BIO REFERENCE LABORATORIES INC
Form 10-Q
June 08, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2009

Or

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

For the transition period from to

Commission File Number 0-15266

BIO-REFERENCE LABORATORIES, INC.

(Exact name of registrant as specified in its charter)

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

481 Edward H. Ross Drive, Elmwood Park, NJ **07407**
(Address of principal executive offices) (Zip Code)

(201) 791-2600

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of the issuer s common stock, as of the latest practicable date: 13,807,808 shares of Common Stock ($.01 par value) at June 8, 2009.

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BIO-REFERENCE LABORATORIES, INC.

FORM 10-Q

April 30, 2009

I N D E X

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Item 1

BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

PART I FINANCIAL INFORMATION

CONSOLIDATED BALANCE SHEETS

[Dollars In Thousands Except Per Share Data]

ASSETS

	April 30, 2009 (Unaudited)	October 31, 2008
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 13,275	$ 12,696
Accounts Receivable - Net	99,970	93,718
Inventory	3,674	3,731
Other Current Assets	2,251	1,771
Deferred Tax Assets	8,659	7,635
TOTAL CURRENT ASSETS	127,829	119,551
PROPERTY AND EQUIPMENT - AT COST	47,274	42,688
LESS: Accumulated Depreciation	21,840	18,231
PROPERTY AND EQUIPMENT - NET	25,434	24,457
OTHER ASSETS:		
Deposits	571	525
Goodwill - Net	19,072	19,072
Intangible Assets - Net	5,007	5,574
Other Assets	1,280	1,224
Deferred Tax Asset	1,078	908
TOTAL OTHER ASSETS	27,008	27,303
TOTAL ASSETS	$ 180,271	$ 171,311

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

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

[Dollars In Thousands Except Per Share Data]

LIABILITIES AND SHAREHOLDERS EQUITY

	April 30, 2009 (Unaudited)	October 31, 2008
CURRENT LIABILITIES:		
Accounts Payable	$ 21,874	$ 25,801
Accrued Salaries and Commissions Payable	7,155	5,590
Accrued Taxes and Expenses	3,466	7,315
Revolving Note Payable - Bank	25,839	18,831
Current Maturities of Long-Term Debt	1,185	1,175
Capital Lease Obligations - Short-Term Portion	2,316	2,278
TOTAL CURRENT LIABILITIES	61,835	60,990
LONG-TERM LIABILITIES		
Capital Lease Obligations - Long-Term Portion	3,101	3,052
Long - Term Debt Net of Current Portion	5,135	5,729
TOTAL LONG-TERM LIABILITIES	8,236	8,781
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Preferred Stock $.10 Par Value; Authorized 1,666,667 shares, including 3,000 shares of Series A Junior Preferred Stock None Issued		
Common Stock, $.01 Par Value; Authorized 35,000,000 shares: Issued and Outstanding 13,799,308 and 13,776,795 at April 30, 2009 and at October 31, 2008, respectively	138	138
Additional Paid-In Capital	42,517	42,085
Retained Earnings	67,545	59,317
TOTAL SHAREHOLDERS EQUITY	110,200	101,540
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$ 180,271	$ 171,311

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,		Six months ended April 30,	
	2009	2008	2009	2008
NET REVENUES:	$ 87,183	$ 75,180	$ 162,918	$ 142,059
COST OF SERVICES:				
Depreciation and Amortization	1,770	1,407	3,445	2,783
Employee Related Expenses	20,371	18,384	39,453	34,859
Reagents and Laboratory Supplies	14,774	11,736	26,655	21,992
Other Cost of Services	7,971	7,471	15,373	14,592
TOTAL COST OF SERVICES	44,886	38,998	84,926	74,226
GROSS PROFIT ON REVENUES	42,297	36,182	77,992	67,833
GENERAL AND ADMINISTRATIVE EXPENSES:				
Depreciation and Amortization	602	586	1,191	1,143
General and Administrative Expenses	21,215	19,488	40,393	37,116
Bad Debt Expense	12,122	9,893	23,080	19,095
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	33,939	29,967	64,664	57,354
INCOME FROM OPERATIONS	8,358	6,215	13,328	10,479
OTHER (INCOME) EXPENSE:				
Interest Expense	415	584	858	1,186
Interest Income	(39)	(67)	(92)	(148)
Other (Income) Expense			(1,600)	
TOTAL OTHER EXPENSES - NET	376	517	(834)	1,038
INCOME BEFORE INCOME TAXES	7,982	5,698	14,162	9,441
Provision for Income Taxes	3,352	2,271	5,934	3,806
NET INCOME	$ 4,630	$ 3,427	$ 8,228	$ 5,635
NET INCOME PER COMMON SHARE - BASIC:	$ 0.34	$ 0.25	$ 0.60	$ 0.41
WEIGHTED AVERAGE NUMBER OF SHARES - BASIC:	13,798,908	13,783,140	13,792,167	13,774,146
NET INCOME PER COMMON SHARE - DILUTED:	$ 0.33	$ 0.25	$ 0.59	$ 0.40
WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED:	13,911,509	13,984,890	13,909,110	13,993,553

