

ENZO BIOCHEM INC
Form S-3/A
October 28, 2016

As filed with the Securities and Exchange Commission on October 28, 2016

Registration No. 333-213440

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1 to

FORM S-3
REGISTRATION STATEMENT

*UNDER
THE SECURITIES ACT OF 1933*

Enzo Biochem, Inc.

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

13-2866202
(I.R.S. Employer
Identification No.)

527 Madison Avenue
New York, NY 10022
(212) 583-0100

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Barry W. Weiner

Enzo Biochem, Inc.

527 Madison Avenue

New York, NY 10022

(212) 583-0100

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Robert H. Cohen, Esq.
McDermott Will & Emery LLP
340 Madison Avenue
New York, NY 10173
Tel: (212) 547-5400

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. o

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company) Accelerated filer x
Smaller reporting company o

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

This registration statement contains two prospectuses:

a base prospectus which covers the offering, issuance and sale of such indeterminate number of shares of common stock, preferred stock, depositary shares, debt securities, warrants, and units, which together shall have an aggregate initial offering price not to exceed \$50,000,000; and

a sales agreement prospectus covering the offering, issuance and sale of shares of the Registrant's common stock that may be issued and sold under a sales agreement, between the Registrant and Cantor Fitzgerald & Co., or Cantor, in an aggregate amount of up to \$19,150,000.

The base prospectus immediately follows this explanatory note. The specific terms of any securities to be offered pursuant to the base prospectus will be specified in a prospectus supplement to the base prospectus. The sales agreement prospectus immediately follows the base prospectus. The common stock that may be offered, issued and sold under the sales agreement prospectus is included in the \$50,000,000 of securities that may be offered, issued and sold by the Registrant under the base prospectus.

The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS, SUBJECT TO COMPLETION, DATED OCTOBER 28, 2016

ENZO BIOCHEM, INC.

\$50,000,000

**Common Stock
Preferred Stock**

**Depository Shares
Debt Securities
Warrants
Units**

We may from time to time offer and sell common stock, preferred stock, depository shares, debt securities, warrants, and units, having an aggregate offering price of up to \$50,000,000. We may offer and sell these securities separately or together in any combination. We may offer and sell these securities to or through underwriters, directly to investors or through agents. We will specify the terms of the securities, and the names of any underwriters or agents and their respective compensation, in supplements to this prospectus. Our common stock is listed on the New York Stock Exchange under the symbol "ENZ". On October 26, 2016, the last reported sale price of our common stock on the New York Stock Exchange was \$5.91 per share.

You should read this prospectus and any prospectus supplement carefully before you invest in any of our securities.

INVESTING IN OUR SECURITIES INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISK FACTORS DESCRIBED IN THE APPLICABLE PROSPECTUS SUPPLEMENT AND CERTAIN OF OUR FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION, AS DESCRIBED UNDER "RISK FACTORS" ON PAGE 3.

This prospectus may not be used to offer or sell any securities unless accompanied by a prospectus supplement.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is _____, 2016.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission (the “SEC”), using a “shelf” registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$50,000,000. We have provided to you in this prospectus a general description of the securities we may offer. Each time we sell securities under this shelf registration process, we will provide a prospectus supplement that will contain specific information about the terms of the offering. We may also add, update or change in the prospectus supplement or any “free writing prospectus” we may authorize to be delivered to you any of the information contained in this prospectus. To the extent there is a conflict between the information contained in this prospectus and the prospectus supplement or any free writing prospectus we may authorize to be delivered to you, you should rely on the information in the prospectus supplement or free writing prospectus, as the case may be, provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date—for example, a document incorporated by reference in this prospectus or any prospectus supplement—the statement in the document having the later date modifies or supersedes the earlier statement.

An investment in our securities involves certain risks that should be carefully considered by prospective investors. See “Risk Factors.”

We incorporate by reference important business and financial information about us into this prospectus. You may obtain the information incorporated by reference into this prospectus without charge by following the instructions under “Where You Can Find More Information.” You should carefully read this prospectus and any prospectus supplement as well as additional information described under “Incorporation of Certain Documents by Reference.” All references in this prospectus to “Enzo Biochem,” “Enzo,” the “Company,” “we,” “us” or “our” mean Enzo Biochem, Inc., unless we state otherwise or the context otherwise requires.

You should rely only on the information contained in, or incorporated by reference into, this prospectus. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not making an offer to sell these securities in any jurisdiction where the offer is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus and the information in the documents incorporated by reference in this prospectus is accurate only as of the date the documents were filed with the SEC, regardless of the time of delivery of this prospectus or the time of issuance or resale of any securities. Our business, financial condition, results of operations and prospects may have changed since those dates.

SUMMARY

The following summary provides an overview of certain information about our company and the offering and may not contain all the information that may be important to you. This summary is qualified in its entirety by and should be read together with the information contained in other parts of this prospectus. You should carefully read this entire prospectus before making a decision about whether to invest in any of our securities.

Enzo Biochem, Inc.

Overview

Enzo Biochem, Inc. (the “Company” “we”, “our” or “Enzo”) is a vertically integrated growth-oriented bioscience company focusing on delivering and applying advanced technology capabilities to produce affordable reliable products and services to allow our customers to meet their clinical needs. We develop, manufacture and sell our proprietary technology solutions and platforms to clinical laboratories, specialty clinics and researchers and physicians globally. Enzo’s structure and business strategy represents the culmination of years of extensive planning and work. The Company now has the unique ability to offer low cost, high performance products and services in molecular diagnostics, which ideally positions it to capitalize on the reimbursement pressures facing diagnostic labs. Our pioneering work in genomic analysis coupled with our extensive patent estate and enabling platforms have positioned the Company to continue to play an important role in the rapidly growing molecular medicine marketplaces.

Enzo technology solutions and platforms and unique operational structure is designed to reduce overall healthcare costs to both government and private insurers. Our proprietary technology platforms reduces our customers’ need for multiple, specialized instruments, and offer a variety of throughput capabilities together with a demonstrated high level of accuracy and reproducibility. Our genetic test panels are focused on large and growing markets primarily in the areas of personalized medicine, women’s health, infectious diseases and genetic disorders.

For example, our AMPIPROBE® technology platform can lead to the development of an entire line of nucleic acid clinical products that can allow laboratories to offer a complete menu of services at a cost that allows them to enjoy an acceptable margin. Our technology solutions provide tools to physicians, clinicians and other health care providers to improve detection, treatment and monitoring of a broad spectrum of diseases and conditions. In addition, reduced patient to physician office visits translates into lower healthcare processing costs and greater patient services.

In the course of our research and development activities, we have built a substantial portfolio of intellectual property assets, comprising 314 issued patents worldwide, and over 146 pending patent applications, along with extensive enabling technologies and platforms.

Operating Segments

We are comprised of three interconnected operating segments which have evolved out of our core competencies involving the use of nucleic acids as informational molecules and the use of compounds for immune modulation and augmented by the previous acquisitions of a number of related companies. Information concerning sales by geographic area and business segments for the years ended July 31, 2016, 2015 and 2014 is located in Note 15 in the Notes to Consolidated Financial Statements in our Form 10-K filed October 13, 2016.

