

BIO REFERENCE LABORATORIES INC
Form 10-Q
September 06, 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 July 31, 2007

Commission File Number 0-15266

BIO-REFERENCE LABORATORIES, INC.

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

(201) 791-2600

NEW JERSEY
(State of incorporation)

22-2405059
(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 No

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 Accelerated Filer Non-accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of the issuer's common stock, as of the latest practicable date: 13,698,634 shares of Common Stock (\$.01 par value) at September 6, 2007.

BIO-REFERENCE, LABORATORIES, INC.

FORM 10-Q

JULY 31, 2007

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES**PART I FINANCIAL INFORMATION****CONSOLIDATED BALANCE SHEETS**

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

ASSETS

| | July 31, 2007 (Unaudited) | October 31, 2006 |
|-------------------------------------|--|-----------------------------|
| <u>CURRENT ASSETS:</u> | | |
| Cash and Cash Equivalents | 11,598 | 8,954 |
| Accounts Receivable - Net | 80,548 | 67,778 |
| Inventory | 3,039 | 2,159 |
| Other Current Assets | 1,783 | 1,198 |
| Deferred Tax Assets | 5,845 | 3,986 |
| TOTAL CURRENT ASSETS | 102,813 | 84,075 |
| | | |
| PROPERTY AND EQUIPMENT - AT COST | 31,159 | 22,246 |
| LESS: Accumulated Depreciation | 11,916 | 10,162 |
| PROPERTY AND EQUIPMENT - NET | 19,243 | 12,084 |
| | | |
| <u>OTHER ASSETS:</u> | | |
| Deposits | 502 | 646 |
| Goodwill - Net | 14,514 | 14,514 |
| Intangible Assets - Net | 6,840 | 7,719 |
| Other Assets | 1,054 | 934 |
| Deferred Tax Assets | 1,810 | 501 |
| TOTAL OTHER ASSETS | 24,720 | 24,314 |
| TOTAL ASSETS | \$ 146,776 | \$ 120,473 |

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

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

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

LIABILITIES AND SHAREHOLDERS EQUITY

| | July 31, 2007 (Unaudited) | October 31, 2006 |
|---|---------------------------------|---------------------|
| <u>CURRENT LIABILITIES:</u> | | |
| Accounts Payable | 21,837 | 18,692 |
| Accrued Salaries and Commissions Payable | 5,120 | 4,029 |
| Accrued Taxes and Expenses | 3,781 | 2,257 |
| Revolving Note Payable - Bank | 23,250 | 16,696 |
| Current Maturities of Long-Term Debt | 1,148 | 839 |
| Capital Lease Obligations - Short-Term Portion | 2,060 | 2,069 |
| <u>TOTAL CURRENT LIABILITIES</u> | 57,196 | 44,582 |
| <u>LONG-TERM LIABILITIES:</u> | | |
| Capital Lease Obligations - Long-Term Portion | 2,548 | 2,913 |
| Long Term Debt - Net of Current Portion | 7,125 | 4,181 |
| Deferred Tax Liabilities | 134 | 18 |
| <u>TOTAL LONG-TERM LIABILITIES</u> | 9,807 | 7,112 |
| <u>COMMITMENTS AND CONTINGENCIES</u> | | |
| <u>SHAREHOLDERS EQUITY:</u> | | |
| 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 13,692,634 and 13,552,814 at July 31, 2007 and at October 31, 2006, respectively | 137 | 136 |
| Additional Paid-In Capital | 40,599 | 39,001 |
| Retained Earnings | 39,056 | 29,743 |
| Totals | 79,792 | 68,880 |
| Deferred Compensation | (19 |) (101 |
| <u>TOTAL SHAREHOLDERS EQUITY</u> | 79,773 | 68,779 |
| <u>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</u> | \$ 146,776 | \$ 120,473 |

