BIO REFERENCE LABORATORIES INC
Form 10-Q
September 06, 2012
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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, 2012

Or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES 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: 27,699,382 shares of Common Stock ($.01 par value) at September 3rd, 2012.

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BIO-REFERENCE LABORATORIES, INC.

FORM 10-Q

July 31, 2012

I N D E X

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PART I FINANCIAL INFORMATION

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

Item 1 FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

[Dollars In Thousands Except Share and Per Share Data]

[UNAUDITED]

ASSETS

	July 31, 2012	October 31, 2011
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 20,238	$ 22,013
Accounts Receivable - Net	147,546	148,060
Inventory	13,215	9,691
Other Current Assets	5,475	4,457
Deferred Tax Assets	23,697	22,559
TOTAL CURRENT ASSETS	210,171	206,780
PROPERTY AND EQUIPMENT - AT COST	98,281	81,717
LESS: Accumulated Depreciation	(48,280)	(38,150)
PROPERTY AND EQUIPMENT - NET	50,001	43,567
OTHER ASSETS:		
Investments	4,249	0
Deposits	965	882
Goodwill - Net	23,408	23,408
Intangible Assets - Net	6,463	6,904
Other Assets	975	725
Deferred Tax Asset	2,385	993
TOTAL OTHER ASSETS	38,445	32,912
TOTAL ASSETS	$ 298,617	$ 283,259

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

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

[Dollars In Thousands Except Share and Per Share Data]

[UNAUDITED]

LIABILITIES AND SHAREHOLDERS EQUITY

	July 31, 2012	October 31, 2011
CURRENT LIABILITIES:		
Accounts Payable	$ 39,998	$ 38,612
Accrued Salaries and Commissions Payable	12,732	11,770
Accrued Taxes and Expenses	7,532	8,853
Other Short Term Acquisition Payable	0	375
Revolving Note Payable - Bank	5,074	18,632
Current Maturities of Long-Term Debt	665	1,270
Capital Lease Obligations - Short-Term Portion	3,959	3,002
TOTAL CURRENT LIABILITIES	69,960	82,514
LONG-TERM LIABILITIES		
Capital Lease Obligations - Long-Term Portion	10,087	6,351
Long - Term Debt Net of Current Portion	4,282	4,627
TOTAL LONG-TERM LIABILITIES	14,369	10,978
SHAREHOLDERS EQUITY		
Preferred Stock $.10 Par Value; Authorized 1,666,667 shares, including 3,000 shares of Series A Junior Preferred Stock None Issued	0	0
Common Stock, $.01 Par Value; Authorized 35,000,000 shares: Issued and Outstanding 27,696,882 and 27,949,900 at July 31, 2012 and at October 31, 2011, respectively	277	280
Additional Paid-In Capital	40,837	45,580
Retained Earnings	173,174	143,907
TOTAL SHAREHOLDERS EQUITY	214,288	189,767
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 298,617	$ 283,259

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 Share and Per Share Data]

[UNAUDITED]

	Three months ended July 31,		Nine months ended July 31,	
	2012	2011	2012	2011
NET REVENUES:	$ 172,302	$ 148,029	$ 485,609	$ 407,345
COST OF SERVICES:				
Depreciation and Amortization	3,375	2,828	9,649	8,079
Employee Related Expenses	36,915	32,340	108,165	93,763
Reagents and Laboratory Supplies	31,473	26,106	88,798	73,348
Other Cost of Services	14,490	13,323	42,225	36,279
TOTAL COST OF SERVICES	86,253	74,597	248,837	211,469
GROSS PROFIT ON REVENUES	86,049	73,432	236,772	195,876
GENERAL AND ADMINISTRATIVE EXPENSES:				
Depreciation and Amortization	897	1,007	2,620	2,971
General and Administrative Expenses	39,177	33,699	115,793	97,333
Bad Debt Expense	23,301	20,317	65,631	55,133
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	63,375	55,023	184,044	155,437
INCOME FROM OPERATIONS	22,674	18,409	52,728	40,439
OTHER (INCOME) EXPENSE:				
Interest Expense	382	459	1,153	1,224
Interest Income	(41)	(43)	(125)	(121)
Other (Income) Expense	151		151	(6,656)
TOTAL OTHER (INCOME) EXPENSES - NET	492	416	1,179	(5,553)
INCOME BEFORE INCOME TAXES	22,182	17,993	51,549	45,992
Provision for Income Taxes	9,586	7,912	22,282	20,109
NET INCOME	$ 12,596	$ 10,081	$ 29,267	$ 25,883
NET INCOME PER COMMON SHARE - BASIC:	$ 0.45	$ 0.36	$ 1.05	$ 0.93
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC:	27,695,215	27,941,233	27,754,771	27,915,189
	$ 0.45	$ 0.36	$ 1.05	$ 0.92

