the 2007 Plan on April 16, 2008. The directors who receive shares under the 2007 Plan are "affiliates" as defined in Rule 144 of the Securities Act of 1933, as amended, and thus remain subject to the applicable provisions of Rule 144. In addition, the terms of the awards (whether or not restricted) specify that the shares may not be sold or transferred by the recipient until the director ceases to serve on the Board or, if at that time the director has not served on the Board for at least four years, on the fourth anniversary of the date the director first became a Board member. For the years ended December 31, 2010, 2009 and 2008, shares awarded under the 2007 Plan totaled 35,000, 30,000 and 40,000, respectively. The fair value of these stock awards was based on the grant date market value and totaled \$0.03 million, \$0.02 million and \$0.04 million, respectively.

The Company recorded \$0.6 million, \$0.7 million and \$0.7 million of share-based compensation expense in selling, general and administrative expenses for each of the years ended December 31, 2010, 2009 and 2008, respectively, related to stock options, non-vested stock, restricted stock awards and the 2004 Plan. In connection with the resignation of former executive officers, the Company reversed previously recorded share-based compensation expense totaling \$0.1 million and \$0.1 million during the years ended December 31, 2010 and 2008, respectively. The reversals were recorded in restructuring and other charges (See Note 5).

#### Note 4 — Discontinued Operations

On June 30, 2008, the Company sold substantially all of the assets and liabilities of the CED operating segment for \$5.6 million and received cash payments totaling \$5.1 million and a \$0.5 million note receivable due in six equal monthly installments beginning July 31, 2008. The note receivable was fully collected by March 2009. In connection with the sale of the CED, the Company has been released as the primary obligor for certain lease obligations acquired but remains secondarily liable in the event the buyer defaults. This guarantee is provided for the term of the lease, which expires in July 2015. During the year ended December 31, 2008, the Company recorded a reserve of \$0.3 million representing the fair value of the guarantee obligation. During 2010, the Company reduced this reserve to \$0.2 million. The accompanying consolidated statement of operations for the year ended December 31, 2010 reflects the \$0.06 million reduction of this reserve which is presented in gain (loss) on sale of subsidiaries. As of December 31, 2010, the maximum potential amount of future payments under the guarantee is \$0.5 million. The Company recognized a net gain on the sale of the CED of approximately \$0.9 million for the year ended December 31, 2008, inclusive of the above mentioned reserve of \$0.3 million, which was reported in discontinued operations.

The following summarizes the operating results of the CED which are reported in income from discontinued operations in the accompanying consolidated statements of operations:

	<b>Year Ended December 31, 2008</b>
Revenues	\$ 13,079
Pre-tax income	\$ 234
Income tax expense	\$ 22

In connection with the sale of MDG on October 9, 2007, the Company agreed to indemnify the purchaser for certain pre-closing tax liabilities. As of December 31, 2008, the Company had recorded a liability totaling \$1.4 million relating to these pre-closing tax obligations of MDG. In 2009, the Company recorded an additional reserve of \$0.04 million in loss on sale of subsidiaries, resulting in a total liability for these pre-closing tax matters of \$1.5 million as of March 31, 2009.

On May 7, 2009, the Company reached a settlement agreement with Medicals Direct Holding Limited (“MD”) (successor-in-interest to the purchaser of MDG) whereby the Company and MD agreed to fully release and discharge each other from any and all claims known or unknown under the MDG Stock Purchase Agreement and the Tax Deed executed on October 9, 2007. On May 8, 2009, the Company paid MD the sum of \$0.3 million and further released MD from the additional purchase price payments due the Company, totaling \$1.2 million. The \$0.3 million payment is presented within cash (used in) provided by operating activities of discontinued operations in the accompanying consolidated statement of cash flows for the year ended December 31, 2009.

#### Note 5 — Restructuring and Other Charges

During the year ended December 31, 2010, the Company recorded restructuring charges totaling \$1.0 million. These charges consisted primarily of severance costs related to the resignation of the Company's former CEO and employee severance costs primarily relating to the Company's Portamedic and Hooper Holmes Services service lines.

Following is a summary of the remaining 2010 restructuring charges as of December 31, 2010:

<i>(In millions)</i>	<b>2010</b>		<b>Balance at</b>
	<b>Charges</b>	<b>Payments</b>	<b>December 31, 2010</b>
Severance	\$ 1.0	\$ (0.9)	\$ 0.1

During the year ended December 31, 2009, the Company recorded restructuring and other charges totaling \$1.2 million. The restructuring charges consisted of employee severance costs and branch office closure costs. For the year ended December 31, 2009, employee severance totaled \$0.4 million and branch office closure costs totaled \$0.4 million. These restructuring charges relate to cost reduction actions relating to the Company's core Portamedic and Hooper Holmes Services service lines. Other charges consisted of legal and other costs incurred by the Company and by the shareholder nominees related to the 2009 Board of Directors election proxy contest during the second quarter of 2009, totaling \$0.4 million.

Following is a summary of the remaining 2009 restructuring charges as of December 31, 2010:

<i>(In millions)</i>	Balance at December 31, 2009	2010 Payments	Balance at December 31, 2010
Lease obligations	\$ 0.3	\$ (0.2)	\$ 0.1

During the year ended December 31, 2008, the Company recorded restructuring and other charges totaling \$1.6 million. The restructuring charges consisted primarily of severance related to the resignation of the former CEO (\$0.4 million), branch office closure costs (\$0.2 million) and employee severance costs (\$0.1 million), recorded primarily as a result of reorganization in the Company's Portamedic service line. Other charges consisted of an early termination fee related to an agreement with the outside consultant utilized in the Company's 2006 strategic review and totaled \$0.9 million which was paid in the first quarter of 2008. As of December 31, 2008, all payments relating to these restructuring charges were paid.

At December 31, 2010, \$0.2 million of restructuring charges are recorded in accrued expenses in the accompanying consolidated balance sheet. Cash payments related to the above described restructuring charges are expected to be completed within the next twelve months.

#### Note 6 — Property, Plant and Equipment

Property and equipment, at cost, consists of the following:

	December 31,		Estimated Useful Life
	2010	2009	In Years
Land and improvements	\$ 628	\$ 628	19 – 25
Building and leasehold improvements	7,369	7,203	3 – 45
Furniture, fixtures and equipment	28,328	26,781	2 – 10
Software	13,570	11,127	1 – 7
	49,895	45,739	
Less accumulated depreciation and amortization	38,248	34,184	
Total	\$ 11,647	\$ 11,555	

#### Note 7 — Accrued Expenses

Accrued expenses consisted of the following:

	December 31,	
	2010	2009
Accrued wages	\$ 1,654	\$ 1,558
Reserve for unclaimed property	1,200	2,872
Other accrued expenses	3,087	4,206
	\$ 5,941	\$ 8,636

Included in the results from continuing operations for the year ended December 31, 2010, in Other income (expense), net, is the reversal of \$1.6 million relating to previously accrued interest and penalties associated with a state unclaimed property matter for which the audit period has lapsed.

## **Note 8 — Revolving Credit Facility**

### Revolving Credit Facility

As of December 31, 2008 and for the majority of the first quarter of 2009, the Company had a three year Revolving Credit Facility (the "Credit Facility") with CitiCapital Commercial Corporation ("CitiCapital"). The Credit Facility was due to expire on October 10, 2009. During each of the years 2009 and 2008, the Company incurred unused line fees of \$0.03 million and \$0.1 million, respectively under the Credit Facility with CitiCapital. On March 9, 2009, the Company entered into a three year Loan and Security Agreement (the "Loan and Security Agreement") with TD Bank, N.A. ("TD Bank") which pursuant to the First Amendment and Modification to Loan and Security Agreement, executed on December 1, 2010, now expires on March 8, 2013 (see discussion below regarding the First Amendment and Loan Modification). In connection with entering into the Loan and Security Agreement with TD Bank, the Company terminated its Credit Facility with CitiCapital.

### Loan and Security Agreement

On December 1, 2010, the Company entered into the First Amendment and Modification to Loan and Security Agreement (the "First Amendment") with TD Bank. The First Amendment amends the terms and conditions of the Loan and Security Agreement, dated as of March 9, 2009.

Under the First Amendment, the Company will have the ability, on or prior to the second anniversary of the First Amendment, and subject to a determination by the Company's Board of Directors authorizing such a transaction, to repurchase up to \$5 million of its capital stock out of Qualified Cash (as such term is defined in the First Amendment), provided no Default or Event of Default (as such terms are defined in the Loan and Security Agreement) shall have otherwise occurred. In addition, under the First Amendment, the maturity date of the Loan and Security Agreement has been extended by one year (to March 8, 2013 from March 8, 2012), and commencing March 8, 2012 and at all times thereafter the unused line fee (usage fee) under the Loan and Security Agreement will reduce from one percent (1%) per annum to one-half of one percent (1/2%) per annum, in each case on the difference between \$15 million and the sum of the average outstanding principal balance of cash advances under the revolving credit line and the average daily aggregate undrawn portion of all outstanding letters of credit for the preceding month.

The First Amendment also adjusts the applicable interest rate provisions under the Loan and Security Agreement such that commencing March 8, 2012 and at all times thereafter the terms "LIBOR Market Index Rate" and "LIBOR Rate" shall each be defined without regard to a one percent (1%) per annum minimum. The First Amendment also contains other customary representations, warranties, covenants and terms and conditions.

On February 25, 2011, the Company entered into the Second Amendment and Modification to Loan and Security Agreement (the "Second Amendment"). Under the Second Amendment, the maximum aggregate future purchase money indebtedness and capitalized lease obligations of the Company in respect of specific items of equipment was increased to \$2.0 million from \$0.25 million effective December 31, 2010. The Second Amendment also contains other customary representations, warranties, covenants and terms and conditions.

The Loan and Security Agreement provides the Company with a revolving line of credit, the proceeds of which are to be used for general working capital purposes. Under the terms of the Loan and Security Agreement, TD Bank has agreed to make revolving credit loans to the Company in an aggregate principal amount at any one time outstanding which, when combined with the aggregate undrawn amount of all unexpired letters of credit, does not exceed 85% of "Eligible Receivables" (as that term is defined in the Loan and Security Agreement), provided that in no event can the aggregate amount of the revolving credit loans and letters of credit outstanding at any time exceed \$15 million. The maximum aggregate face amount of letters of credit that may be outstanding at any time may not exceed \$1.5 million.

Borrowings of revolving credit loans shall take the form of LIBOR rate advances with the applicable interest rate being the greater of 1% per annum or the LIBOR rate, plus 3.5% for any borrowings up to March 9, 2012. Borrowings on March 8, 2012 and thereafter shall bear interest at the LIBOR rate plus 3.5% per annum (i.e., without regard to a one percent (1%) per annum minimum).