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	
	2009	**2008**
OPERATING ACTIVITIES:		
Net Income	$ 8,228	$ 5,635
Adjustments to Reconcile Net Income to Cash Provided by (Used for) Operating Activities:		
Depreciation and Amortization	4,636	3,926
Amortization of Deferred Compensation		6
Deferred Income Tax (Benefit) Expense	(1,194)	(50)
Stock Based Compensation	40	86
(Gain) Loss on Disposal of Fixed Assets	166	280
Change in Assets and Liabilities, (Increase) Decrease in:		
Accounts Receivable	(8,887)	(5,393)
Provision for Doubtful Accounts	2,635	967
Inventory	57	(561)
Other Current Assets	(480)	(1,019)
Other Assets and Deposits	(102)	(150)
Increase (Decrease) in:		
Accounts Payable and Accrued Liabilities	(4,044)	3,209
NET CASH - OPERATING ACTIVITIES	1,055	6,936
INVESTING ACTIVITIES:		
Acquisition of Equipment and Leasehold Improvements	(3,877)	(2,847)
Business Acquisitions and Related Costs	(1,917)	(1,917)
NET CASH - INVESTING ACTIVITIES	(5,794)	(4,764)
FINANCING ACTIVITIES:		
Payments of Long-Term Debt	(584)	(436)
Payments of Capital Lease Obligations	(1,248)	(1,497)
Increase (Decrease) in Revolving Line of Credit	7,008	(2,684)
Proceeds from Exercise of Options	142	607
NET CASH - FINANCING ACTIVITIES	5,318	(4,010)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	579	(1,838)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIODS	12,696	11,897
CASH AND CASH EQUIVALENTS AT END OF PERIODS	$ 13,275	$ 10,059
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		

Cash paid during the period for:				
Interest	$	872	$	1,245
Income Taxes	$	9,045	$	4,657

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

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SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:

[Dollars In Thousands Except Per Share Data]

During the six month periods ended April 30, 2009 and April 30, 2008 the Company entered into capital leases totaling $1,335 and $2,593 respectively.

During the six month periods ended April 30, 2009 and April 30, 2008, the Company wrote-off approximately $626 and $2,815 of furniture and equipment that were fully depreciated.

During the six month periods ended April 30, 2009 and April 30, 2008 the Company wrote-off approximately $300 and $2,333 of intangible assets that were fully amortized.

During the six month periods ended April 30, 2009 and April 30, 2008 the Company recorded approximately $40 and $86 of stock based compensation expense under the FAS123R related to granting of stock options and shares of company s stock.

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

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BIO-REFERENCE LABORATORIES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(UNAUDITED)

[1] The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary for a fair presentation of the financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. However, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial position and operating results have been included in the statements. Interim results are not necessarily indicative of results for a full year. Reference is made to the October 31, 2008 consolidated financial statements of Bio-Reference Laboratories, Inc. contained in its Annual Report on Form 10-K for the year ended October 31, 2008.

[2] The consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes for the year ended October 31, 2008 as filed with the Securities and Exchange Commission in the Company s Annual Report on Form 10-K.

[3] The significant accounting policies followed by the Company are set forth in Note 2 to the Company s consolidated financial statements in the October 31, 2008 Form 10-K. On November 1, 2008, the Company adopted SFAS 157, Fair Value Measurements . This statement provides a single definition of fair value, establishes a framework for measuring fair value in U.S. generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 creates a three-level hierarchy for the inputs used in the valuation techniques to derive fair values where Level 1 is having the highest priority and Level 3 having the lowest priority.

	4/30/2009	Quoted Prices in Active Markets for Identical Assets/Liabilities Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Cash surrender value of officers life insurance policies	$ 1,280		$ 1,280	

The adoption of SFAS No. 157 did not have a material impact on our fair value measurements.