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

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

[UNAUDITED]

| | Three Months Ended July 31, | | Nine Months Ended July 31, | |
|---|--------------------------------|------------|-------------------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| NET REVENUES: | \$ 65,961 | \$ 49,026 | \$ 180,636 | \$ 139,133 |
| <u>COST OF SERVICES:</u> | | | | |
| Depreciation | 1,164 | 867 | 3,124 | 2,517 |
| Employee Related Expenses | 14,764 | 11,611 | 42,008 | 33,797 |
| Reagents and Lab Supplies | 9,996 | 6,941 | 26,840 | 19,434 |
| Other Cost of Services | 6,543 | 5,264 | 18,453 | 14,930 |
| <u>TOTAL COST OF SERVICES</u> | \$ 32,467 | \$ 24,683 | \$ 90,425 | \$ 70,678 |
| <u>GROSS PROFIT ON REVENUES</u> | \$ 33,494 | \$ 24,343 | \$ 90,211 | \$ 68,455 |
| <u>General and Administrative Expenses:</u> | | | | |
| Depreciation and Amortization | 562 | 428 | 1,810 | 1,200 |
| Other General and Administrative Expenses | 16,557 | 12,512 | 47,720 | 37,238 |
| Bad Debt Expense | 9,203 | 6,627 | 24,062 | 18,802 |
| TOTAL GENERAL AND ADMIN. EXPENSES | \$ 26,322 | \$ 19,567 | \$ 73,592 | \$ 57,240 |
| <u>OPERATING INCOME</u> | \$ 7,172 | \$ 4,776 | \$ 16,619 | \$ 11,215 |
| <u>OTHER (INCOME) EXPENSES:</u> | | | | |
| Interest Expense | 639 | 363 | 1,746 | 970 |
| Interest Income | (65) | (46) | (179) | (111) |
| TOTAL OTHER EXPENSES - NET | \$ 574 | \$ 317 | \$ 1,567 | \$ 859 |
| INCOME BEFORE INCOME TAXES | \$ 6,598 | \$ 4,459 | \$ 15,052 | \$ 10,356 |
| Provision for Income Taxes | 2,409 | 780 | 5,739 | 2,776 |
| NET INCOME | \$ 4,189 | \$ 3,679 | \$ 9,313 | \$ 7,580 |
| NET INCOME PER SHARE - BASIC: | \$ 0.31 | \$ 0.28 | \$ 0.68 | \$ 0.58 |
| WEIGHTED AVERAGE NUMBER OF SHARES BASIC: | 13,681,767 | 13,056,367 | 13,632,983 | 13,025,367 |
| NET INCOME PER SHARE - DILUTED: | \$ 0.30 | \$ 0.27 | \$ 0.67 | \$ 0.56 |
| WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED: | 13,921,168 | 13,511,914 | 13,859,231 | 13,429,318 |

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

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

[UNAUDITED]

| | Nine months ended July 31, | |
|---|-------------------------------|-----------------|
| | 2007 | 2006 |
| <u>OPERATING ACTIVITIES:</u> | | |
| Net Income | \$ 9,313 | \$ 7,580 |
| Adjustments to Reconcile Net Income to Cash Provided by Operating Activities: | | |
| Depreciation and Amortization | 4,934 | 3,717 |
| Deferred Compensation | 82 | 88 |
| Deferred Income Taxes (Benefit) | (2,823) | (1,214) |
| (Gain) Loss on Disposal of Property and Equipment | 63 | |
| Change in Assets and Liabilities: | | |
| (Increase) Decrease in: | | |
| Accounts Receivable | (19,364) | (8,792) |
| Provision for Bad Debts | 6,593 | 162 |
| Inventory | (880) | (414) |
| Other Current Assets | (585) | (6) |
| Other Assets and Deposits | 25 | (202) |
| Deferred Charges | | |
| Increase (Decrease) in: | | |
| Accounts Payable and Accrued Liabilities | 5,760 | 1,228 |
| NET CASH - OPERATING ACTIVITIES | 3,118 | 2,147 |
| <u>INVESTING ACTIVITIES:</u> | | |
| Acquisition of Equipment and Leasehold Improvements | (5,485) | (1,932) |
| Acquisition of Intangible Assets | (28) | (13) |
| NET CASH - INVESTING ACTIVITIES | (5,513) | (1,945) |
| <u>FINANCING ACTIVITIES:</u> | | |
| Payments of Long-Term Debt | (847) | (955) |
| Payments of Capital Lease Obligations | (2,038) | (1,607) |
| Increase (Decrease) in Revolving Line of Credit | 6,554 | 5,510 |
| Proceeds from Exercise of Options | 1,370 | 769 |
| NET CASH - FINANCING ACTIVITIES | 5,039 | 3,717 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 2,644 | 3,919 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS | 8,954 | 4,303 |
| CASH AND CASH EQUIVALENTS AT END OF PERIODS | 11,598 | 8,222 |
| <u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u> | | |
| Cash paid during the period for: | | |
| Interest | \$ 1,785 | \$ 818 |
| Income Taxes | \$ 8,351 | \$ 4,902 |