In connection with the Loan and Security Agreement, the Company paid closing fees of \$0.2 million to the lender. Through March 7, 2012, the Company is also obligated to pay, on a monthly basis in arrears, an unused line fee (usage fee) equal to 1% per annum on the difference between \$15 million and the average outstanding principal balance of cash advances under the revolving credit line plus the average daily aggregate undrawn portion of all outstanding letters of credit for the preceding month. Effective March 8, 2012, the usage fee will be one-half of one percent (1/2%) per annum. In addition, the Company is required to pay an annual loan fee of \$0.1 million. During each of the years 2010 and 2009, the Company incurred unused line fees of \$0.1 million.

As security for the Company's full and timely payment and other obligations under the Loan and Security Agreement, the Company granted TD Bank a security interest in all existing and after-acquired property of the Company and its subsidiary guarantors, including its receivables (which are subject to a lockbox account arrangement), inventory and equipment. As further security, the Company granted TD Bank a mortgage lien encumbering the Company's corporate headquarters. The aforementioned security interest and mortgage lien are collectively referred to herein as the "Collateral".

Pursuant to the terms of the Loan and Security Agreement, TD Bank, in its sole discretion based upon its reasonable credit judgment, may (A) establish and change reserves required against Eligible Receivables, (B) change the advance rate against Eligible Receivables or the fair market value of the Company's corporate headquarters, and (C) impose additional restrictions on the standards of eligibility for Eligible Receivables, any of which could reduce the aggregate amount of indebtedness that may be incurred under the Loan and Security Agreement.

The Loan and Security Agreement contains covenants that, among other things, restrict the Company's ability, and that of its subsidiaries, to:

- pay any dividends or distributions on, or redeem or retire any shares of any class of its capital stock or other equity interests;
- incur additional indebtedness;
- sell or otherwise dispose of any of its assets, other than in the ordinary course of business;
- create liens on its assets;
- enter into any sale and leaseback transactions; and
- enter into transactions with any of its affiliates on other than an arm's-length or no less favorable basis.

The Loan and Security Agreement contains a financial covenant that requires the Company to maintain a fixed charge coverage ratio (as defined in the Loan and Security Agreement), measured on a trailing 12-month basis, of no less than 1.1 to 1.0 as of the end of each of the Company's fiscal quarters. The fixed charge coverage ratio allows for the exclusion of unfinanced capital expenditures up to \$5.5 million from the denominator of the calculation, provided the Company maintains pre-defined minimum cash balances at TD Bank on average for the 90 days ended as of the measurement date. As of December 31, 2010, the Company's average cash balances at TD Bank for the 90 days ended December 31, 2010 exceeded the pre-defined cash balance requirement under the fixed charge coverage ratio, thereby allowing all unfinanced capital expenditures to be excluded from the denominator of the fixed charge coverage ratio calculation. As of December 31, 2010, the Company's fixed charge coverage ratio measured on a trailing 12-month period was 15.8 to 1.0 and as such, the Company satisfied the financial covenant. However, there is no assurance that the Company will satisfy this financial covenant as the end of each fiscal quarter thereafter.

On April 22, 2009, the Company obtained from TD Bank and issued a letter of credit under the Loan and Security Agreement in the amount of \$0.5 million to the landlord of the Company's Heritage Labs facility as security for performance of the Company's obligations under the lease. The letter of credit will automatically extend for additional periods of one year, unless notice is given to terminate the letter of credit 60 days prior to its expiration date. In no event shall the letter of credit be renewed beyond December 31, 2011. Also, in December 2009, the Company opened a \$0.1 million TD VISA credit card account to be used by Hooper Holmes Services medical records retrieval service line. The letter of credit and the credit card reduced the Company's borrowing capacity under its revolving line of credit. As of December 31, 2010, the Company's borrowing capacity under the revolving line of credit totals \$14.4 million.

The failure of the Company or any subsidiary guarantor to comply with any of the covenants or the breach of any of its or their representations and warranties, contained in the Loan and Security Agreement, constitutes an event of default under the agreement. In addition, the Loan and Security Agreement provides that "Events of Default" include the occurrence or failure of any event or condition that, in TD Bank's sole judgment, could have a material adverse effect (i) on the business, operations, assets, management, liabilities or condition of the Company, (ii) in the value of or the perfection or priority of TD Bank's lien upon the Collateral, or (iii) on the ability of the Company and its subsidiary guarantors to perform under the Loan and Security Agreement.

The revolving credit loans are payable in full, together with all accrued and unpaid interest, on the earlier of March 8, 2013 or the date of termination of the loan commitments, termination being one of the actions TD Bank may take upon the occurrence of an Event of Default. The Company may prepay any revolving credit loan, in whole or in part without penalty. The Company may also terminate the Loan and Security Agreement, provided that on the date of such termination all of its obligations are paid in full. The Company will be required to pay an early termination fee equal to \$0.2 million if termination occurs prior to March 9, 2011, and \$0.1 million if termination occurs thereafter.

#### Note 9 — Commitments and Contingencies

The Company leases branch field offices under a number of operating leases which expire in various years through 2018. These leases generally contain renewal options and require the Company to pay all executory costs (such as property taxes, maintenance and insurance). The Company also leases copiers and other miscellaneous equipment. These leases expire in various years through 2014. The Company is also obligated under capital leases covering certain equipment that expire at various dates through 2013. At December 31, 2010 and 2009, the net amount of equipment recorded under capital leases was \$0.3 million and \$0.3 million, respectively.

Following is a schedule of future minimum lease payments for operating leases (with initial or remaining terms in excess of one year) and future minimum capital lease obligations as of December 31, 2010:

Year ending December 31,	Operating Leases	Capital Leases
2011	\$ 4,363	\$ 239
2012	3,270	97
2013	2,676	12
2014	1,784	—
2015	1,479	—
Thereafter	3,752	—
Total minimum lease payments	\$ 17,324	\$ 348
Less amount representing interest (4.2%)		12
Present value of minimum capital lease payments		336
Less current installments of obligations under capital leases		230
Obligations under capital leases, excluding current installments		\$ 106

Rental expense under operating leases totaled \$4.8 million, \$5.7 million and \$7.5 million in 2010, 2009 and 2008, respectively.

The Company has employment retention or change in control agreements with the executive officers of the Company for a one year period from the date a change in control occurs as further defined in the agreements.

On December 27, 2010, the Company received a Warning Letter from the Kansas City District of the U.S. Food and Drug Administration ("FDA") raising certain questions about the assembly and distribution of particular specimen collection kits by Heritage Labs. The Company submitted its written response to the FDA on January 18, 2011. The Company believes its response adequately addresses the FDA's questions or shows that they do not apply to the relevant activities at Heritage Labs. However, the Company has not received any further communication from the FDA in this matter.

On July 11, 2003, the Company received a determination from the Internal Revenue Service that one individual the Company contracted with as an independent contractor, should have been classified as an employee in 2002. This ruling also applies to any other individuals engaged by the Company under similar circumstances. The ruling stated that the Company may not be subject to adverse consequences as the Company may be entitled to relief under applicable tax laws (Section 530 of the Revenue Act of 1978). Management believes that the Company qualifies for relief under Section 530. To date, the Company has not received any further communication from the Internal Revenue Service.

In the past, some state agencies have claimed that the Company improperly classified its examiners as independent contractors for purposes of state unemployment and/or worker's compensation tax laws and that the Company was therefore liable for taxes in arrears, or for penalties for failure to comply with their interpretation of the laws. There are no assurances that the Company will not be subject to similar claims in other states in the future.

## Note 10 — Litigation

On July 22, 2009, an individual named Nicolo Genovese filed suit in the Supreme Court of the State of New York, County of Suffolk in which he alleged, among other things, that an insurance company and numerous other corporate and individual defendants, including Hooper Evaluations, Inc. (which was part of the CED the Company sold in June 2008) and Hooper Holmes, Inc. violated various state laws in connection with the arranging of independent medical exams. With respect to Hooper Evaluations, Inc. and certain other named defendants who were part of the CED, the Company has retained liability for this litigation following the sale of substantially all of the assets of the CED. It is not yet possible to estimate the size of the alleged claim against the defendants as a whole, or the Company or the former CED entities in particular. On October 26, 2009, a motion to dismiss the complaint was filed on behalf of the Company and the former CED entities. The Company believes the plaintiff's claims are without merit and intends to defend itself vigorously in this matter. The Company has also initiated steps to invoke insurance coverage that may apply to some or all of the potential liability and/or costs of suit.

The Company is a party to a number of other legal actions arising in the ordinary course of its business. In the opinion of management, the Company has substantial legal defenses and/or insurance coverage with respect to all of its pending legal actions. Accordingly, none of these actions is expected to have a material adverse effect on the Company's liquidity, its consolidated results of operations or its consolidated financial position.

## Note 11 — Income Taxes

The components of the income tax provision (benefit) are as follows:

	2010	2009	2008
Federal - current	\$ —	\$ (1,461)	\$ —
State and local - current	225	45	14
	\$ 225	\$ (1,416)	\$ 14

The following reconciles the "statutory" federal income tax rate to the effective income tax rate:

	2010	2009	2008
Computed "expected" income tax expense (benefit)	35 %	(35)%	(35)%
Reduction (increase) in income tax benefit resulting from:			
State tax, net of federal benefit	9	2	1
Change in federal valuation allowance	(33)	(70)	41
Other	3	—	(6)
Effective income tax rate	14 %	(103)%	1 %

The tax effects of temporary differences that give rise to the deferred tax assets and liabilities at December 31, 2010 and 2009 are as follows:

	2010	2009
Deferred tax assets:		
Receivable allowance	\$ 356	\$ 481
Goodwill	10,860	12,994
Intangible assets	2,013	2,304
Capital loss	2,027	2,016
Compensation expense	1,574	1,124
Federal net operating loss carryforward	29,651	28,084
State net operating loss carryforward	3,678	3,381
Legal settlement	48	58
AMT credit carry forward	157	157
Accrued expenses	155	286
Deferred rent	221	213
Other	191	145
Gross deferred tax assets	\$ 50,931	\$ 51,243
Valuation allowance	(50,534)	(50,935)
	\$ 397	\$ 308
Deferred tax liabilities:		
Accumulated depreciation	(397)	(308)
Gross deferred tax liabilities	(397)	(308)
Net deferred tax assets	\$ —	\$ —

The Company has significant deferred tax assets attributable to tax deductible intangibles, capital loss carryforwards, and federal and state net operating loss carryforwards, which may reduce taxable income in future periods. Based on the continued decline in revenues, the cumulative tax and operating losses, the lack of taxes in the carryback period, and the uncertainty surrounding the extent or timing of future taxable income, the Company does not believe it will realize the tax benefits of its deferred tax assets. Accordingly, the Company continues to record a full valuation allowance on its net deferred tax assets of \$50.5 million and \$50.9 million as of December 31, 2010 and 2009, respectively.