NET INCOME PER COMMON SHARE - DILUTED:				
WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED:	27,887,765	28,147,179	27,930,202	28,123,558

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

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Dollars In Thousands Except Share and Per Share Data]

[UNAUDITED]

	Nine months ended July 31	
	2012	**2011**
OPERATING ACTIVITIES:		
Net Income	$ 29,267	$ 25,883
Adjustments to Reconcile Net Income to Cash Provided by (Used for) Operating Activities:		
Depreciation and Amortization	12,269	11,050
Deferred Income Tax (Benefit) Expense	(2,530)	(4,578)
Stock Based Compensation	290	40
(Gain) Loss on Disposal of Fixed Assets	448	1,852
Undistributed Equity Method (Income) Loss	151	
Change in Assets and Liabilities, (Increase) Decrease in:		
Accounts Receivable	(3,410)	(26,462)
Provision for Doubtful Accounts	3,924	6,875
Inventory	(3,524)	(2,940)
Other Current Assets	(1,018)	(1,754)
Other Assets	(250)	803
Deposits	(83)	544
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	1,027	194
NET CASH - OPERATING ACTIVITIES	36,561	11,507
INVESTING ACTIVITIES:		
Acquisition of Equipment and Leasehold Improvements	(11,359)	(12,169)
Business Acquisitions and Related Costs	(4,775)	(250)
NET CASH - INVESTING ACTIVITIES	(16,134)	(12,419)
FINANCING ACTIVITIES:		
Payments of Long-Term Debt	(950)	(865)
Payments of Capital Lease Obligations	(2,658)	(2,152)
Increase (Decrease) in Revolving Line of Credit	(13,558)	4,824
Common Stock Repurchase	(5,193)	
Proceeds from Exercise of Options	157	480
NET CASH - FINANCING ACTIVITIES	(22,202)	2,287
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,775)	1,375
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS	22,013	17,779
CASH AND CASH EQUIVALENTS AT END OF PERIODS	$ 20,238	$ 19,154
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		

Cash paid during the period for:		
Interest	$ 1,220	$ 1,208
Income Taxes	$ 24,864	$ 23,685

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

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SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

[Dollars In Thousands]

[UNAUDITED]

During the nine-month periods ended July 31, 2012 and July 31, 2011, the Company entered into capital leases totaling $7,351 and $4,088 respectively.

During the nine-month periods ended July 31, 2012 and July 31, 2011, the Company wrote-off approximately $2,146 and $5,962 of property and equipment that were mostly fully depreciated.

During the nine-month periods ended July 31, 2012 and July 31, 2011, the Company recorded approximately $290 and $40 of stock-based compensation expense, respectively, related to the granting of stock options and stock to employees.

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(UNAUDITED)

[1] Basis of Presentation.

The accompanying unaudited consolidated financial statements of Bio-Reference Laboratories, Inc. and its consolidated subsidiaries (BRLI, the Company, we or us) have been prepared in accordance with accounting principles generally accepted in the United States of America and the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary for complete audited financial statements. 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 these statements. Interim results are not necessarily indicative of results for a full year. Reference is made to the October 31, 2011 audited consolidated financial statements of Bio-Reference Laboratories, Inc. contained in its Annual Report on Form 10-K for the year ended October 31, 2011 (our 2011 Form 10-K).

The consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes for the year ended October 31, 2011 as filed with the Securities and Exchange Commission in the Company s Annual Report on Form 10-K. Significant accounting policies followed by the Company are set forth in Note 2 to the financial statements included in the 2011 Form 10-K.