Below are brief descriptions of each of our operating segments:

Enzo Clinical Labs is a clinical reference laboratory providing a wide range of clinical services to physicians, medical centers, other clinical labs and pharmaceutical companies. The Company believes having a College of American Pathologists (“CAP”) certified medical laboratory located in New York provides us the opportunity to more rapidly introduce cutting edge products and services to the clinical marketplace. Enzo Clinical Labs offers an extensive menu of molecular and other clinical laboratory tests or procedures used in patient care by physicians to establish or support a diagnosis, monitor treatment or medication, and search for an otherwise

undiagnosed condition. Our laboratory is equipped with state of the art communication and connectivity solutions enabling the rapid transmission, analysis and interpretation of generated data. We operate a full service clinical laboratory in Farmingdale, New York, a network of over 30 patient service centers throughout New York and New Jersey, a free standing “STAT” or rapid response laboratory in New York City and a full service phlebotomy, in-house logistics department, and information technology department. Given our license in New York State, we are able to offer testing services to clinical laboratories and physicians in the majority of states nationwide.

Enzo Life Sciences manufactures, develops and markets products and tools to clinical research, drug development and bioscience research customers worldwide. Underpinned by broad technological capabilities, Enzo Life Sciences has developed proprietary products used in the identification of genomic information by laboratories around the world. We are internationally recognized and acknowledged as a leader in the development, manufacturing validation and commercialization of numerous products serving not only the clinical research market but life sciences researchers in the fields of cellular analysis and drug discovery, among others. Our operations are supported by global operations allowing for the efficient marketing and delivery of our products around the world.

Enzo Therapeutics is a biopharmaceutical venture that has developed multiple novel approaches in the areas of gastrointestinal, infectious, ophthalmic and metabolic diseases, many of which are derived from the pioneering work of Enzo Life Sciences. Enzo Therapeutics has focused its efforts on developing treatment regimens for diseases and conditions for which current treatment options are ineffective, costly, and/or cause unwanted side effects. This focus has generated a clinical and preclinical pipeline, as well as more than 115 patents and patent applications.

Our primary sources of revenue have historically been from the clinical laboratory services provided to the healthcare community and product revenues and royalty and licensing of Enzo Life Sciences’ products utilized in life science research.

Corporate Information

Our offices are located at 527 Madison Avenue, New York, New York 10022, and our telephone number is (212) 583-0100. We maintain a website at www.enzo.com. Our website and the information contained therein or connected thereto are not incorporated by reference and are not a part of this prospectus.

RISK FACTORS

Before you invest in our securities, in addition to the other information, documents or reports included or incorporated by reference in this prospectus and in any prospectus supplement, you should carefully consider the risk factors set forth in the section entitled “Risk Factors” in any prospectus supplement as well as in “Part I, Item 1A. Risk Factors” in our most recent annual report on Form 10-K and in “Part II, Item 1A. Risk Factors” in our quarterly reports on Form 10-Q filed subsequent to such Form 10-K, which are incorporated by reference into this prospectus and any prospectus supplement in their entirety, as the same may be updated from time to time by our future filings under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Each of the risks described in these sections and documents could materially and adversely affect our business, financial condition, results of operations and prospects and the market price of our shares and any other securities we may issue. Moreover, the risks and uncertainties discussed in the foregoing documents are not the only risks and uncertainties that we face, and our business, financial condition, results of operations and prospects and the market price of our shares and any other securities we may issue could be materially adversely affected by other matters that are not known to us or that we currently do not consider to be material risks to our business.

FORWARD-LOOKING STATEMENTS

This prospectus, the documents incorporated by reference herein and any related free writing prospectus may contain forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements are based on our current expectations, assumptions, estimates and projections about our business and our industry, and involve known and unknown risks, uncertainties and other factors that may cause our results, levels of activity, performance or achievement to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” and similar expressions intended to identify forward-looking statements. While we believe that we have a reasonable basis for each forward-looking statement, we caution you that these statements are based on a combination of facts and factors currently known by us and our projections of the future, about which we cannot be certain. We discuss many of these risks, uncertainties and other factors in greater detail under the heading “Risk Factors” contained in this prospectus. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date such forward-looking statements are made. You should read carefully this prospectus, together with the information incorporated herein by reference as described under the heading “Where You Can Find More Information” in this prospectus, completely and with the understanding that our actual future results may be materially different from what we expect. We hereby qualify all of our forward-looking statements by these cautionary statements.

Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated:

	Fiscal Year Ended July 31,				
	2016	2015	2014	2013	2012
Ratio of Earnings to Fixed Charges	122	N/A	N/A	N/A	N/A
Dollar amount of earnings (deficiency) (in thousands)	\$46,901	\$(1,925)	\$(9,565)	\$(18,866)	\$(40,916)

For purposes of calculating our ratio of earnings to fixed charges, earnings consist of earnings from continuing operations before income taxes, adjusted for fixed charges deducted from the earnings. Fixed charges consist of interest on all indebtedness, including amortization of debt issuances costs and the estimated interest component of rent expense.

We currently have no issued and outstanding preferred stock.

USE OF PROCEEDS

Unless otherwise specified in the applicable prospectus supplement, we intend to use the net proceeds from the sale of securities offered by this prospectus for general corporate purposes, including without limitation, the funding of future acquisitions, the funding of our clinical research and development programs, the clinical development of our product capabilities, capital expenditures and working capital needs. We will set forth in the prospectus supplement our intended use for the net proceeds received from the sale of any securities.

THE SECURITIES WE MAY OFFER

The descriptions of the securities contained in this prospectus, together with the applicable prospectus supplements, summarize all the material terms and provisions of the various types of securities that we may offer. We will describe in the applicable prospectus supplement relating to any securities the particular terms of the securities offered by that prospectus supplement. If we indicate in the applicable prospectus supplement, the terms of the securities may differ from the terms we have summarized below. We will also include in the prospectus supplement information, where applicable, about material United States federal income tax considerations relating to the securities, and the securities exchange, if any, on which the securities will be listed.

We may sell from time to time, in one or more offerings:

- common stock;
- preferred stock;
- depositary shares;
- debt securities;
- warrants to purchase any of the securities listed above; and
- units consisting of any combination of the securities listed above.

In this prospectus, we refer to the common stock, preferred stock, depositary shares, debt securities, warrants and units collectively as “securities.” The total dollar amount of all securities that we may sell pursuant to this prospectus will not exceed \$50,000,000.

If we issue debt securities at a discount from their original stated principal amount, then, for purposes of calculating the total dollar amount of all securities issued under this prospectus, we will treat the initial offering price of the debt securities as the total original principal amount of the debt securities.

This prospectus may not be used to consummate a sale of securities unless it is accompanied by a prospectus supplement.

DESCRIPTION OF CAPITAL STOCK

General Matters

Pursuant to our Certificate of Incorporation, as amended, the total amount of our authorized capital stock is 100,000,000 shares, which consists of 75,000,000 shares of authorized common stock, par value \$0.01 per share, and 25,000,000 shares of authorized preferred stock, par value \$0.01 per share. As of October 1, 2016, we had outstanding 46,267,619 shares of common stock and no shares of preferred stock. As of September 30, 2016, we had approximately 710 holders of record of our common stock.

The following summary of our capital stock does not purport to be complete and is subject to and qualified in its entirety by, our Certificate of Incorporation, as amended, and our Amended and Restated By-laws, which are filed as exhibits to the registration statement of which this prospectus forms a part.

Common Stock

The holders of shares of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. All shares of our common stock are entitled to share equally in any dividends our board of directors may declare from legally available sources. Our common stock is traded on the New York Stock Exchange under the symbol "ENZ". The section below entitled "Certain Provisions of New York Law and of the Company's Charter and By-laws" contains additional information regarding the rights and preferences of our common stock. The transfer agent and registrar for our common stock is American Stock Transfer & Trust Company.