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

[5] Service revenues are principally generated from laboratory testing services including chemical diagnostic tests such as blood analysis, urine analysis and genetic testing among others. Net service revenues are recognized at the time the testing services are performed and are reported at their estimated net realizable amounts. Net 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 April 30 [Unaudited]		Six Months Ended April 30 [Unaudited]	
	2009	2008	2009	2008
Medicare/Medicaid	$ 61,382	$ 48,338	$ 113,767	$ 91,861
Other	199,977	131,542	358,863	245,280
	$ 261,359	$ 179,880	$ 472,630	$ 337,141

A number of proposals for legislation or regulation continue to be under discussion which could have the effect of substantially reducing Medicare reimbursements for clinical laboratories or introducing cost sharing to beneficiaries. Depending upon the nature of regulatory action, if any, which is taken and the content of legislation, if any, which is adopted, the Company could experience a significant decrease in revenues from Medicare and Medicaid, which could have a material adverse effect on the Company. The Company is unable to predict, however, the extent to which such actions will be taken.

[6] 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, which 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 accounts receivable 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. Accounts Receivable on the balance sheets are net of the following amounts for contractual credits and doubtful accounts:

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	[Unaudited] April 30, 2009	October 31, 2008
Contractual Credits/Discounts	$ 110,288	$ 78,042
Doubtful Accounts	18,278	15,643
Total Allowance	$ 128,566	$ 93,685

[7] In December 2007 the FASB issued FAS 141(R) Business Combinations and FAS 160 Noncontrolling Interests in Consolidated Financial Statements These statements are effective for fiscal years and interim periods within those fiscal years in the case of FAS 160, beginning on or after December 15, 2008. Earlier adoption is prohibited. Together these statements revise the accounting rules with respect to accounting for business combinations.

Specifically, the objective of FAS 141(R) is to improve the relevance, representational faithfulness and comparability of the information that the reporting entity provides in its financial reports about a business combination and its effects. This statement thus establishes principles and requirements for how the acquirer:

Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree.

Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase.

Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

The objective of FAS 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require:

The ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent s equity.

The amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income.

Changes in a parent s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. A parent s ownership interest in a subsidiary changes if the parent purchases additional ownership interests in its subsidiary or if the parent sells some of its ownership interests in its subsidiary. It also changes if the subsidiary reacquires some of its ownership interests or the subsidiary issues additional ownership interests. All of those transactions are economically similar, and this Statement requires that they be accounted for similarly, as equity transactions.

When a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any noncontrolling equity investment rather than the carrying amount of that retained investment.

Entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners.

Together these statements are not currently expected to have a significant impact on the entity s consolidated financial statements. A significant impact may however be realized on any future acquisition(s) by this Company. The amounts of such impact can not be currently determined and will depend on the nature and terms of such future acquisition(s), if any.

In April 2008, the FASB issued FASB FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3) . FSP FAS 142-3 removed the requirement of SFAS No. 142 *, Goodwill and Other Intangible Assets* (SFAS 142) *,* for an entity to consider, when determining the useful life of an acquired intangible asset, whether the intangible asset can be renewed without substantial cost or material modification to the existing terms and conditions associated with the intangible asset. FSP FAS 142-3 replaces the previous useful life assessment criteria with a requirement that an entity considers its own experience in renewing similar arrangements. If the entity has no relevant experience, it would consider market participant assumptions regarding renewal. This should lead to greater consistency between the useful life of recognized intangibles under SFAS 142 and the period of expected cash flows used to measure fair value of such assets under SFAS No. 141(R), *Business Combinations* . This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The adoption of this statement is not expected to have a material impact on our financial position, results of operations, or cash flows.

In May 2008, FASB issued two new Financial Accounting Standards No. 162 The Hierarchy of Generally Accepted Accounting Principles and No. 163 Accounting for Financial Guarantee Insurance Contracts an interpretation of FASB Statement No. 60 . FAS #162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of* Present Fairly in Conformity With Generally Accepted Accounting Principles. This statement is not expected to have a material impact on the reporting of our results of operations. FAS #163 is primarily geared towards financial guarantee insurance contracts by insurance enterprises. It is not expected to have any material effect on the reporting of our results of operations.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* . This FSP amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments,* to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting,* to require those disclosures in summarized financial information at interim reporting periods. This FSP shall be effective for interim reporting periods ending after June 15, 2009. The Company will comply with the additional disclosure requirements beginning in the third quarter of fiscal 2009.

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In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* . This FSP amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. The FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The FSP shall be effective for interim and annual reporting periods ending after June 15, 2009. The Company currently does not have any financial assets that are other-than-temporary impaired .

In April 2009, the SEC released Staff Accounting Bulletin No. 111 (SAB 111), which amends SAB Topic 5-M. SAB 111 notes that FSP No. 115-2 and FAS 124-2 were scoped to debt securities only, and the FSP referred readers to SEC SAB Topic 5-M for factors to consider with respect to other-than-temporary impairments for equity securities. With the amendments in SAB 111, debt securities are excluded from the scope of Topic 5-M, but the SEC staff s views on equity securities are still included within the topic. The Company currently does not have any financial assets that are other-than-temporary impaired.