[2] Fair Value Measurements.

The Company s population of investments and non-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 that utilizes and ranks the level of market price observability used in measuring assets and liabilities that are measured at fair value, where Level 1 has the highest priority and rank and Level 3 has the lowest.

	($) 7/31/2012	Quoted Prices in Active Markets for Identical Assets/Liabilities Level 1	Significant Other Observable Inputs ($) Level 2	Significant Unobservable Inputs Level 3
Assets:				
Cash surrender value of officer s life insurance policies	975		975	

As of July 31, 2012, 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. No significant events have occurred.

[3] Recent Accounting Pronouncements

Accounting Standards Update (ASU) 2012-02**:** Intangibles Goodwill and Other (Topic 350) Testing Indefinite-Lived Intangible Assets for Impairment. The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) 2012-02, Intangibles Goodwill and Other (Topic 350) Testing Indefinite-Lived Intangible Assets for Impairment, to establish an optional two-step analysis for impairment testing of indefinite-lived intangibles other than goodwill. The standards update will be effective for financial statements for periods beginning after September 15, 2012, with early adoption permitted.

In particular, the two-step analysis establishes an optional qualitative assessment to precede the quantitative assessment, if necessary. In the qualitative assessment, the entity must evaluate the totality of qualitative factors, including any recent fair value measurements, that impact whether an indefinite-lived intangible asset other than goodwill has a carrying amount that more likely than not exceeds its fair value. The entity must proceed to conducting a quantitative analysis, according to which the entity would record an impairment charge for the amount of the asset s fair value exceeding the carrying amount, if (1) the entity determines that such impairment is more likely than not to exist, or (2) the entity foregoes the qualitative assessment entirely.

The Company does not expect this new standard to have any material effect on its consolidated financial statements.

[4] Accounting for Revenues

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 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

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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 31-Jul [Unaudited]		Nine Months Ended 31-Jul [Unaudited]	
	2012	2011	2012	2011
Gross Service Revenues	790,524	652,019	2,238,163	1,804,921
Contractual Adjustments and Discounts:				
Medicare/Medicaid Portion	81,587	78,249	237,645	215,792
All Other Third Party Payors*	536,635	425,741	1,514,909	1,181,784
Total Contractual Adjustments and Discounts	618,222	503,990	1,752,554	1,397,576
Net Service Revenues	172,302	148,029	485,609	407,345
Percent of Contractual Adjustments and Discounts to Gross Revenues	78.2%	77.3%	78.3%	77.4%

* All Other Third Party 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.

[5] Accounting for Accounts Receivable

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-12	31-Oct-11
Contractual Credits/Discounts	258,716	235,922
Doubtful Accounts	49,144	45,220
Total Allowance	307,860	281,142

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[6] Intangible Assets

The following disclosures present certain information on the Company s intangible assets as of July 31, 2012 (Unaudited) and October 31, 2011. All intangible assets are being amortized over their estimated useful lives, as indicated below, with no estimated residual value.

July 31, 2012

Intangible Asset	Weighted-Average Amortization Period	Cost ($)	Accumulated Amortization ($)	Net of Accumulated Amortization ($)
Customer Lists	20	4,573	2,490	2,083
Covenants Not-to-Compete	5	4,305	4,252	53
Patents and Licenses	17	5,297	970	4,327
Totals		14,175	7,712	6,463

October 31, 2011

Intangible Asset	Weighted-Average Amortization Period	Cost ($)	Accumulated Amortization ($)	Net of Accumulated Amortization ($)
Customer Lists	20	4,573	2,328	2,245
Covenants Not-to-Compete	5	4,305	4,237	68
Patents and Licenses	17	5,297	706	4,591
Totals		14,175	7,271	6,904

The aggregate intangible amortization expense for the three-months ended July 31, 2012 and 2011 was $142 and $334, respectively. The aggregate intangible amortization expense for the nine months ended July 31, 2012 and 2011 was $441 and $1,002, respectively. The estimated remaining intangible asset amortization expense for the fiscal year ending October 31, 2012 and for the four subsequent years is as follows:

