BIO REFERENCE LABORATORIES INC
Form 10-Q
March 08, 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 January 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: 27,779,450 shares of Common Stock ($.01 par value) at March 7, 2012.

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BIO-REFERENCE LABORATORIES, INC.

FORM 10-Q

JANUARY 31, 2012

I N D E X

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PART I FINANCIAL INFORMATION

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

[Dollars In Thousands Except Share and Per Share Data]

ASSETS

	(Unaudited) January 31, 2012	October 31, 2011
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 22,403	$ 22,013
Accounts Receivable - Net	147,661	148,060
Inventory	10,727	9,691
Other Current Assets	4,579	4,457
Deferred Tax Assets	24,285	22,559
TOTAL CURRENT ASSETS	209,655	206,780
PROPERTY AND EQUIPMENT - AT COST	88,722	81,717
LESS: Accumulated Depreciation	(41,216)	(38,150)
PROPERTY AND EQUIPMENT - NET	47,506	43,567
OTHER ASSETS:		
Deposits	911	882
Goodwill - Net	23,408	23,408
Intangible Assets - Net	6,748	6,904
Other Assets	775	725
Deferred Tax Assets	209	993
TOTAL OTHER ASSETS	32,051	32,912
TOTAL ASSETS	$ 289,212	$ 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]

LIABILITIES AND SHAREHOLDERS EQUITY

	(Unaudited) January 31, 2012	October 31, 2011
CURRENT LIABILITIES:		
Accounts Payable	$ 38,347	$ 38,612
Accrued Salaries and Commissions Payable	12,232	11,770
Accrued Taxes and Expenses	9,831	8,853
Other Short Term Acquisition Payable	375	375
Revolving Note Payable - Bank	19,701	18,632
Current Maturities of Long-Term Debt	1,068	1,270
Capital Lease Obligations - Short-Term Portion	2,891	3,002
TOTAL CURRENT LIABILITIES	84,445	82,514
LONG-TERM LIABILITIES:		
Capital Lease Obligations - Long-Term Portion	5,962	6,351
Long Term Debt - Net of Current Portion	4,514	4,627
TOTAL LONG-TERM LIABILITIES	10,476	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		
Common Stock, $.01 Par Value;		
Authorized 35,000,000 shares:		
Issued and Outstanding 27,779,450 and 27,949,900 at January 31, 2012 and at October 31, 2011, respectively	278	280
Additional Paid-In Capital	42,741	45,580
Retained Earnings	151,272	143,907
TOTAL SHAREHOLDERS EQUITY	194,291	189,767
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 289,212	$ 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 January 31, 2012	2011
NET REVENUES:	$ 149,919	$ 121,659
COST OF SERVICES:		
Depreciation	3,009	2,540
Employee Related Expenses	34,440	29,475
Reagents and Lab Supplies	27,779	21,832
Other Cost of Services	13,448	11,007
TOTAL COST OF SERVICES	78,676	64,854
GROSS PROFIT ON REVENUES	71,243	56,805
General and Administrative Expenses:		
Depreciation and Amortization	843	938
Other General and Administrative Expenses	36,844	30,760
Bad Debt Expense	20,274	16,390
TOTAL GENERAL AND ADMIN. EXPENSES	57,961	48,088
OPERATING INCOME	13,282	8,717
OTHER (INCOME) EXPENSES:		
Interest Expense	358	345
Interest Income	(42)	(39)
Other Income		(5,569)
TOTAL OTHER (INCOME) EXPENSES - NET	316	(5,263)
INCOME BEFORE INCOME TAXES	12,966	13,980
Provision for Income Taxes	5,601	5,994
NET INCOME	$ 7,365	$ 7,986
NET INCOME PER SHARE - BASIC:	$ 0.26	$ 0.29

WEIGHTED AVERAGE NUMBER OF SHARES BASIC:		27,887,717		27,884,100
NET INCOME PER SHARE - DILUTED:	$	0.26	$	0.28
WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED:		28,041,022		28,121,740

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]

	Three months ended January 31,	
	2012	2011
OPERATING ACTIVITIES:		
Net Income	$ 7,365	$ 7,986
Adjustments to Reconcile Net Income to		
Cash Provided by Operating Activities:		
Depreciation and Amortization	3,852	3,478
Deferred Income Taxes (Benefit)	(942)	(944)
Stock Based Compensation	40	40
Loss (Gain) on Disposal of Property and Equipment	241	1,002
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(967)	(721)
Provision for Doubtful Accounts	1,366	(706)
Inventory	(1,036)	(760)
Other Current Assets	(122)	(7,964)
Other Assets	(50)	1,003
Deposits	(29)	603
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	1,175	2,164
NET CASH - OPERATING ACTIVITIES	10,893	5,181
INVESTING ACTIVITIES:		
Acquisition of Equipment and Leasehold Improvements	(7,562)	(6,665)
Business Acquisitions Related Costs		(250)
NET CASH - INVESTING ACTIVITIES	(7,562)	(6,915)
FINANCING ACTIVITIES:		
Payments of Long-Term Debt	(315)	(243)
Payments of Capital Lease Obligations	(814)	(679)
Increase (Decrease) in Revolving Line of Credit	1,069	1,699
Common Stock Repurchase	(2,881)	
Proceeds from Exercise of Options		218