Prior to the passage of the Worker, Homeownership and Business Assistance Act of 2009 (the "2009 Act"), signed into law in the fourth quarter of 2009, corporations were allowed to carryback net operating losses two years and forward 20 years to offset taxable income. Under the 2009 Act, corporations can elect to carryback net operating losses incurred in either 2008 or 2009 to a profitable fifth year preceding the loss year. The net operating loss carried back was limited to 50% of the available taxable income for that year. The Company was able to carryback approximately \$4.3 million of federal net operating losses incurred in 2008 to tax year 2003 and in the fourth quarter of 2009, the Company filed an amended tax return to recover approximately \$1.5 million of federal income tax previously paid. In February 2010, the Company received \$1.5 million of cash related to the carryback claim, which included \$0.02 million of interest.

There was no federal tax expense / benefit recorded in the year ended December 31, 2010, and the income tax expense recorded, including interest, is primarily due to a liability for amended tax returns filed in one state for tax years 2007 and 2008, and the true-up of the 2009 tax provision for this state. The federal tax benefit recorded in the year ended December 31, 2009 reflects the utilization of fully reserved net operating losses that were carried back to 2003 under the 2009 Act referred to above, offset by certain state tax liabilities. The income tax expense recorded in the year ended December 31, 2008 reflects certain state tax liabilities.

As of December 31, 2010, no amounts were recorded for uncertain tax positions or for the payment of interest or penalties.

In July 2008, the Company received notification from the U.S. Internal Revenue Service (the “IRS”) that it had completed its audits of the Company’s tax returns for the years 2001 through 2006 with no adjustments. State income tax returns for the year 2006 and forward are subject to examination.

As of December 31, 2010, the Company had U.S. federal and state net operating loss carryforwards of approximately \$84.7 million and \$87.3 million, respectively. The net operating loss carryforwards, if not utilized, will expire in the years 2011 through 2030.

**Note 12 — Capital Stock**

*Stock Repurchase* — Prior to December 1, 2010, the Loan and Security Agreement prohibited the Company from repurchasing shares of its common stock. The First Amendment permits the Company, subject to a determination by the Company’s Board of Directors authorizing such a transaction, to repurchase up to \$5 million of the Company’s common stock under certain conditions. To date, no such determination by the Company’s Board of Directors has been made. The Company did not repurchase any shares of its common stock in 2010, 2009 or 2008.

*Rights Agreement* — On May 23, 2000, the Company’s Board of Directors declared a dividend of one right (a “Right”) for each share of the Company’s common stock held of record on June 16, 2000 (the “Record Date”). The Board also authorized the issuance of one Right for each share of common stock issued after the Record Date and under certain circumstances. The Rights Agreement (including the rights granted thereunder) expired by its terms on June 15, 2010. The Board does not presently anticipate adopting a successor plan.

**Note 13 — 401(k) Savings and Retirement Plan**

The Company’s 401(k) Savings and Retirement Plan (the “401(k) Plan”) is available to all employees with at least one year of employment service who work more than 1,000 hours annually and who are at least 21 years of age. Before suspending the Company match of 401(k) contributions effective March 19, 2009, the Company matched 25% of the first 10% of employee salary contributions. The Company’s charge to expense for 2010, 2009 and 2008 was nil, \$0.1 million and \$0.4 million, respectively. The Company’s common stock is not an investment option to employees participating in the 401(k) Plan.

**Note 14 — Service Line Revenues**

The Company’s business consists of one operating segment for financial reporting purposes. The following represents revenues by service line for the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31,		
	2010	2009	2008
Portamedic	\$ 118,555	\$ 134,373	\$ 140,720
Heritage Labs	13,682	14,955	15,738
Health & Wellness	14,343	10,961	7,587
Hooper Holmes Services	21,859	24,698	37,075
Subtotal	168,439	184,987	201,120
Intercompany eliminations (a)	(2,069)	(2,586)	(2,887)
Total	\$ 166,370	\$ 182,401	\$ 198,233

(a) Represents intercompany sales from Heritage Labs to Portamedic

As of December 31, 2010, substantially all of the Company’s services are provided within the United States, and substantially all of the Company’s assets are located within the United States.

**Quarterly Financial Data (Unaudited)**  
*(dollars in thousands, except per share data)*

**2010 Quarters**

	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>
Revenues	\$ 41,918	\$ 40,714	\$ 40,346	\$ 43,392
Gross profit	\$ 11,169	\$ 10,774	\$ 10,282	\$ 11,256
(Loss) income from continuing operations	\$ (704)	\$ 1,222	\$ (1,217)	\$ 2,120
Income from discontinued operations	\$ —	\$ —	\$ —	\$ 55
Net (loss) income	\$ (704)	\$ 1,222	\$ (1,217)	\$ 2,175

Basic earnings per share <sup>(a)</sup>

(Loss) income from continuing operations	\$ (0.01)	\$ 0.02	\$ (0.02)	\$ 0.03
Income (loss) from discontinued operations	\$ —	\$ —	\$ —	\$ —
Net (loss) income per share	\$ (0.01)	\$ 0.02	\$ (0.02)	\$ 0.03

Diluted earnings per share <sup>(a)</sup>

(Loss) income from continuing operations	\$ (0.01)	\$ 0.02	\$ (0.02)	\$ 0.03
Income (loss) from discontinued operations	\$ —	\$ —	\$ —	\$ —
Net (loss) income per share	\$ (0.01)	\$ 0.02	\$ (0.02)	\$ 0.03

**2009 Quarters**

	<b>First</b>	<b>Second</b>	<b>Third</b>	<b>Fourth</b>
Revenues	\$ 47,435	\$ 46,212	\$ 43,790	\$ 44,964
Gross profit	\$ 12,396	\$ 12,920	\$ 11,518	\$ 12,237
(Loss) income from continuing operations	\$ (1,750)	\$ (501)	\$ (719)	\$ 3,007
Loss from discontinued operations	\$ (41)	\$ —	\$ —	\$ —
Net (loss) income	\$ (1,791)	\$ (501)	\$ (719)	\$ 3,007

Basic earnings per share <sup>(a)</sup>

(Loss) income from continuing operations	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ 0.04
Income (loss) from discontinued operations	\$ —	\$ —	\$ —	\$ —
Net (loss) income per share	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ 0.04

Diluted earnings per share <sup>(a)</sup>

(Loss) income from continuing operations	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ 0.04
Income (loss) from discontinued operations	\$ —	\$ —	\$ —	\$ —
Net (loss) income per share	\$ (0.03)	\$ (0.01)	\$ (0.01)	\$ 0.04

(a) Due to rounding, the sum of the quarters may not equal the full year.

None

**(a) Evaluation of Disclosure Controls and Procedures**

The Company's Chief Executive Officer and Chief Financial Officer, with the assistance of our disclosure committee, have conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 31, 2010. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports the Company files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, to allow for timely decisions regarding required disclosures. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Our disclosure controls and procedures have been designed to meet reasonable assurance standards. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. The Company did not file in a timely manner a Current Report on Form 8-K with respect to the amendment, effective as of February 16, 2010, of the Company's by-laws changing the number of days in advance that the Board may fix a record date for the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders from not more than 50 days to not more than 60 days (nor less than ten days). Despite this late filing, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2010, and during the entire period covered by this Annual Report.

**(b) Management's Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive officer and principal financial officer, and carried out by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of the Company's consolidated financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As of December 31, 2010, management has assessed the effectiveness of the Company's internal control over financial reporting based on the framework established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that as of December 31, 2010 our internal controls over financial reporting were effective.

**(c) Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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**ITEM 9B** **Other Information**

None.

**Part III**

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**ITEM 10** **Directors, Executive Officers and Corporate Governance**

The information required by Item 10 will be included in our proxy statement for the 2011 annual meeting of shareholders, and is hereby incorporated in this annual report on Form 10-K by reference to the proxy statement.

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**ITEM 11** **Executive Compensation**

The information required by Item 11 will be included in our proxy statement for the 2011 annual meeting of shareholders, and is hereby incorporated in this annual report on Form 10-K by reference to the proxy statement.

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**ITEM 12** **Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by Item 12 will be included in our proxy statement for the 2011 annual meeting of shareholders, and is hereby incorporated in this annual report on Form 10-K by reference to the proxy statement.

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**ITEM 13** **Certain Relationships and Related Transactions, and Director Inedpendence**

The information required by Item 13 will be included in our proxy statement for the 2011 annual meeting of shareholders, and is hereby incorporated in this annual report on Form 10-K by reference to the proxy statement.

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**ITEM 14** **Principal Accountant Fees and Services**

The information required by Item 14 will be included in our proxy statement for the 2011 annual meeting of shareholders, and is hereby incorporated in this annual report on Form 10-K by reference to the proxy statement.

(a) (1) The following financial statements and independent auditors' report are included this Annual Report.  
Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets —

December 31, 2010 and 2009

Consolidated Statements of Operations —

Years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Stockholders' Equity —

Years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Cash Flows —

Years ended December 31, 2010, 2009 and 2008

Notes to Consolidated Financial Statements

(2) The following financial statement schedule is included in this Annual Report:

Schedule II – Valuation and Qualifying Accounts

Schedules other than those listed above are omitted because they are not required, inapplicable, or the information is otherwise shown in the financial statements or notes thereto.