October 31,	($)
2012	140
2013	558
2014	551
2015	526
2016	509
Thereafter	4,179

Total	6,463

[7] Revolving Note Payable - Bank

In October 2011, the Company entered into an amended revolving note payable loan agreement with PNC Bank, N.A. The maximum amount of the credit line available to the Company pursuant to the loan agreement is the lesser of (i) $45,000 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 an interest rate on advances to be subject, at the election of the Company, to either the bank s base rate or the Eurodollar rate of interest plus, in certain instances, an additional interest percentage. The additional interest percentage charge on bank s base rate borrowings and on Eurodollar rate borrowings ranges from 1% to 4% and is determined based upon certain financial ratios achieved by the Company. On July 31, 2012, the Company had elected to have all of the total advances outstanding to be subject to the bank s base rate of interest of 3.5%. The credit line is collateralized by substantially all of the Company s assets. The line of credit is available through October 2016 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 and fixed charge coverage, and the prohibition of the payment of cash dividends by the Company. As of July 31, 2012, the Company utilized $5,074 of the available credit under this revolving note payable loan agreement.

[8] Long-Term Debt - Bank

Effective as of October 31, 2007, we executed a fifth amendment to a 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 $5,000 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 six-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, 2012 is approximately $208.

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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 84 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, 2012 is approximately $4,739.

[9] Provision for Income Taxes

The provision for income taxes for the three-months ended July 31, 2012 consists of a current tax provision of $9,872 and a deferred tax benefit of $287. The provision for income taxes for the nine months ended July 31, 2012 consists of a current tax provision of $24,812 and a deferred tax benefit of $2,530. 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. On July 31, 2012, the Company had a current deferred tax asset of $23,697 and a long-term deferred tax asset of $2,385 included in other assets. On July 31, 2011, the Company had a current deferred tax asset of $20,771 included in other current assets and a long-term deferred tax asset of $1,448 included in other assets.

[10] Common Stock Repurchase

On November 11, 2011, the Company announced that its board of directors approved a Stock Repurchase Program authorizing the repurchase of up to 1,000,000 shares of its Common Stock at prevailing market prices over the period ending October 31, 2012. During the period ended July 31, 2012, the Company repurchased 285,450 shares of its common stock at a cost of $5,193. These repurchased shares have been recorded as canceled, reducing outstanding shares of Common Stock by 285,450, the par value of Common Stock by $3 and Additional Paid-In Capital by $5,190.

[11] Investment in IncellDx

On April 27, 2012, the Company entered into an agreement pursuant to which the Company purchased preferred shares of IncellDx, Inc. (IncellDx), a Delaware corporation. Information about IncellDx and the agreement may be found in the Current Report on Form 8-K the Company filed on May 1, 2012.

The investment in IncellDx is being recorded under the equity method of accounting. An asset of $4,000 was recorded for the shares and warrants of IncellDx purchased with cash. The Company also signed a note for the purchase of additional shares and warrants for $2,000. The note calls for funds to be disbursed to IncellDx up to the $2,000 note amount on as-needed basis up to the note end date of December 31, 2012. In the event funds under the terms of the note remain unpaid as of the note end date - all stock certificates and warrants of IncellDx attributable to such unpaid loan funds, if any, will be canceled.

The Company does not believe that the note meets the definition of a liability based on its terms. Accordingly, the note is not recognized in the Company s financial statements.

During the quarter ended July 31, 2012 the Company invested an additional $400 under the terms of the $2,000 note facility and recognized a $151 loss for the Company s proportionate share of undistributed income/loss of IncellDx.

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Forward-Looking Statements

Statements included in this quarterly report on Form 10-Q (the Quarterly Report) that are not historical in nature are intended to be, and are hereby identified as, forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, will or words of simil and include, but are not limited to, statements about our expected future business and financial performance. Statements looking forward in time are included in this 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, many of which are beyond our ability to control, that may cause our actual results in future periods to be materially different from any future performance suggested therein.

