BIO REFERENCE LABORATORIES INC
Form 10-Q
June 11, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (d)

OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended April 30, 2007

Commission File Number 0-15266

BIO-REFERENCE LABORATORIES, INC.

481 Edward H. Ross Drive, Elmwood Park, NJ 07407

(201) 791-2600

NEW JERSEY	**22-2405059**
(State of incorporation)	(IRS Employer Identification No.)

Check 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 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

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

State the number of shares outstanding of the issuer s common stock, as of the latest practicable date:
13,663,034 shares of Common Stock ($.01 par value) at June 8, 2007.

APPLICABLE ONLY TO CORPORATE ISSUERS

BIO-REFERENCE LABORATORIES, INC.

FORM 10-Q

APRIL 30, 2007

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

[Dollars In Thousands]

ASSETS

	April 30, 2007 (Unaudited)	October 31, 2006
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 11,080	$ 8,954
Accounts Receivable - Net	77,908	67,778
Inventory	2,614	2,159
Other Current Assets	1,434	1,198
Deferred Tax Assets	5,980	3,986
TOTAL CURRENT ASSETS	99,016	84,075
PROPERTY AND EQUIPMENT - AT COST	28,727	22,246
LESS: Accumulated Depreciation	10,696	10,162
PROPERTY AND EQUIPMENT - NET	18,031	12,084
OTHER ASSETS:		
Deposits	485	646
Goodwill - Net	14,063	14,063
Intangible Assets - Net	7,531	8,170
Other Assets	1,054	934
Deferred Tax Asset	654	501
TOTAL OTHER ASSETS	23,787	24,314
TOTAL ASSETS	$ 140,834	$ 120,473

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

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

[Dollars In Thousands Except Share Data]

	April 30, 2007 (Unaudited)	October 31, 2006
CURRENT LIABILITIES:		
Accounts Payable	$ 20,678	$ 18,692
Accrued Salaries and Commissions Payable	4,066	4,029
Accrued Taxes and Expenses	4,138	2,257
Current Maturities of Long-Term Debt	1,143	839
Capital Lease Obligations - Short-Term Portion	2,121	2,069
Revolving Note Payable - Bank	23,327	16,696
TOTAL CURRENT LIABILITIES	55,473	44,582
LONG-TERM LIABILITIES		
Capital Lease Obligations - Long-Term Portion	2,670	2,913
Long - Term Debt Net of Current Portion	7,415	4,181
Deferred Tax Liabilities	12	18
TOTAL LONG-TERM LIABILITIES	10,097	7,112
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Preferred Stock $.10 Par Value;		
Authorized 1,059,589 shares, None Issued		
Series A Senior Preferred Stock, $.10 Par Value;		
Authorized Issued and Outstanding; None		
Series A - Junior Participating Preferred Stock, $.10 Par Value, Authorized 3,000 Shares; None Issued		
Common Stock, $.01 Par Value; Authorized 35,000,000 shares:		
Issued and Outstanding 13,663,034 and 13,552,814 at April 30, 2007 and at October 31, 2006, respectively	137	136
Additional Paid-In Capital	40,302	39,001
Retained Earnings	34,867	29,743
Totals	75,306	68,880
Deferred Compensation	(42)	(101)
TOTAL SHAREHOLDERS EQUITY	75,264	68,779
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 140,834	$ 120,473

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

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
[Dollars In Thousands Except Per Share Data]
[UNAUDITED]