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

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

[Dollars In Thousands]

During the nine month periods ended July 31, 2007 and July 31, 2006 the Company entered into capital leases totaling \$1,664 and \$858, respectively.

During the nine month periods ended July 31, 2007 and July 31, 2006, the Company wrote-off approximately \$2,347 and -0- of furniture and equipment. During fiscal 2007, the Company recognized a loss on the disposal of furniture and equipment of \$63.

During the nine month period ended July 31, 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 nine month period ended July 31, 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, Or Unless Otherwise Noted]****(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 but do not include all of the information and footnotes required by generally accepted accounting principles in the United States of America for complete financial statements.

[2] The results of operations for the nine months ended July 31, 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 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 realizable amounts from patients, third party payors and others for services rendered, are accrued on an estimated basis in the period the related services are rendered, and are adjusted in subsequent periods based upon an analysis of the Company's collection experience from each category of payor group as well as prospectively determined contractual adjustments and discounts with third party payors. Differences between these adjustments and any subsequent revisions are included in the statement of operations in which the revisions are made and are disclosed, if material. Applying this methodology and aggregating its collection experience from all payor groups, the Company has not been required to record an adjustment related to revenue recorded in prior periods that was material in nature. Revenues on the statements of operations are net of the following amounts for allowances and discounts.

| | Three Months Ended July 31 [Unaudited] 2007 | | Nine Months ended July 31 [Unaudited] 2007 | |
|-------------------|--|-------------|---|-------------|
| | | 2006 | | 2006 |
| Medicare/Medicaid | \$ 40,603 | \$ 29,950 | \$ 109,768 | \$ 87,554 |
| Other | 102,088 | 53,946 | 269,269 | 149,215 |
| | \$ 142,691 | \$ 83,896 | \$ 379,037 | \$ 236,769 |

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.

[7] An allowance for contractual credits and discounts is estimated by payor group and determined based upon a review of the reimbursement policies and subsequent collections from the different types of payors. The Company has not been required to record an adjustment in a subsequent period related to revenue recorded in a prior period, that was material in nature. 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 an allowance for doubtful accounts at an appropriate level, based on the Company's experience with its accounts receivable. The Company writes off receivables 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

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accounts are written off after the normal dunning cycle has occurred, which may include transfer to a third party collection agency. Third party accounts are written off when they exceed the payer's timely filing limits. Accounts Receivable on the balance sheets are net of the following amounts for contractual credits and doubtful accounts:

| | [Unaudited] July 31, 2007 | October 31, 2006 |
|-------------------------------|------------------------------|------------------|
| Contractual Credits/Discounts | \$ 79,773 | \$ 49,394 |
| Doubtful Accounts | 13,827 | 7,234 |
| | \$ 93,600 | \$ 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 July 31, 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.

