

PSYCHEMEDICS CORP  
Form SC 13G/A  
February 17, 2009

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

**SCHEDULE 13G**

**(Rule 13d-102)**

**Information to be Included in Statements Filed Pursuant to Rule 13d-1(b), (c)**

**and (d) and Amendments Thereto Filed Pursuant to Rule 13d-2.**

**Under the Securities Exchange Act of 1934  
(Amendment No. 2)\***

**Psychemedics Corporation**

(Name of Issuer)

**Common Stock, \$.005 par value**

(Title of Class of Securities)

**744375205**

(CUSIP Number)

**December 31, 2008**

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

\*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

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The information required in the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 ( Act ) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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CUSIP No. 744375205

|   |   |   |                                     |
|---|---|---|-------------------------------------|
| 1   | Name of Reporting Person<br>Discovery Equity Partners, L.P.   |   |                                     |
| 2   | Check the Appropriate Box if a Member of a Group (See Instructions)<br>Not Applicable                     |   |                                     |
|   | (a)   | <input type="radio"/>   |                                     |
|   | (b)   | <input type="radio"/>   |                                     |
| 3   | SEC Use Only  |   |                                     |
| 4   | Citizenship or Place of Organization<br>Illinois  |   |                                     |
|   | 5   |   | Sole Voting Power<br>None           |
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 6   |   | Shared Voting Power<br>212,036      |
|   | 7   |   | Sole Dispositive Power<br>None      |
|   | 8   |   | Shared Dispositive Power<br>212,036 |
|   | 9   | Aggregate Amount Beneficially Owned by Each Reporting Person<br>212,036 |                                     |
| 10  | Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) <input type="radio"/> |   |                                     |
|   | Not Applicable  |   |                                     |
| 11  | Percent of Class Represented by Amount in Row (9)<br>4.1%   |   |                                     |
| 12  | Type of Reporting Person (See Instructions)<br>PN   |   |                                     |

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CUSIP No. 744375205

|   |   |                       |                                     |
|---|---|-----------------------|-------------------------------------|
| 1   | Name of Reporting Person<br>Discovery Group I, LLC                                    |                       |                                     |
| 2   | Check the Appropriate Box if a Member of a Group (See Instructions)<br>Not Applicable |                       |                                     |
|   | (a)   | <input type="radio"/> |                                     |
|   | (b)   | <input type="radio"/> |                                     |
| 3   | SEC Use Only  |                       |                                     |
| 4   | Citizenship or Place of Organization<br>Delaware                                      |                       |                                     |
|   | 5   |                       | Sole Voting Power<br>None           |
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 6   |                       | Shared Voting Power<br>252,506      |
|   | 7   |                       | Sole Dispositive Power<br>None      |
|   | 8   |                       | Shared Dispositive Power<br>252,506 |
| 9   | Aggregate Amount Beneficially Owned by Each Reporting Person<br>252,506               |                       |                                     |
| 10  | Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)   | <input type="radio"/> |                                     |
|   | Not Applicable  |                       |                                     |
| 11  | Percent of Class Represented by Amount in Row (9)<br>4.8%                             |                       |                                     |
| 12  | Type of Reporting Person (See Instructions)<br>OO                                     |                       |                                     |

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CUSIP No. 744375205

|   |   |  |
|---|---|--|
| 1   | Name of Reporting Person<br>Daniel J. Donoghue  |  |
| 2   | Check the Appropriate Box if a Member of a Group (See Instructions)<br>Not Applicable<br>(a) <input type="radio"/><br>(b) <input type="radio"/> |  |
| 3   | SEC Use Only  |  |
| 4   | Citizenship or Place of Organization<br>U.S.A.  |  |
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 5<br><br>6<br><br>7<br><br>8  | Sole Voting Power<br>None<br><br>Shared Voting Power<br>252,506<br><br>Sole Dispositive Power<br>None<br><br>Shared Dispositive Power<br>252,506 |
| 9   | Aggregate Amount Beneficially Owned by Each Reporting Person<br>252,506   |  |
| 10  | Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) <input type="radio"/><br>Not Applicable                     |  |
| 11  | Percent of Class Represented by Amount in Row (9)<br>4.8%   |  |
| 12  | Type of Reporting Person (See Instructions)<br>IN   |  |