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 Risk Factors in our 2011 Form 10-K including:

Loss or suspension of a license or imposition of a fine or penalties under, or future changes in, the law or regulations of CLIA, or those of state laboratory licensing laws;

Failure to comply with HIPAA;

FDA regulation of Laboratory Developed Tests and clinical laboratories;

Failure to comply with federal and state anti-kickback laws;

Failure to maintain the security of patient-related information;

Failure to comply with the Federal Occupational Safety and Health Administration requirements and the recently passed Needlestick Safety and Prevention Act;

Failure to comply with federal and state laws and regulations related to submission of claims for our services;

Changes in regulation and policies, including increasing downward pressure on health care reimbursement;

Efforts by third-party payors to reduce utilization and reimbursement for clinical testing services;

Failure to timely or accurately bill for our services;

Our failure to integrate newly acquired businesses and the costs related to such integration;

Increased competition, including price competition;

Our ability to attract and retain experienced and qualified personnel;

Our failure to obtain and retain new clients and business partners, or a reduction in tests ordered or specimens submitted by existing clients;

Adverse litigation results; and

Failure to establish, and perform to, appropriate quality standards to assure that the highest level of quality is observed in the performance of our testing services.

Item 2. - MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

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 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 U.S. publicly traded-full service laboratories operating in the U.S. While that means that the two national mega-laboratories and Bio-Reference 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 that have already been established and in which we have been increasing our market share for the past several years. We have recently begun the launch of 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.

In late January, we introduced OncoMatch, our solid tumor genotyping service, based on a commercialization agreement with a major hospital in the Northeast. OncoMatch looks at a number of oncogenes and the multiple mutations associated with them and provides what we believe is useful information to clinicians.

Late in our second quarter, we introduced Inherigen, our pan-ethnic carrier screen that looks at a number of carrier states that before would have required very specific or targeted testing and, in so doing, addressing the needs of all groups, regardless of ethnic background. This test looks at almost 600 mutation sites, addressing over 160 carrier states.

On March 2, 2010, we completed the purchase 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.

On August 5, 2011, we acquired all of the authorized, issued and outstanding shares of The Genetics Center, Inc. (GCI), a New York

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corporation engaged in the clinical laboratory business with principal place of business in Smithtown, New York.

On April 27, 2012, we entered into an agreement pursuant to which we purchased preferred shares of IncellDx, Inc., a Delaware corporation. Information about IncellDx, Inc. and the agreement may be found in the Current Report on Form 8-K we filed on May 1, 2012.

We intend to expand our laboratory operations organically through marketing while also diversifying into related medical fields through acquisitions. These acquisitions may involve cash, notes, common stock and/or combinations thereof.

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.

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 myriad 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.

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

THIRD QUARTER FISCAL 2012 COMPARED TO THIRD QUARTER FISCAL 2011

NET REVENUES:

Net revenues for the three-month period ended July 31, 2012 were $172,302 as compared to $148,029 for the three-month period ended July 31, 2011; this represents a 16% increase in net revenues. This increase is due to a 14% 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 increasing net revenue per patient. The number of patients serviced during the three-month period ended July 31, 2012 was 1,997, which was 14% greater when compared to the prior fiscal year s three-month period. This increase in patient counts is due to the continued overall success of all our lines of business. Net revenue per patient for the three-month period ended July 31, 2012 was $85.65 compared to net revenue per patient of $84.20 for the three-month period ended July 31, 2011, an increase of $1.45 or 2%.

Our 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 18 years of sustained growth.

COST OF SERVICES:

Cost of services increased from $74,597 for the three-month period ended July 31, 2011 to $86,253 for the three-month period ended July 31, 2012, an increase of $11,656 or 16%. This increase in cost of services is basically in line with the increase in net revenues. In addition, our medical waste removal expense increased by 34%.

GROSS PROFITS:

Gross profits increased from $73,432 for the three-month period ended July 31, 2011 to $86,049 for the three-month period ended July 31, 2012, an increase of $12,617 or 17%. Gross profit margin remained the same at 50%.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the three-month period ending July 31, 2011 were $55,023 as compared to $63,375 for the quarter ended July 31, 2012, an increase of $8,352 or 15%. This increase is in line with the increase in net revenues.

INTEREST EXPENSE:

Interest expense decreased to $382 during the three-month period ending July 31, 2012 from $459 during the three-month period ended July 31, 2011. This decrease is due to a decrease in the utilization of our PNC Bank s credit line, which offset the marginal increase in our rates effective October 31, 2011.