Preferred Stock

Our board of directors has the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series and to fix and determine the following terms of the preferred stock by resolution: variations in the designations, preferences, and relative, participating, optional or other special rights (including, without limitation, special voting rights, of conversion in common stock or other securities, redemption provisions or sinking fund provisions) as between series and between the preferred stock and any series thereof and the common stock, and the qualifications, limitations or restrictions of such rights, all as shall be stated in a resolution of the board of directors. Shares of preferred stock or any series thereof may have full or limited voting powers, or be without voting powers, all as shall be stated in a resolution of the board of directors.

Any or all of these rights may be greater than the rights of our common stock. We currently have no issued and outstanding preferred stock.

Our board of directors, without stockholder approval, can issue preferred stock with voting, conversion or other rights that could negatively affect the voting power and other rights of the holders of our common stock. Preferred stock could thus be issued quickly with terms calculated to delay or prevent a change in control of the Company or to make it more difficult to remove the Company's management. Additionally, the issuance of preferred stock may have the effect of decreasing the market price of our common stock.

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DESCRIPTION OF DEPOSITARY SHARES

The following description, together with the additional information we include in any applicable prospectus supplement, summarizes the material terms and provisions of the depositary shares that we may offer under this prospectus. The following statements with respect to the depositary shares and depositary receipts are summaries of, and subject to, the detailed provisions of a deposit agreement to be entered into by Enzo Biochem and a depositary to be selected at the time of issue (the “depositary”) and the form of depositary receipt. The form of deposit agreement and the form of depositary receipt will be filed with the SEC.

General

We may, at our option, elect to issue fractional shares of preferred stock, rather than full shares of preferred stock. In the event such option is exercised, we may elect to have a depositary issue receipts for depositary shares, each receipt representing a fraction, to be set forth in the prospectus supplement relating to a particular series of preferred stock, of a share of a particular series of preferred stock as described below.

The shares of any series of preferred stock represented by depositary shares will be deposited under a deposit agreement between us and a bank or trust company that we select. Subject to the terms of the deposit agreement, each owner of a depositary share will be entitled, in proportion to the applicable fraction of a share of preferred stock represented by such depositary share, to all the rights and preferences of the preferred stock represented by the depositary share, including dividend, voting, redemption and liquidation rights.

Depositary Receipts

The depositary shares will be evidenced by depositary receipts issued pursuant to the deposit agreement. Depositary receipts will be distributed to those persons purchasing the fractional shares of preferred stock in accordance with the terms of an offering of the preferred stock.

Withdrawal of Preferred Stock

Upon surrender of depositary receipts at the office of the depositary and upon payment of the charges provided in the deposit agreement, a holder of depositary receipts may have the depositary deliver to the holder the whole shares of preferred stock relating to the surrendered depositary receipts. Holders of depositary shares may receive whole shares of the related series of preferred stock on the basis set forth in the related prospectus supplement for such series of preferred stock, but holders of such whole shares will not after the exchange be entitled to receive depositary shares

for their whole shares. If the depositary receipts delivered by the holder evidence a number of depositary shares in excess of the number of depositary shares representing the number of whole shares of the related series of preferred stock to be withdrawn, the depositary will deliver to the holder at the same time a new depositary receipt evidencing such excess number of depositary shares.

Dividends and Other Distributions

The depositary will distribute all cash dividends or other cash distributions received for the preferred stock to the record holders of depositary shares relating to the preferred stock in proportion to the numbers of such depositary shares owned by such holders.

In the event of a distribution other than in cash, the depositary will distribute property received by it to the record holders of depositary shares entitled thereto, unless the depositary determines that it is not feasible to make distribution of the property. In that case the depositary may, with our approval, sell such property and distribute the net proceeds from the sale to such holders.

Redemption of Depositary Shares

If a series of preferred stock represented by depositary shares is subject to redemption, the depositary shares will be redeemed from the proceeds received by the depositary resulting from the redemption, in whole or in part, of the series of preferred stock held by the depositary. The redemption price per depositary share will be equal

to the applicable fraction of the redemption price per share payable with respect to the series of the preferred stock. Whenever we redeem shares of preferred stock held by the depositary, the depositary will redeem as of the same redemption date the number of depositary shares representing shares of preferred stock redeemed by us. If less than all the depositary shares are to be redeemed, the depositary shares to be redeemed will be selected by lot or pro rata as may be determined by the depositary.

Voting the Preferred Stock

Upon receipt of notice of any meeting at which the holders of the preferred stock are entitled to vote, the depositary will mail the information contained in such notice of meeting to the record holders of the depositary shares relating to such preferred stock. Each record holder of such depositary shares on the record date, which will be the same date as the record date for the preferred stock, will be entitled to instruct the depositary as to the exercise of the voting rights pertaining to the amount of the preferred stock represented by such holder's depositary shares. The depositary will endeavor, insofar as practicable, to vote the amount of the preferred stock represented by such depositary shares in accordance with such instructions, and we will agree to take all action which may be deemed necessary by the depositary in order to enable the depositary to do so. The depositary will not vote the preferred stock to the extent it does not receive specific instructions from the holders of depositary shares representing such preferred stock.

Amendment and Termination of the Deposit Agreement

We and the depositary at any time may amend the form of depositary receipt evidencing the depositary shares and any provision of the deposit agreement. However, any amendment which materially and adversely alters the rights of the holders of depositary shares will not be effective unless such amendment has been approved by the holders of at least a majority of the depositary shares then outstanding. We or the depositary may terminate the deposit agreement only if all outstanding depositary shares have been redeemed, or there has been a final distribution in respect of the preferred stock in connection with any liquidation, dissolution or winding up of Enzo Biochem and such distribution has been distributed to the holders of depositary receipts.

Charges of Depositary

We will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. We will pay charges of the depositary in connection with the initial deposit of the preferred stock and any redemption of the preferred stock. Holders of depositary receipts will pay other transfer and other taxes and governmental charges and such other charges as are expressly provided in the deposit agreement to be for their accounts.

Miscellaneous

The depositary will forward to the record holders of the depositary shares relating to such preferred stock all reports and communications from us which are delivered to the depositary.

Neither we nor the depositary will be liable if either one is prevented or delayed by law or any circumstance beyond their control in performing the obligations under the deposit agreement. The obligations of Enzo Biochem and the depositary under the deposit agreement will be limited to performance in good faith of their duties thereunder, and they will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares or preferred stock unless satisfactory indemnity is furnished. The depositary may rely upon written advice of counsel or accountants, or information provided by persons presenting preferred stock for deposit, holders of depositary receipts or other persons believed to be competent and on documents believed to be genuine.

Resignation and Removal of Depositary

The depositary may resign at any time by delivering to us notice of its election to do so, and we may at any time remove the depositary, any such resignation or removal to take effect upon the appointment of a successor depositary and its acceptance of such appointment. Such successor depositary must be appointed within sixty (60) days after delivery of the notice of resignation or removal.

DESCRIPTION OF DEBT SECURITIES

The following description, together with the additional information we include in any applicable prospectus supplement, summarizes the material terms and provisions of the debt securities that we may offer under this prospectus and the related indenture. While the terms we have summarized below will apply generally to any future debt securities we may offer pursuant to this prospectus, we will describe the particular terms of any debt securities that we may offer in more detail in the applicable prospectus supplement. If we indicate in a prospectus supplement, the terms of any debt securities we offer under that prospectus supplement may differ from the terms we describe below.