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| Intangible Assets At July 31, 2007 [Unaudited] | Weighted-Average Amortization Period | Gross Carrying Amount | Accumulated Amortization | Net Balance |
|--|--|-----------------------------|-----------------------------|----------------|
| Customer Lists | 20 years | 5,045 | 1,751 | 3,294 |
| Covenants not-to-Compete | 5 years | 4,205 | 716 | 3,489 |
| Patent | 17 Years | 156 | 99 | 57 |
| Totals | | \$ 9,406 | \$ 2,566 | \$ 6,840 |

| Intangible Assets At October 31, 2006 [Audited] | Weighted-Average Amortization Period | Gross Carrying Amount | Accumulated Amortization | Net Balance |
|---|--|-----------------------------|-----------------------------|----------------|
| Software Costs | 5 years | \$ 1,535 | \$ 1,494 | \$ 41 |
| Customer Lists | 20 years | 5,017 | 1,525 | 3,492 |
| Covenants not-to-Compete | 5 years | 4,205 | 84 | 4,121 |
| Employment Agreements | 7 years | 625 | 625 | 0 |
| Patent | 17 Years | 156 | 91 | 65 |
| Totals | | \$ 11,538 | \$ 3,819 | \$ 7,719 |

The aggregate intangible amortization expense for the three months ended July 31, 2007 and 2006 was \$240 and \$154, respectively and for the nine months ended July 31, 2007 and 2006 was \$907 and \$462, 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 | \$ 1,283 |
| 2008 | 1,210 |
| 2009 | 1,164 |
| 2010 | 1,174 |
| 2011 | 1,055 |
| Thereafter | 954 |
| Total | \$ 6,840 |

[10] In October 2004, the Company entered into an amended revolving note payable loan agreement with PNC Bank, N.A. (PNC Bank). The maximum amount of the credit line available to the Company pursuant to the loan agreement 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. The amendment to the Loan and Security Agreement provides for interest on advances to be subject, at the Company's option, to the bank's prime rate or the Eurodollar rate of interest plus, in certain instances, an additional interest percentage. The additional interest percentage charges on Eurodollar borrowings range from 1% to 4% and are determined based upon certain financial ratios achieved by the Company. At July 31, 2007, the Company had elected to have \$16,000 of the total advances outstanding converted into a Eurodollar rate loan with a variable interest rate of 6.855%. The remaining outstanding advances were subject to the bank's prime rate of interest. At July 31, 2007, advances outstanding of \$7,250 were subject to interest at the bank's 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 July 31, 2007, the

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Company utilized \$23,250 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 subsidiary, BRLI No. 2 Acquisition Corp. to fund the \$5 million acquisition Cash Payment in connection with the 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 July 31, 2007, consists of a current tax provision of \$3,309 and a deferred tax benefit of \$900. The provision for income taxes for the nine months ended July 31, 2007, consists of a current tax provision of \$8,792 and a deferred tax benefit of \$3,053. At July 31, 2007, the Company had a current deferred tax asset of \$7,655 included in other current assets and a long-term deferred tax liability of \$134 incurred in other long-term liabilities. The provision for income taxes for the three months ended July 31, 2006, consist of a current tax provision of \$1,070 and a deferred tax benefit of \$290. The provision for income taxes for the nine months ended July 31, 2006, consist of a current tax of \$3,990 and a deferred tax benefit of \$1,214.

[12] On June 1, 2005, the Board of Directors authorized the repurchase of up to 500,000 shares of the Company's common stock over the period ending October 31,

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2007. As of July 31, 2007, no shares were repurchased under this plan.

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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 clinical laboratory located in northeastern New Jersey. Our regional footprint lies within the New York City metropolitan area and the surrounding areas of New Jersey and southern New York State as well as eastern Pennsylvania and some areas of western Connecticut; under certain circumstances, we provide services further into New York State, Pennsylvania, Delaware, Maryland and thirty eight other states. 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.

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 publicly-traded companies principally engaged in the operation of commercial clinical testing laboratories in the United States; namely the two national mega-laboratories and BioReference Laboratories. However, there are numerous hospital outreach programs and smaller privately owned reference laboratories that compete for the commercial clinical laboratory business scattered throughout the country, as well as two pharmaceutical companies operating commercial laboratories as a small portion of their business. 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 and support that expand and grow our clinical laboratory.

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 and we also license the technology to other laboratories throughout the country. These other laboratories licensing our technology are not our competitors since they are outside our regional footprint. In addition, we use it for our own customers.

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

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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, we believe, allow us to play a role in these important national initiatives.