(3) Exhibits included herein

(b)

**EXHIBIT**

- 3.1 Amended and Restated Certificate of Incorporation of Hooper Holmes, Inc. (1)
- 3.2 Restated Bylaws of Hooper Holmes, Inc. (2)
- 10.1 Form of Indemnification Agreement (3)
- 10.2 Hooper Holmes, Inc. 1994 Stock Option Plan (4)\*
- 10.3 Hooper Holmes, Inc. 1997 Stock Option Plan (5)\*
- 10.4 Hooper Holmes, Inc. 1997 Director Option Plan (6)\*
- 10.5 Hooper Holmes, Inc. 1999 Stock Option Plan (7)\*
- 10.6 Hooper Holmes, Inc. 2002 Stock Option Plan (8)\*
- 10.7 Hooper Holmes, Inc. 2004 Employee Stock Purchase Plan (9)\*
- 10.8 Hooper Holmes, Inc. 2007 Non-Employee Director Restricted Stock Plan (10)\*
- 10.9 Hooper Holmes, Inc. 2008 Omnibus Employee Incentive Plan (11)\*
- 10.10 Employment Agreement by and between Hooper Holmes, Inc. and Roy H. Bubbs (12)\*
- 10.11 Form of Executive Change-in-Control Agreement by and between Hooper Holmes, Inc. and Executive Officers of the Company\*
- 10.12 Employment Agreement by and between Hooper Holmes, Inc. and Michael Shea (13)\*
- 10.13 Employment Agreement by and between Hooper Holmes, Inc. and Ransom J. Parker (14)\*
- 10.14 Relocation Agreement by and between Hooper Holmes, Inc. and Ransom J. Parker (15)\*
- 10.15 Loan and Security Agreement between Hooper Holmes, Inc. and TD Bank, N.A. dated March 9, 2009 (16)
- 10.16 First Amendment and Modification to Loan and Security Agreement between Hooper Holmes, Inc. and TD Bank, N.A. (17)
- 10.17 Second Amendment and Modification to Loan and Security Agreement between Hooper Holmes, Inc. and TD Bank, N.A. (18)
- 14 Hooper Holmes, Inc. Code of Conduct and Ethics
- 21 Subsidiaries of Hooper Holmes, Inc.
- 23 Consent of Independent Registered Public Accounting Firm
- 24 Power of attorney
- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act, as amended
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

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\*Denotes a management contract or compensatory plan or arrangement.

- (1) Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated June 2, 2010.
- (2) Incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated February 17, 2011.
- (3) Incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.
- (4) Incorporated by reference to Exhibit 10.16 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.
- (5) Incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
- (6) Incorporated by reference to Exhibit 10.11 of Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.
  
- (7) Incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999
- (8) Incorporated by reference to Attachment to the Company's Proxy Statement for the Annual Meeting of Shareholders held on May 21, 2002.
- (9) Incorporated by reference to Attachment A to the Company's Proxy Statement for the Annual Meeting of Shareholders held on May 20, 2003
- (10) Incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.
- (11) Incorporated by reference to Annex A to the Company's Proxy Statement for the Annual Meeting of Shareholders held on May 29, 2008.
- (12) Incorporated by reference to Exhibit 10.8 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.
- (13) Incorporated by reference to Exhibit 10.10 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.
- (14) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 9, 2010.
- (15) Incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated December 9, 2010.
- (16) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated March 13, 2009.
- (17) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 3, 2010.
- (18) Incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated February 28, 2011.

**Hooper Holmes, Inc**  
**Valuation and Qualifying Accounts**  
**For the Three Years Ended December 31, 2010**  
*(In thousands)*

Description	Balance at Beginning of Period	Additions Charged to Revenues and Expenses (1)	Deductions (2)	Balance at End of Period
<b>Year ended December 31, 2010</b>				
Reserves and allowances				
Accounts receivable allowance	\$ 1,237	\$ 2,705	\$ (3,032)	\$ 910
<b>Year ended December 31, 2009</b>				
Reserves and allowances				
Accounts receivable allowance	\$ 3,036	\$ 3,724	\$ (5,523)	\$ 1,237
<b>Year ended December 31, 2008</b>				
Reserves and allowances				
Accounts receivable allowance	\$ 3,750	\$ 4,975	\$ (5,689)	\$ 3,036

(1) Includes \$2.6 million, \$3.7 million and \$4.8 million in 2010, 2009 and 2008, respectively, charged as a reduction to revenues.

(2) Represents accounts receivable write-offs, net of recoveries and reserve reductions credited to revenue.



## Leadership Information

### Directors

#### **Ronald V. Aprahamian**

*Private Investor*

Mr. Aprahamian, age 64, was elected a director of the Company at the 2009 annual meeting. He has a long record of involvement in business development activities as an investor, a board member, a chief executive officer, and a consultant for companies engaged in healthcare, technology, banking and other industries. Most recently, he has served on the boards of Sunrise Senior Living, Inc., Superior Consultant Holdings Corp. and First Consulting Group, Inc. Mr. Aprahamian is a member of the Governance and Nominating Committee. (Term expires at the Annual Meeting in 2012.)

#### **Benjamin A. Currier**

*Retired. Formerly Senior Vice President, Security Life of Denver Ins. Co. — ING/Barings*

Mr. Currier, age 77, served as Interim Chief Executive Officer of the Company from August 2005 until January 2006 and as Lead Director from September 2004 until August 2005. He was Senior Vice President of Operations for Security Life of Denver Insurance Company, a subsidiary of ING/Barings, in Denver, Colorado prior to his retirement in 1997. He has been a director of the Company since 1996, and he is Chair of the Governance and Nominating Committee. (Term expires at the Annual Meeting in 2011.)

#### **Larry Ferguson**

*Chief Executive Officer – The Ferguson Group; Formerly Chief Executive Officer – First Consulting Group, Inc.*

Mr. Ferguson, age 61, was elected a director of the Company at the 2009 annual meeting, and was named Chair of the Board in July 2009. He has served as CEO of several publicly traded and privately held companies, including First Consulting Group, Inc. from 2006-2008. He has served on more than twelve corporate boards, including positions as board chair and committee chair. He currently serves as CEO of the Ferguson Group, a private equity consulting and investment firm focused on healthcare and life sciences IT companies. He also serves on the board of Accelrys, Inc., a publicly traded company, and on the boards of two private companies. He has also held executive positions with American Express and First Data Corporation. In addition to serving as Chair of the Board, Mr. Ferguson is a member of the Compensation Committee and the Audit Committee. (Term expires at the Annual Meeting in 2012.)

#### **Ransom J. Parker**

*President and Chief Executive Officer - Hooper Holmes, Inc.*

Mr. Parker, age 61, was named the Company's President and Chief Executive Officer effective September 15, 2010. He has been a senior executive, director and private equity investor in healthcare and technology companies for more than thirty years. Prior to becoming our President and CEO, Mr. Parker was a principal of Cerulean Advisors, and was a general partner of Redshift Ventures, where his focus as an investor and a director was on corporate governance, strategic planning, capitalization and management development at over a dozen companies. He also served as President and Chief Operating Officer of The Compucare Company, and held senior executive positions at Shared Medical Systems Corporation and Technicon Data Systems. (Term expires at the Annual Meeting in 2011.)

#### **John W. Remshard**

*Retired, Former Senior Vice President and Chief Financial Officer, Wellchoice*

Mr. Remshard, age 64, was Senior Vice President and Chief Financial Officer of Wellchoice until his retirement in February 2006. Mr. Remshard became a director of the Company on July 27, 2006 and is a member of the Audit Committee and the Governance and Nominating Committee. (Term expires at the Annual Meeting in 2011.)

**Dr. Elaine L. Rigolosi**

*Professor of Education Department of Organization and Leadership, Teachers College, Columbia University*

Dr. Rigolosi, Ed.D, J.D., age 66, is Professor of Education in the Department of Organization and Leadership at Teachers College, Columbia University. She has been associated with Columbia University since 1976, and has maintained a private consulting practice in management for health care organizations since 1974. Dr. Rigolosi has been a director of the Company since 1989, and she is the Chair of the Compensation Committee and a member of the Governance and Nominating Committee. (Term expires at the Annual Meeting in 2011.)

**Kenneth R. Rossano**

*Private Investor.*

Mr. Rossano, age 76, is a private investor and consultant to Korn Ferry International in Boston, MA. He has been a director of the Company since 1967, and is a member of the Audit Committee and the Compensation Committee. Mr. Rossano is also a director of Active International, Inc. (Term expires at the Annual Meeting in 2013.)

**Thomas Watford**

*President and Chief Operating Officer - Santa Rosa Consulting*

Mr. Watford, age 50, was appointed a Director of the Company in December 2010, and is the Chair of the Audit Committee. He has over 25 years of experience in the healthcare industry, including as a senior executive and as a consultant with expertise in financial and operations management and IT services for healthcare and life sciences companies. He currently serves as President and Chief Operating Officer of Santa Rosa Consulting, a company offering strategic and operational consulting services to healthcare companies. Previously, Mr. Watford served as Chief Financial Officer and Chief Operating Officer of First Consulting Group, Inc., and was an Associate Partner in the Healthcare Practice group of the consulting firm Accenture. (Term expires at the Annual Meeting in 2011.)

**Officers**

Ransom J. Parker  
Chief Executive Officer and President

Michael J. Shea  
Senior Vice President and Chief Financial Officer, Treasurer

Burt R. Wolder  
Senior Vice President and Chief Marketing Officer

Christopher J. Behling  
Senior Vice President, President of Health & Wellness

Joseph A. Marone  
Vice President and Controller

Mark C. Rosenblum  
Senior Vice President, General Counsel and Secretary

## **Executive Change-in-Control Agreement**

**This Executive Change-in-Control Agreement** is made, entered into, and is effective this \_\_\_\_ day of \_\_\_\_\_, 2010, by and between **Hooper Holmes, Inc.**, a New York corporation, having its principal place of business at 170 Mt. Airy Road, Basking Ridge, New Jersey 07920 (the "Company") and \_\_\_\_\_ (the "Executive").

**Whereas**, the Executive is currently employed by the Company; and

**Whereas**, the Executive possesses considerable experience and knowledge of the business and affairs of the Company concerning its policies, methods, personnel, and operations; and

**Whereas**, the Company is desirous of assuring, insofar as possible, that it will continue to have the benefit of the Executive's services and the Executive is desirous of having such assurances; and

**Whereas**, the Company recognizes that circumstances may arise in which a Change in Control (as defined in Article 1 of this Agreement) occurs, thereby causing uncertainty of employment without regard to the Executive's competence or past contributions. Such uncertainty may result in the loss of the valuable services of the Executive to the detriment of the Company and its shareholders; and

**Whereas**, the Executive will be in a better position to consider the Company's best interests if the Executive is afforded reasonable security, as provided in this Agreement, against altered conditions of employment which could result from any Change in Control;

**Now, Therefore**, in consideration of the foregoing and of the mutual covenants and agreements of the parties set forth in this Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

### **1. Change in Control.**

A "Change in Control" shall be deemed to have occurred as of the first day any one or more of the following conditions shall have been satisfied:

- (a) Any person (other than (i) the Company or any subsidiary of the Company, (ii) a corporation or other entity owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of the Company, or (iii) an employee benefit plan (or related trust) sponsored or maintained by the Company or any subsidiary of the Company), becomes the beneficial owner, directly or indirectly, of securities of the Company, representing thirty-five percent (35%) or more of the combined voting power of the Company's then outstanding securities; provided, however, that no crossing of such 35% threshold shall be a "Change in Control" if it is caused (A) solely as a result of an acquisition by the Company of its voting securities or (B) solely as a result of an acquisition of the Company's voting securities directly from the Company, in either case until such time thereafter as such person acquires additional voting securities other than directly from the Company and, after giving effect to such transaction, such person owns 35% or more of the then outstanding common stock or voting power of the Company;

- (b) Individuals who, as of the date hereof, constitute the Board of Directors of the Company (the “Board”; such individuals being referred to as the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided that any person becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Exchange Act of 1934 (the “’34 Act”) relating to the election of the directors of the Company) shall be, for purposes of this Agreement, considered as though such person were a member of the Incumbent Board; or
- (c) A merger, consolidation, reorganization or share exchange, or sale of all or substantially all of the assets, of the Company, unless, immediately following such transaction, all of the following shall apply: (A) all or substantially all of the beneficial owners of the Company immediately prior to such transaction will beneficially own in substantially the same proportions, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the corporation or other entity resulting from such transaction (including, without limitation, a corporation or other entity which, as a result of such transaction, owns the Company or all or substantially all of the Company's assets, either directly or through one or more subsidiaries) (the "Successor Entity"), (B) no person will be the beneficial owner, directly or indirectly, of 35% or more of the combined voting power of the then outstanding voting securities of the Successor Entity, and (C) at least a majority of the members of the board of directors of the Successor Entity will be Incumbent Directors.
- (d) All terms used in this Section 1 shall be interpreted in a manner consistent with the '34 Act.

