BIO REFERENCE LABORATORIES INC
Form 10-Q
September 06, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended July 31, 2011

Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECUTRIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 0-15266

BIO-REFERENCE LABORATORIES, INC.

(Exact name of registrant as specified in its charter)

NEW JERSEY	**22-2405059**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
481 Edward H. Ross Drive, Elmwood Park, NJ	**07407**
(Address of principal executive offices)	(Zip Code)

(201) 791-2600

(Registrant s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer o	Accelerated Filer x
Non-accelerated Filer o	Smaller reporting company o

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of the issuer s common stock, as of the latest practicable date: 27,949,900 shares of Common Stock ($.01 par value) at September 6, 2011.

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BIO-REFERENCE LABORATORIES, INC.

FORM 10-Q

July 31, 2011

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Item 1

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

PART I FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS

[Dollars In Thousands Except Per Share Data]

ASSETS

	July 31, 2011 (Unaudited)	October 31, 2010
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 19,154	$ 17,779
Accounts Receivable - Net	148,709	129,122
Inventory	9,133	6,193
Other Current Assets	4,574	2,820
Deferred Tax Assets	20,771	16,883
TOTAL CURRENT ASSETS	202,341	172,797
PROPERTY AND EQUIPMENT - AT COST	78,395	67,250
LESS: Accumulated Depreciation	(34,669)	(30,420)
PROPERTY AND EQUIPMENT - NET	43,726	36,830
OTHER ASSETS:		
Deposits	845	1,389
Goodwill - Net	22,608	22,608
Intangible Assets - Net	7,224	8,226
Other Assets	720	1,523
Deferred Tax Asset	1,448	758
TOTAL OTHER ASSETS	32,845	34,504
TOTAL ASSETS	$ 278,912	$ 244,131

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

[Dollars In Thousands Except Per Share Data]

LIABILITIES AND SHAREHOLDERS EQUITY

	July 31, 2011 (Unaudited)	October 31, 2010
CURRENT LIABILITIES:		
Accounts Payable	$ 37,607	$ 36,972
Accrued Salaries and Commissions Payable	9,529	9,769
Accrued Taxes and Expenses	5,767	6,685
Revolving Note Payable - Bank	30,978	26,154
Current Maturities of Long-Term Debt	1,263	1,217
Capital Lease Obligations - Short-Term Portion	2,893	2,541
TOTAL CURRENT LIABILITIES	88,037	83,338
LONG-TERM LIABILITIES		
Capital Lease Obligations - Long-Term Portion	5,920	4,336
Long - Term Debt Net of Current Portion	4,947	3,319
Other Long Term Acquisition Payable	735	750
TOTAL LONG-TERM LIABILITIES	11,602	8,405
SHAREHOLDERS EQUITY		
Preferred Stock $.10 Par Value;		
Authorized 1,666,667 shares, including 3,000 shares of Series A Junior Preferred Stock None Issued		
Common Stock, $.01 Par Value; Authorized 35,000,000 shares:		
Issued and Outstanding 27,947,900 and 27,794,204 at July 31, 2011 and at October 31, 2010, respectively	280	278
Additional Paid-In Capital	45,562	44,562
Retained Earnings	133,431	107,548
TOTAL SHAREHOLDERS EQUITY	179,273	152,388
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 278,912	$ 244,131

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

[Dollars In Thousands Except Per Share Data]

[UNAUDITED]

	Three months ended July 31,		Nine months ended July 31,	
	2011	2010	2011	2010
NET REVENUES:	$ 148,029	$ 121,719	$ 407,345	$ 331,428
COST OF SERVICES:				
Depreciation and Amortization	2,828	2,223	8,079	6,201
Employee Related Expenses	32,340	26,386	93,763	76,435
Reagents and Laboratory Supplies	26,106	20,821	73,348	55,875
Other Cost of Services	13,323	10,659	36,279	30,110
TOTAL COST OF SERVICES	74,597	60,089	211,469	168,621
GROSS PROFIT ON REVENUES	73,432	61,630	195,876	162,807
GENERAL AND ADMINISTRATIVE EXPENSES:				
Depreciation and Amortization	1,007	824	2,971	2,279
General and Administrative Expenses	33,699	29,677	97,333	82,054
Bad Debt Expense	20,317	16,188	55,133	45,221
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	55,023	46,689	155,437	129,554
INCOME FROM OPERATIONS	18,409	14,941	40,439	33,253
OTHER (INCOME) EXPENSE:				
Interest Expense	459	403	1,224	1,115
Interest Income	(43)	(40)	(121)	(108)
Other (Income) Expense			(6,656)	
TOTAL OTHER (INCOME) EXPENSES - NET	416	363	(5,553)	1,007
INCOME BEFORE INCOME TAXES	17,993	14,578	45,992	32,246
Provision for Income Taxes	7,912	6,565	20,109	14,442
NET INCOME	$ 10,081	$ 8,013	$ 25,883	$ 17,804
NET INCOME PER COMMON SHARE - BASIC:	$ 0.36	$ 0.29	$ 0.93	$ 0.64
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC:	27,941,233	27,815,204	27,915,189	27,767,264
NET INCOME PER COMMON SHARE - DILUTED:	$ 0.36	$ 0.29	$ 0.92	$ 0.63
WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED:	28,147,179	28,098,319	28,123,558	28,098,319

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Dollars In Thousands]

[UNAUDITED]

	Nine months ended July 31	
	2011	**2010**
OPERATING ACTIVITIES:		
Net Income	$ 25,883	$ 17,804
Adjustments to Reconcile Net Income to Cash Provided by (Used for) Operating Activities:		
Depreciation and Amortization	11,050	8,480
Deferred Income Tax (Benefit) Expense	(4,578)	(3,170)
Stock Based Compensation	40	290
(Gain) Loss on Disposal of Fixed Assets	1,852	292
Change in Assets and Liabilities, (Increase) Decrease in:		
Accounts Receivable	(26,462)	(26,369)
Provision for Doubtful Accounts	6,875	7,602
Inventory	(2,940)	(1,900)
Other Current Assets	(1,754)	(380)
Other Assets	803	(134)
Deposits	544	(786)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	194	1,773
NET CASH - OPERATING ACTIVITIES	11,507	3,502
INVESTING ACTIVITIES:		
Acquisition of Equipment and Leasehold Improvements	(12,169)	(12,348)
Business Acquisitions and Related Costs	(250)	(1,917)
NET CASH - INVESTING ACTIVITIES	(12,419)	(14,265)
FINANCING ACTIVITIES:		
Payments of Long-Term Debt	(865)	(892)
Payments of Capital Lease Obligations	(2,152)	(2,056)
Increase (Decrease) in Revolving Line of Credit	4,824	13,433
Proceeds from Exercise of Options	480	632
NET CASH - FINANCING ACTIVITIES	2,287	11,117
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,375	354
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS	17,779	16,995
CASH AND CASH EQUIVALENTS AT END OF PERIODS	$ 19,154	$ 17,349
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		

Interest	$	1,208	$	1,067
Income Taxes	$	23,685	$	19,246

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

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SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

[Dollars In Thousands]

During the nine month periods ended July 31, 2011 and July 31, 2010, the Company entered into capital leases totaling $4,088 and $1,717 respectively.