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NET INCOME:

We realized net income of $12,596 for the three-month period ended July 31, 2012, as compared to $10,081 for the three-month period ended July 31, 2011, an increase of $2,515 or 25%. Pre-tax income for the period ended July 31, 2012 was $22,182, compared to $17,993 for the three-month period ended July 31, 2011, an increase of $4,189 or 23%. The provision for income taxes increased to $9,586 for the three-month period ended July 31, 2012 from $7,912 for the period ended July 31, 2011.

NINE MONTHS 2012 COMPARED TO NINE MONTHS 2011

NET REVENUES:

Net revenues for the nine-month period ended July 31, 2012 were $485,609 as compared to $407,345 for the nine-month period ended July 31, 2011; this represents a 19% increase in net revenues. This increase is due to a 17% 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, 2012 was 5,762, which was 17% greater when compared to the prior fiscal year s nine-month period. This increase in patient count is due to milder than normal weather conditions throughout the country during the first six months of the year as well as our continued overall success across all of our lines of business. Net revenue per patient for the nine-month period ended July 31, 2011 was $82.21, compared to net revenue per patient for the nine- month period ended July 31, 2012 of $83.67, an increase of $1.46 or 2%.

COST OF SERVICES:

Cost of services increased to $248,837 for the nine-month period ended July 31, 2012 from $211,469 for the nine-month period ended July 31, 2011. This represents a18% increase in direct operating costs. This increase in cost of services is basically in line with the increase in sales.

GROSS PROFITS:

Gross profits on net revenues increased to $236,772 for the nine-month period ended July 31, 2012 from $195,876 for the nine-month period ended July 31, 2011; an increase of $40,896 (21%). Gross profit margins increased to 49% from 48% for the nine-month period ended July 31, 2012 compared to the corresponding nine-month period ended July 31, 2011.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the nine-month period ended July 31, 2011 were $155,437 as compared to $184,044 for the nine-month period ended July 31, 2012. This represents an increase of $28,607 or 18%. This increase is 1% less than the increase in net revenues.

INTEREST EXPENSE:

Interest expense decreased to $1,153 during the nine-month period ending July 31, 2012 as compared to $1,224 during the nine-month period ending July 31, 2011, an increase of $71. This decrease is due primarily to a decrease in our utilization of our PNC Bank credit line.

INCOME:

We realized net income of $29,267 for the nine-month period ended July 31, 2012 as compared to $25,883 for the nine-month period ended July 31, 2011, an increase of $3,384 or 13%. This increase is smaller in relation to an increase in our net revenues because of non-recurring other income we realized in fiscal 2011. Our operating income increased by $12,289 or 30% for the nine-month period ended July 31, 2012 as compared to the nine-month period ended July 31, 2011. Pre-tax income for the period ended July 31, 2012 was $51,549 as compared to $45,992 for the period ended July 31, 2011, an increase of $5,557 (12%). The provision for income taxes increased from $20,109 for the period ended July 31, 2011, to $22,282 (11%) for the current nine-month period. Our effective tax rate decreased from 44% to 43% due to an increase in our revenues earned in jurisdictions with lower tax rates.

LIQUIDITY AND CAPITAL RESOURCES:

Our working capital at July 31, 2012 was $140,211 as compared to $124,266 at October 31, 2011, an increase of $15,945. During the current period, we made a $4,400 cash investment in IncellDx, Inc. Our cash position decreased by approximately $1,775 during the current period. Our investment of $4,400 in IncellDx, Inc. caused a reduction in our cash position, which otherwise would have been a $2,625 increase in our cash position. We repaid our short-term debt by $605 and repaid $345 in existing debt. We had current liabilities of $69,960 at July 31, 2012. We generated $36,560 in cash from operations, compared to $11,507 for the quarter ended July 31, 2011, an overall increase of $25,053 in cash generated from operations year over year.

Accounts receivable, net of allowance for doubtful accounts, totaled $147,546 at July 31, 2012, a decrease of $514 from October 31, 2011. Cash collected during the three-month period ended July 31, 2012 increased 26% over the comparable prior year three-month period.