In 2006 we acquired GeneDx, a diagnostic genetic testing laboratory providing services to national and international customers. GeneDx specializes in testing for rare and complex genetic conditions through the use of DNA sequencing. In 2007 we introduced the first commercially available genome-wide oligonucleotide microarray analysis testing useful for the diagnosis of, among other conditions, developmental disorders, which has significantly grown the business. The success and growth of GeneDx can be attributed to both the unique nature of our testing and the highly experienced clinicians and researchers who run the business.

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

COMPARISON OF THIRD QUARTER 2007 VS THIRD QUARTER 2006

NET REVENUES:

Net revenues for the three month period ended July 31, 2006 were \$49,026 as compared to \$65,961 for the three month period ended July 31, 2007; which represents a 35% increase in net revenues. This increase is due to a 22% increase in patient counts and an 11% increase in net revenues per patient due to a shift in business to higher reimbursement esoteric testing which continues to be the principal driver in net revenue per patient.

The number of patients serviced during the three month period ended July 31, 2007 was approximately 953 thousand which was 22% greater when compared to the prior fiscal year's three month period. Net revenue per patient for the three month period ended July 31, 2006 was \$61.60 compared to net revenue per patient of \$68.08 for the three month period ended July 31, 2007, an increase of \$6.48 or 11%.

COST OF SERVICES:

Cost of Sales increased from \$24,683 for the three month period ended July 31, 2006 to \$32,467 for the three month period ended July 31, 2007, an increase of \$7,784 or 32% as compared to a 35% increase in net revenues. This increase is in line with the increase in net revenues. However, employee related expenses increased by \$3,153 (27%) and is primarily attributable to the acquisitions made in September, 2006. In addition, reagents and lab supplies increased by \$3,055 (44%) driven by an increase of 37% in the number of tests performed in the laboratory during the current quarter.

GROSS PROFITS:

Gross profits, increased from \$24,343 for the three month period ended July 31, 2006 to \$33,494 for the three month period ended July 31, 2007; an increase of \$9,151 or 38%. Gross profit margins increased 1% during the current quarter.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the three month period ended July 31, 2007 was \$26,322 as compared to \$19,567 for the three month period ended July 31, 2006, an increase of \$6,755 or 35%. This increase is in line with the increase in net revenues.

INTEREST EXPENSE:

Interest expense increased to \$639 during the three month period ended July 31, 2007 from \$363 during the three month period ended July 31, 2006. This increase is due to an increase in utilization and in the interest rates on 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 \$3,679 for the three month period ended July 31, 2006, as compared to \$4,189 for the three month period ended July 31, 2007 an increase of 14%. Pre-tax income for the period ended July 31, 2006 was \$4,459 compared to \$6,598 for the period ended July 31, 2007, an increase of 48%. The provision for income taxes increased from \$780 for the three month period ended July 31, 2006 to \$2,409 for the three month period ended July 31, 2007. Due to an increase in net income, management believes that our provision for income taxes will approximate 39% in the fourth quarter of the current fiscal year.

NINE MONTHS 2007 COMPARED TO NINE MONTHS 2006

NET REVENUES:

Net Revenues for the nine month period ended July 31, 2006 were \$139,133 as compared to \$180,636 for the nine month period ended July 31, 2007; this represents a 30% increase in net revenues. This increase is due to a 19% increase in patient counts and a 9% increase in revenue per patient due to a continuing shift in business to higher reimbursement esoteric testing.

The number of patients serviced during the nine month period ended July 31, 2007 was approximately 2.709 million which was 19% greater when compared to the prior fiscal year's nine month period. Net revenue per patient for the nine month period ended July 31, 2006 was \$60.19, compared to net revenue per patient for the nine month period ended July 31, 2007 of \$65.69, an increase of \$5.50 or 9%.

COST OF SERVICES:

Cost of Services increased to \$90,425 for the nine month period ended July 31, 2007 from \$70,678 for the nine month period ended July 31, 2006. This amounts to a \$19,747 or a 28% increase in direct operating costs. This increase is 2% less than the increase in net revenues of 30%. However, employee related expenses increased by \$8,211 (24%) and is primarily attributable to the acquisitions made on September, 2006. During the current nine month period our cost of reagents and lab supplies increased \$7,406 (38%) and the number of tests processed by the laboratory increased 31%.