During the nine month periods ended July 31, 2011 and July 31, 2010, the Company wrote-off approximately $5,962 and $5,920 of furniture and equipment that were fully depreciated.

During the nine month period ended July 31, 2011, the Company disposed of certain equipment with an initial cost of $4,558. During the same period the Company financed the purchase of new equipment through a term note of $5,408.

During the nine month periods ended July 31, 2011 and July 31, 2010, the Company recorded approximately $40 and $40 of stock based compensation expense related to granting of stock options and Company s stock to employees.

During the nine month period, ended July 31, 2010, the Company financed the acquisition of certain assets of Lenetix for $5,490. See Note 11 for additional information regarding this acquisition.

The Accompanying Notes are an Integral Part of These Consolidated Financial Statements.

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars In Thousands Except Per Share Data, Or Unless Otherwise Noted]

(UNAUDITED)

[1] The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary for a fair presentation of the financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial position and operating results have been included in the statements. Interim results are not necessarily indicative of results for a full year. Reference is made to the October 31, 2010 consolidated financial statements of Bio-Reference Laboratories, Inc. contained in its Annual Report on Form 10-K for the year ended October 31, 2010.

[2] The consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes for the year ended October 31, 2010 as filed with the Securities and Exchange Commission in the Company s Annual Report on Form 10-K as amended by Form 10-K/A.

[3] The significant accounting policies followed by the Company are set forth in Note 2 to the Company s consolidated financial statements in the October 31, 2010 Form 10-K including any amendments thereto as applicable.

Fair Value Measurements. The Company s population of financial assets and liabilities subject to Fair Value Measurements under topic 820 of Accounting Standards Codification (ASC) as used in the preparation of the Company s consolidated financial statements is as follows:

Inputs used in the valuation techniques to derive fair values are classified based on a three level hierarchy where Level 1 is having the highest priority and Level 3 having the lowest priority is as follows:

	7/31/2011	Quoted Prices in Active Markets for Identical Assets/Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Cash surrender value of officers life insurance policies	$ 720		$ 720	

As of July 31, 2011, the Company s financial instruments primarily consist of cash, short-term trade receivables and payables for which their carrying amounts approximate fair values, and long term debt, for which based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities, its carrying amount approximates its fair value.

The Company has evaluated subsequent events through the date the financial statements are issued as evidenced by the date of filing of this report with the Securities and Exchange Commission. Any such material events are disclosed in these notes if and when they occur.

[4] Certain prior year amounts may have been reclassified to conform to the current year presentation.

[5] Service revenues are principally generated from laboratory testing services including chemical diagnostic tests such as blood analysis, urine analysis and genetic testing among others. Net service revenues are recognized at the time the testing services are performed and are reported at their estimated net realizable amounts.

Net service revenues are determined utilizing gross service revenues net of contractual allowances. Even though it is the responsibility of the patient to pay for laboratory service bills, most individuals in the United States have an agreement with a third party payor such as Medicare, Medicaid or a commercial insurance provider to pay all or a portion of their healthcare expenses; the majority of services provided by Bio-Reference Laboratories, Inc. (BRLI) are to patients covered under a third party payor contract. In certain cases, the individual has no insurance or does not provide insurance information and in other cases tests are performed under contract to a professional organization (such as physicians, hospitals, and clinics) which reimburse BRLI directly; in the remainder of the cases, BRLI is provided the third party billing information and seeks payment from the third party under the terms and conditions of the third party payor for health service providers like BRLI. Each of these third party payors may differ not only with regard to rates, but also with regard to terms and conditions of payment and providing coverage (reimbursement) for specific tests. Estimated revenues are established based on a series of highly complex procedures and judgments that require industry specific healthcare experience and an understanding of payor methods and trends. We review our calculations on a monthly basis in order to make certain that we are properly allowing for the uncollectable portion of our gross billings and that our estimates remain sensitive to variances and changes within our payor groups. The contractual allowance calculation is made on the basis of historical allowance rates for the various specific payor groups on a monthly basis with a greater weight being given to the most recent trends; this process is adjusted based on recent changes in underlying contract provisions and shifts in the testing being performed. Bad Debt represents our estimate of net revenues that will ultimately be uncollectable and is based upon our analysis of historical payment rates by specific payor groups on a monthly basis with primary weight being given to the most recent trends; this approach allows bad debt to more accurately adjust to short-term changes in the business environment. These two calculations are routinely analyzed by BRLI on the basis of actual allowances issued by payors and the actual payments made to determine what adjustments, if any, are needed. The chart below shows the adjustments made to gross service revenues to arrive at net service revenues.

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	Three Months Ended July 31, 2011 [Unaudited]		Nine Months Ended July 31, 2011 [Unaudited]	
	2011	2010	2011	2010
Gross Service Revenues	$ 652,019	$ 504,664	$ 1,804,921	$ 1,358,513
Contractual Adjustments and Discounts:				
Medicare/Medicaid Portion	78,249	73,920	215,792	208,114
All Other Third Party Payors*	425,741	309,025	1,181,784	818,971
Total Contractual Adjustments and Discounts	503,990	382,945	1,397,576	1,027,085
Net Service Revenues	$ 148,029	$ 121,719	$ 407,345	$ 331,428

* All Other Third Party and Direct Payors consists of almost eight hundred distinct payors, including commercial health insurers and administrators as well as professionally billed accounts such as physicians, hospitals, clinics and other direct billed accounts.