	Three months ended April 30, 2007	2006	Six months ended April 30, 2007	2006
NET REVENUES:	$ 60,953	$ 47,189	$ 114,675	$ 90,107
COST OF SERVICES:				
Depreciation and Amortization	1,057	846	1,960	1,650
Employee Related Expenses	13,895	11,293	27,244	22,185
Reagents and Laboratory Supplies	8,963	6,357	16,844	12,493
Other Cost of Services	6,514	4,915	11,910	9,667
TOTAL COST OF SERVICES	30,429	23,411	57,958	45,995
GROSS PROFIT ON REVENUES	30,524	23,778	56,717	44,112
General and Administrative Expenses:				
Depreciation and Amortization	634	418	1,248	772
General and Administrative Expenses	16,101	12,648	31,163	24,726
Bad Debt Expense	7,930	6,269	14,859	12,174
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	24,665	19,335	47,270	37,672
INCOME FROM OPERATIONS	5,859	4,443	9,447	6,440
OTHER (INCOME) EXPENSE:				
Interest Expense	589	335	1,106	607
Interest Income	(62)	(35)	(113)	(65)
TOTAL OTHER EXPENSES - NET	527	300	993	542
INCOME BEFORE INCOME TAXES	5,332	4,143	8,454	5,898
Provision for Income Taxes	2,174	1,394	3,330	1,996
NET INCOME	$ 3,158	$ 2,749	$ 5,124	$ 3,902
NET INCOME PER COMMON SHARE - BASIC:	$ 0.23	$ 0.21	$ 0.38	$ 0.30
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC:	13,634,367	13,027,367	13,608,591	13,007,992
NET INCOME PER COMMON SHARE - DILUTED:	$ 0.23	$ 0.20	$ 0.37	$ 0.29
WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED:	13,884,502	13,427,908	13,845,177	13,405,119

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

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Dollars In Thousands]

[UNAUDITED]

	Six months ended April 30 2007	2006
OPERATING ACTIVITIES:		
Net Income	$ 5,124	$ 3,902
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Loss on Disposal of Fixed Assets	51	
Amortization of Deferred Compensation	59	60
Depreciation and Amortization	3,208	2,422
Deferred Income Tax (Benefit) Expense	(1,924)	(924)
Change in Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable	(14,872)	(7,879)
Provision for Doubtful Accounts	4,742	1,163
Inventory	(455)	(357)
Other Current Assets	(236)	65
Other Assets and Deposits	41	(123)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	3,904	2,178
NET CASH - OPERATING ACTIVITIES	(358)	507
INVESTING ACTIVITIES:		
Acquisition of Equipment and Leasehold Improvements	(3,284)	(1,221)
Acquisition of Intangible Assets	(28)	(13)
NET CASH - INVESTING ACTIVITIES	(3,312)	(1,234)
FINANCING ACTIVITIES:		
Payments of Long-Term Debt	(562)	(637)
Payments of Capital Lease Obligations	(1,346)	(1,075)
Increase in Revolving Line of Credit	6,631	3,935
Proceeds from Exercise of Options	1,073	304
NET CASH - FINANCING ACTIVITIES	5,796	2,527
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,126	1,800
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS	8,954	4,303
CASH AND CASH EQUIVALENTS AT END OF PERIODS	$ 11,080	$ 6,103
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 1,121	$ 539
Income Taxes	$ 3,904	$ 2,338

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

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

[Dollars In Thousands]

During the six month periods ended April 30, 2007 and April 30, 2006 the Company entered into capital leases totaling $1,155 and $536, respectively.

During the six month periods ended April 30, 2007 and April 30, 2006, the Company wrote-off approximately 2,058 and -0- of furniture and equipment that were fully depreciated. During fiscal 2007, the Company recognized a loss on the sale of furniture and equipment of $51.

During the six month period ended April 30, 2007, the Company recorded the tax effect on the exercise of non-qualified stock options. The tax benefit approximated $229 and was recorded as an increase to Paid-In Capital and the Deferred Tax Asset.

During the six month period ended April 30, 2007, the Company financed the purchase of equipment through a term note of approximately $4,100.

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

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Dollars In Thousands Except Per Share Data]

(UNAUDITED)

[1] In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments [consisting only of normal adjustments and recurring accruals] which are necessary to present a fair statement of the results for the interim periods presented and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

[2] The results of operations for the six months ended April 30, 2007 are not necessarily indicative of the results to be expected for the entire year.

[3] The consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes for the year ended October 31, 2006 as filed with the Securities and Exchange Commission in the Company s Annual Report on Form 10-K.

[4] The significant accounting policies followed by the Company are set forth in Note 2 to the Company s consolidated financial statements in the October 31, 2006 Form 10-K.