GROSS PROFITS:

Gross profits on net revenues, increased to \$90,211 for the nine month period ended July 31, 2007 from \$68,455 for the nine month period ended July 31, 2006; an increase of \$21,756 (32%) primarily attributable to the increase in net revenues. Gross profit margins increased 1 percent during the current period.

GENERAL AND ADMINISTRATIVE EXPENSES:

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General and administrative expenses for the nine month period ended July 31, 2007 was \$73,592 as compared to \$57,240 for the nine month period ended July 31, 2006, an increase of \$16,352 or 29%. This increase is 1% less than the increase in net revenues.

INTEREST EXPENSE:

Interest expense increased to \$1,746 during the nine month period ended July 31, 2007 as compared to \$970 during the nine month period ended July 31, 2006, an increase of \$776. 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 \$7,580 for the nine months ended July 31, 2006 as compared to \$9,313 for the nine month period ended July 31, 2007, an increase of \$1,733 or 23%. Pre-tax income for the period ended July 31, 2006 was \$10,356, as compared to \$15,052 for the period ended July 31, 2007, an increase of \$4,696 (45%). The provision for income taxes increased from \$2,776 for the period ended July 31, 2006, to \$5,739 for the current nine month period.

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LIQUIDITY AND CAPITAL RESOURCES:

Our working capital at July 31, 2007 was \$47,427 as compared to \$39,493 at October 31, 2006 an increase of \$7,934. Our cash position increased by \$2,644 during the current period. We borrowed \$6,554 in short term debt and repaid \$2,885 in existing debt. We had current liabilities of \$57,196 at July 31, 2007. We generated \$3,118 in cash from operations, compared to \$2,147 in cash from operations for the period ended July 31, 2006, an overall increase of \$971 in cash generated from operations year over year.

Accounts receivable, net of allowance for doubtful accounts, totaled \$80,548 at July 31, 2007, an increase of \$12,770 from October 31, 2006 or 19%. This increase was primarily attributable to increased revenue. Cash collected during the nine month period ended July 31, 2007 increased 30% over the comparable nine 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 July 31, 2007, decreased to 114 days, a decrease of 3 days, or 3%, from the 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 PNC Bank, N.A. (PNC Bank). The maximum amount of the credit line available to the Company pursuant to the loan agreement 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. The amendment to the Loan and Security Agreement provides for interest on advances to be subject, at the Company's option, to the bank's prime rate or the Eurodollar rate of interest plus, in certain instances, an additional interest percentage. The additional interest percentage charges on Eurodollar borrowings range from 1% to 4% and are determined based upon certain financial ratios achieved by the Company. At July 31, 2007, the Company had elected to have \$16,000 of the total advances outstanding converted into a Eurodollar rate loan with a variable interest rate of 6.855%. The remaining outstanding advances were subject to the bank's prime rate of interest. At July 31, 2007, advances outstanding of \$7,250 were subject to interest at the bank's 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 July 31, 2007, the Company utilized \$23,250 of available unused credit under this revolving note payable loan agreement.

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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 subsidiary, BRLI No. 2 Acquisition Corp. to fund the \$5 million acquisition Cash Payment in connection with the 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

| | Over the Next Five Years | FY2007 |
|---------------------------------|-------------------------------------|---------------|
| Long - Term Debt | \$ 5,020 | \$ 839 |
| Capital Leases | 5,564 | 2,478 |
| Operating Leases | 1,998 | 1,511 |
| Purchase Obligations | 24,651 | 6,128 |
| Employment/Consultant Contracts | 7,990 | 2,680 |
| Total | \$ 45,223 | \$ 13,636 |