When new business is received by BRLI, net service revenues are calculated by reducing gross service revenues by the estimated contractual allowance. The bad debt expense is determined by calculating the appropriate collection rate for net current service revenues and is a component of general and administrative expenses. BRLI recognized the amounts in subsequent periods for actual allowances/discounts to gross service revenue; bad debt was adjusted over the same periods of time to maintain an accurate balance between net service revenues and actual revenues. Management has reviewed the allowances/discounts recognized in subsequent periods and believes the amounts to be immaterial. A number of proposals for legislation or regulation continue to be under discussion which could have the effect of substantially reducing Medicare reimbursements for clinical laboratories or introducing cost sharing to beneficiaries. Depending upon the nature of regulatory action, if any, which is taken and the content of legislation, if any, which is adopted, the Company could experience a significant decrease in revenues from Medicare and Medicaid, which could have a material adverse effect on the Company. The Company is unable to predict, however, the extent to which such actions will be taken.

[6] It is typically the responsibility of the patient to pay for laboratory service bills. Most individuals in the United States have an agreement with a third party payor such as Medicare, Medicaid or commercial insurance to pay all or a portion of their healthcare expenses; this represents the major portion of payment for all services provided to BRLI. In certain cases, the individual has no insurance or does not provide insurance information; in the remainder of the cases, BRLI is provided the third party billing information, usually by the referring physician, and seeks payment from the third party under the terms and conditions of the third party payor for health service providers like BRLI. Each of these third party payors may differ not only with regard to rates, but also with regard to terms and conditions of payment and coverage of specific tests. BRLI routinely reviews the reimbursement policies and subsequent payments and collection rates from these different types of payors. Contractual credits are recorded as reductions to gross service revenues and are collectively referred to as the contractual allowance. BRLI has not been required to record an adjustment in a subsequent period related to revenue recorded in a prior period which was material in nature. Aging of accounts receivable is monitored by billing personnel and follow-up activities including collection efforts are conducted as necessary. Bad debt expense is recorded within selling, general and administrative expenses. BRLI writes off receivables against the allowance for doubtful accounts when they are deemed uncollectible. For client billing, accounts are written off when all reasonable collection efforts prove to be unsuccessful. Patient accounts, where the patient is directly responsible for all or a remainder portion of the account after partial payment or denial by a third party payor, are written off after the normal dunning cycle has occurred, although these may be subsequently transferred to a third party collection agency after being written off. Third party payor accounts are written off when they exceed the payor s timely filing limits. Accounts Receivable on the balance sheet is net of the following amounts for contractual credits and doubtful accounts:

	[Unaudited] 31-Jul-11	31-Oct-10

Contractual Credits/Discounts	$	245,517	$	186,372
Doubtful Accounts		42,029		34,904
Total Allowance	$	287,546	$	221,276

[7] In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-07: Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities. This update was issued to increase transparency relating to accounting practices used for net patient service revenue and related bad debt allowances by health care entities. Some health care entities recognize patient service revenue at the time the services are rendered regardless of whether the entity expects to collect that amount or has assessed the patient s ability to pay. These prior accounting practices used by some health care entities resulted in a gross-up of patient service revenue and the provision for bad debts, leading to an impaired ability by outside users of financial statements to make accurate comparisons and analyses of financial statements between entities. ASU No. 2011-07 requires changes to the presentation of the statement of operations, reclassifying the provision for bad debts associated with patient service revenue from an operating expense to a deduction from patient service revenue, and also requires enhanced quantitative and qualitative disclosures relevant to the entity s policies for recognizing revenue and assessing bad debts. This update is not designed and will not change the net income reported by healthcare entities. This update is effective for fiscal years beginning after December 15, 2011, with early adoption permitted. We do not expect that this update will have any material impact on the company s consolidated financial statements. We do not expect that we will be required to change our presentation of the

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statement of operations because the Company does not recognize revenues that it does not expect to collect and this update specifically exempts companies who follow that methodology from its application.

[8] The following disclosures present certain information on the Company s intangible assets as of July 31, 2011 (Unaudited) and October 31, 2010. All intangible assets are being amortized over their estimated useful lives, as indicated below, with no estimated residual value.

July 31, 2011

(Unaudited)

Intangible Asset	Weighted-Average Initial Amortization Period	Cost	Accumulated Amortization	Net of Accumulated Amortization
Customer Lists	20	$ 4,573	$ 2,291	$ 2,282
Covenants Not-to-Compete	5	4,305	4,042	263
Patents and Licenses	17	5,297	618	4,679
Totals		$ 14,175	$ 6,951	$ 7,224

October 31, 2010

Intangible Asset	Weighted-Average Initial Amortization Period	Cost	Accumulated Amortization	Net of Accumulated Amortization
Customer Lists	20	$ 4,573	$ 2,138	$ 2,435
Covenants Not-to-Compete	5	4,305	3,457	848
Patents and Licenses	17	5,297	354	4,943
Totals		$ 14,175	$ 5,949	$ 8,226

The aggregate intangible amortization expense for the three months ended July 31, 2011 and 2010 was $334 and $364, respectively, and for the nine months ended July 31, 2011 and 2010 was $1,002 and $949, respectively. The estimated intangible asset amortization expense for the fiscal year ending October 31, 2011 and thereafter is as follows:

Year Ended October 31,	Amortization Expense
2011	$ 334
2012	567
2013	558
2014	551

2015		526
Thereafter		4,688
Total	$	7,224

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[9] In May 2008, the Company entered into an amended revolving note payable loan agreement with PNC Bank, N.A. (the bank). The maximum amount of the credit line available to the Company pursuant to the loan agreement is the lesser of (i) $40,000 or (ii) 50% of the Company s qualified accounts receivable [as defined in the agreement]. The amendment to the Loan and Security Agreement provides for interest on advances to be subject to the bank s prime rate or the Eurodollar rate of interest plus, in certain instances, an additional interest percentage. The additional interest percentage charges on Eurodollar borrowings range from 1% to 4% and are determined based upon certain financial ratios achieved by the Company. At July 31, 2011, the Company had elected to have all of the total advances outstanding to be subject to the bank s prime rate of interest of 3.25%. The credit line is collateralized by substantially all of the Company s assets. The line of credit is available through October 2012 and may be extended for annual periods by mutual consent, thereafter. The terms of this agreement contain, among other provisions, requirements for maintaining defined levels of capital expenditures, fixed charge coverage, and the prohibition of the payment by the Company of cash dividends. As of July 31, 2011, the Company utilized $30,978 of the available credit under this revolving note payable loan agreement.