[5] Certain prior year amounts have been reclassified to conform with the current year presentation.

[6] Service revenues are principally generated from clinical laboratory testing services including chemical diagnostic tests such as blood and urine analysis, among others. Service revenues are recognized at the time the testing 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 related services are rendered and adjusted in future periods as final settlements are determined. Revenues on the statements of operations are net of the following amounts for allowances and discounts.

	Three Months Ended April 30 [Unaudited]		**Six Months ended April 30 [Unaudited]**	
	2007	**2006**	**2007**	**2006**
Medicare/Medicaid	$ 35,465	$ 28,695	$ 69,165	$ 57,604
Other	92,960	51,858	167,271	95,219
	$ 128,425	$ 80,553	$ 236,436	$ 152,823

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. 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.

[7] An allowance for contractual credits and uncollectible accounts is determined based upon a review of the reimbursement policies and subsequent collections for the different types of payors. Accounts Receivable on the balance sheets are net of the following amounts for contractual credits and doubtful accounts.

	[Unaudited] April 30, 2007	**October 31, 2006**
Contractual Credits/Discounts	$ 75,150	$ 49,394
Doubtful Accounts	11,976	7,234

	$ 87,126	$ 56,628

[8] In February 2007 FASB issued FAS 159 The Fair Value Option for Financial Assets and Financial Liabilities . The statement is effective as of the beginning of each reporting entity s first fiscal year that begins after November 15, 2007. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board s long-term measurement objectives for accounting for financial instruments. Most of the provisions of this Statement apply only to entities that elect the fair value option. However, the amendment to FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. This statement is not currently expected to have a material impact on the Company s consolidated financial statements.

[9] The following disclosures present certain information on the Company s intangible assets as of April 30, 2007 (Unaudited) and October 31, 2006. All intangible assets are being amortized over their estimated useful lives, as indicated below, with no estimated residual value.

Intangible Assets **At April 30, 2007** **[Unaudited]**	**Weighted-Average Amortization Period**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Balance**
Customer Lists	20 years	3,906	1,157	2,749
Covenants not-to-Compete	5 years	4,205	506	3,699
Costs Related to Acquisitions	19 years	1,590	568	1,022
Patent	17 Years	156	95	61
Totals		$ 9,857	$ 2,326	$ 7,531

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Intangible Assets **At October 31, 2006**	**Weighted-Average Amortization Period**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Balance**
[Audited]				
Software Costs	5 years	$ 1,535	$ 1,494	$ 41
Customer Lists	20 years	3,906	1,063	2,843
Covenants not-to-Compete	5 years	4,205	84	4,121
Employment Agreements	7 years	625	625	0
Costs Related to Acquisitions	19 years	1,562	462	1,100
Patent	17 Years	156	91	65
Totals		$ 11,989	$ 3,819	$ 8,170

The aggregate intangible amortization expense for the three months ended April 30, 2007 and 2006 was $333 and $164, respectively and for the six months ended April 30, 2007 and 2006 was $667 and $307, respectively. The estimated intangible asset amortization expense for the fiscal year ending October 31, 2007 and for the four subsequent years is as follows:

Fiscal Year Ended October 31,	**Estimated Amortization Expense**
2007	$ 1,293
2008	1,221
2009	1,197
2010	1,174
2011	1,065
Thereafter	1,581
Total	$ 7,531

[10] In October 2004, the Company entered into an amended revolving note payable loan agreement with a bank. The maximum amount of the credit line available to the Company is the lesser of (i) $30,000 or (ii) 50% of the Company s qualified accounts receivable [as defined in the agreement]. The amended loan agreement provides for an acquisition subline of up to $10,000 which can be repaid in 36 equal monthly installments. An amendment to the Loan and Security Agreement provides for interest on advances to be subject to the bank s prime rate or Eurodollar rate of interest plus, in certain instances, an additional interest percentage. The additional interest percentage charges on Eurodollar borrowings range from 1% to 4% and are determined based upon certain financial ratios achieved by the Company. At April 30, 2007, the Company had elected to have $12,000 of the total advances outstanding converted into a Eurodollar rate loan with a variable interest rate of 6.90% at April 30, 2007. The remaining outstanding advances during that period were subject to the bank s prime rate of interest. At April 30, 2007, advances of $11,327 were subject to interest at the prime rate (8.25%). The credit line is collateralized by substantially all of the Company s assets. The line of credit is available through October 2007 and may be extended for annual periods by mutual consent, thereafter. The terms of this agreement contain, among other provisions, requirements for maintaining defined levels of capital expenditures, fixed charge coverage, and the prohibition of the payment by the Company of cash dividends. As of April 30, 2007, the Company utilized $23,327 and had $6,673 of available unused credit under this revolving note payable loan agreement.