NET CASH - FINANCING ACTIVITIES		(2,941)		995
NET INCREASE IN CASH AND CASH EQUIVALENTS		390		(739)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS		22,013		17,779
CASH AND CASH EQUIVALENTS AT END OF PERIODS		22,403		17,040
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the period for:				
Interest	$	414	$	361
Income Taxes	$	3,758	$	1,284

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]

During the three-month periods ended January 31, 2012 and January 31, 2011, the Company entered into capital leases totaling $314 and $197, respectively.

During the three-month periods ended January 31, 2012 and January 31, 2011, the Company wrote-off approximately $871 and $4,236 of property and equipment that were mostly fully depreciated.

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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 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.

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 Company s 2011 Annual Report on 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.

	($) 1/31/2012	**Quoted Prices in Active Markets for Identical Assets/Liabilities Level 1**	**Significant Other Observable Inputs ($) Level 2**	**Significant Unobservable Inputs Level 3**
Assets:				
Cash surrender value of officer s life insurance policies	775		775	

As of January 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 such events have occurred.

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

[4] 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-Jan [Unaudited]	
	2012	2011
Gross Service Revenues	683,816	531,303
Contractual Adjustments and Discounts:		
Medicare/Medicaid Portion	74,741	66,408
All Other Third Party Payors*	459,156	343,236
Total Contractual Adjustments and Discounts	533,897	409,644
Net Service Revenues	149,919	121,659
Percent of Contractual Adjustments and Discounts to Gross Revenues	78.1%	77.1%

* 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.

[5] 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:

	($) [Unaudited] 31-Jan-12	($) 31-Oct-11
Contractual Credits/Discounts	247,021	235,922
Doubtful Accounts	46,586	45,220
Total Allowance	293,607	281,142

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[6] The following disclosures present certain information on the Company s intangible assets as of January 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.

January 31, 2012 Intangible Asset	Weighted-Average Amortization Period	Cost ($)	Accumulated Amortization ($)	Net of Accumulated Amortization ($)
Customer Lists	20	4,573	2,392	2,181
Covenants Not-to-Compete	5	4,305	4,241	64
Patents and Licenses	17	5,297	794	4,503
Totals		14,175	7,427	6,748

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 January 31, 2012 and 2011 was $156 and $334, respectively. The estimated intangible asset amortization expense for the fiscal year ending October 31, 2012 and for the four subsequent years is as follows:

October 31,	($)
2012	424
2013	558
2014	551
2015	526
2016	509
Thereafter	4,180
Total	6,748

[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. At January 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 January 31, 2012, the Company utilized $19,701 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 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 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 January 31, 2012 is approximately $625.

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 January 31, 2012 is approximately $4,957.

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[9] The provision for income taxes for the three months ended January 31, 2012 consists of a current tax provision of $6,542 and a deferred tax benefit of $941. At January 31, 2012, the Company had a current deferred tax asset of $24,285 included in other current assets and a long-term deferred tax asset of $209 included in other assets. The provision for income taxes for the three months ended January 31, 2011 consists of a current tax provision of $6,938 and a deferred tax benefit of $944. At January 31, 2011, the Company had a current deferred tax asset of $16,623 included in other current assets and a long-term deferred tax asset of $1,962 included in other assets.

[10] **Common Stock Repurchase [Not in Thousands]**

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 in the over-the-counter market at prevailing market prices over the period ending October 31, 2012. During the quarter ended January 31, 2012 the Company repurchased 170,450 shares of its common stock at a cost of $2,880,865. These repurchased shares have been recorded as canceled, reducing outstanding Common Stock by 170,450, the par value of Common Stock by $1,705 and Additional Paid-In Capital by $2,879,160.

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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 herein.

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 October 31, 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, which could negatively impact profitability and cash flows;

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 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 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 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.

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.

Later in our second quarter, we expect to introduce Inherigen, our pan ethnic carrier screen that looks at a number of carrier states that heretofore 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.

During the fourth quarter of fiscal 2006, we 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, we believe 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. We believed that the promise of genetic testing is in the diagnosis of the genetic variants of common diseases. It has been our intention to

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leverage the expertise and reputation of GeneDx in order to take a leadership role in the expanding area of genetic testing. We are 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. We are 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 13 genetic counselors and 129 geneticists to help patients and referring physicians and geneticists understand the meaning of the test results.

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

We intend to expand our laboratory operations through aggressive 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 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.

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 42% 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.