Effective as of October 31, 2007, we executed a fifth amendment to the Loan Agreement formalizing the repayment terms of the $5 million term loan from PNC Bank used by our wholly-owned BRLI No. 2 Acquisition Corp. subsidiary to fund the $5 million acquisition cash payment in connection with its purchase of the operating assets of GeneDx, Inc. The term loan is evidenced by a secured promissory note payable over a nine year term in equal monthly principal payments of approximately $69, plus interest at an annual rate of 6.85%. The balance on this note as of July 31, 2011 is approximately $1,042.

In December 2010, The Company issued a seven year term note for $5,408 at the rate of interest of 6.12% per annum for the financing of new equipment. The note is payable in eighty-four equal monthly installments commencing on January 29, 2011 of $61 including principal and interest followed by a balloon payment of the principal and interest outstanding on the loan repayment date of December 29, 2017. The balance on this note as of July 31, 2011 is approximately $5,169.

[10] The provision for income taxes for the three months ended July 31, 2011 consists of a current tax provision of $9,723 and a deferred tax benefit of $1,811. The provision for income taxes for the nine months ended July 31, 2011 consists of a current tax provision of $24,687 and a deferred tax benefit of $4,578. The provision for income taxes for the three months ended July 31, 2010 consists of a current tax provision of $7,241 and a deferred tax benefit of $676. The provision for income taxes for the nine months ended July 31, 2010 consists of a current tax provision of $17,278 and a deferred tax benefit of $2,836.

On July 31, 2010, the Company had a current deferred tax asset of $16,262 and a long-term deferred tax asset of $544 included in other assets. On July 31, 2011 the Company had a current deferred tax asset of $20,771 and a long-term deferred tax asset of $1,448 included in other assets.

[11] On March 2, 2010, the Company completed the purchase of substantially all of the tangible and intangible assets, excluding cash, receivables and certain other assets, of Lenetix Medical Screening Laboratory, Inc. (Lenetix) from Lenetix and its sole stockholder. These assets were utilized in Lenetix s operation of a clinical testing laboratory located in Mineola, New York. The laboratory performs both clinical laboratory diagnostic testing and genetic testing. The purchase price of $5,490 included a down payment of $4,740 and a hold-back of $750 to insure the accuracy of the Sellers representations and to protect the Company from any claims based on the operations of the Laboratory prior to the closing. This acquisition resulted in an addition to Goodwill in the amount of $490.

[12] During the period ended January 31, 2011, a sales tax refund claim was successfully resolved with New Jersey Division of Taxation in the amount of $6,878, including interest of $323 and excluding expenses of $398 incurred in pursuit of the claim. This claim relates to New Jersey s sales taxes paid by the Company during the period of October 2005 through June 2009. The net amount of $6,480 is included as Other Income

in the Company s consolidated statement of operations for the period ended January 31, 2011.

[13] During the period ended April 30, 2011, the Company received a refund of $1,629 from New York State Department of Health before expenses of approximately $542 incurred in pursuit of this refund claim. This refund relates to the dispute over the state s Laboratory Inspection and Reference fees. The net amount of $1,087 is included as Other Income in the Company s consolidated statement of operations for the period ended April 30, 2011.

[14] SUBSEQUENT EVENTS.

On August 5, 2011, a date subsequent to the financial statements covered in this report, the Company acquired all of the authorized, issued and outstanding shares of The Genetics Center, Inc. (GCI), a New York corporation engaged in the clinical laboratory business with principal place of business in Smithtown, New York for $800 in cash.

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Item 2.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

OVERVIEW

We are a national clinical diagnostic laboratory located in northeastern New Jersey. We are a national laboratory in certain focused areas of laboratory testing and a full service laboratory in the New York super-region. We have developed a national reputation for our expertise in certain focused areas of clinical testing. GenPath, the name by which we are known for our cancer and oncology services, is recognized for the superior hematopathology services it provides throughout the country. Our Women s Health initiative, through which we provide dedicated services for obstetrics and gynecology practices, including a unique, technically advanced multiplex process for identifying sexually transmitted infections, is also offered as GenPath. Our regional footprint lays within the New York City metropolitan area and the surrounding areas of New Jersey and southern New York State as well eastern Pennsylvania and some areas of western Connecticut; we also provide services further into New York State, Pennsylvania, Delaware and Maryland. As a regional provider, we are a full-service laboratory that primarily services physician office practices; our drivers pick up samples and deliver reports and supplies, we provide sophisticated technical support, phlebotomy services or patient service centers where appropriate, and electronic communication services in many cases. Physicians outside of our regional footprint send samples to our laboratory in order to take advantage of the expertise that we are able to provide in blood-based cancer pathology and associated diagnostics or to take advantage of the superior service, support and technologically advanced testing we offer in our Women s Health initiative. Our correctional healthcare services are used throughout the country at prisons and jails. The focused markets we serve on a national basis outside of our regional footprint do not require many of the logistical and other ancillary support services required within the region. Even within our regional footprint, we provide the same services that we provide on a national basis as well as some regional focused diagnostic services, such as histology and pathology support services, substance abuse testing, fertility testing, hemostasis testing, women s health testing, and molecular diagnostics that are unavailable from many of the smaller regional competitors; testing in some of these areas may be provided outside of physician offices.

Over the last few years, there have been fundamental changes in the laboratory services industry. In the 1990s, the industry was negatively impacted by the growth of managed care, increased government regulation, and investigations into fraud and abuse. These factors led to revenue and profit declines and industry consolidations, especially among commercial laboratories. There are currently only three US publicly traded full service laboratories operating in the U.S. While that means that the two national mega-laboratories and BioReference Laboratories are the only remaining publicly traded full service commercial laboratories, there are numerous hospital outreach programs and smaller reference laboratories that compete for the commercial clinical laboratory business scattered throughout the country. Clinical laboratories have had to improve efficiency, leverage economies of scale, comply with government regulations and other laws and develop more profitable approaches to pricing. Moreover, there has been a proliferation of technology advancements in clinical diagnostics over the last decade that has created significant opportunities for new testing and growth.