In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* , to address some of the application issues under SFAS 141(R). The FSP deals with the initial recognition and measurement of an asset acquired or a liability assumed in a business combination that arises from a contingency provided the asset or liability s fair value on the date of acquisition can be determined. When the fair value can t be determined, the FSP requires using the guidance under SFAS No. 5, *Accounting for Contingencies,* and FASB Interpretation (FIN) No. 14, *Reasonable Estimation of the Amount of a Loss* .. This FSP was effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after January 1, 2009. The adoption of this FSP has not had a material impact on our financial position, results of operations, or cash flows.

[8] During the period ended January 31, 2009, the Company executed a Restitution Agreement with a former Vice President in sales (the former employee). The former employee paid the Company $1,600,000 (Not in Thousands) for payments made to him and others that were from our perspective, improperly paid. These payments were paid for a) recruiting fees for new hires paid to parties with an undisclosed relationship to him and b) reimbursement to him or others of improperly or insufficiently documented expenses; both of which were in violation of the Company s policies (see Form 8-K; filed January 26, 2009 for more information). This amount is presented as Other Income in the Company s consolidated statement of operations.

[9] The following disclosures present certain information on the Company s intangible assets as of April 30, 2009 (Unaudited) and October 31, 2008. All intangible assets are being amortized over their estimated useful lives, as indicated below, with no estimated residual value.

[Unaudited}

April 30, 2009

Intangible Asset	Weighted-Average Amortization Period	Cost	Accumulated Amortization	Net of Accumulated Amortization
Customer Lists	20	$ 4,573	$ 1,777	$ 2,796
Covenants Not-to-Compete	5	4,205	2,189	2,016
Patent	17	316	121	195

Totals	$ 9,094	$ 4,087	$ 5,007

October 31, 2008

Intangible Asset	Weighted-Average Amortization Period	Cost	Accumulated Amortization	Net of Accumulated Amortization
Customer Lists	20	$ 4,873	$ 1,941	$ 2,932
Covenants Not-to-Compete	5	4,205	1,768	2,437
Patent	17	316	111	205
Totals		$ 9,394	$ 3,820	$ 5,574

The aggregate intangible amortization expense for the three months ended April 30, 2009 and 2008 was $282 and $285, respectively, and for the six months ended April 30, 2009 and 2008 was $567 and $571, respectively. The estimated intangible asset amortization expense for the fiscal year ending October 31, 2009 and thereafter is as follows:

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Year Ended October 31,		Amortization Expense
2009	$	1,108
2010		1,021
2011		595
2012		201
2013		201
Thereafter		1,881
Total	$	5,007

[10] In May 2008, the Company entered into an amended revolving note payable loan agreement with PNC Bank, N.A. (the bank). The maximum amount of the credit line available to the Company pursuant to the loan agreement is the lesser of (i) $40,000 or (ii) 50% of the Company s qualified accounts receivable [as defined in the agreement]. The amendment to the Loan and Security Agreement provides for interest on advances to be subject to the bank s prime rate or the Eurodollar rate of interest plus, in certain instances, an additional interest percentage. The additional interest percentage charges on Eurodollar borrowings range from 1% to 4% and are determined based upon certain financial ratios achieved by the Company. At April 30, 2009, the Company had elected to have all of the total advances outstanding to be subject to the bank s prime rate of interest of 3.25%. The credit line is collateralized by substantially all of the Company s assets. The line of credit is available through October 2012 and may be extended for annual periods by mutual consent, thereafter. The terms of this agreement contain, among other provisions, requirements for maintaining defined levels of capital expenditures, fixed charge coverage, and the prohibition of the payment by the Company of cash dividends. As of April 30, 2009, the Company utilized $25,839 of the available credit under this revolving note payable loan agreement.

Effective as of October 31, 2007, we executed a fifth amendment to the Loan Agreement formalizing the repayment terms of the $5 million term loan from PNC Bank used by our wholly-owned BRLI No. 2 Acquisition Corp. subsidiary to fund the $5 million acquisition cash payment in connection with its purchase of the operating assets of GeneDx, Inc. The term loan is evidenced by a secured promissory note payable over a six year term in equal monthly principal payments of approximately $69, plus interest at an annual rate of 6.85%. The balance on this note as of April 30, 2009 is approximately $2,917.

Pursuant to this agreement the Company made a cash payment to the prior owners of GeneDx, as certain financial goals were achieved, of $1,917 and 11,548 shares of BRLI s common stock during the period ended January 31, 2009.