## 2. **Termination of Employment Following a Change in Control.**

- (a) **Triggering Event.** If, following a Change in Control, a Triggering Event occurs, the Executive will be entitled to the compensation and benefits described in Sections 3(a)-(c) below. For the purposes of this Agreement, a “Triggering Event” means a termination of the Executive's employment with the Company at any time prior to the end of the twelve (12) month period following the Change in Control (such period of time being referred to as the “Employment Period”), unless (i) such termination is by reason of the Executive's Total Disability or death, (ii) the Company terminates the Executive's employment with the Company for Cause, or (iii) the Executive terminates his employment with the Company for other than Good Reason.
- (b) **Cause.** For purposes of this Agreement, the termination of the Executive's employment with the Company shall be deemed to be for “Cause” only in the event of:
  - (i) A felony or crime of moral turpitude by the Executive;
  - (ii) An act of fraud, embezzlement, misappropriation of assets, dishonesty or disloyalty by the Executive;

- (iii) The Executive's failure to substantially perform his or her duties as such duties exist at the time of a Change in Control (other than any such failure resulting from the Executive's incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Company, specifically identifying the manner in which the Executive has not substantially performed his or her duties, and the Executive does not cure such failure within thirty (30) days of such demand;
- (iv) The Executive's material breach of this Agreement or any other agreement between the Executive and the Company;
- (v) The Executive's deliberate and persistent disregard of the Company's policies or procedures, after a written demand for compliance with the Company's policies or procedures is delivered to the Executive by the Company, specifically identifying the manner in which the Executive has not complied with the Company's policies or procedures, and the Executive does not cure such noncompliance within thirty (30) days of such demand;
- (vi) Any act by the Executive which brings material adverse publicity to the Company; or
- (vii) An act, or failure to act, which constitutes gross negligence or a material breach of any fiduciary duty owed by the Executive to the Company.

Any determination of Cause under this Agreement shall be made by resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a regular meeting of the Board or a special meeting called and held for that purpose. The Executive shall be provided with reasonable notice of such meeting and shall be given the opportunity to be heard before such vote is taken by the Board. The Executive's employment shall not be terminated for Cause if the Board determines that the Executive's act or failure to act was done in good faith and with reasonable belief that the act or failure to act was in the best interest of the Company.

- (c) **Good Reason.** For purposes of this Agreement, the Executive's termination of his employment with the Company shall be deemed to be for "Good Reason" if for any of the following reasons:
  - (i) A material diminution in the Executive's authorities, duties, and/or responsibilities;
  - (ii) A material diminution in the budget over which the Executive retains authority, unless the diminution is a result of a company-wide diminution in total budget;
  - (iii) A material diminution in the Executive's base salary, or unless the diminution is a result of a Company-wide diminution in the annual cash bonuses, target incentive awards, and/or benefits of all similarly situated employees as the Executive, a material diminution in the Executive's annual cash bonus, target incentive award, and/or benefits, including health, retirement and fringe;
  - (iv) The failure by the Company to pay the Executive any amount of his salary, bonus or other compensation when due and payable;
  - (v) A change in the Executive's principal place of employment; such that the Executive's commuting distance as of the date of this Agreement, or as of the Termination Date, whichever is longer, increases by more than fifty miles;

- (vi) The failure of a successor to the Company to explicitly assume and agree to be bound by this Agreement, in accordance with the terms of Section 5(a) of this Agreement; or
- (vii) A material breach by the Company of any the terms and conditions of this Agreement
- (d) **Total Disability.** For the purposes of this Agreement, the term “Total Disability” means any physical or mental incapacity as a result of which the Executive is unable to perform substantially all of the Executive's essential duties for an aggregate of four (4) months, whether or not consecutive, during any calendar year, and which cannot be reasonably accommodated by the Company without undue hardship. An Executive cannot be terminated for Total Disability unless the Company has delivered a written demand for substantial performance to the Executive, specifically identifying the manner in which the Executive has not substantially performed his or her duties, and the Executive does not cure such failure within thirty (30) days of such demand.
- (e) **Notice of Termination.** Any termination by the Company or by the Executive under this Agreement shall be communicated by a Notice of Termination to the other party hereto. For purposes of this Agreement, a “Notice of Termination” shall mean a notice in writing which shall indicate (i) the specific termination provision in this Agreement relied upon to terminate the Executive's employment, (ii) the facts and circumstances, in reasonable detail, claimed to provide a basis for termination of employment under the provision so indicated, and (iii) the date that the Executive separates from service as defined under Section 409A of the Internal Revenue Code (the “Code”) from the Company or any affiliate.
- (f) **Termination Date.** As used in this Agreement, “Termination Date” means (i) if the Executive's employment is terminated because of death, the date of the Executive's death, (ii) if the Executive's employment terminates for any other reason, the date specified in the Notice of Termination, which will be the date the Executive “separates from service” as defined under Section 409A of the Code from the Company or any affiliate.

If the Executive terminates his or her employment for Good Reason, then the date specified by the Executive in the Notice of Termination (i.e., the date the Executive ceases to provide services to the Company or affiliates) shall be at least thirty (30) days after the date of the notice. Executive must give the Company written notice in accordance with Section 6 of the Agreement, of any Good Reason termination of employment. Such notice must be given within 60 days following Executive's knowledge of the first occurrence (as determined without regard to any prior occurrence that was subsequently remedied by the Company) of a Good Reason circumstance and must specify which of the Good Reason circumstances Executive is relying on, the particular action(s) or inaction(s) giving rise to such circumstance, and the date that Executive intends to separate from service, as defined under Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”), which shall be no earlier than thirty (30) days following the date of the Company's receipt of the notice. Executive's termination shall not be deemed a Good Reason termination of employment if (i) within 30 days of the Company's receipt of such notice, the Company remedies the circumstance(s) giving rise to the notice, or (ii) Executive's termination of employment does not occur within 60 days after the end of the 30 day period provided to the Company to remedy the circumstances giving rise to the notice.

**3. Benefits Payable Upon Termination.**

*Triggering Event.* Subject to Sections 4(a) and 9, if, following a Change in Control, a Triggering Event occurs, the Company will provide the compensation and benefits set forth in (a), (b), and (c) to the Executive:

- (a) **Lump Sum Payment.** The Company shall pay the Executive a lump sum cash amount equal to the sum of:
- (i) two times the Executive's base salary at the time of the occurrence of the Change in Control;
  - (ii) the cash equivalent of any unused vacation that Executive has accrued or is otherwise currently entitled to, prorated on a per diem basis in accordance with the Executive's base salary at the time of the occurrence of the Change in Control;
  - (iii) two times the Executive's annual bonus, if any, paid to the Executive with respect to the Company's most recently completed fiscal year preceding the fiscal year in which the Termination Date occurs; provided, however, that if no annual bonus was paid with respect to the most recently completed fiscal year, then the Executive shall receive two times the Executive's most recent annual bonus, if any, paid with respect to any of the Company's three fiscal years immediately preceding the Termination Date;
  - (iv) the amount of any annual bonus (or portion thereof) for the calendar year in which the Termination Date occurs, prorated on a per diem basis from the beginning of the calendar year to the Termination Date; and
  - (v) all other amounts payable to the Executive as of the Termination Date (other than retirement benefits and other deferred compensation, if any, which shall be paid pursuant to applicable terms, conditions and provisions), to the extent unpaid as of the Termination Date.

Under Section 9(b) hereof, the portion of the lump sum payment under this Section 3(a) that is not exempt from Section 409A shall be paid on the first of the seventh month after the Executive's Termination Date (or, if earlier, on the date the Executive dies after meeting the other conditions for payment). Any portion exempt from Section 409A shall be paid to Executive no earlier than the Termination Date, on or before the 30<sup>th</sup> day after the Termination Date (or, if later, the end of the seven-day period during which the Executive may revoke his consent to providing a Release, in accordance with Section 4(a) hereof); provided, however, that any amount payable in accordance with Section 3(a)(iv) hereof will be paid during the 2 ½ month period between the beginning of the fiscal year following the fiscal year in which the Termination Date occurs (i.e., between the following January 1 and March 15 for fiscal years ending December 31).

- (b) **Medical and Dental Benefits.** The Company, at its sole cost and expense, will continue for the Executive and the Executive's eligible dependents, all Company-sponsored or provided medical, dental, vision, and prescription drug, plans, programs and arrangements that provide for medical or dental benefits, whether group or individual, in which the Executive was entitled to participate at any time during the twelve (12)-month period prior to the Termination Date, until the later to occur of (i) the last day of the Employment Period or (ii) the six (6) - month anniversary of the Termination Date; provided, however, that payment of benefits shall terminate upon the Executive's death (other than benefits payable to the Executive's beneficiaries). In the event that the Executive's participation in any such plan, program or arrangement of the Company is prohibited, the Company will arrange to provide the Executive with benefits substantially similar to those which the Executive would have been entitled to receive under such plan, program or arrangement, for such period. The Company shall make the payments necessary to continue such benefits on the Company's customary payment date for such payments (whether to the Executive or to a third party, as applicable).
- (c) **Company Automobile.** The Company will continue to provide the Executive with the use of his or her Company automobile, if any, under the terms available to the Executive on the Termination Date, until the earlier to occur of (i) the expiration of the applicable automobile lease or (ii) the last day of the Employment Period. The Company will make such payments at the times as are necessary to continue the benefit and in accordance with the terms of the applicable lease.
- To the extent the medical benefits or automobile lease payments described in subsections (b) and (c) above are not exempt from Section 409A of the Code, during the 6-month period described in Section 9(b), the Executive will pay such expenses and be reimbursed at the end of the 6-month period in accordance with Section 9(b).