Effective as of October 31, 2006, we executed a fourth amendment to the loan agreement formalizing the repayment terms of a $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. The term loan is evidenced by a secured promissory note payable over a six year term in equal monthly principal payments of $69,444.44 , plus interest at an annual rate of 6.85%.

In January 2007, the Company issued a ten year term note of $4,100 for the financing of equipment. The note is payable in equal monthly installments of $46,826 including principal and interest, with payment commencing on March 1, 2007 at an effective interest rate of 6.63% per annum.

[11] The provision for income taxes for the three months ended April 30, 2007, consists of a current tax provision of $3,070 and a deferred tax benefit of $896. The provision for income taxes for the six months ended April 30, 2007, consists of a current tax provision of $5,483 and a deferred tax benefit of $2,154. At April 30, 2007, the Company had a current deferred tax asset of $6,634 included in other current assets and a long-term deferred tax liability of $12 incurred in other long-term liabilities. The provision for income taxes for the three months ended April 30, 2006, consist of a current tax provision of $1,954 and a deferred tax benefit of $560. The provision for income taxes for the six months ended April 30, 2006, consist of a current tax of $2,920 and a deferred tax benefit of $924.

Item 2.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

OVERVIEW

We are a clinical laboratory located in northeastern New Jersey. Our regional footprint lies primarily 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; under certain circumstances, we 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. We have also developed a national reputation for our expertise in certain focused areas of clinical testing. GenPath, our cancer and oncology laboratory, is one of the premier hematopathology laboratories in the country. 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. 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 nine publicly-traded laboratories; including the two national mega-laboratories and BioReference Laboratories. In addition, there are numerous hospital outreach programs and smaller testing 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 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 are currently developing programs for 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 will continue to vigilantly seek focused diagnostic marketing opportunities where we can provide information, technology, service or support that expand and grow our clinical laboratory.

During the fourth quarter of fiscal 2006, the Company acquired the operating assets of GeneDx, a leading DNA sequencing laboratory. As molecular testing in general becomes a more significant element in the diagnostic testing industry, the Company believes that genetic testing will become an essential diagnostic tool of the future. GeneDx was started by two geneticists from the National Institute of Health (NIH) in 2000. Over the next six years, based on the reputation and expertise of the founders and the outstanding team they built around themselves, along with a very focused and dedicated understanding of the science of genetics, GeneDx became known as one of the premier genetic testing laboratories for the diagnosis of rare genetic diseases. The Company believes that the promise of genetic testing is in the diagnosis of the genetic variants of common diseases. It is the Company s intention to leverage the expertise and reputation of GeneDx in order to take a leadership role in the expanding area of genetic testing. The Company is seeking cutting edge methods of testing that will be commercially viable diagnostic tools for the advancement of genetic testing. The Company is already expanding the menu of tests offered and employing marketing techniques that were extremely successful in building GenPath, our oncology laboratory. In addition to scientists and technicians to manage testing, GeneDx employs several genetic counselors to help patients and referring physicians and geneticists understand the meaning of the test results. Prior to the acquisition, GeneDx s revenues and profits were increasing at an accelerating rate. The Company hopes to be able to continue this growth in revenues and profits of our newest subsidiary.