We may offer debt securities from time to time in one or more offerings under this prospectus. We will issue any such debt securities under an indenture that we will enter into with a trustee to be named in the indenture. We have filed a form of indenture as an exhibit to the registration statement of which this prospectus is a part. The indenture will be qualified under the Trust Indenture Act of 1939, as in effect on the date of the indenture. We use the term “debenture trustee” to refer to the trustee under the indenture.

The following summaries of material provisions of the debt securities and the indenture are subject to, and qualified in their entirety by reference to, all the provisions of the indenture applicable to a particular series of debt securities.

General

The indenture provides that debt securities may be issued from time to time in one or more series. The indenture does not limit the amount of debt securities that may be issued thereunder, and the indenture provides that the specific terms of any series of debt securities shall be set forth in, or determined pursuant to, an authorizing resolution, an officers' certificate and/or a supplemental indenture, if any, relating to such series.

We will describe in each prospectus supplement the following terms relating to a series of debt securities:

- the title or designation of the debt securities;
- whether the debt securities will be secured or unsecured, and the terms of any secured debt;
- the terms of the subordination of any series of subordinated debt securities;
- any limit upon the aggregate principal amount of the debt securities;
-

the date or dates on which the debt securities may be issued and on which we will pay the principal on the debt securities;

the interest rate, which may be fixed or variable, or the method for determining the rate and the date interest will begin to accrue, the date or dates interest will be payable and the record dates for interest payment dates or the method for determining such dates;

the manner in which the amounts of payment of principal of, premium or interest on the debt securities will be determined, if these amounts may be determined by reference to an index based on a currency or currencies other than that in which the debt securities are denominated or designated to be payable or by reference to a commodity, commodity index, stock exchange index or financial index;

the currency of denomination of the debt securities;

if payments of principal of, premium or interest on the debt securities will be made in one or more currencies or currency units other than that or those in which the debt securities

are denominated, the manner in which the exchange rate with respect to these payments will be determined;

the place or places where the principal of, premium, and interest on the debt securities will be payable, where debt securities of any series may be presented for registration of transfer, exchange or conversion, and where notices and demands to or upon the Company in respect of the debt securities may be made;

the form of consideration in which principal of, premium or interest on the debt securities will be paid;

the terms and conditions upon which we may redeem the debt securities;

any obligation we have to redeem or purchase the debt securities pursuant to any sinking fund, amortization or analogous provisions or at the option of a holder of debt securities;

the dates on which and the price or prices at which we will repurchase the debt securities at the option of the holders of debt securities and other detailed terms and provisions of these repurchase obligations;

the denominations in which the debt securities will be issued, if other than denominations of \$1,000 and any integral multiple thereof;

the portion of principal amount of the debt securities payable upon declaration of acceleration of the maturity date, if other than the principal amount;

whether the debt securities are to be issued at any original issuance discount and the amount of discount with which such debt securities may be issued;

whether the debt securities will be issued in the form of certificated debt securities or global debt securities and, in such case, the depositary for such global security or securities and the terms and conditions, if any, upon which interests in such global security or securities may be exchanged in whole or in part for the individual securities represented thereby;

provisions, if any, for the defeasance of the debt securities of a series in whole or in part and any addition or change in the provisions related to satisfaction and discharge;

the form of the debt securities;

the terms and conditions upon which the debt securities will be so convertible or exchangeable into securities or property of another person, if at all, and any additions or changes, if any, to permit or facilitate such conversion or exchange;

whether the debt securities will be subject to subordination and the terms of such subordination;

provisions, if any, granting special rights to holders of the debt securities upon the occurrence of specified events;

any restriction or condition on the transferability of the debt securities;

any addition or change in the provisions related to compensation and reimbursement of the trustee which applies to securities of such series;

any addition to or change in the events of default described in this prospectus or in the

indenture with respect to the debt securities and any change in the acceleration provisions described in this prospectus or in the indenture with respect to the debt securities;

any addition to or change in the covenants described in this prospectus or in the indenture with respect to the debt securities; and

any other terms of the debt securities, which may modify or delete any provision of the indenture.

We may issue debt securities that provide for an amount less than their stated principal amount to be due and payable upon declaration of acceleration of their maturity pursuant to the terms of the indenture. We will provide you with information on the federal income tax considerations and other special considerations applicable to any of these debt securities in the applicable prospectus supplement.

Conversion or Exchange Rights

We will set forth in the prospectus supplement the terms, if any, on which a series of debt securities may be convertible into or exchangeable for our common stock or our other securities. We will include provisions as to whether conversion or exchange is mandatory, at the option of the holder or at our option. We may include provisions pursuant to which the number of shares of our common stock or our other securities that the holders of the series of debt securities receive would be subject to adjustment.

Consolidation, Merger or Sale; No Protection in Event of a Change of Control or Highly Leveraged Transaction

The indenture provides that we may not merge or consolidate with or into another entity, or sell other than for cash or lease all or substantially all our assets to another entity, or purchase all or substantially all the assets of another entity unless we are the surviving entity or, if we are not the surviving entity, the successor, transferee or lessee entity expressly assumes all of our obligations under the indenture or the debt securities, as appropriate.

Unless we state otherwise in the applicable prospectus supplement, the debt securities will not contain any provisions that may afford holders of the debt securities additional protection in the event we have a change of control or in the event of a highly leveraged transaction (whether or not such transaction results in a change of control), which could adversely affect holders of debt securities.

Events of Default Under the Indenture

The following are events of default under the indenture with respect to any series of debt securities that we may issue:

· if we fail to pay interest when due and our failure continues for 90 days and the time for payment has not been extended or deferred;

· if we fail to pay the principal, or premium, if any for 30 days, when due whether by maturity or called for redemption;

· if we fail to pay a sinking fund installment, if any, when due and our failure continues for 30 days;

· if we fail to observe or perform any other covenant relating to such series contained in the debt securities of such series or the indenture, other than a covenant specifically relating to and for the benefit of holders of another series of debt securities, and our failure continues for 90 days after we receive written notice from the debenture trustee or holders of not less than a majority in aggregate principal amount of the outstanding debt securities of the applicable series; and

· if specified events of bankruptcy, insolvency or reorganization occur as to us.

No event of default with respect to a particular series of debt securities (except as to certain events of bankruptcy, insolvency or reorganization) necessarily constitutes an event of default with respect to any other series of debt securities. The occurrence of an event of default may constitute an event of default under any bank credit agreements we may have in existence from time to time. In addition, the occurrence of certain events of default or an acceleration under the indenture may constitute an event of default under certain of our other indebtedness outstanding from time to time.

If an event of default with respect to debt securities of any series at the time outstanding occurs and is continuing, then the trustee or the holders of not less than a majority in principal amount of the outstanding debt securities of that series may, by a notice in writing to us (and to the debenture trustee if given by the holders), declare to be due and payable immediately the principal (or, if the debt securities of that series are discount securities, that portion of the principal amount as may be specified in the terms of that series) of and premium and accrued and unpaid interest, if any, on all debt securities of that series. Before a judgment or decree for payment of the money due has been obtained with respect to debt securities of any series, the holders of a majority in principal amount of the outstanding debt securities of that series (or, at a meeting of holders of such series at which a quorum is present, the holders of a majority in principal amount of the debt securities of such series represented at such meeting) the acceleration shall be deemed to have been waived, rescinded and annulled if all events of default, other than the non- payment of accelerated principal, premium, if any, and interest, if any, with respect to debt securities of that series, have been cured or waived as provided in the applicable indenture (including payments or deposits in respect of principal, premium or interest that had become due other than as a result of such acceleration) and the Company has deposited with the indenture trustee or paying agent a sum sufficient to pay all amounts owed to the indenture trustee under the indenture, all arrears of interest, if any, on the debt securities, and the principal and premium, if any, on the debt securities that have become due other than by such acceleration. We refer you to the prospectus supplement relating to any series of debt securities that are discount securities for the particular provisions relating to acceleration of a portion of the principal amount of such discount securities upon the occurrence of an event of default.