Total Disability or Death. If, following a Change in Control, the Executive's employment with the Company terminates as a result of his Total Disability or death, the Company will provide to the Executive or the Executive's estate, as the case may be,

- (i) the Executive's base salary at the time of the Executive's Total Disability or death that is unpaid at his Termination Date, through the Termination Date;
- (ii) the Executive's annual bonus for the fiscal year prior to which the Executive suffered a Total Disability or died, prorated on a per diem basis from the beginning of the fiscal year in which the Terminate Date occurs through the Termination Date; and
- (iii) any other benefits to which the Executive is/was entitled but have yet to be paid.

Payments of amounts due in connection with a termination of the Executive's employment with the Company s a result of the Executive's Total Disability or death will be made at the same time as specified for lump sum payments under Section 3(a) above, except that the annual bonus with respect to the fiscal year of termination will be paid during the 2 ½ month period between the beginning of the fiscal year following the fiscal year in which the Termination Date occurs and the 15<sup>th</sup> day of the third month following the fiscal year in which the Termination Date occurs (i.e., between the following January 1 and March 15 for fiscal years ending December 31).

In addition, all Company-sponsored or provided medical, dental, vision, and prescription drug, plans, programs and arrangements, whether group or individual, in which the Executive and the Executive's eligible dependants participated in as of the Termination Date shall be continued, at the Company's sole expense and cost, for a period of six (6) months from the Termination Date. In the event that the Executive's participation in any such plan, program or arrangement of the Company is prohibited, the Company will arrange to provide the Executive with benefits substantially similar to those which the Executive would have been entitled to receive under such plan, program or arrangement, for such period. To the extent the medical payments described herein are not exempt from Section 409A of the Code, during the 6-month period described in Section 9(b), the Executive will pay such expenses and be reimbursed at the end of the 6-month period in accordance with Section 9(b). The Company shall make the payments necessary to continue such benefits on the Company's customary payment date for such payments (whether to the Executive or to a third party, as applicable).

Company's Termination of Executive's Employment with the Company for Cause or Executive's Termination of Employment with the Company for other than for Good Reason. If, following a Change of Control, the Company terminates the Executive's employment with the Company for Cause or the Executive terminates his employment with the Company other than for Good Reason, the Company's only obligation to the Executive will be to pay the Executive's base salary (as of the date of such termination) that is unpaid on the Termination Date, through the Termination Date.

#### 4. **Covenants of Executive.**

- (a) **Release of Claims.** The Company's payment and other obligations set forth in Section 3(a)-(c) of the Agreement shall be subject to the Executive's executing and delivering to the Company a written release of any and all claims against the Company and all related parties with respect to all matters arising out of the Executive's employment with the Company or the termination thereof (the "Release"), substantially in the form attached hereto. Such release must be executed no later than thirty (30) days after the Termination Date. The Company will not be obligated to perform its obligations under Section 3(a)-(c) until the Executive submits the executed Release, and then only if the Executive does not revoke his consent to the Release for a period of seven (7) days following the Executive's execution of the Release.
- (b) **Non-Solicitation of Company Employees.** For a period of two (2) years after the Termination Date, the Executive will not solicit (i) any employee of the Company to discontinue that person's employment relationship with the Company, (ii) any independent contractor to the Company to terminate that person's contractual relationship with the Company, or (iii) any customer of the Company to terminate its business relationship with the Company.

- (c) **Confidentiality.** The Executive agrees to maintain for the benefit of the Company all secret or confidential information, knowledge or data (“Confidential Information”) relating to the Company and its businesses, disclosed to the Executive or known, learned, created or observed by the Executive as a consequence of or through employment by the Company, which information is not generally known in the relevant trade or industry, about the Company's business activities, services and processes, including, but not limited to, information concerning the Company's contracts, marketing strategies, management policies, data bases, government relations, regulatory compliance, manuals, publicity, research, finances, accounting, trade secrets, business plans, client or supplier lists and records, potential client or supplier lists, and client and supplier billing. The Executive acknowledges that the Confidential Information is confidential to and a valuable asset of the Company and is proprietary to and includes trade secrets of the Company, and is an integral part of the goodwill of the Company.

Notwithstanding anything to the contrary contained in this Agreement, the restrictions on the Executive's disclosure and use of the Confidential Information shall not apply to: (i) information, processes or techniques which are or become generally known, other than through disclosure (whether deliberate or inadvertent) by the Executive; (ii) disclosure of Confidential Information in judicial or administrative proceedings to the extent the Executive is legally compelled to disclose such information, provided that the Executive shall have used his or her best efforts and shall have afforded the Company the opportunity to obtain an appropriate protective order or other assurance reasonably satisfactory to the Company of confidential treatment for the information required to be so disclosed; or (iii) information that was or becomes available to the Executive on a non-confidential basis from a third party that is not, to the Executive's knowledge after due inquiry, either bound by a confidentiality agreement with the Company or otherwise prohibited from transferring the information to the Executive.

- (d) **Construction .** If one or more of the provisions in Section 4 of this Agreement is for any reason held to be excessively broad as to scope, activity, subject or otherwise, so as to be unenforceable by law, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear.
- (e) **Injunctive Relief .** In addition to any other remedies that may be available at law, the Executive understands that any breach of the terms of Section 4 of this Agreement will result in irreparable injury to the Company, such as to entitle the Company to equitable relief, including, but not limited to, injunctive relief or the specific enforcement of this Agreement, as is appropriate.

#### 5. **Successors and Assigns.**

Except as otherwise provided in this Agreement, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, representatives, successors and assigns.

- (a) **Company Successor.** The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive to compensation from the Company in the same amount and on the same terms as the Executive would be entitled to hereunder if the Executive had given notice of termination for Good Reason as of the day immediately before such succession became effective and had specified that day in the notice of termination. As used in this Agreement, the “Company” shall mean the Company as defined in the first sentence of this Agreement and any successor to all or substantially all its business or assets or which otherwise becomes bound by all the terms and provisions of this Agreement, whether by the terms hereof, by operation of law or otherwise.
- (b) **Executive's Successor.** This Agreement shall inure to the benefit of and be enforceable by the Executive and the Executive's personal or legal representatives and successors in interest under this Agreement.

#### 6. **Notice.**

Any notice, demand or other communication required or permitted under this Agreement shall be effective only if it is in writing and delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or reputable overnight courier service, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to Chairperson of the Compensation Committee, or to such other address as either party may designate by notice to the other and shall be deemed to have been given as of the date so personally delivered or mailed.

#### 7. **Miscellaneous.**

- (a) **No Waiver.** No term or condition of this Agreement may be waived in whole or in part unless by the party against whom enforcement of the modification or waiver is sought agrees in writing to such modification or waiver. The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.
- (b) **Section Headings.** Section headings are only for convenience of reference and do not affect the meaning of any provision of this Agreement.
- (c) **Severability.** The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

#### 8. **Employment Status.**

This Agreement is not, and nothing herein shall be deemed to create, an employment contract between the Executive and the Company or change the Executive's employment-at-will status. The Executive acknowledges that the rights of the Company remain wholly intact to change or reduce at any time and from time to time the Executive's compensation, title, responsibilities, location, and all other aspects of the employment relationship, or to discharge the Executive (or for the Executive voluntarily to resign) prior to a Change in Control.

9. **Section 409A Compliance .**

- (a) **Intent to comply; interpretation.** Payments under this Agreement are intended to comply with Section 409A of the Code and this Agreement shall be interpreted to comply with Section 409A.
- (b) **Six-month delay for certain “specified employees.”** Because Executive is a “specified employee” as defined under Section 409A of the Code, Section 409A(a)(2)(B)(i) of the Code requires a 6-month delay for any payments that are not exempt from Section 409A and that are payable upon termination of employment. Therefore, any such payments shall be made no earlier than the first day of the seventh month following the date of Executive's separation from service or, if earlier, the date the Executive dies after his separation from service.

10. **Tax Matters.**

- (a) **Withholdings.** The Company may withhold from any benefits payable under this Agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.
- (b) **Section 280G (golden parachutes).** The Company, or a public accounting firm or other entity chosen by the Company, shall determine if any payments made pursuant to this Agreement, any supplement to this Agreement, or any other payment received or deemed to be received by Executive from the Company or any of its subsidiaries and affiliates, or from any pension, welfare or other compensation plan sponsored by the Company or its affiliates, is or will become subject to any excise tax under Section 4999 of the Code, or any similar tax payable under any federal or state, local or other law (“Excise Taxes”). If it is determined that any payment is or will become subject to any Excise Taxes, then the Company or its designate shall determine if the payment of the Excise Taxes, in addition to any federal, state, local or other income, excise or other taxes (“Other Taxes”) payable by the Executive with respect to the payments to be received, will cause the Executive to pay an amount of Excise and Other Taxes such that the net payment the Executive will receive after payment of all Excise and Other Taxes on such payment is less than what he would receive if the payment he would receive was reduced to the maximum amount payable without imposition of any Excise Taxes (“Economic Detriment”). If it is determined that the Executive will incur an Economic Detriment as the result of the receipt of payments under this Agreement, the payment to the Executive under this Agreement shall be reduced to the maximum possible payment that can be paid to the Executive without his incurring any Excise Taxes. If any payments are reduced under this Section 10(b), they shall be payments that would cause the Executive to incur an Economic Detriment as described above and shall come from first, any lump sum payments due to the Executive other than the annual bonus payable for the fiscal year of termination under Section 3(a)(iv) or 3(ii) in the case of Total Disability or death, next, from the bonus payable for the fiscal year of termination under Section 3(a)(iv), followed by any automobile reimbursement and then by any medical payments due to the Executive.

11. **Non-assignability.**

This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder, except as provided in Article 5 hereof. Without limiting the foregoing, the Executive's right to receive payments hereunder shall not be assignable or transferable, whether by pledge, creation of a security interest or otherwise, other than a transfer by the Executive's will or by the laws of intestacy, and in the event of any attempted assignment or transfer contrary to this Article 10, the Company shall have no liability to pay any amount so attempted to be assigned or transferred.

12. **Mediation/Arbitration .**

With the exception of the covenants of the Executive set forth in Section 4 of this Agreement, the parties shall endeavor to resolve any dispute arising out of, or relating to, this Agreement by mediation under the International Institute for Conflict Prevention and Resolution (“CPR”) Mediation Procedure for Business Disputes. Unless the parties agree otherwise, the mediator will be selected from the CPR Panel of Neutrals with notification to CPR. Any controversy or claim arising out of or relating to this contract or the breach, termination or validity thereof, which remains unresolved forty-five (45) days after appointment of a mediator, shall be settled by arbitration by a sole arbitrator in accordance with the CPR Non-administered Arbitration Rules, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction thereof.