As a full service clinical laboratory, we are constantly looking for new technologies and new methodologies that will help us to grow. Since the turn of the century, our size alone has made us attractive to companies that are driving the advances in technology. We represent a significant opportunity for these companies to market their products with a nationally recognized specialty provider in our focused areas of specialty or in one of the major population centers of the world the New York Metropolitan area. We have had several successful strategic relationships with such technology opportunities. In addition to new technology opportunities, we have an extremely seasoned and talented management staff that

has been able to identify emerging laboratory markets that are under-served or under-utilized. We have recently developed programs for cardiology, histology and women s health to go along with our existing hemostasis, hematopathology and correctional healthcare initiatives which have already been established and in which we have been increasing our market share for the past several years. We are currently preparing to launch a comprehensive pre-natal program to leverage our presence in the women s health environment and we will continue to vigilantly seek focused diagnostic marketing opportunities where we can provide information, technology, service or support that expand and grow our clinical laboratory.

During the fourth quarter of fiscal 2006, the Company acquired the operating assets of GeneDx, a leading DNA sequencing laboratory. As molecular testing in general becomes a more significant element in the diagnostic testing industry, the Company believes that genetic testing will become an essential diagnostic tool of the future. GeneDx was started by two geneticists from the National Institute of Health (NIH) in 2000. Over the next six years, based on the reputation and expertise of the founders and the outstanding team they built around themselves, along with a very focused and dedicated understanding of the science of genetics, GeneDx became known as one of the premier genetic testing laboratories for the diagnosis of rare genetic diseases. The Company believed that the promise of genetic testing is in the diagnosis of the genetic variants of common diseases. It has been the Company s intention to leverage the expertise and reputation of GeneDx in order to take a leadership role in the expanding area of genetic testing. The Company is seeking cutting edge methods of testing that will be commercially viable diagnostic tools for the advancement of genetic testing. In 2007, GeneDx introduced GenomeDx, a then new test based on CGH Array technology, a high-speed, chip-based technology that has allowed GeneDx to move to the forefront of an emerging technology platform. In 2008, GeneDx became the first commercial laboratory in the world to offer next generation (NextGen) sequencing (high-speed computer-based whole genome sequencing) and has since built up a comprehensive suite of cardiac arrhythmia panels, as well as other multi-gene testing panels, that have enhanced its reputation as a technology and service leader in the area of genetic testing. The Company is already expanding the menu of tests offered and employing marketing techniques that were extremely successful in building GenPath, our oncology laboratory. In addition to scientists and technicians to manage testing, GeneDx employs many genetic counselors and geneticists to help patients and referring physicians and geneticists understand the meaning of the test results. Prior to the acquisition, GeneDx s revenues and profits were increasing at an accelerating rate. This increase has continued through fiscal 2010.

While we recognize that we are a clinical laboratory that processes samples, we also understand that we are an information company that needs to effectively communicate the results of our efforts back to healthcare providers. Laboratory results play a major role in the implementation of physician healthcare. Laboratory results are used to diagnose, monitor and classify health concerns. In many cases, laboratory results represent the confirming data in diagnosing complicated health issues. Since laboratory results play such an important role in routine physician care, we have developed informatics solutions that leverage our role in healthcare. We needed to build a web-based solution to quickly, accurately, conveniently and competitively collect ordering information and deliver results, so we built an internal solution that we call CareEvolve. That solution has been essential to our own operations. We license the technology to other laboratories throughout the country that they utilize to more effectively compete against the national laboratories. These other laboratories licensing our technology are typically not our competitors since they are outside our regional footprint.

We have also created our PSIMedica business unit that has developed a Clinical Knowledge Management (CKM) System that takes data from enrollment, claims, pharmacy, laboratory results and any other available electronic source to provide both administrative and clinical analysis of a population. The system uses proprietary algorithms to cleanse and configure the data and transfer the resulting information into a healthcare data repository. Using advanced cube technology methodologies, the data can be analyzed from a myriad of views and from highly granular transactional detail to global trended overview. Events such as the Katrina disaster in Louisiana and general pressures from the government have made development of an electronic medical record system and Pay-for Performance reimbursement priority goals in the healthcare industry. A large portion of an individual s medical record consists of laboratory data and a key performance indicator in any Pay-for-Performance initiative is laboratory result data. Our CKM system is a mature, full functioning solution that will allow us to play a role in these important national initiatives.

To date, neither our PSIMedica business unit nor CareEvolve has produced significant revenues.

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COMPARISON OF THIRD QUARTER 2011 VS THIRD QUARTER 2010

[In Thousands Except Per Share Data, Or Unless Otherwise Noted]

NET REVENUES:

Net revenues for the three month period ended July 31, 2010 were $121,719 as compared to $148,029 for the three month period ended July 31, 2011; which represents a 22% increase in net revenues. This increase is due to a 20% increase in patient counts and an increase in revenue per patient of 2% due to a shift in business to higher reimbursement esoteric testing which continues to be the principal driver in net revenue per patient. The number of patients serviced during the three month period ended July 31, 2011 was 1,745 which was 20% greater when compared to the prior fiscal year s three month period. Net revenue per patient for the three month period ended July 31, 2010 was $82.70 compared to net revenue per patient of $84.20 for the three month period ended July 31, 2011, an increase of $1.50 or 2%.

During the three month period ended July 31, 2011, we increased our sales force by approximately 4%. This increase was mainly in the specialty testing services we market nationally. We believe that this increase in the sales personal together with continued efforts by our existing sales force greatly contributed to the 20% increase in patient counts.

While there is always uncertainty as to the sustainability of such growth in the future, we believe that our historical performance of 20% compound annual growth rate for the past 17 years, the current demand for our services and our continued corporate focus on strategic growth, together with our expertise in the industry, should enable us to sustain continued strong growth in the near future. Going beyond that, however, the Company s revenues and patient counts could be adversely affected by a number of factors including, but not limited to an extended downturn in general or healthcare economic conditions, an unexpected reduction in reimbursement rates, increased market penetration by our competitors, or a substantial adverse change in federal regulatory requirements governing our industry as well as a failure to continue the sizeable annual percentage increase in base business from significantly higher levels after 17 years of sustained growth.

COST OF SERVICES:

Cost of Services increased from $60,089 for the three month period ended July 31, 2010 to $74,597 for the three month period ended July 31, 2011, an increase of $14,508 or 24%. This increase in Cost of Services is basically in line with the increase in sales. The Company s reagents and laboratory supplies expense increased by 25% that is similar to the increase in net sales. Our vehicle operating expenses increased by 37% due to the higher cost of fuel. Our medical waste removal expense increased 119% as the result of processing additional tests. We expect this trend to continue.