Subject to the terms of the indenture, if an event of default under the indenture shall occur and be continuing, the debenture trustee will be under no obligation to exercise any of its rights or powers under such indenture at the request of the Company.

Time Warner Inc. from 1991 to 1998. He is a member of the Advisory Council of Republic New York Corporation and of the Boards of Directors of Clarcor, Inc., GTech Holdings Corp. and The American Stock Exchange.
----- * Director of Homedco Group Inc., from the date shown until the June 1995 merger with Abbey Healthcare Group Inc. which formed Apria. Director of Apria from the date of the merger until the present.
BUSINESS EXPERIENCE DURING LAST DIRECTOR TERM NAME AND AGE FIVE YEARS AND DIRECTORSHIPS SINCE EXPIRES -----

----- Beverly Benedict Thomas, 59 Principal of BBT Strategies, a consulting firm specializing in public affairs and strategic planning, since 1997. Previously, Ms. Thomas was a principal of UT Strategies, Inc., a public affairs firm, from 1995 to 1997. Ralph V. Whitworth, 46 Chairman of the Board of Directors of Apria since 1998. Mr. Whitworth is also a principal and Managing Member of Relational Investors LLC, a private investment company. He is also a partner in Batchelder & Partners, Inc., a financial advisory and investment-banking firm based in San Diego, California, which is registered as a broker-dealer under Section 15(b) of the Securities Exchange Act of 1934 and a member of the National Association of Securities Dealers, Inc. Mr. Whitworth is also a director of Tektronix, Inc., Mattel, Inc. and Waste Management, Inc. COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT BY CERTAIN COMPANY AFFILIATES
Section 16(a) of the Exchange Act requires Apria's Directors and executive officers, and persons who own more than

10% of a registered class of Apria's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and The New York Stock Exchange, Inc. Directors, executive officers and greater than 10% stockholders are required by the Securities and Exchange Commission to furnish the company with copies of the reports they file. Based solely on its review of the copies of such reports and written representations from certain reporting persons that certain reports were not required to be filed by such persons, the company believes that all of its Directors, executive officers and greater than 10% beneficial owners complied with all filing requirements applicable to them with respect to transactions during the 2001 fiscal year. ITEM 11. EXECUTIVE

COMPENSATION SUMMARY OF EXECUTIVE COMPENSATION The following table sets forth all compensation for the 2001, 2000, and 1999 fiscal years paid to or earned by Apria's Chief Executive Officer and the five other most highly compensated executive officers during the 2001 fiscal year. SUMMARY COMPENSATION TABLE -----

----- ANNUAL COMPENSATION LONG-TERM COMPENSATION
 (1) ----- OPTIONS LTIP ALL OTHER SALARY(2) BONUS
 GRANTED(3) PAYOUTS(4) COMPENSATION NAME YEAR (\$) (\$) (#) (\$) (\$) -----

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Philip L. Carter.....	2001	691,916	680,000	--	--	3,313	(6)	Chief Executive Officer	(5)	2000	661,538
			480,000	75,000	--	3,430	(6)	Lawrence M. Higby.....		2001	463,010
			443,553	285,224	300,000	440,000	3,330	(6)	President and Chief	1999	418,386
								(6)	Operating Officer	2000	382,921
									(7) John C. Maney.....	2001	403,171
									(6) and Chief Financial Officer	1999	358,522
									(8) Michael R. Dobbs.....	2001	276,671
									(6) Executive Vice President,	2000	251,492
									(6) Logistics	1999	210,332
									(10) George S. Suda.....	2001	233,024
									(6) Executive Vice President,	2000	218,186
									(6) Information Services	1999	182,211
									(6) Michael J. Keenan.....	2001	205,725
									(6) Executive Vice President,	2000	184,880
									(11) Business Operations	1999	177,995

(1) Apria has not issued stock appreciation rights or restricted stock awards. (2) These amounts include an automobile allowance which is paid as salary. Salary is paid on the basis of bi-weekly pay periods, with payment for each period being made during the week following its termination. Due to the fact that some years contain payment dates for pay periods which begin or end in other years, amounts reported as salary paid for a particular year may vary slightly from the actual amounts of the salaries of the executive officers listed above. (3) The option grants for 1999 were approved by the company's Board of Directors in October 1999 but did not become effective and were not fixed as to price until January 3, 2000. The option grants for 2000 were approved by the company's Board of Directors in October 2000 but did not become effective and were not fixed as to price until January 2, 2001. The option grants for 2001 were approved by the company's Board of Director in October 2001, but did not become effective and were not fixed as to price until January 2, 2002. (4) Payments under a two-year incentive plan adopted by the Board of Directors in December 1998. Includes payments made in 2001 but allocable to the 1999-2000 period covered by the plan. (5) Mr. Carter resigned from the company on February 12, 2002. (6) Annual contribution by Apria to the company's 401(k) Savings Plan in the name of the individual. (7) Mr. Higby was appointed Chief Executive Officer upon Mr. Carter's resignation on February 12, 2002. (8) Mr. Maney resigned from the company in October, 2001. (9) Value realized from stock option exercises. (10) Relocation payment. (11) Includes annual contribution of \$3,330 by Apria to the company's 401(k) Savings Plan in the name of the individual and \$435,454 in value realized from the exercise of stock options. (12) Includes annual contribution of \$2,890 by Apria to the company's 401(k) Savings Plan in the name of the individual and \$16,369 in value realized from the exercise of stock options. SUMMARY OF OPTION GRANTS The following table provides information with respect to grants of options in 2001 to Apria's Chief Executive Officer and the five other most highly compensated executive officers of the company. These amounts or calculations do not include options approved in 2000, which did not become effective until January 2, 2001, but do include options approved in 2001 which did not become effective until January 2, 2002. OPTION GRANTS TABLE

----- POTENTIAL
 REALIZABLE NUMBER VALUE AT ACCRUAL RATE SECURITIES % OF TOTAL EXPIRATION OF STOCK
 APPRECIATION UNDERLYING OPTIONS DATE OF FOR OPTION TERM (\$) OPTIONS TO EMPLOYEES IN

EXERCISE OPTIONS ----- NAME GRANTED FISCAL YEAR PRICE (\$) GRANTED 5% 10%
 ----- Philip L. Carter -- -- --

-- -- Lawrence M. Higby -- -- -- -- John C. Maney -- -- -- -- Michael R. Dobbs 20,000 1.55% 24.01 01/02/12
 301,995 765,315 George J. Suda 20,000 1.55% 24.01 01/02/12 301,995 765,315 Michael J. Keenan 20,000 1.55%
 24.01 01/02/12 301,995 765,315

SUMMARY OF OPTIONS EXERCISED The following table provides information with respect to the exercise of stock options by Apria's Chief Executive Officer and the five other most highly compensated executive officers of the company during the 2001 fiscal year, together with the fiscal year-end value of unexercised options. AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUE -----