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 approximately $47 including principal and interest, with payment commencing on March 1, 2007 at an effective interest rate of 6.63% per annum. The balance on this note as of April 30, 2009 is approximately $3,398.

[11] The provision for income taxes for the three months ended April 30, 2009, consists of a current tax provision of $4,006 and a deferred tax benefit of $654. The provision for income taxes for the six months ended April 30, 2009, consists of a current tax provision of $7,326 and a deferred tax benefit of $1,392. On April 30, 2009, the Company had a current deferred tax asset of $8,659 included in other current assets and a long-term deferred tax asset of $1,078 included in other assets. The provision for income taxes for the three months ended April 30, 2008, consists of a current tax provision of $1,809 and a deferred tax expense of $462. The provision for income taxes for the six months ended April 30, 2008, consists of a current tax provision of $3,856 and a deferred tax benefit of $50.

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Item 2.

MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

OVERVIEW

We are a 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 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, the label under which we provide our cancer and oncology services, is recognized for the superior hematopathology services it provides throughout 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 currently only three publicly-traded full service laboratories operating in the U.S. While that means that the two national mega-laboratories and BioReference Laboratories are the only remaining publicly traded full service commercial laboratories, there are numerous hospital outreach programs and smaller reference laboratories that compete for the commercial clinical laboratory business scattered throughout the country. Clinical laboratories have had to improve efficiency, leverage economies of scale, comply with government regulations and other laws and develop more profitable approaches to pricing. Moreover, there has been a proliferation of technology advancements in clinical diagnostics over the last decade that has created significant opportunities for new testing and growth.

As a full service clinical laboratory, we are constantly looking for new technologies and new methodologies that will help us to grow. Since the turn of the century, our size alone has made us attractive to companies that are driving the advances in technology. We represent a significant opportunity for these companies to market their products 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 cardiology, histology and women s health to go along with our existing hemostasis, hematopathology and correctional healthcare initiatives which have already been established and in which we have been increasing our market share for the past several years. We 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 in 2000. Over the next six years, based on the reputation and expertise of the founders and the outstanding team they built around themselves, along with a very focused and dedicated understanding of the science of genetics, GeneDx became known as one of the premier genetic testing laboratories for the diagnosis of rare genetic diseases. The Company believed that the promise of genetic testing is in the diagnosis of the genetic variants of common diseases. It 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. During the past year, GeneDx introduced GenomeDx, a new test based on Comparative Genomic Hybridization Array technology, a high-speed, chip-based technology, that has allowed GeneDx to move to the forefront of an emerging technology platform. 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. This increase has continued through the first two quarters of fiscal 2009.

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 informatic 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.

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 two summers ago and general pressures from the government have made development of an electronic medical record system and Pay-for Performance reimbursement priority goals in the healthcare industry. A large portion of an individual s medical record consists of laboratory data and a key performance indicator in any Pay-for-Performance initiative is laboratory result data. Our CKM system is a mature, full functioning solution that will allow us to play a role in these important national initiatives.

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

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Summary

During the period ended January 31, 2009, the Company executed a Restitution Agreement with John Littleton, a former Vice President in sales. Mr. Littleton paid the Company $1,600,000 for payments made to him and others that were from our perspective, improperly paid. These payments were paid for a) recruiting fees for new hires paid to parties with an undisclosed relationship to him and b) reimbursement to him or others of improperly or insufficiently documented expenses; both of which are in violation of the Company s policies (See Other Income in table below). As such, in certain areas within the Management s Discussion and Analysis we will present an analysis of our operating results including the restitution amount and pro-forma operating results excluding the restitution amount (it will be labeled as such).

(Dollars in Thousands except Per Share Data)

(Unaudited)

Six Months Ended

April 30,

	Pro Forma 2009	Actual 2009	2008
Net Revenues	162,918	$ 162,918	$ 142,059
Total Cost of Services	84,926	84,926	74,226
Gross Profit on Revenues	$ 77,992	$ 77,992	$ 67,833
Total General and Administrative Expenses	64,664	64,664	57,354
Operating Income	13,328	13,328	10,479
Other (Income) Expense, Net	766	(834)	1,038
Income Before Taxes	$ 12,562	$ 14,162	$ 9,441
Taxes	5,263	5,934	3,806
Net Income	$ 7,299	$ 8,228	$ 5,635
Income Per Share	$ .53	$ .60	$ .41
Number of Shares	13,792,167	13,792,167	13,774,146
Income Per Share (Diluted)	$ .52	$ .59	$ .40
Number of Shares (Diluted)	13,909,110	13,909,110	13,993,553

OPERATING RESULTS (In Thousands)

COMPARISON OF SECOND QUARTER 2009 VS SECOND QUARTER 2008

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

NET REVENUES:

Net revenues for the three month period ended April 30, 2008 were $75,180 as compared to $87,183 for the three month period ended April 30, 2009; which represents a 16% increase in net revenues. This increase is due to a 7% increase in patient counts and an increase in revenue per patient of 8% 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, 2009 was 1,127 thousand which was 7% greater when compared to the prior fiscal year s three month period. Net revenue per patient for the three month period ended April 30, 2008 was $70.95 compared to net revenue per patient of $76.74 for the three month period ended April 30, 2009, an increase of $5.79 or 8%.