GROSS PROFITS:

Gross profits increased from $61,630 for the three month period ended July 31, 2010 to $73,432 for the three month period ended July 31, 2011, an increase of $11,802 or 19%. Gross profit margin decreased to 50% from 51%.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the three month period ending July 31, 2010 were $46,689 as compared to $55,023 for the quarter ended July 31, 2011, an increase of $8,334 or 18%. This increase is in line with the increase in net revenues. Marketing expenses increased 17% predominantly due to increase in our sales force and expenses related to promotional materials and supplies. We expect this trend to continue in the immediate future.

INTEREST EXPENSE:

Interest expense increased to $459 during the three month period ending July 31, 2011 from $403 during the three month period ended July 31, 2010. This increase is due to an increase in PNC Bank s credit line utilization.

INCOME:

We realized net income of $10,081 for the three month period ended July 31, 2011, as compared to $8,013 for the three month period ended July 31, 2010, an increase of $2,068 or 26%. Pre-tax income for the period ended July 31, 2011 was $17,993, compared to $14,578 for the three month period ended July 31, 2010, an increase of $3,415 or 23%. The provision for income taxes increased from $6,565 for the three month period ended July 31, 2010 to $7,912 for the period ended July 31, 2011.

NINE MONTHS 2011 COMPARED TO NINE MONTHS 2010

NET REVENUES:

Net Revenues for the nine month period ended July 31, 2010 were $331,428 as compared to $407,345 for the nine month period ended July 31, 2011; this represents a 23% increase in net revenues. This increase is due to a 21% increase in patient counts and an increase in revenue per patient of 2%. The number of patients serviced during the nine month period ended July 31, 2010 was 4,917 which was 21% greater when compared to the prior fiscal year s nine month period. Net revenue per patient for the nine month period ended July 31, 2010 was $80.73, compared to net revenue per patient for the nine month period ended July 31, 2011 of $82.21, an increase of $1.48 or 2%.

During the nine month period ended July 31, 2011 we increased our sales force by approximately 15%. This increase was mainly in the specialty testing services we market nationally. We believe that this increase in the sales personal together with continued efforts by our existing sales force greatly contributed to the 21% increase in patient counts.

While there is always uncertainty as to the sustainability of such growth in the future, we believe that our historical performance of 20% compound annual growth rate for the past 17 years, the current demand for our services and our continued corporate focus on strategic growth,

together with our expertise in the industry, should enable us to sustain continued strong growth in the near future. Going beyond that, however, the Company s revenues and patient counts could be adversely affected by a number of factors including, but not limited to an extended downturn in general or healthcare economic conditions, an unexpected reduction in reimbursement rates, increased market penetration by our competitors, or a substantial adverse change in federal regulatory requirements governing our industry as well as a failure to continue the sizeable annual percentage increase in base business from significantly higher levels after 17 years of sustained growth.

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COST OF SERVICES:

Cost of Services increased to $211,469 for the nine month period ended July 31, 2011 from $168,621 for the nine month period ended July 31, 2010. This represents a 25% increase in direct operating costs. This increase in cost of services is basically in line with the increase in sales.

The Company s reagents and laboratory supplies expense increased by 31% due to higher cost of specialty testing. Our medical waste removal expense increased 90% as the result of processing additional tests. We expect this trend to continue.

GROSS PROFITS:

Gross profits on net revenues increased to $195,876 for the nine month period ended July 31, 2011 from $162,807 for the nine month period ended July 31, 2010; an increase of $33,069 (20%). Gross profit margins decreased to 48% from 49%.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the nine month period ended July 31, 2010 were $129,554 as compared to $155,437 for the nine month period ended July 31, 2011. This represents an increase of $25,883 or 20%. This increase is in line with the increase in net revenues. Marketing expenses increased 26% predominantly due to increase in our sales force and expenses related to promotional materials and supplies. We expect this trend to continue in the immediate future.

INTEREST EXPENSE:

Interest expense increased to $1,224 during the nine month period ending July 31, 2011 as compared to $1,115 during the nine month period ending July 31, 2010, an increase of $109. This increase is due to an increase in PNC Bank s credit line utilization.

INCOME:

We realized net income of $25,883 for the nine month period ended July 31, 2011 as compared to $17,804 for the nine month period ended July 31, 2010, an increase of 45%. Pre-tax income for the period ended July 31, 2011 was $45,992 as compared to $32,246 for the period ended July 31, 2010, an increase of $13,746 (43%). The provision for income taxes increased from $14,442 for the period ended July 31, 2010, to $20,109 (39%) for the current nine month period. Our tax rate decreased from 45% to 44%. The refund of New York State Laboratory Inspection and Reference Fees of $1,087 received by the Company in April 2011 and the refund of New Jersey Sales and Use Tax of $6,480

accrued for during the first quarter of fiscal 2011 caused our pre tax income and our net income to increase at a grater rate than the increases in our net revenue. Since both these refunds are not routine, we do not expect this trend to continue.

LIQUIDITY AND CAPITAL RESOURCES :

Our working capital at July 31, 2011 was $114,304 as compared to $89,459 at October 31, 2010 an increase of $24,845. Our cash position increased by $1,375 during the current period. We increased our short term debt by $4,824 and borrowed an additional $1,674 in long term debt. We had current liabilities of $88,037 at July 31, 2011. We generated $11,507 in cash from operations for the nine month period ended July 31,2011 compared to generating $3,502 in cash from operations for the nine month ended July 31, 2010, an overall increase of $8,005 in cash generated from operations year over year. This nine month increase, however, is mostly related to the sales tax refund and state laboratory fee refund the Company received.

Accounts receivable, net of allowance for doubtful accounts, totaled $148,709 at July 31, 2011, an increase of $19,587 from October 31, 2010 or 15%. This increase was primarily attributable to an increase in revenue. Cash collected during the three month period ended July 31, 2011 increased 20% over the comparable three month period in 2010.

Credit risk with respect to accounts receivable is generally diversified due to the large number of patients comprising our client base. We have significant receivable balances with government payors and various insurance carriers. Generally, we do not require collateral or other security to support customer receivables. However, we continually monitor and evaluate our client acceptance and collection procedures to minimize potential credit risks associated with our accounts receivable and establish an allowance for uncollectible accounts. As a consequence, we believe that our accounts receivable credit risk exposure beyond such allowance is not material to the financial statements.