NUMBER OF SECURITIES UNDERLYING UNEXERCISED VALUE OF UNEXERCISED IN- OPTIONS AT
 THE-MONEY OPTIONS AT SHARES FISCAL YEAR-END(1) FISCAL YEAR-END(1)(2) ACQUIRED ON
 VALUE ----- EXERCISE REALIZED

EXERCISABLE/UNEXERCISABLE EXERCISABLE/UNEXERCISABLE -----
 ----- NAME (#) (\$) (#) / (#) (\$) / (\$) -----

----- Philip L. Carter -- -- 775,000/550,000 12,193,813/402,625
 Lawrence M. Higby -- -- 403,333/386,667 5,361,589/982,886 John C. Maney 115,000 2,093,262 120,000/ --
 2,436,300/ -- Michael R. Dobbs -- -- 110,000/95,000 1,914,525/161,050 George J. Suda -- -- 46,666/88,334
 793,278/107,372 Michael J. Keenan -- -- 53,300/50,000 897,442/80,525 -----

(1) These amounts or calculations do not include options approved in 2001 which did not become effective until January 2, 2002. (2) Market value of the securities underlying the options at year-end, minus the exercise or base price of "in-the-money" options. The market value of a share of Apria's common stock at the close of trading on the last trading day of 2001 (December 31) was \$24.99. COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Compensation Committee was either an officer or employee of the company since January 1, 2001. DIRECTORS' FEES All Directors of Apria are reimbursed for their out-of-pocket expenses incurred in connection with attending Board and related Committee meetings. During 2001, all non-employee Directors received: (i) \$1,000 per Board or Committee meeting attended in person (\$2,000 per Committee meeting for the Director who is the Committee's chairperson) and (ii) \$500 per Board or Committee meeting attended via telephone. In addition, for services rendered during 2001, the non-employee Chairman of the Board was granted an option to purchase 25,000 shares of the company's common stock, and each other non-employee Director was granted an option to purchase 15,000 shares. The options are granted at a purchase or exercise price equal to the fair market value on the date of grant. EMPLOYMENT AND SEVERANCE AGREEMENTS Apria has employment agreements, nondisclosure/noncompetition agreements and/or severance agreements with the following executive officers and other persons listed in the Summary Compensation Table. LAWRENCE M. HIGBY. Pursuant to an Amended and Restated Employment Agreement which became effective January 1, 2000, and is scheduled for expiration on January 18, 2003, Mr. Higby has served and continues to serve as Apria's President and Chief Operating Officer. Since February 12, 2002, he has also begun serving as Apria's Chief Executive Officer. The Agreement provides that Mr. Higby is to receive an annual salary of not less than \$400,000, subject to increases at the discretion of the company's Board of Directors or Compensation Committee. During 2001, Mr. Higby's annual salary was \$460,000; the Board of Directors expects to approve a salary increase to reflect his promotion to Chief Executive Officer by the end of April 2002. Mr. Higby is also entitled to participate in Apria's annual bonus, incentive, stock and other benefit programs generally available to executive officers of the company. The agreement also provides for (i) reasonable access to the company's accountants for personal financial planning, (ii) an automobile allowance, (iii) reimbursement of certain other expenses and (iv) an indemnification of Mr. Higby on an after-tax basis in the event he incurs an excise tax under Section 4999 of the Internal Revenue Code. The company also has entered into a Nondisclosure and Noncompetition Agreement with Mr. Higby pursuant to which, if the company terminates Mr. Higby's employment without cause, or if he terminates his employment with good reason (including upon a change in control), Mr. Higby shall be entitled to receive cash payments in exchange for the performance of certain agreements pertaining to nondisclosure and noncompetition following the termination. Payments under the Nondisclosure and Noncompetition Agreement are required to be made in 52 equal weekly installments following the termination, and shall equal, in the aggregate, three times the sum of (i) his annual salary, (ii) the average of his two most recent annual bonuses, (iii) his annual car allowance, and (iv) an additional amount equal to the average annual cost for company employees of

obtaining certain post-employment medical insurance. The company shall be required to provide an office and secretarial support at a cost not to exceed \$50,000 during the year following such a termination. In addition, the vested portion of the 150,000 share stock option grant issued to Mr. Higby in January 1998 will remain exercisable for a period of three years following such termination. MICHAEL R. DOBBS. Pursuant to an Amended and Restated Executive Severance Agreement dated February 26, 1999, Mr. Dobbs serves as the company's Executive Vice President, Logistics and undertakes duties at Apria's discretion. The Agreement provides that Mr. Dobbs' salary shall be at the company's discretion. Currently, Mr. Dobbs' annual salary is \$275,000. Mr. Dobbs is entitled to participate in Apria's annual bonus, incentive, stock and other benefit programs generally available to executive officers of the company. Mr. Dobbs is also entitled to receive reimbursement of certain other expenses at the company's discretion. If the company terminates Mr. Dobbs' employment without cause, or if he terminates his employment with good reason (including upon a change in control), Mr. Dobbs is entitled to a lump sum payment equal to two times the sum of (i) his annual salary, (ii) the average of his two most recent annual bonuses, (iii) his annual car allowance and (iv) an additional amount equal to the average annual cost for company employees of obtaining certain post-employment medical insurance. The Agreement also contains provisions designed to indemnify Mr. Dobbs on an after-tax basis in the event he incurs an excise tax under Section 4999 of the Internal Revenue Code. MICHAEL J. KEENAN. In June 1997, Mr. Keenan entered into an executive severance agreement with the company. Pursuant to that agreement, Mr. Keenan serves in a position and undertakes duties at Apria's discretion. As of December 31, 2001, Mr. Keenan served as Apria's Executive Vice President, Business Operations. The agreement provides that Mr. Keenan's salary shall be at the company's discretion. Currently, his annual salary is \$205,000. Mr. Keenan is entitled to participate in Apria's stock option plans and all other benefit programs generally available to executive officers of the company at the company's discretion. He is also entitled to bonuses in accordance with the bonus plans from time to time in effect for Apria's executives and reimbursement of certain expenses at the company's discretion. If the company terminates his employment without cause, or if he terminates his employment with good reason (including upon a change in control), Mr. Keenan is entitled to a payment equal to the sum of (i) his annual salary, (ii) the average of his two most recent annual bonuses, (iii) his annual car allowance and (iv) an additional amount equal to the average annual cost for company employees of obtaining certain post-employment medical insurance. Such payments shall be payable in periodic installments over one year. GEORGE S. SUDA. In March 2000, Mr. Suda entered into an executive severance agreement with the company. Pursuant to that agreement, Mr. Suda serves as Apria's Executive Vice President, Information Services and undertakes duties at the company's discretion. The agreement provides that Mr. Suda's salary shall be at the company's discretion. Currently, his annual salary is \$230,000. Mr. Suda is entitled to participate in Apria's stock option plans and all other benefit programs generally available to executive officers of the company at the company's discretion. He is also entitled to receive (i) bonuses in accordance with the bonus plans from time to time in effect for Apria's executives and (ii) reimbursement of certain expenses at the company's discretion. If Apria terminates his employment without cause, or if he terminates his employment with good reason (including upon a change in control), Mr. Suda is entitled to a payment equal to two times the sum of (i) his annual salary, (ii) the average of his two most recent annual bonuses, (iii) his annual car allowance and (iv) an additional amount equal to the average annual cost for company employees of obtaining certain post-employment medical insurance. The Agreement also contains provisions designed to indemnify Mr. Suda on an after-tax basis in the event he incurs an excise tax under Section 4999 of the Internal Revenue Code. PHILIP L. CARTER. Mr. Carter served as Apria's Chief Executive Officer during 2001, but resigned on February 12, 2002. Pursuant to a Resignation and General Release Agreement which became effective February 12, 2002, Mr. Carter received two payments during February in the respective amounts of \$61,333 and \$2,606,354. Mr. Carter will also receive \$1,303,177 payable in 52 equal weekly installments under the terms of a Nondisclosure and Noncompetition Agreement pursuant to which Mr. Carter is entitled to receive cash payments in exchange for the performance of certain agreements pertaining to nondisclosure and noncompetition following his resignation. Apria is also required to provide an office and secretarial support at a cost of not more than \$50,000 during the year following his resignation. The relevant agreements also contain provisions designed to indemnify Mr. Carter on an after-tax basis in the event he incurs an excise tax under Section 4999 of the Internal Revenue Code. JOHN C. MANEY. John Maney had an executive severance agreement with the company. However, Mr. Maney resigned from Apria voluntarily under circumstances that did not entitle him to receive any benefits under the agreement. REPORT OF THE COMPENSATION COMMITTEE TO: THE BOARD OF DIRECTORS As members of the Compensation Committee, it is our duty to administer Apria's overall