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 which they utilize to more effectively compete against the national laboratories. These other laboratories licensing our technology are not our competitors since they are outside our regional footprint. In 2001, we entered into a strategic marketing agreement with Roche Diagnostics to co-market CareEvolve to laboratories throughout the country. Thanks to the relationship with Roche, CareEvolve received funding during its early years and built a solid infrastructure for growth and marketing. However, over the subsequent years, it became apparent that the relationship had served its purpose and it was terminated by mutual consent. We own all right, title and interest to CareEvolve and the informatics solution that has been built. We use it for our own customers. Other smaller labs utilize CareEvolve paying us a licensing fee for such utilization.

We have also created our PSIMedica business unit which 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 this past summer 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.

COMPARISON OF SECOND QUARTER 2007 VS SECOND QUARTER 2006

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

NET REVENUES:

Net revenues for the three month period ended April 30, 2006 were $47,189 as compared to $60,953 for the three month period ended April 30, 2007; which represents a 29% increase in net revenues. This increase is due to a 19% increase in patient counts and an increase in revenue per patient of 19% 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 April 30, 2007 was 921 thousand which was 19% greater when compared to the prior fiscal year s three month period. Net revenue per patient for the three month period ended April 30, 2006 was $60.59 compared to net revenue per patient of $65.59 for the three month period ended April 30, 2007, an increase of $5.00 or 8%.

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COST OF SERVICES:

Cost of Services increased from $23,411 for the three month period ended April 30, 2006 to $30,429 for the three month period ended April 30, 2007, an increase of $7,018 or 30%. This increase is in line with the increase in net revenues of 29%. However, employee related expenses increased by $2,572 (23%) and is primarily attributable to the acquisitions made on September 26, 2006.

GROSS PROFITS:

Gross profits increased from $23,778 for the three month period ended April 30, 2006 to $30,524 for the three month period ended April 30, 2007; an increase of $6,746 or 28%. Gross profit margin remained constant at 50% for both quarters.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the three month period ending April 30, 2006 was $19,335 as compared to $24,665 for the quarter ended April 30, 2007, an increase of $5,330 or 28%. This increase is in line with the increase in net revenues. However, marketing expense increased $618 or 14%, occupancy expenses increased $413 or 35% and data processing expenses for new hardware and practice management expenses related to setting up new accounts increased $346 or 330%. While these expense categories increased dramatically, they are in line with our growth expectations. In addition, legal fees increased $403 or 212% over the prior year s comparable period caused primarily by our dispute with a local managed care company concerning a contract dispute; this dispute was settled favorably for the Company.

INTEREST EXPENSE:

Interest expense increased to $589 during the three month period ending April 30, 2007 from $335 during the three month period ended April 30, 2006. This increase is due to an increase in the utilization of our PNC Bank line of credit, acquisition debt and capital leases. Management believes that this trend will continue in the future due to the continued use of our revolving line of credit to fund our expansion and growth.

INCOME:

We realized net income of $3,158 for the three month period ended April 30, 2007, as compared to $2,749 for the three month period ended April 30, 2006, an increase of $409 (15%). Pre-tax income for the period ended April 30, 2006 was $4,143, compared to $5,332 for the three month period ended April 30, 2007, an increase of $1,189 (29%). The provision for income taxes increased from $1,394 for the three month period ended April 30, 2006 to $2,174 for the period ended April 30, 2007.

SIX MONTHS 2007 COMPARED TO SIX MONTHS 2006

NET REVENUES:

Net Revenues for the six month period ended April 30, 2006 were $90,107 as compared to $114,675 for the six month period ended April 30, 2007; this represents a 27% increase in net revenues. This increase is due to a 17% increase in patient counts and revenue per patient increased 8% due to a continuing shift in business to higher reimbursement esoteric testing.

The number of patients serviced during the six month period ended April 30, 2007 was 1,756 thousand which was 17% greater when compared to the prior fiscal year s six month period. Net revenue per patient for the six month period ended April 30, 2006 was $59.46, compared to net revenue per patient for the six month period ended April 30, 2007 of $64.46, an increase of $5.00 or 8%.