A number of proposals for legislation continue to be under discussion which could substantially reduce Medicare and Medicaid reimbursements to clinical laboratories. Depending upon the nature of regulatory action, and the content of legislation, we could experience a significant decrease in revenues from Medicare and Medicaid, which could have a material adverse effect on us. We are unable to predict, however, the extent to which such actions will be taken if at all.

Billing for laboratory services is complicated and we must bill various payors, such as the individual, the insurance company, the government (federal or state), the private company or the health clinic. Other factors that may complicate billing include:

Differences between fee schedules and reimbursement rates.

Incomplete or inaccurate billing information as provided by the physician.

Disparity in coverage and information requirements.

Disputes with payors.

Internal and external compliance policies and procedures.

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Significant costs are incurred as a result of our participation in government programs since billing and reimbursement for laboratory tests are subject to complex regulations. We perform the requested tests and report the results whether the information is correct or not or even missing. This adds to the complexity and slows the collection process and increases the aging of our accounts receivable (A/R). When patient invoices are not collected in a timely manner the item is written off to the allowance. Days Sales Outstanding (DSO) for the period ended July 31, 2011 was 92 days, a decrease of 2 day, or 2%, from the 94 days that we reported for the period ended July 31, 2010. However, when you compare our DSO lag to our collectible net revenues as reported on our financial statements for the periods in question, it varies between 98% to 102%, depending on the period.

See notes to our Consolidated Financial Statements for information on the Company s long term debt.

Tabular Disclosure of Contractual Obligations

	Five Years	FY2011
Long - Term Debt	$ 4,536	$ 1,217
Capital Leases	7,487	2,812
Operating Leases	11,786	4,698
Purchase Obligations	73,637	17,322
Employment/Consultant Contracts	14,842	4,068
Total	$ 112,288	$ 30,117

No one supplier who is counterparty to any particular supply agreement is contracted to provide more than one percent of our Cost of Services in any future period. Such contracts are made in the ordinary course of business. No directors, officers, promoters, voting trustees or individuals known to be Bio-Reference Laboratories, Inc (BRLI) security holders are counterparties to these agreements. Management does not believe that BRLI is substantially dependent upon these supply agreements, as the goods may be obtained from different suppliers or wholesalers, if needed. None of these agreements are leases or call for the acquisition or sale of property, plant and equipment.

Our cash balance at July 31, 2011 totaled $19,154 as compared to $17,779 at October 31, 2010. We believe that our cash position, the anticipated cash generated from future operations, and the availability of our credit line with PNC Bank, will meet our anticipated cash needs in fiscal 2011.

Impact of Inflation - To date, inflation has not had a material effect on our operations.

New Authoritative Pronouncements

See Notes to our Consolidated Financial Statements for a discussion of new authoritative pronouncements.

Critical Accounting Policies

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods.

Accounting for Intangible and Other Long-Lived Assets

We evaluate the possible impairment of our long-lived assets, including intangible assets. We review the recoverability of our long-lived assets when events or changes in circumstances occur that indicate that the carrying value of the asset may not be recoverable. Evaluation of possible impairment is based on our ability to recover the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If the expected undiscounted pretax cash flows are less than the carrying amount of such asset, an impairment loss is recognized for the difference between the estimated fair value and the carrying amount of the asset.

Accounting for Revenue

Service revenues are principally generated from laboratory testing services including chemical diagnostic tests such as blood analysis, urine analysis and genetic testing among others. Net service revenues are recognized at the time the testing services are performed and are reported at their estimated net realizable amounts.

Net service revenues are determined utilizing gross service revenues net of contractual allowances. Even though it is the responsibility of the patient to pay for laboratory service bills, most individuals in the United States have an agreement with a third party payor such as Medicare, Medicaid or a commercial insurance provider to pay all or a portion of their healthcare expenses; the majority of services provided by Bio-Reference Laboratories, Inc. (BRLI) are to patients covered under a third party payor contract. In certain cases, the individual has no insurance or does not provide insurance information and in other cases tests are performed under contract to a professional organization (such as physicians, hospitals, and clinics) which reimburse BRLI directly; in the remainder of the cases, BRLI is provided the third party billing information and seeks payment from the third party under the terms and conditions of the third party payor for health service providers like BRLI. Each of these third party payors may differ not only with regard to rates, but also with regard to terms and conditions of payment and providing coverage (reimbursement) for specific tests. Estimated

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revenues are established based on a series of highly complex procedures and judgments that require industry specific healthcare experience and an understanding of payor methods and trends. We review our calculations on a monthly basis in order to make certain that we are properly allowing for the uncollectable portion of our gross billings and that our estimates remain sensitive to variances and changes within our payor groups. The contractual allowance calculation is made on the basis of historical allowance rates for the various specific payor groups on a monthly basis with a greater weight being given to the most recent trends; this process is adjusted based on recent changes in underlying contract provisions and shifts in the testing being performed. Bad Debt represents our estimate of net revenues that will ultimately be uncollectable and is based upon our analysis of historical payment rates by specific payor groups on a monthly basis with primary weight being given to the most recent trends; this approach allows bad debt to more accurately adjust to short-term changes in the business environment. These two calculations are routinely analyzed by BRLI on the basis of actual allowances issued by payors and the actual payments made to determine what adjustments, if any, are needed. The chart below shows the adjustments made to gross service revenues to arrive at net service revenues.

	Three Months Ended July 31, 2011 [Unaudited]		Nine Months Ended July 31, 2011 [Unaudited]	
	2011	2010	2011	2010
Gross Service Revenues	$ 652,019	$ 504,664	$ 1,804,921	$ 1,358,513
Contractual Adjustments and Discounts:				
Medicare/Medicaid Portion	78,249	73,920	215,792	208,114
All Other Third Party Payors*	425,741	309,025	1,181,784	818,971
Total Contractual Adjustments and Discounts	503,990	382,945	1,397,576	1,027,085
Net Service Revenues	$ 148,029	$ 121,719	$ 407,345	$ 331,428

* All Other Third Party and Direct Payors consists of almost eight hundred distinct payors, including commercial health insurers and administrators as well as professionally billed accounts such as physicians, hospitals, clinics and other direct billed accounts.