compensation program for its senior and mid-level management. In addition, the Compensation Committee evaluates the performance and specifically establishes the compensation of the Chief Executive Officer. The Compensation Committee is comprised entirely of independent Directors who are not officers or employees of Apria.

COMPENSATION PHILOSOPHY AND PROGRAM FOR SENIOR MANAGEMENT During 2001, Apria's compensation program for executive officers was designed to: - reward each member of senior management commensurately with the company's overall growth and financial performance; - attract and retain individuals who are capable of leading the company in achieving its business objectives in an industry characterized by competitiveness, growth and change; and - encourage ownership of Apria's stock by executive officers. The company believes a substantial portion of the annual compensation of each member of senior management should relate to, and should be contingent upon, the financial success of the company. As discussed below, the program consists of, and is intended to strike a balance among, three elements: - Salaries. Salaries for the Chief Executive Officer and President are based on the Committee's evaluation of individual job performance and an assessment of the salaries and total compensation mix paid by other similar companies to executive officers holding equivalent positions. The salaries for all other executive officers are approved by the Compensation Committee pursuant to recommendations made by the Chief Executive Officer on the basis of similar criteria. - Executive bonuses. Executive bonuses are based on an evaluation of company performance against qualitative and quantitative measures. - Long-term incentive compensation. Long-term incentive awards consisting of stock options are designed to insure that incentive compensation is linked to the long-term performance of Apria and its common stock. Such awards provide an incentive that focuses on managing the company from the perspective of an owner. In recent years, the Committee's overall compensation strategy has been adjusted so that more than one-half of the total cash compensation earnable by executive officers consists of bonuses based solely on the achievement of certain financial objectives by the company. Stock option grants will also continue to represent a significant portion of executive compensation if managerial efforts result in continued stock price increases.

FACTORS AFFECTING THE EVALUATION OF EXECUTIVE PERFORMANCE FOR 2001 During 2001, the company continued to pursue a plan for achieving profitable operating results through the following principal elements: - Maintaining disciplined focus on existing service offerings and increasing emphasis on home respiratory therapy; - Supplementing internal growth with selective acquisitions; - Reducing costs and enhancing margins and cash flows; and - Improving the company's capital structure. As those objectives have been and continue to be achieved, management has placed increased emphasis on sales and operations and has continued its emphasis on compliance issues. Members of senior management have been asked to adapt their activities so as to achieve the benefits sought by the foregoing strategies. Accordingly, members of senior management were and continue to be evaluated in light of their contributions toward achievement of the objectives established by the Chief Executive Officer and the Board. Future compensation for senior management will continue to be based in large part on the company's ability to effectively develop and implement strategies that enable Apria to achieve those objectives and enhance stockholder value.

TOTAL COMPENSATION Total compensation target levels for Apria executives are established with consideration given to an analysis of competitive market compensation. The total compensation package for each executive is broken down into the three basic components indicated above and discussed in more detail below. This strategy is intended to emphasize the "performance-based" component of the company's executive compensation, and the Committee intends to continue this emphasis in 2002.

2001 TOTAL COMPENSATION FOR THE CHIEF EXECUTIVE OFFICER During 2001, Philip L. Carter served as Apria's Chief Executive Officer. He resigned from Apria on February 12, 2002 pursuant to a Resignation and General Release Agreement. Although a significant portion of Mr. Carter's 2001 compensation consisted of a bonus plan based largely on company performance, the Committee did not rely entirely on predetermined formulas or a limited set of criteria when it evaluated the performance of the company's Chief Executive Officer. The Committee considered: - management's overall accomplishments; - Mr. Carter's individual accomplishments; - the company's financial performance; and - other criteria discussed below. The Committee designed a compensation package for Mr. Carter which provided a competitive salary with the potential of significant bonus plan compensation in the event the company performed well under his leadership. For 2001, Mr. Carter's annual salary was \$680,000 and his total bonus compensation was \$680,000. This bonus award was the maximum amount payable under the bonus plan. Of the award, 80% was based on the company's achievement of certain financial objectives related to earnings before interest, taxes, depreciation and amortization ("EBITDA"), earnings per share and net revenue with a lesser element (20%) to be paid on recommendation of the Compensation Committee based on the implementation of certain strategic initiatives. All

performance targets and goals concerning the implementation of initiatives were met or exceeded. Mr. Carter's long-term compensation package was also designed to couple his long-term interests with those of Apria's stockholders. The Committee believes that the most significant portion of the package consisted of options to purchase up to 750,000 shares of Apria's common stock at an exercise price of \$9.00 per share granted to Mr. Carter when he was first employed by Apria in 1998. The options from Mr. Carter's initial grant became entirely vested on an accelerated basis because certain target prices for the company's common stock were met. Mr. Carter was granted options for an additional (i) 75,000 shares during 1999 at a per share exercise price of \$16.9375 and (ii) 500,000 shares during 2000 at a per share exercise price of \$27.125. He received no additional option grants for 2001. As of February 12, 2002, the date of his resignation from the company, options for 50,000 of the \$16.9375 shares and 125,000 of the \$27.125 shares had vested. The unvested portions of the 1999 and 2000 option grants were cancelled at the time of his resignation.

SALARIES FOR EXECUTIVE OFFICERS In setting salaries, the first element of the executive compensation program, the Committee did not use a predetermined formula. Instead, the 2001 salaries of the Chief Executive Officer, the President and the other executive officers were based on: - the Committee's evaluation of individual job performance; - an assessment of the company's performance; and - a consideration of salaries paid by similar companies to executive officers holding equivalent positions. Philip L. Carter. Mr. Carter's annual salary for 2001 was \$680,000, compared to a salary of \$650,000 during 2000. The Committee felt the salary was justified due to the fact that the company's profitability had continued to improve. Other Executive Officers. The 2001 salaries of the five other most highly compensated executive officers are shown in the "Salary" column of the Summary Compensation Table.