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.

A number of proposals for legislation continue to be under discussion that could substantially reduce Medicare and Medicaid reimbursements to clinical laboratories. Depending upon the nature of any 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 of 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 actual reimbursement rates.

Incomplete or inaccurate billing information provided by physicians or clinics.

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 billing 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, 2012 was 79 days, a decrease of 13 days, or 14%, from the 92 days that we reported for the period ended July 31, 2011. Depending on the period in question, our actual collections represent between 98% and 102% of our net collectable revenues after giving effect to our DSO lag.

See Notes to our consolidated financial statements for the information on our short and long term debt.

We intend to expand our laboratory operations organically through marketing while also diversifying into related medical fields through acquisitions. These acquisitions may involve cash, notes, common stock and/or combinations thereof.

Tabular Disclosure of Contractual Obligations

	Next Four Years and Thereafter ($)	FY 2012 ($)
Long-Term Debt	4,627	1,270
Capital Leases	6,788	3,330
Operating Leases	7,900	5,942
Purchase Obligations	47,022	17,448
Long-Term Liabilities under Employment and Consultant Contracts	9,828	4,011

Our cash balance at July 31, 2012 totaled $20,238 as compared to $22,013 at October 31, 2011. Our investment of $4,400 in IncellDx caused a reduction in our cash position, which otherwise would have been an approximate increase of $2,625 in our cash position. 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 for the next 12 months.

Impact of Inflation

To date, inflation has not had a material effect on our operations.

New Authoritative Pronouncements

See Note 3 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 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

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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 31-Jul [Unaudited]		Nine Months Ended 31-Jul [Unaudited]	
	2012	2011	2012	2011
Gross Service Revenues	790,524	652,019	2,238,163	1,804,921
Contractual Adjustments and Discounts:				
Medicare/Medicaid Portion	81,587	78,249	237,645	215,792
All Other Third Party Payors*	536,635	425,741	1,514,909	1,181,784
Total Contractual Adjustments and Discounts	618,222	503,990	1,752,554	1,397,576
Net Service Revenues	172,302	148,029	485,609	407,345
Percent of Contractual Adjustments and Discounts to Gross Revenues	78.2%	77.3%	78.3%	77.4%

* All Other Third Party 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 Discounts 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-12	31-Oct-11
Contractual Credits/Discounts	258,716	235,922
Doubtful Accounts	49,144	45,220
Total Allowance	307,860	281,142

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Item 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not invest in or trade instruments that are sensitive to market risk. We also do not have any material foreign operations or foreign sales so we have no exposure to foreign currency exchange rate risk.

We do have exposure to both rising and falling interest rates. At July 31, 2012, advances of approximately $5,074,000 under our Loan Agreement with PNC Bank were subject to interest charges at the bank s then prime rate of 3.50%.

We estimate that our monthly cash interest expense at July 31, 2012 was approximately $192,000 and that a one percentage point increase or decrease in short-term rates would increase or decrease our monthly interest expense by approximately $30,000.

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. Based on that evaluation, our principal executive officer and our principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC forms and rules, and include controls and procedures designed to ensure that information required to be disclosed by us in such reports is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

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PART II OTHER INFORMATION

BIO-REFERENCE LABORATORIES, INC.

Item 2. - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth information regarding repurchases of our common stock by us since November 11, 2011:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share $	(c) Total Number of Shares Purchased as part of Publicly Announced Plans or Programs $	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plan
Q1 Month #2 (12/27/11 to 12/30/2011)	16,100	15.92	16,100	983,900
Q1 Month #3 (1/3/2012 to 1/31/2012)	154,350	17.21	154,350	829,550
Q2 Month #1 (2/01/2012 to 0/29/2012)	100,500	19.86	100,500	729,050
Q2 Month #2 (3/01/2012 to 3/05/2012)	14,500	20.93	14,500	714,550
Total	285,450		285,450	

*** On November 11, 2011, we announced that our board of directors approved a Stock Repurchase Program authorizing the repurchase of up to 1,000,000 shares of our common stock at prevailing market prices over the period ending October 31, 2012.

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, 2012