COST OF SERVICES:

Cost of Services increased to $57,958 for the six month period ended April 30, 2007 from $45,995 for the six month period ended April 30, 2006. This represents a 26% increase in direct operating costs. This increase is related to the increase in net revenues of 27%. However, employee related expenses increased by $5,059 (23%) and is primarily attributable to the acquisitions made on September 26, 2006.

GROSS PROFITS:

Gross profits on net revenues, increased to $56,717 for the six month period ended April 30, 2007 from $44,112 for the six month period ended April 30, 2006; an increase of $12,605 (29%). Gross profit margins remained constant at 49%.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the six month period ended April 30, 2006 were $37,672 as compared to $47,270 for the six month period ended April 30, 2007. This represents an increase of $9,598 or 25%. This increase is in line with the increase in net revenues. However, marketing expenses increased $1,101 or 13%, occupancy expenses increased $777 or 34% and data processing expenses for new hardware and practice management expenses related to setting up new accounts increased $548 or 248%.. While these expense categories increased dramatically, they are in line with our growth expectations. In addition, legal fees increased $566 or 152% over the prior year comparable period caused primarily by our dispute with a local managed care company concerning a contract dispute; this dispute was settled favorably for the Company.

INTEREST EXPENSE:

Interest expense increased to $1,106 during the six month period ending April 30, 2007 as compared to $607 during the six month period ending April 30, 2006, an increase of $499. This increase is due to an increase in the utilization of the PNC Bank line of credit, acquisition debt and capital leases. Management believes that this trend will continue in the future due to the continued use of our revolving line of credit to fund our expansion and growth.

INCOME:

We realized net income of $5,124 for the six months ended April 30, 2007 as compared to $3,902 for the six month period ended April 30, 2006, an increase of 31%. Pre-tax income for the six month period ended April 30, 2007 was $8,454, as compared to $5,898 for the six month period ended April 30, 2006, an increase of $2,556 (43%). The provision for income taxes increased from $1,996 for the six month period ended April 30, 2006 to $3,330 for the six month period ended April 30, 2007.

LIQUIDITY AND CAPITAL RESOURCES:

Our working capital at April 30, 2007 was $45,543 as compared to $39,493 at October 31, 2006 an increase of $4,050. Our cash position increased by $2,126 during the current period. We borrowed $6,631 in short term debt and repaid $1,908 in existing debt. We had current liabilities of $55,473 at April 30, 2007. We utilized $358 in cash from operations, compared to $507 in cash from operations for the quarter ended April 30, 2006, an overall decrease of $865 in cash generated from operations year over year.

Accounts receivable, net of allowance for doubtful accounts, totaled $77,908 at April 30, 2007, an increase of $10,130 from October 31, 2006 or 15%. This increase was primarily attributable to increased revenue. Cash collected during the six month period ended April 30, 2007 increased 27% over the comparable six 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 which could substantially reduce Medicare and Medicaid reimbursements to clinical laboratories. Depending upon the nature of regulatory action, and the content of legislation, we could experience a significant decrease in revenues from Medicare and Medicaid, which could have a material adverse effect on us. We are unable to predict, however, the extent to which such actions will be taken.

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

- Differences between fee schedules and reimbursement rates.
- Incomplete or inaccurate billing information as provided by the physician.
- Disparity in coverage and information requirements.
- Disputes with payors.
- Internal and external compliance policies and procedures.

Significant costs are incurred as a result of our participation in government programs since billing and reimbursement for laboratory tests are subject to complex regulations. We perform the requested tests and report the results whether the information is correct or not or even missing. This adds to the complexity and slows the collection process and increases the aging of our accounts receivable (A/R). When patient invoices are not collected in a timely manner the item is written off to the allowance. Days Sales Outstanding (DSO) for the period ended April 30, 2007, were 116 days, as compared to 117 days that we reported at the end of fiscal year 2006.