COST OF SERVICES:

Cost of Services increased from $38,998 for the three month period ended April 30, 2008 to $44,886 for the three month period ended April 30, 2009, an increase of $5,888 or 15%. This increase in Cost of Services is basically in line with the increase in sales.

GROSS PROFITS:

Gross profits increased from $36,182 for the three month period ended April 30, 2008 to $42,297 for the three month period ended April 30, 2009, an increase of $6,115 or 17%. Gross profit margin increased from 48% in fiscal 2008 to 49% in fiscal 2009.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the three month period ending April 30, 2008 were $29,967 as compared to $33,939 for the quarter ended April 30, 2009, an increase of $3,972 or 13%. This increase is in line with the increase in net revenues.

INTEREST EXPENSE:

Interest expense decreased to $415 during the three month period ending April 30, 2009 from $584 during the three month period ended April 30, 2008. This decrease is due to a decrease in PNC Bank s prime rate to 3.25%. Management believes that this trend will continue in the short-term due to the bank s lower prime rate.

INCOME:

We realized net income of $4,630 for the three month period ended April 30, 2009, as compared to $3,427 for the three month period ended April 30,

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2008, an increase of $1,203 or 35%. Pre-tax income for the period ended April 30, 2009 was $7,982, compared to $5,698 for the three month period ended April 30, 2008, an increase of $2,284 or 40%. The provision for income taxes increased from $2,271 for the three month period ended April 30, 2008 to $3,352 for the period ended April 30, 2009.

SIX MONTHS 2009 COMPARED TO SIX MONTHS 2008

NET REVENUES:

Net Revenues for the six month period ended April 30, 2008 were $142,059 as compared to $162,918 for the six month period ended April 30, 2009; this represents a 15% increase in net revenues. This increase is due to a 4% increase in patient counts and an increase in revenue per patient of 10%.

The number of patients serviced during the six month period ended April 30, 2009 was 2,092 which was 4% greater when compared to the prior fiscal year s six month period. Net revenue per patient for the six month period ended April 30, 2008 was $69.94, compared to net revenue per patient for the six month period ended April 30, 2009 of $77.23, an increase of $7.29 or 10%.

COST OF SERVICES:

Cost of Services increased to $84,926 for the six month period ended April 30, 2009 from $74,226 for the six month period ended April 30, 2008. This represents a 14% increase in direct operating costs. This increase in cost of services is basically in line with the increase in sales.

GROSS PROFITS:

Gross profits on net revenues, increased to $77,992 for the six month period ended April 30, 2009 from $67,833 for the six month period ended April 30, 2008; an increase of $10,159 (15%). Gross profit margins remained constant between comparable periods at 48%.

GENERAL AND ADMINISTRATIVE EXPENSES:

General and administrative expenses for the six month period ended April 30, 2008 were $57,354 as compared to $64,664 for the six month period ended April 30, 2009. This represents an increase of $7,310 or 13%. This increase is in line with the increase in net revenues.

INTEREST EXPENSE:

Interest expense decreased to $858 during the six month period ending April 30, 2009 as compared to $1,186 during the six month period ending April 30, 2008, a decrease of $328. This decrease is due to a decrease in PNC Bank s prime rate to 3.25%. Management believes that this trend will continue in the short-term due to the bank s lower prime rate.

INCOME:

We realized net income of $8,228 for the six month period ended April 30, 2009 as compared to $5,635 for the six month period ended April 30, 2008, an increase of 46%. On a pro-forma basis (which excludes the restitution amount), the increase year over year would have been 30% not 46% as reported above.

Pre-tax income for the period ended April 30, 2009 was $14,162 as compared to $9,441 for the period ended April 30, 2008, an increase of $4,721 (50%). The provision for income taxes increased from $3,806 for the period ended April 30, 2008, to $5,934 (56%) for the current six month period. Our tax rate increased from 40% to 42%. However, on a pro-forma basis our pretax income for the period ended April 30, 2009 would have been $12,562 an increase of $3,121 (33%). Our tax provision would have been $5,263 or 42%.