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CUSIP No. 744375205

|   |   |   |                                     |
|---|---|---|-------------------------------------|
| 1   | Name of Reporting Person<br>Michael R. Murphy   |   |                                     |
| 2   | Check the Appropriate Box if a Member of a Group (See Instructions)<br>Not Applicable                     |   |                                     |
|   | (a)   | <input type="radio"/>   |                                     |
|   | (b)   | <input type="radio"/>   |                                     |
| 3   | SEC Use Only  |   |                                     |
| 4   | Citizenship or Place of Organization<br>U.S.A.  |   |                                     |
|   | 5   |   | Sole Voting Power<br>None           |
| Number of<br>Shares<br>Beneficially<br>Owned by<br>Each<br>Reporting<br>Person With | 6   |   | Shared Voting Power<br>252,506      |
|   | 7   |   | Sole Dispositive Power<br>None      |
|   | 8   |   | Shared Dispositive Power<br>252,506 |
|   | 9   | Aggregate Amount Beneficially Owned by Each Reporting Person<br>252,506 |                                     |
| 10  | Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions) <input type="radio"/> |   |                                     |
|   | Not Applicable  |   |                                     |
| 11  | Percent of Class Represented by Amount in Row (9)<br>4.8%   |   |                                     |
| 12  | Type of Reporting Person (See Instructions)<br>IN   |   |                                     |

**Item 1.**

- (a) Name of Issuer:  
Psychemedics Corporation
- (b) Address of Issuer's Principal Executive Offices  
125 Nagog Park, Acton, MA 01720

**Item 2.**

- (a) Name of Person Filing:  
Discovery Equity Partners, L.P. ( **Discovery Partners** )  
  
Discovery Group I, LLC, the general partner of Discovery Partners ( **Discovery Group** )  
  
Daniel J. Donoghue, a Managing Member of Discovery Group
- (b) Michael R. Murphy, a Managing Member of Discovery Group  
Address of Principal Business Office or, if none, Residence:  
Discovery Partners, Discovery Group, Mr. Donoghue, and Mr. Murphy are all located at:  
  
191 North Wacker Drive, Suite 1685, Chicago, Illinois 60606
- (c) Citizenship:  
Discovery Partners is an Illinois limited partnership  
  
Discovery Group is a Delaware limited liability company
- (d) Mr. Donoghue and Mr. Murphy are U.S. citizens  
Title of Class of Securities:  
Common Stock, \$.005 par value
- (e) CUSIP Number:  
744375205

**Item 3.**

**If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**  
Not Applicable

- (a)  Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o);
- (b)  Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c);
- (c)  Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c);
- (d)  Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C 80a-8);
- (e)  An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);
- (f)  An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);
- (g)  A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);
- (h)  A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i)  A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j)  Group, in accordance with §240.13d-1(b)(1)(ii)(J).

**Item 4. Ownership**

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

- (a) Amount beneficially owned:  
 Discovery Partners 212,036  
 Discovery Group 252,506  
 Mr. Donoghue 252,506  
 Mr. Murphy 252,506
- (b) Percent of class:  
 Discovery Partners 4.1%  
 Discovery Group 4.8%  
 Mr. Donoghue 4.8%  
 Mr. Murphy 4.8%

The foregoing percentages are based on 5,213,563 shares of Common Stock of the Issuer identified in Item 1 outstanding as of November 11, 2008, as reported in the Issuer's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008.

- (c) Number of shares as to which the person has:
- (i) Sole power to vote or to direct the vote  
None
  - (ii) Shared power to vote or to direct the vote  
Discovery Partners 212,036  
Discovery Group 252,506  
Mr. Donoghue 252,506  
Mr. Murphy 252,506
  - (iii) Sole power to dispose or to direct the disposition of  
None
  - (iv) Shared power to dispose or to direct the disposition of  
Discovery Partners 212,036  
Discovery Group 252,506  
Mr. Donoghue 252,506  
Mr. Murphy 252,506

**Item 5. Ownership of Five Percent or Less of a Class**

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following .

**Item 6. Ownership of More than Five Percent on Behalf of Another Person**

Not Applicable.

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person**

Not Applicable

**Item 8. Identification and Classification of Members of the Group**

Not Applicable

**Item 9. Notice of Dissolution of Group**

Not Applicable

**Item 10. Certification**

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.





**Signature**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

February 13, 2009  
Date

**DISCOVERY GROUP I, LLC,**

for itself and as general partner of

**DISCOVERY EQUITY PARTNERS, L.P.**

Michael R. Murphy\*  
Signature

Michael R. Murphy, Managing Member  
Name/Title

Daniel J. Donoghue\*  
Signature

Daniel J. Donoghue  
Name/Title

Michael R. Murphy\*  
Signature

Michael R. Murphy  
Name/Title

\*By: /s/ Mark Buckley  
Mark Buckley  
Attorney-in-Fact for Daniel J. Donoghue  
Attorney-in-Fact for Michael R. Murphy

**Exhibit Index**

- Exhibit 1      Joint Filing Agreement dated as of February 13, 2009, by and among Discovery Equity Partners;  
L.P.; Discovery Group I, LLC; Daniel J. Donoghue; and Michael R. Murphy
- Exhibit 2      Power of Attorney of Daniel J. Donoghue, dated as of April 28, 2008
- Exhibit 3      Power of Attorney of Michael R. Murphy, dated as of April 28, 2008