First Quarter Fiscal 2012 Compared to First Quarter Fiscal 2011

NET REVENUES:

Net revenues for the three-month period ended January 31, 2012 were $149,919 as compared to $121,659 for the three-month period ended January 31, 2011; this represents a 23% increase in net revenues. This increase is due to a 22% increase in patient counts and an increase in revenue per patient of 1% 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 January 31, 2012 was 1,814 which was 22% greater when compared to the prior fiscal year s three-month period. This increase in patient counts is due to the milder than normal weather conditions throughout the country, particularly in the Northeast, and the overall success of all our lines of business. Net revenue per patient for the three-month period ended January 31, 2011 was $80.88 compared to net revenue per patient of $82.00 for the three-month period ended January 31, 2012, an increase of $1.12 or 1%.

During the three-month period ended January 31, 2012, we increased our sales force by approximately 2%. This increase was mainly in the specialty testing services we market nationally. We believe that this increase in the sales personnel together with continued efforts by our existing sales force significantly contributed to the 22% increase in patient counts.

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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 $64,854 for the three-month period ended January 31, 2011 to $78,676 for the three-month period ended January 31, 2012, an increase of $13,822 or 21%. This increase in Cost of services is basically in line with the increase in net revenues. Our reagents and laboratory supplies expense increased by 27%. Our medical waste removal expense increased 40% as the result of processing additional tests. We expect these trends to continue.

GROSS PROFITS:

Gross profits increased from $56,805 for the three-month period ended January 31, 2011 to $71,243 for the three-month period ended January 31, 2012, an increase of $14,438 or 25%. Gross profit margin increased to 48% from 47%.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the three month period ending January 31, 2011 were $48,088 as compared to $57,961 for the quarter ended January 31, 2012, an increase of $9,873 or 21%. This increase is in line with the increase in net revenues. Marketing expenses increased 23% predominantly due to an 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 $358 during the three-month period ending January 31, 2012 from $345 during the three-month period ended January 31, 2011. This increase is due to a slight increase in the interest rate on our PNC Bank s credit line.

NET INCOME:

We realized net income of $7,365 for the three-month period ended January 31, 2012, as compared to $7,986 for the three-month period ended January 31, 2011, a decrease of $621 or 8%. Pre-tax income for the period ended January 31, 2012 was $12,966, compared to $13,980 for the three-month period ended January 31, 2011, a decrease of $1,014 or 7%. The provision for income taxes decreased to $5,601 for the three-month period ended January 31, 2012 from $5,994 for the period ended January 31, 2011. The decrease in net income is related to non-recurring other income we realized in fiscal 2011. Net of that non-recurring other income, our operating income increased by $4,565 or 52% from the three-month period ended January 31, 2011 as compared to the three-month period ended January 31, 2012.

This significant increase in operating income for the quarter ended January 31, 2012 was achieved with the help of favorable weather conditions during this quarter. We did not experience any significant snow events this quarter and experienced six snow events during the corresponding quarter in the prior year that in the opinion of the management caused us to lose about three cents in EPS in the prior year s first quarter.

LIQUIDITY AND CAPITAL RESOURCES:

Our working capital at January 31, 2012 was $125,210 as compared to $124,266 at October 31, 2011, an increase of $944. Our cash position increased by approximately $390 during the current period. We increased our short term debt by $867 and repaid $113 in existing debt. We had current liabilities of $84,445 at January 31, 2012. We generated $10,893 in cash from operations, compared to $5,181 for the quarter ended January 31, 2011, an overall increase of $5,712 in cash generated from operations year over year.

Accounts receivable, net of allowance for doubtful accounts, totaled $147,661 at January 31, 2012, a decrease of $399 from October 31, 2011. Cash collected during the three-month period ended January 31, 2012 increased 25% 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 to the financial statements.

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 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.

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 January 31, 2012 was 91 days, a decrease of 7 days, or 7%, from the 98 days that we reported for the period ended January 31, 2011. 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.

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

We intend to expand our laboratory operations through aggressive 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 January 31, 2012 totaled $22,403 as compared to $22,013 at October 31, 2011. 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 2012.

Impact of Inflation

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

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 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 31-Jan [Unaudited]	
	2012	2011
Gross Service Revenues	683,816	531,303
Contractual Adjustments and Discounts:		
Medicare/Medicaid Portion	74,741	66,408
All Other Third Party Payors*	459,156	343,236
Total Contractual Adjustments and Discounts	533,897	409,644
Net Service Revenues	149,919	121,659
Percent of Contractual Adjustments and Discounts to Gross Revenues	78.1%	77.1%

* 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 (CMS), 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:

	($) [Unaudited] 31-Jan-12	($) 31-Oct-11
Contractual Credits/Discounts	247,021	235,922
Doubtful Accounts	46,586	45,220
Total Allowance	293,607	281,142

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 January 31, 2012, advances of approximately $19,701,000 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 January 31, 2012 was approximately $119,000 and that a one percentage point increase or decrease in short-term rates would increase or decrease our monthly interest expense by approximately $16,000.

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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.

BIO-REFERENCE LABORATORIES, INC.

PART II OTHER INFORMATION

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: March 7, 2012