The most profound change on a pro-forma basis would have been that our fully-diluted earnings per share (EPS) went from $.59 under the current operating results to $.52 on a pro-forma basis a difference of $.07 per share, which is more reflective of our true operating results.

LIQUIDITY AND CAPITAL RESOURCES [In Thousands]:

Our working capital at April 30, 2009 was $65,994 as compared to $58,561 at October 31, 2008 an increase of $7,433. Our cash position increased by $579 during the current period. We increased our short term debt by $7,008 and repaid $1,832 in existing debt. We had current liabilities of $61,835 at April 30, 2009. We generated $1,055 in cash from operations, compared to $6,936 in cash from operations for the quarter ended April 30, 2008, an overall decrease of $5,881 in cash generated from operations year over year.

Accounts receivable, net of allowance for doubtful accounts, totaled $99,970 at April 30, 2009, an increase of $6,252 from October 31, 2008 or 7%. This increase was primarily attributable to increased revenue. Cash collected during the three month period ended April 30, 2009 increased 12% over the comparable three month period in 2008.

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.

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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, 2009 was 104 days, a decrease of 5 days, or 5%, from the 109 days that we reported for the period ended April 30, 2008 and a 10% decrease from January 31, 2009.

In May 2008, the Company entered into an amended revolving note payable loan agreement with PNC Bank, N.A. (the bank). The maximum amount of the credit line available to the Company pursuant to the loan agreement is the lesser of (i) $40,000 or (ii) 50% of the Company s qualified accounts receivable [as defined in the agreement]. The amendment to the Loan and Security Agreement provides for interest on advances to be subject to the bank s prime rate or the Eurodollar rate of interest plus, in certain instances, an additional interest percentage. The additional interest percentage charges on Eurodollar borrowings range from 1% to 4% and are determined based upon certain financial ratios achieved by the Company. At April 30, 2009, the Company had elected to have all of the total advances outstanding to be subject to the bank s prime rate of interest of 3.25%. The credit line is collateralized by substantially all of the Company s assets. The line of credit is available through October 2012 and may be extended for annual periods by mutual consent, thereafter. The terms of this agreement contain, among other provisions, requirements for maintaining defined levels of capital expenditures, fixed charge coverage, and the prohibition of the payment by the Company of cash dividends. As of April 30, 2009, the Company utilized $25,839 of the available credit under this revolving note payable loan agreement.

Effective as of October 31, 2007, we executed a fifth amendment to the Loan Agreement formalizing the repayment terms of the $5 million term loan from PNC Bank used by our wholly-owned BRLI No. 2 Acquisition Corp. subsidiary to fund the $5 million acquisition cash payment in connection with its purchase of the operating assets of GeneDx, Inc. The term loan is evidenced by a secured promissory note payable over a six year term in equal monthly principal payments of approximately $69, plus interest at an annual rate of 6.85%. The balance on this note as of April 30, 2009 is approximately $2,917.

Pursuant to this agreement the Company made a cash payment to the prior owners of GeneDx, as certain financial goals were achieved, of $1,917 and 11,548 shares of BRLI s common stock during the period ended January 31, 2009.

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 approximately $47 including principal and interest, with payment commencing on March 1, 2007 at an effective interest rate of 6.63% per annum. The balance on this note as of April 30, 2009 is approximately $3,398.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	FY2009
Long - Term Debt	$ 6,904	$ 1,180
Capital Leases	5,732	2,469
Operating Leases	2,829	2,294
Purchase Obligations	49,691	17,042
Employment/Consultant Contracts	12,622	3,568
Total	$ 77,778	$ 26,553

Our cash balance at April 30, 2009 totaled $13,275 as compared to $12,696 at October 31, 2008. 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 2009.

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

New Authoritative Pronouncements

In December 2007 the FASB issued FAS 141(R) Business Combinations and FAS 160 Noncontrolling Interests in Consolidated Financial Statements These statements are effective for fiscal years and interim periods within those fiscal years in the case of FAS 160, beginning on or after December 15, 2008. Earlier adoption is prohibited. Together these statements revise the accounting rules with respect to accounting for business combinations.

Specifically, the objective of FAS 141(R) is to improve the relevance, representational faithfulness and comparability of the information that the reporting entity provides in its financial reports about a business combination and its effects. This statement thus establishes principles and requirements for how the acquirer:

Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree.

Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase.

Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

The objective of FAS 160 is to improve the relevance, comparability, and transparency of the financial information that a reporting entity provides in its consolidated financial statements by establishing accounting and reporting standards that require:

The ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent s equity.

The amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income.