In October 2004, the Company entered into an amended revolving note payable loan agreement with a bank. The maximum amount of the credit line available to the Company is the lesser of (i) $30,000 or (ii) 50% of the Company s qualified accounts receivable [as defined in the agreement]. The amended loan agreement provides for an acquisition subline of up to $10,000 which can be repaid in 36 equal monthly installments. An amendment to the Loan and Security Agreement provides for interest on advances to be subject to the bank s prime rate or Eurodollar rate of interest plus, in certain instances, an additional interest percentage. The additional interest percentage charges on Eurodollar borrowings range from 1% to 4% and are determined based upon certain financial ratios achieved by the Company. At April 30, 2007, the Company had elected to have $12,000 of the total advances outstanding converted into a Eurodollar rate loan with a variable interest rate of 6.90% at April 30, 2007. The remaining outstanding advances during that period were subject to the bank s prime rate of interest. At April 30, 2007, advances of $11,327 were subject to interest at the prime rate (8.25%). The credit line is collateralized by substantially all of the Company s assets. The line of credit is available through October 2007 and may be extended for annual periods by mutual consent, thereafter. The terms of this agreement contain, among other provisions, requirements for maintaining defined levels of capital expenditures, fixed charge coverage, and the prohibition of the payment by the Company of cash dividends. As of April 30, 2007, the Company utilized $23,327 and had $6,673 of available unused credit under this revolving note payable loan agreement.

Effective as of October 31, 2006, we executed a fourth 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. The term loan is evidenced by a secured promissory note payable over a six year term in equal monthly principal payments of $69,444.44 , plus interest at an annual rate of 6.85%.

In January 2007, the Company issued a ten year term note of $4,100 for the financing of equipment. The note is payable in equal monthly installments of $46,826 including principal and interest, with payment commencing on March 1, 2007 at an effective interest rate of 6.63% per annum.

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

As of October 31, 2006

	Total	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 and thereafter
Long-Term Debt	$ 5,020	$ 839	$ 839	$ 839	$ 839	$ 1,664
Capital Leases	$ 5,564	$ 2,478	$ 1,659	$ 974	$ 387	$ 66
Operating Leases	$ 1,998	$ 1,511	$ 322	$ 151	$ 13	$ 1
Purchase Obligations	$ 24,651	$ 6,128	$ 5,537	$ 4,696	$ 3,530	$ 4,760
Long-Term Liabilities under Employment and Consultant Contracts	$ 7,990	$ 2,680	$ 2,310	$ 1,500	$ 750	$ 750
Total	$ 45,223	$ 13,636	$ 10,667	$ 8,160	$ 5,519	$ 7,241

Our cash balance at April 30, 2007 totaled $11,080 as compared to $8,954 at October 31, 2006. 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 2007.

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

New Authoritative Pronouncements

In February 2007 FASB issued FAS 159 The Fair Value Option for Financial Assets and Financial Liabilities . The statement is effective as of the beginning of each reporting entity s first fiscal year that begins after November 15, 2007. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board s long-term measurement objectives for accounting for financial instruments. Most of the provisions of this Statement apply only to entities that elect the fair value option. However, the amendment to FASB Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities, applies to all entities with available-for-sale and trading securities. This statement is not currently expected to have a material impact on the Company s consolidated financial statements.

Critical Accounting Policies

The preparation of financial statements in conformity with 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 Goodwill

We evaluate the recoverability and measure the possible impairment of goodwill under SFAS 142, annually at the end of the fiscal year. The impairment test is a two-step process that begins with the estimation of the fair value of the reporting unit. The first step screens for potential impairment and the second step measures the amount of the impairment, if any. Management s estimate of fair value considers publicly available information regarding our market capitalization as well as (i) publicly available information regarding comparable publicly-traded companies in the clinical laboratory testing industry, (ii) the financial projections and future prospects of our business, including its growth opportunities and likely operational improvements, and (iii) comparable sales prices, if available. As part of the first step to assess potential impairment, management compares the estimate of fair value to book value of the Company s consolidated net assets. If the book value of the consolidated net assets is greater than the estimate of fair value, we then proceed to the second step to measure the impairment, if any. The second step compares the implied fair value of goodwill with its carrying value

The implied fair value is determined by allocating the fair value of the reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. If the carrying amount of the goodwill is greater than its implied fair value, an impairment loss will be recognized in that period.

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 carrying amount of the asset.