13. **Governing Law.**

This Agreement shall be governed by applicable federal law and the internal law of the State of New Jersey without reference to its choice of law rules or to any other rule of any jurisdiction that would cause the application of rules other than the jurisdiction of the State of New Jersey.

14. **Entire Agreement.**

This Agreement constitutes the entire understanding of the parties relating to the subject matter hereof and supersedes all prior agreements, understandings and representations, whether oral or written, relating to the subject matter hereof.

15. **term; Termination of agreement.**

Subject to the terms of the next sentence, the term of this Agreement shall commence on the date first set forth above and shall end on \_\_\_\_\_; provided, however, that the Agreement shall continue in effect for successive periods of one year thereafter unless either the Company or the Executive gives written notice of intent to terminate the Agreement at least six (6) months prior to the expiration of the then-current term of the Agreement. This Agreement shall automatically terminate if, before a Change in Control occurs, either the Company terminates the Executive's employment or the Executive terminates his employment with the Company, in either case for any reason. For purposes of this Agreement, a termination of the Executive's employment shall be deemed to have occurred when the Executive ceases active employment with the Company, even if the Executive remains on the Company's payroll as an inactive employee. The termination of this Agreement will not affect the obligation of the Company to make payments or provide benefits to which the Executive became entitled before such termination.

16. **Counterparts.**

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and such counterparts will together constitute but one Agreement.

**In Witness Whereof**, the Company and the Executive have executed and delivered this Agreement as of the date first above written.

**Hooper Holmes, Inc.**

By: \_\_\_\_\_

Name:

Title:

**Executive**

\_\_\_\_\_  
Name:

\_\_\_\_\_

# **Hooper Holmes. Inc.**

## **Code of Conduct and Ethics**

Hooper Holmes ("Company") regards its business reputation as a paramount value. The Company complies with all domestic and foreign laws and expects all employees, officers and directors ("you") to do the same. Hooper Holmes will stand behind the services it provides and the assurances it makes regarding them. It will be candid and forthright, always. Quite simply, what Hooper Holmes says it will do, it will do.

The Company has adopted this Code of Conduct and Ethics ("Code") not merely to comply with all applicable laws but to ensure the conduct of its business in accordance with the highest standards of integrity. It applies to the Company's principal executive officer, principal financial officer and controller and to each other officer, director and employee of the Company.

### **Legal Compliance**

Hooper Holmes requires that you comply with all applicable laws, rules and regulations wherever the Company does business. In this you are expected to use good judgment and common sense and to seek advice if you are uncertain.

If you should become aware of any violation of law by the Company or anyone acting on behalf of the Company, it is your responsibility to report the violation promptly to the Company's general counsel. Although Hooper Holmes seeks to address any such matters internally, nothing in this Code should prevent you from reporting any illegal activity to the appropriate legal authority. The Company will not discriminate or retaliate against you if you in good faith report such violation. Further, this Code should not be construed to prohibit you from testifying or otherwise participating in any proceeding or investigation that may follow.

### **Antitrust**

Hooper Holmes is subject to antitrust laws within the United States, and also in its international operations. In general, these laws prohibit actions or agreements that may restrain trade or reduce competition. Violations include agreements among competitors to fix or control prices, to boycott specific suppliers or customers, to allocate products, territories or markets, or to limit production or sale of products. Any activities with representatives of other companies, competitors, customers or suppliers, may be carefully scrutinized, and care must be taken to ensure that such activities cannot be viewed as antitrust violations.

### **Foreign Business Operations**

The Foreign Corrupt Practices Act prohibits the payment of money or anything of value to a foreign official, foreign political party, or candidate for foreign political office in order to obtain business. It also requires proper accounting controls and accurate and reasonably detailed books and records. There is a reporting requirement for violations or solicitations to violate.

### **Conflicts of Interest**

In simplest terms, you should avoid any position that gives you an interest that conflicts with Hooper Holmes and any situation where your acting for the Company could be influenced or appear to be influenced by personal or family considerations. In dealing with customers, suppliers, competitors and others, you must act entirely in Hooper Holmes' interest to the total exclusion of personal advantage. You must notify your immediate superior or the general counsel in writing immediately of any relationship that could involve a conflict of interest. Following are some examples of such relationships:

- Owning a significant financial interest (one percent or more of a publicly-held company or five percent or more of a privately-held company) in the business of a Hooper Holmes customer, supplier or competitor.
  - Any separate, individual relationship with a Hooper Holmes customer, supplier or competitor.
  - An immediate family member who is an employee or consultant for a significant customer or supplier, or who is a competitor of Hooper Holmes.
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- Selling your services or products or those of another person or firm, if Hooper Holmes offers similar services or products.
- Conducting Hooper Holmes business with a family member or a business organization that you have or your family has an association with.
- Accepting gifts with a value in excess of \$100 or accepting gratuities from a customer supplier, potential supplier or competitor.
- Association with any business or organization that interferes with your ability to devote full time attention and best efforts to Hooper Holmes.
- Supervising, reviewing or influencing the job evaluation or compensation of a member of your immediate family.
- Engaging in any other activity or having any other interest that the Company's Board of Directors determines to constitute a conflict of interest.

Hooper Holmes reserves the right to determine whether or not a conflict of interest exists and the right to take any action necessary to remove such a conflict of interest.

### **Accuracy of Records and Public Reports**

Accurate information is essential to the Company's ability to meet legal and regulatory requirements. You are responsible for the accuracy of your records and reports; you must honestly and accurately report all business transactions.

All Company books, records and accounts will be maintained in accordance with all applicable regulations and standards and will accurately reflect the true nature of the transactions they record. The financial statements of the Company will conform to generally accepted accounting rules and the Company's accounting policies. No undisclosed or unrecorded account or fund will be established for any purpose. No false or misleading entries will be made in the Company's books or records for any reason, and no disbursement of corporate funds or other corporate property will be made without adequate supporting documentation.

It is the policy of the Company to provide full, fair, accurate, timely and understandable disclosure in reports and documents filed with, or submitted to, the Securities and Exchange Commission and in other public communications.

### **Concerns Regarding Accounting or Auditing Matters**

Employees with concerns regarding questionable accounting or auditing matters or complaints regarding accounting, internal accounting controls or auditing matters, may confidentially, and anonymously if they wish, submit such concerns or complaints in writing to the Company's general counsel or may use the toll-free telephone number for the **Compliance Line** at 1-866-384-6616. See "Reporting and Compliance Procedures" at page 5 herein. All such concerns and complaints will be forwarded to the Audit Committee of the Board of Directors, unless they are determined on their face to be wholly without merit by the general counsel and CFO of the Company. In any event, a complete record of all complaints will be provided to the Audit Committee of the Board of Directors each fiscal quarter. Any such concerns or complaints may also be communicated, confidentially and, if you desire, anonymously, directly to the Chairman of the Audit Committee.

The Audit Committee will evaluate the merits of any concerns or complaints received by it and authorize such follow-up actions, if any, as it deems necessary or appropriate to address the substance of the concern or complaint.

The Company will not discipline, discriminate against or retaliate against any employee who reports, in good faith, a complaint or concern.

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## **Confidential Information**

The protection of confidential business information and trade secrets is vital to the interests and the success of Hooper Holmes. Company procedures, processes and developments are extremely valuable to our continued success and growth. Confidential information includes, but is not limited to, the following kinds of non-public information:

- Customer preferences, including proprietary information used in determining marketing and research development
- Non-public financial information
- Inside information, or material non-public information
- Information regarding hiring, compensation, discipline, benefits, or termination of any employee
- Copyright
- Customers lists
- Current or possible litigation
- Pending projects and proposals
- Research and development strategies
- Scientific data and prototypes
- Technological data and prototypes
- Designs of product and proprietary equipment
- Pricing strategies
- Costs
- Vendors

If you are unsure if information is confidential, you should assume that it is until you confirm otherwise.

There are times when the Company's confidential or proprietary information may need to be disclosed to outside parties for business reasons. In such instances, you should discuss the need for this disclosure with your department management and the Legal Department. A non-disclosure agreement, signed by an authorized representative of the third-party, must be obtained prior to any release of information. You can obtain non-disclosure agreements from the Legal Department.

You must also abide by any lawful obligations that you have to your former employers. These obligations may include restrictions on the use and disclosure of confidential information, restrictions on the solicitation of former colleagues to work at the Company and non-competition obligations. Any such obligations should be immediately reported to the general counsel.

## **Public Disclosure**

Disgruntled traders in the Company stock may claim to have relied on Company statements that they assert are misleading or incomplete. All of the Company's public statements, oral or written, must be released only through proper channels. All such statements must be materially accurate and complete, and not contain any material misrepresentations or omissions.

You should not discuss internal Company matters or disseminate internal Company information outside the Company, except as required to perform your duties. All employees have a duty and obligation to maintain confidentiality of non-public information about the Company. Only authorized Company spokespersons may disseminate information outside the Company.

If you are contacted for information about Hooper Holmes, you should decline comment and refer the inquirer to an authorized Company spokesperson, i.e., the Chairman of the Board and CEO, the CFO, or someone specifically designated by either of them.

You are prohibited from posting messages containing Company information in any Internet chat room, message board, news group, or similar forum, even if the posting is to respond to inaccurate information.

Any violation of the Company's policy on public statements and disclosure will result in disciplinary action, up to and including termination and legal action.

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## **Insider Trading**

Securities law prohibits you from buying or selling Company securities while aware of material non-public information, and from disclosing material non-public information to a third party, if the third party may use the information in the buying or selling of securities.

These prohibitions also apply to material non-public information about Hooper Holmes' customers, suppliers, or potential merger, acquisition, or joint venture candidates. In addition, securities transactions made by a family member, either as an individual or as a representative of another organization, are also subject to securities law.

Violation of securities law can result in civil and criminal penalties. Insider trading violations can also expose the Company and you to civil and criminal liability.

## **Protection and Proper Use of Corporate Assets**

You should always strive to protect the Company's assets. Theft, carelessness and waste have a direct impact on the Company's financial performance. You must use the Company's assets and services solely for legitimate business purposes of the Company and not for any personal benefit or the personal benefit of anyone else.

You should advance the Company's legitimate interests when the opportunity to do so arises. You must not take for yourself personal opportunities that are discovered through your position with the Company or the use of property or information of the Company.