When new business is received by BRLI, net service revenues are calculated by reducing gross service revenues by the estimated contractual allowance. The bad debt expense is determined by calculating the appropriate collection rate for net current service revenues and is a component of general and administrative expenses. BRLI recognized the amounts in subsequent periods for actual allowances/discounts to gross service revenue; bad debt was adjusted over the same periods of time to maintain an accurate balance between net service revenues and actual revenues. Management has reviewed the allowances/discounts recognized in subsequent periods and believes the amounts to be immaterial. A number of proposals for legislation or regulation continue to be under discussion which could have the effect of substantially reducing Medicare reimbursements for clinical laboratories or introducing cost sharing to beneficiaries. Depending upon the nature of regulatory action, if any, which is taken and the content of legislation, if any, which is adopted, the Company could experience a significant decrease in revenues from Medicare and Medicaid, which could have a material adverse effect on the Company. The Company is unable to predict, however, the extent to which such actions will be taken.

Accounting for Contractual Credits and Doubtful Accounts

It is typically the responsibility of the patient to pay for laboratory service bills. Most individuals in the United States have an agreement with a third party payor such as Medicare, Medicaid or commercial insurance to pay all or a portion of their healthcare expenses; this represents the major portion of payment for all services provided to BRLI. In certain cases, the individual has no insurance or does not provide insurance information; in the remainder of the cases, BRLI is provided the third party billing information, usually by the referring physician, and seeks payment from the third party under the terms and conditions of the third party payor for health service providers like BRLI. Each of these third

party payors may differ not only with regard to rates, but also with regard to terms and conditions of payment and coverage of specific tests. BRLI routinely reviews the reimbursement policies and subsequent payments and collection rates from these different types of payors. Contractual credits are recorded as reductions to gross service revenues and are collectively referred to as the contractual allowance. BRLI has not been required to record an adjustment in a subsequent period related to revenue recorded in a prior period which was material in nature. Aging of accounts receivable is monitored by billing personnel and follow-up activities including collection efforts are conducted as necessary. Bad debt expense is recorded within selling, general and administrative expenses. BRLI writes off receivables against the allowance for doubtful accounts when they are deemed uncollectible. For client billing, accounts are written off when all reasonable collection efforts prove to be unsuccessful. Patient accounts, where the patient is directly responsible for all or a remainder portion of the account after partial payment or denial by a third party payor, are written off after the normal dunning cycle has occurred, although these may be subsequently transferred to a third party collection agency after being written off. Third party payor accounts are written off when they exceed the payor s timely filing limits. Accounts Receivable on the balance sheet is net of the following amounts for contractual credits and doubtful accounts:

	[Unaudited] 31-Jul-11	31-Oct-10
Contractual Credits/Discounts	$ 245,517	$ 186,372
Doubtful Accounts	42,029	34,904
Total Allowance	$ 287,546	$ 221,276

Forward Looking Statements

This Quarterly Report on Form 10-Q contains historical information as well as forward-looking statements. Statements looking forward in time are included in this Quarterly Report pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve known and unknown risks and uncertainties that may cause our actual results in future periods to be materially different from any future performance suggested herein.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates

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and assumptions that affect the reported amounts of revenues and expenses during the reporting period. While many aspects of our business are subject to complex federal, state and local regulations, the accounting for our business is generally straightforward. Our revenues are primarily comprised of a high volume of relatively low dollar transactions, and about 39% of all our costs consist of employee compensation and benefits. Revenues are recognized at the time the services are performed and are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered including prospectively determined adjustments under reimbursement agreements with third-party payors. These adjustments are accrued on an estimated basis in the period the services are rendered and adjusted in future periods as final settlements are determined. These estimates are reviewed and adjusted, if warranted, by senior management on a monthly basis. We believe that our estimates and assumptions are correct; however, several factors could cause actual results to differ materially from those currently anticipated due to a number of factors in addition to those discussed under the caption Risk Factors contained in Item 1A of our Annual Report on Form 10-K for the year ended October 31, 2010, as well as elsewhere herein including:

our failure to integrate newly acquired businesses (if any) and the cost related to such integration.

our failure to obtain and retain new customers and alliance partners, or a reduction in tests ordered or specimens submitted by existing customers.

adverse results from investigations of clinical laboratories by the government, which may include significant monetary damages and/or exclusion from the Medicare and Medicaid programs.

loss or suspension of a license or imposition of a fine or penalties under, or future changes in, the law or regulations of CLIA-88, or those of Medicare, Medicaid or other federal, state or local agencies.

failure to comply with the Federal Occupational Safety and Health Administration requirements and Needlestick Safety and Prevention Act.

failure to comply with HIPAA, which could result in significant fines as well as substantial criminal penalties.

changes in payor mix.

failure to maintain acceptable days sales outstanding levels.

increased competition, including price competition.

our ability to attract and retain experienced and qualified personnel.

adverse litigation results.

liabilities that result from our inability to comply with new corporate governance requirements.

failure to comply with the Sarbanes-Oxley Act of 2002.

Item 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not invest in or trade market risk sensitive instruments. We also do not have any significant foreign operations or significant foreign sales so that our exposure to foreign currency exchange rate risk is minimal.

We do have exposure to both rising and falling interest rates. At July 31, 2011, advances of approximately $37,607 under our Loan Agreement with PNC Bank were subject to interest charges at the Bank s then prime rate of 3.25%.

We estimate that our monthly cash interest expense at July 31, 2011 was approximately $204 and that a one percentage point increase or decrease in short-term rates would increase or decrease our monthly interest expense by approximately $31.

Item 4 CONTROLS AND PROCEDURES

An evaluation was performed under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer as to the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Based on that evaluation, the principal executive officer and the principal financial officer of the Company have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective at a reasonable assurance level.

PART II - OTHER INFORMATION

Item 5. Other Information.

None.

Item 6.

EXHIBITS

31.1	Certification of Chief Executive Officer
31.2	Certification of Chief Financial Officer
32.1	Certification Pursuant to 18 U.S.C. Section 1350 of Chief Executive Officer
32.2	Certification Pursuant to 18 U.S.C. Section 1350 of Chief Financial Officer
101	Interactive Data File

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BIO-REFERENCE LABORATORIES, INC.
(Registrant)

/S/ Marc D. Grodman, M.D.
Marc D. Grodman, M.D.
President and Chief Executive Officer

/S/ Sam Singer
Sam Singer
Chief Financial and Accounting Officer

Date: September 6, 2011