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Our cash balance at July 31, 2007 totaled \$11,598 as compared to \$8,954 at October 31, 2006. In September 2006, we acquired certain assets of a Maryland genetics testing laboratory, GeneDx. We made a \$5 million cash payment, delivered 230,947 shares of our unregistered common stock valued at \$5 million, and assumed certain GeneDx liabilities to complete the acquisition. The Purchase Agreement also provides for an upside Contingent Payment, not to exceed \$7 million, payable partly in cash and partly in stock, dependent upon the performance of GeneDx's operations during the four twelve month measuring periods commencing October 1, 2006. The maximum amount payable with respect to the first measuring period is approximately \$2 million. 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. 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

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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. These estimated net realizable amounts from patients, third party payors and others for services rendered, are accrued on an estimated basis in the period the related services are rendered and adjusted in subsequent periods based upon an analysis of the Company's collection experience from each category of payor group as well as prospectively determined contractual adjustments and discounts with third party payors. Differences between these adjustments and any subsequent revisions are included in the statement of operations in which the revisions are made and are disclosed, if material. Applying this methodology and aggregating its collection experience from all payor groups, the Company has not been required to record an adjustment related to revenue recorded in prior periods that was material in nature.

Accounting for Contractual Adjustments (Credits) and Doubtful Accounts

An allowance for contractual credits and discounts is estimated by payor group and determined based upon a review of the reimbursement policies and subsequent collections from the different types of payors. The Company has not been required to record an adjustment in a subsequent period related to revenue recorded in a prior period, that was material in nature.

Accounting for Doubtful Accounts

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 an allowance for doubtful accounts at an appropriate level based on the

Company's experience with its accounts receivable. The Company writes off receivables 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 transfer 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.

Our annual effective tax rate is estimated quarterly on a cumulative basis in accordance with FASB Statement No.109. The estimated effective tax rate is computed based upon both historical and projected factors and is therefore subject to change during the year. Some of the factors which may affect the effective tax rate include the execution of additional capital leases, the exercise of stock options and the attainment of designated benchmarks in connection with some of our acquisitions. As we approach the completion of a fiscal year, we are able to estimate our annual effective tax rate to a greater degree based upon historical factors and to a lesser degree based upon projected factors. We now estimate that the effective tax rate for our 2007 fiscal year will approximate 39%.

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.

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- 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 July 31, 2007, advances of approximately \$7,250 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 \$16,000 of advances outstanding at said date

converted into a Eurodollar rate loan with a variable interest rate of 6.855%.

We estimate that our monthly cash interest expense at July 31, 2007 was approximately \$198 and that a one percentage point increase or decrease in short-term rates would increase or decrease our monthly interest expense by approximately \$19.

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(e) and 15d-15(e) 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 (i) recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). There were no significant changes in the Company's internal control over financial reporting identified in management's evaluation during the third quarter of fiscal 2007 that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Report of Management on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that i) pertain to the maintenance of records that in reasonable detail accurately reflect the transactions and dispositions of the assets of the Company; ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Internal control over financial reporting cannot provide absolute assurance regarding the prevention or detection of misstatements because of inherent limitations. These inherent limitations are known by management and considered in the design of the Company's internal control over financial reporting which reduce, though not eliminate this risk.

BIO-REFERENCE LABORATORIES, INC.**PART II OTHER INFORMATION**Item 4 Submission to a Vote of Security Holders

Our Annual Meeting of Stockholders was held on July 19, 2007. At the meeting, the following two individuals were elected by the following vote to serve as Class I directors, each for a term of three years and until his successor is duly elected and qualified.

| | For | Withheld |
|-----------------|------------|-----------------|
| Marc D. Grodman | 10,460,613 | 347,823 |
| Howard Dubinett | 10,061,043 | 747,393 |

Our other directors whose term continued are as follows:

| | |
|------------------|--------------------|
| Sam Singer | Class II director |
| Harry Elias | Class II director |
| Joseph Benincasa | Class III director |
| Gary Lederman | Class III director |
| John Roglieri | Class III director |

Item 6. Exhibits

| | |
|-----|---|
| 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 |

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SIGNATURES

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

BIO-REFERENCE LABORATORIES, INC.
(Registrant)

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

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

Date: September 6, 2007

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