Accounting for Revenue

Service revenues are principally generated from clinical laboratory testing services such as routine and esoteric testing. Net service revenues are recognized at the time the testing 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 related services are rendered and adjusted in future periods as final settlements are determined. The Company has a subsidiary that provides non-clinical laboratory services. Revenues generated from these services are not material for each of the years presented.

Accounting for Contractual Credits and Doubtful Accounts

An allowance for contractual credits is determined based upon a review of the reimbursement policies and subsequent collections for the different types of payors (such as the decrease in flow cytometry reimbursement rates from CMS (Medicare/Medicaid) starting January 1, 2005). Agings of accounts receivable are monitored by billing personnel and follow-up activities are conducted as necessary. Bad debt expense is recorded within selling, general and administrative expenses as a percentage of sales considered necessary to maintain the allowance for doubtful accounts at an appropriate level, based on our experience with our accounts receivable. We write off accounts against the allowance for doubtful accounts when they are deemed to be uncollectible. For client billing, accounts are written off when all reasonable collection efforts prove to be unsuccessful. Patient accounts are written off after the normal dunning cycle has occurred, which may include being transferred to a third party collection agency. Third party accounts are written off when they exceed the payer s timely filing limits.

Accounting for Employment Benefit Plan

We sponsor the Bio-Reference Laboratories, Inc. 401(k) Profit-Sharing Plan [the Plan]. Our employees become eligible for participation after attaining the age of eighteen and completing one year of service. Participants may elect to contribute up to ten percent of their compensation, as defined in the Plan Adoption Agreement, to a maximum allowed by the Internal Revenue Service. We may choose to make a matching contribution to the plan for each participant who has elected to make tax-deferred contributions for the plan year, at a percentage determined each year by the Company. The Employer contribution will be fully vested after the third year of service.

Accounting for Income Taxes

We account for income taxes utilizing the asset and liability method. Under this method deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and for tax loss carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Future tax benefits, such as net operating loss carryforwards, are recognized to the extent that realization of such benefits is more likely than not.

Forward Looking Statements

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates 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; however, several factors could cause actual results to differ materially from those currently anticipated due to a number of factors in addition to those discussed under the caption Cautionary Statements contained in Item 1 of our Annual Report on Form 10-K for the year ended October 31, 2006, as well as elsewhere herein including:

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

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

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

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

- changes in federal, state, local and third party payor regulations or policies (or in the Interpretation of current regulations) affecting governmental and third-party reimbursement for clinical laboratory testing (such as the decrease in Medicare reimbursement for Flow Cytometry testing which occurred in the first quarter of calendar year 2005).

- 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 HIPAA, which could result in significant fines as well as substantial criminal penalties.
- changes in payor mix.
- failure to maintain acceptable days sales outstanding levels.
- increased competition, including price competition.
- our ability to attract and retain experienced and qualified personnel.
- adverse litigation results.
- liabilities that result from our inability to comply with new corporate governance requirements.
- failure to comply with the Sarbanes-Oxley Act of 2002.

Item 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

We do have exposure to both rising and falling interest rates. At April 30, 2007, advances of approximately $11,327 under our Loan Agreement with PNC Bank were subject to interest charges at the Bank s then prime rate of 8.25%. In addition, we elected to have the remaining $12,000 of advances outstanding at said date converted into a Eurodollar rate loan with a variable interest rate of 6.90%.

We estimate that our monthly cash interest expense at April 30, 2007 was approximately $184 and that a one percentage point increase or decrease in short-term rates would increase or decrease our monthly interest expense by approximately $27.

Item 4 CONTROLS AND PROCEDURES

An evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of the Company s disclosure controls and procedures as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial officer concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms.

PART II - OTHER INFORMATION

Item 6.

EXHIBITS AND REPORTS ON FORM 8-K

31A	Certification of Chief Executive Officer
31B	Certification of Chief Financial Officer
32A	Certification Pursuant to 18 U.S.C. Section 1350 of Chief Executive Officer
32B	Certification Pursuant to 18 U.S.C. Section 1350 of Chief Financial Officer

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

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

Date: June 8, 2007

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