## **Gifts and Gratuities**

There may be instances where you are offered or given a gift or gratuity from a third party while working for Hooper Holmes. Also, there may be situations where you want to give a gift or gratuity to an outside party. Gifts and gratuities are only acceptable within the following limits:

### **Accepting Gifts**

- You must report to your manager any gift or gratuity received as a result of your employment at Hooper Holmes.
- You may not accept gifts, awards, or gratuities for the purpose of influencing business decisions.
- Any gifts, awards, or gratuities you do receive may not exceed \$100 in value.

### **Giving Gifts**

- Gifts cannot exceed \$100 in value.
- Any gift to be given cannot violate any federal, state, or local law, any generally accepted ethical standards, or the recipient company's internal policies.
- Meals and entertainment expenses should be reasonable, and only for the purpose of enhancing the business relationship.
- In addition, gifts to residents of other countries should be consistent with the cultural norms of such countries.

Accepting or giving any gift, award, gratuity, or benefit in violation of this policy may result in disciplinary action, up to and including termination of employment.

## **Bribery and Kick-Backs**

You may not give anything of value to any public official or to any customer or potential customer, directly or indirectly, as an inducement to influence a law or regulation or to otherwise influence any business transaction. No bribes of any type may be paid to anyone. If you represent Hooper Holmes, you must conduct business in an ethical manner. This will avoid any real or perceived violation of our standards or any applicable laws.

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## **Political Contributions**

No Company funds or assets may be directly or indirectly used for political contributions or to support political activities, unless specifically approved by the CEO and general counsel. The term "political contributions" includes local, state, or national fundraising events of all kinds, any funds or gifts, and the free or discounted use of property or services that could be used directly or indirectly to support a political candidate, party, committee, or organization anywhere worldwide.

This prohibition is not intended to limit or restrict your own personal political activities.

## **Outside Activities**

Hooper Holmes encourages your participation in civic, community, or social services. However, you should not do anything that might create the impression that the Company itself participates in or supports these outside activities. You should not use the Company's name to endorse, associate with, or lend support to any business cause, organization, political party, social activity, or any other association or activity without prior approval of the general counsel.

## **Waivers of this Code of Conduct and Ethics**

While some of the policies contained in this Code must be strictly adhered to and no exceptions can be allowed, in other cases exceptions may be possible. Any employee or officer who believes that an exception to any of these policies is appropriate should first contact his or her immediate supervisor. If the supervisor agrees that an exception is appropriate, the approval of the general counsel must be obtained. The general counsel will be responsible for maintaining a complete record of all requests for exceptions to any of these policies and the disposition of such requests.

Any executive officer or director who seeks an exception to any of these policies should contact the general counsel. Any waiver of this Code for executive officers or directors or any change to this Code that applies to executive officers or directors may be made only by the Board of Directors of the Company and will be disclosed as required by law or stock exchange regulation.

## **Reporting and Compliance Procedures**

You have the responsibility to ask questions, seek guidance, report suspected violations and express concerns regarding compliance with this Code. Any employee or officer who knows or believes that any other employee or representative of the Company has engaged in or is engaging in Company-related conduct that violates applicable law or this Code must report such information to the general counsel as described below. Any executive officer or director who knows or believes that any other employee, director or representative of the Company has engaged in or is engaging in Company-related conduct that violates applicable law or this Code must report such information to the general counsel as described below. You may report such conduct openly or anonymously without fear of retaliation. The Company will not discipline, discriminate against or retaliate against any employee, officer or director who reports such conduct in good faith, whether or not such information is ultimately proven to be correct, or who cooperates in any investigation or inquiry regarding such conduct. Any supervisor who receives a report of a violation of this Code must immediately inform the general counsel.

You may report violations of this Code, on a confidential or anonymous basis, by contacting the Company's Compliance Line at 1-866-384-6616. While we prefer that you identify yourself when reporting violations so that we may follow up with you, as necessary, for additional information, you may remain anonymous if you wish.

Upon receipt of information regarding an alleged violation of this Code, the recipient, as described above, will (a) evaluate such information; (b) if the alleged violation involves an executive officer or a director, inform the general counsel of the alleged violation; (c) the general counsel will determine whether it is necessary to conduct an information inquiry or a formal investigation and, if so, initiate such an inquiry or investigation; and (d) report the results of any such inquiry or investigation, together with a recommendation as to disposition of the matter, to the CEO for action, or if the alleged violation involves an executive officer or director, report the results of any such inquiry or investigation to the Chairman of the Board. You are expected to cooperate fully with any inquiry or investigation by the Company regarding an alleged violation of this Code. Failure to cooperate with any such inquiry or investigation may result in disciplinary action, up to and including discharge.

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The Company will determine whether violations of this Code have occurred and, if so, will determine the disciplinary measures to be taken against any employee who has violated this Code. In the event that the alleged violation involves an executive officer or director, the Board of Directors will determine whether a violation of this Code has occurred and, if so, will determine the disciplinary measures to be taken against such executive officer or director.

Failure to comply with the standards outlined in this Code may result in disciplinary action including, but not limited to, reprimand, warning, probation or suspension without pay, demotion, reduction in salary, discharge and restitution. Certain violations of the Code may require the Company to refer the matter to the appropriate governmental or regulatory authorities for investigation and prosecution. Moreover, any supervisor who directs or approves of any conduct in violation of this Code, or who has knowledge of such conduct and does not immediately report it, also will be subject to disciplinary action, up to and including discharge.

### **Dissemination and Amendment**

This Code will be distributed to each employee, officer and director of the Company and to each new employee, officer and director upon commencement of his or her employment or other relationship with the Company. Each director and elected or appointed officer will be required to certify that he or she has received, read and understood the Code and has complied with its terms.

The Company reserves the right to amend, alter or terminate this Code at any time for any reason. The most current version of this Code can be found on the Hooper Holmes website ([www.hooperholmes.com](http://www.hooperholmes.com)). It is the Company's intention to disclose all amendments and waivers to this code on its website.

### **Hooper Holmes, Inc. Certification**

I, , do hereby certify that:

(Print Name Above)

1. I have received and carefully read the Code of Conduct and Ethics.
2. I understand that I am responsible for compliance with this policy. If there are any portions of this policy I do not understand, it is my responsibility to seek clarification from my management team or from the Corporate Human Resources Department.
3. I have complied and will continue to comply with the terms of the Code of Conduct and Ethics.

Date:   Signature:

**EACH ELECTED OR APPOINTED OFFICER AND DIRECTOR IS REQUIRED TO SIGN, DATE AND PROMPTLY RETURN THIS CERTIFICATION TO THE Corporate Human Resources Department**

**EXHIBIT 21**

**SUBSIDIARIES OF HOOPER HOLMES, INC.**

<b><u>Subsidiary Name</u></b>	<b><u>State of Incorporation</u></b>	<b><u>Business Name</u></b>
Heritage Labs International, LLC	Kansas	Heritage Labs International, LLC
Hooper Distribution Services, LLC	New Jersey	Hooper Distribution Services, LLC
Hooper Information Services, Inc.	New Jersey	Hooper Information Services, Inc.
Mid-America Agency Services, Inc.	Nebraska	Mid-America Agency Services, Inc.
TEG Enterprises, Inc.	Nebraska	TEG Enterprises, Inc.

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors

Hooper Holmes, Inc.:

We consent to incorporation by reference in the registration statements (No. 333-57769) on Form S-3 and (Nos. 333-150278, 333-147358, 333-72422, 333-57771, 333-04785 and 33-53086) on Form S-8 of Hooper Holmes, Inc. of our report dated March 14, 2011, with respect to the consolidated balance sheets of Hooper Holmes, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2010, and the related consolidated financial statement schedule, which report appears in the December 31, 2010 annual report on Form 10-K of Hooper Holmes, Inc.

/s/ KPMG LLP

Short Hills, New Jersey  
March 14, 2011

**POWER OF ATTORNEY FOR ANNUAL REPORT ON FORM 10-K**

KNOW ALL BY THESE PRESENTS, that each of the undersigned Directors of Hooper Holmes, Inc., a New York corporation (the "Company"), which proposes to file an Annual Report on Form 10-K pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, for the fiscal year ended December 31, 2010, hereby constitutes and appoints Ransom J. Parker and Michael J. Shea, and each of them, signing singly, the undersigned's true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, and hereby grants to him, for and in his or her name as such Director, full power and authority as his or her agent or agents and in his or her name, place and stead:

1. to sign such Annual Report on Form 10-K and any subsequent amendment thereto, and any and all other amendments or documents related thereto which any of said attorneys in fact, in his discretion, may deem necessary or proper; and
2. to perform every other act which any of said attorneys in fact, in his discretion, may deem necessary or appropriate in connection with such Annual Report or any amendments thereto.

IN WITNESS WHEREOF, the undersigned have caused this Power of Attorney for Annual Report on Form 10-K to be executed, on one or more counterparts, as of the 11th day of March, 2011.

/s/ Larry Ferguson

Larry Ferguson  
Director

/s/ John W. Remshard

John W. Remshard  
Director

/s/ Ronald V. Aprahamian

Ronald V. Aprahamian  
Director

/s/ Elaine Rigolosi

Elaine Rigolosi  
Director

/s/ Benjamin A. Currier

Benjamin A. Currier  
Director

/s/ Kenneth R. Rossano

Kenneth R. Rossano  
Director

/s/ Thomas A. Watford

Thomas A. Watford  
Director

**EXHIBIT 31.1    CERTIFICATIONS**

I, Ransom J. Parker, certify that:

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

/s/ Ransom J. Parker

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Ransom J. Parker  
Chief Executive Officer and President  
March 14, 2011

**EXHIBIT 31.2    CERTIFICATIONS**

I, Michael J. Shea, certify that:

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

/s/ Michael J. Shea

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Michael J. Shea  
Senior Vice-President, and Chief Financial and Accounting Officer  
March 14, 2011

**EXHIBIT 32.1    CERTIFICATIONS**

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

I, Ransom J. Parker, Chief Executive Officer and President of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, the Annual Report of Hooper Holmes, Inc., on Form 10-K for the period ended December 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Hooper Holmes, Inc.

Dated: March 14, 2011

/s/ Ransom J. Parker

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Ransom J. Parker

Chief Executive Officer and President

This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to Hooper Holmes, Inc. and will be retained by Hooper Holmes, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 32.2    CERTIFICATIONS**

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael J. Shea, Senior Vice President and Chief Financial and Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge, the Annual Report of Hooper Holmes, Inc., on Form 10-K for the period ended December 31, 2010 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Hooper Holmes, Inc.

Dated: March 14, 2011

/s/ Michael J. Shea

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Michael J. Shea

Senior Vice President and Chief Financial and Accounting Officer

This certification shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906 has been provided to Hooper Holmes, Inc. and will be retained by Hooper Holmes, Inc. and furnished to the Securities and Exchange Commission or its staff upon request