Changes in a parent s ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. A parent s ownership interest in a subsidiary changes if the parent purchases additional ownership interests in its subsidiary or if the parent sells some of its ownership interests in its subsidiary. It also changes if the subsidiary reacquires some of its ownership interests or the subsidiary

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issues additional ownership interests. All of those transactions are economically similar, and this Statement requires that they be accounted for similarly, as equity transactions.

When a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any noncontrolling equity investment rather than the carrying amount of that retained investment.

Entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners.

Together these statements are not currently expected to have a significant impact on the entity s consolidated financial statements. A significant impact may however be realized on any future acquisition(s) by this Company. The amounts of such impact can not be currently determined and will depend on the nature and terms of such future acquisition(s), if any.

In April 2008, the FASB issued FASB FSP No. 142-3, *Determination of the Useful Life of Intangible Assets* (FSP FAS 142-3) . FSP FAS 142-3 removed the requirement of SFAS No. 142 *, Goodwill and Other Intangible Assets* (SFAS 142) , for an entity to consider, when determining the useful life of an acquired intangible asset, whether the intangible asset can be renewed without substantial cost or material modification to the existing terms and conditions associated with the intangible asset. FSP FAS 142-3 replaces the previous useful life assessment criteria with a requirement that an entity considers its own experience in renewing similar arrangements. If the entity has no relevant experience, it would consider market participant assumptions regarding renewal. This should lead to greater consistency between the useful life of recognized intangibles under SFAS 142 and the period of expected cash flows used to measure fair value of such assets under SFAS No. 141(R), *Business Combinations* . This FSP shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. Early adoption is prohibited. The adoption of this statement is not expected to have a material impact on our financial position, results of operations, or cash flows.

In May 2008, FASB issued two new Financial Accounting Standards No. 162 The Hierarchy of Generally Accepted Accounting Principles and No. 163 Accounting for Financial Guarantee Insurance Contracts an interpretation of FASB Statement No. 60 . FAS #162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (GAAP) in the United States (the GAAP hierarchy). This Statement is effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of* Present Fairly in Conformity With Generally Accepted Accounting Principles. This statement is not expected to have a material impact on the reporting of our results of operations. FAS #163 is primarily geared towards financial guarantee insurance contracts by insurance enterprises. It is not expected to have any material effect on the reporting of our results of operations.

In April 2009, the FASB issued FSP No. FAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments* . This FSP amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments,* to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting,* to require those disclosures in summarized financial information at interim reporting periods. This FSP shall be effective for interim reporting periods ending after June 15, 2009. The Company will comply with the additional disclosure requirements beginning in the third quarter of fiscal 2009.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* . This FSP amends the other-than-temporary impairment guidance in U.S. GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. The FSP

does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities. The FSP shall be effective for interim and annual reporting periods ending after June 15, 2009. The Company currently does not have any financial assets that are other-than-temporary impaired .

In April 2009, the SEC released Staff Accounting Bulletin No. 111 (SAB 111), which amends SAB Topic 5-M. SAB 111 notes that FSP No. 115-2 and FAS 124-2 were scoped to debt securities only, and the FSP referred readers to SEC SAB Topic 5-M for factors to consider with respect to other-than-temporary impairments for equity securities. With the amendments in SAB 111, debt securities are excluded from the scope of Topic 5-M, but the SEC staff s views on equity securities are still included within the topic. The Company currently does not have any financial assets that are other-than-temporary impaired.

In April 2009, the FASB issued FSP No. FAS 141(R)-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* , to address some of the application issues under SFAS 141(R). The FSP deals with the initial recognition and measurement of an asset acquired or a liability assumed in a business combination that arises from a contingency provided the asset or liability s fair value on the date of acquisition can be determined. When the fair value can t be determined, the FSP requires using the guidance under SFAS No. 5, *Accounting for Contingencies,* and FASB Interpretation (FIN) No. 14, *Reasonable Estimation of the Amount of a Loss* .. This FSP was effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after January 1, 2009. The adoption of this FSP has not had a material impact on our financial position, results of operations, or cash flows.

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

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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 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 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. 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 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 Risk Factors contained in Item 1A of our Annual Report on Form 10-K for the year ended October 31, 2008, as well as elsewhere herein including:

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

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

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

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

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

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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, 2009, advances of approximately $25,839 under our Loan Agreement with PNC Bank were subject to interest charges at the Bank s then prime rate of 3.25%.

We estimate that our monthly cash interest expense at April 30, 2009 was approximately $143 and that a one percentage point increase or decrease in short-term rates would increase or decrease our monthly interest expense by approximately $22.

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 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

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: June 8, 2009