2001 EXECUTIVE OFFICER BONUSES Bonuses for all executive officers were awarded under the 2001 Executive Officer Incentive Compensation Plan, a plan adopted to provide each member of senior management with significant bonus compensation (up to the full amount of each officer's 2001 salary) upon the achievement of certain improved financial performance levels for the 2001 fiscal year and the implementation of certain key initiatives. The target levels of performance as well as the key initiatives established for the company in the 2001 Executive Officer Incentive Compensation Plan were achieved, and the resulting 2001 bonus payments to Mr. Carter and the other most highly compensated executive officers of the company are listed in the "Bonus" column of the Summary Compensation Table. Because publication of sensitive and proprietary quantifiable targets and other specific goals for the company and its executive officers could place the company at a competitive disadvantage, it has not been the company's practice to disclose the specific financial performance target levels set forth in its incentive compensation plans. However, the actual results for each of the quantifiable target factors are publicly available and reflect an increase in 2001 net revenues of approximately 12% (\$117,714,000) over the 2000 level. In addition, EBITDA increased by approximately 7.5% (\$18,206,000) and earnings per share increased by more than 21% (\$.23 per share) over 2000 levels. Company management also concluded a successful debt restructuring and reduced Apria's days sales outstanding to 50 during 2001.

LONG-TERM INCENTIVE COMPENSATION As noted above, the company provided long-term compensation to certain members of senior and mid-level management under various stock incentive plans. The stock incentive plans provide the company with the ability to periodically reward key employees, including executive officers, with options to purchase shares of the company's common stock. The value of stock options is tied to the future performance of the company's common stock and provides value to the recipient only when the price of the company's common stock increases above the option grant price.

STOCK OPTION AWARDS TO EXECUTIVE OFFICERS Mr. Carter, Mr. Higby and Mr. Maney received no additional stock option grants as a part of their 2001 compensation. Stock option grants for the other three most highly compensated executive officers are shown in the "Options Granted" column of the Summary Compensation Table.

TAX TREATMENT OF STOCK OPTIONS The Compensation Committee has considered the anticipated tax treatment to the company regarding the compensation and benefits paid to the executive officers of the company in light of the enactment of Section 162(m) of the United States Internal Revenue Code. The basic philosophy of the Compensation Committee is to strive to provide the executive officers of the company with a compensation package which will preserve the deductibility of such payments for the company to the greatest extent possible. However, certain types of compensation payments and their deductibility (e.g., the spread on exercise of non-qualified options) depend upon the timing of an executive officer's vesting or exercise of previously granted rights. Moreover, interpretations of and changes in the tax laws and other factors beyond the Compensation Committee's control may affect the deductibility of certain compensation payments. In addition, in order to attract qualified management personnel, it has proven necessary to grant certain long-term incentives that may not be deductible under Section 162(m) of the Code. The

Compensation Committee will consider various alternatives to preserving the deductibility of compensation payments and benefits to the extent reasonably practicable and to the extent consistent with its other compensation objectives.

Date: April 1, 2002 THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS David H.

Batchelder (Chairman) Ralph V. Whitworth Beverly Benedict Thomas PERFORMANCE GRAPH

----- The following graph shows the changes over the last five-year period in the value of \$100 invested in (i) the common stock of Apria, (ii) the S&P 500 Stock Index, and (iii) the Peer Group Index (1). The value of each investment is based on share price appreciation, with reinvestment of all dividends. The investments are assumed to have occurred at the beginning of the period presented. COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN AMONG APRIA HEALTHCARE GROUP INC., THE S&P 500 INDEX AND THE PEER GROUP INDEX [OBJECT OMITTED, graphically depicts the data presented in the table below] 12/96 12/97 12/98 12/99 12/00 12/01 ----- Apria

Healthcare Group Inc. 100 71.67 47.67 95.67 158.67 133.28 S & P 500 100 133.36 171.47 207.56 188.66 166.24 Peer

Group 100 116.02 131.53 111.06 179.50 190.49 (1) The Peer Group Index is based on the cumulative total returns of

the following companies: Coram Healthcare Corporation, Lincare Holdings, Inc., Optioncare, Inc., and American

Homepatient, Inc. In years prior to 1998, Rotech Medical Corporation (no longer publicly owned) was included in the

Peer Group Index. It should be noted that this graph represents historical stock price performance and is not

necessarily indicative of any future stock price performance. The foregoing report of the Compensation Committee of

the Board of Directors regarding compensation and the performance graph that appears immediately after such report

shall not be deemed to be soliciting material or to be filed with the Securities and Exchange Commission under the

Securities Act of 1933, as amended, or the Exchange Act, or incorporated by reference in any document so filed.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT The

following table sets forth information as of February 28, 2002, with respect to the beneficial ownership of Apria's

common stock by each person who is known by the company to beneficially own more than 5% of Apria's common

stock, each Director of the company, Apria's Chief Executive Officer, the four other most highly compensated

executive officers who were serving in such capacity as of December 31, 2001, John C. Maney and all Directors and

executive officers as a group. Except as otherwise indicated, beneficial ownership includes both voting and investment

power with respect to the shares shown. SECURITY OWNERSHIP TABLE

----- AMOUNT AND NATURE OF PERCENT OF NAME OF BENEFICIAL OWNER BENEFICIAL OWNERSHIP CLASS

----- Janus Capital Corporation (1) 5,115,705

9.44% Thomas H. Bailey (1) 5,115,705 9.44 Janus Fund (1) 5,115,705 9.44 Barclays Global Investors, LTD. (2)

2,777,011 6.13 David H. Batchelder (3) 1,301,282 2.40 Ralph V. Whitworth (3) 1,257,948 2.32 Philip L. Carter (4)

900,000 1.66 Lawrence M. Higby (5) 532,666 * David L. Goldsmith (6) 391,902 * Michael R. Dobbs (7) 156,180 *

George S. Suda (8) 80,933 * Michael J. Keenan (9) 71,633 * Richard H. Koppes (10) 68,000 * Philip R. Lochner, Jr.

(11) 67,000 * Beverly Benedict Thomas (12) 65,000 * John C. Maney (13) 53,000 * All current directors and

executive officers as a group 2,894,289 5.34 (12 persons) (14) ----- * Less than 1% (1) According to an

amended Schedule 13G dated February 8, 2002, Janus Capital Corporation ("Janus Capital") reported beneficial

ownership as well as sole dispositive and voting power with respect to 5,115,705 shares. 3,571,250 of the shares are

held by Janus Fund, an investment company registered under Section 8 of the Investment Company Act of 1940 for

which Janus Capital is the investment advisor. Thomas H. Bailey ("Bailey") joined in the report stating that, as

President and Chairman of the Board of Janus Capital, he may be deemed to have the power to exercise or direct the

exercise of Janus Capital's dispositive and voting powers, even though he disclaims beneficial ownership and the right

to receive dividends from, or the proceeds of any sale of the stock. Janus Capital is a registered investment advisor

which furnishes investment advice to several investment companies registered under Section 8 of the Investment

Company Act of 1940 and to individual and institutional clients. The mailing address for Janus Capital, Janus Fund

and Bailey is 100 Filmore Street, Denver, Colorado 80206-4923. (2) According to a Schedule 13G, dated February 8,

2002, filed with the Securities and Exchange Commission, Barclays Global Investors, Ltd. ("BGLTD"), a bank as

defined in Section 3(a)(6) of the Securities Exchange Act of 1934, has sole dispositive power as to 2,777,011 shares

and sole voting power as to 2,707,799 shares. BGLTD holds 4,230 of the shares directly and has sole dispositive and

voting power as to those shares. The balance of the shares is held by two related banks: Barclays Global Fund

Advisors ("BGF"), which has sole voting and dispositive power as to 343,304 shares, and Barclays Global Investors,

N.A. ("BGNA"), which has sole voting power as to 2,360,265 shares and sole dispositive power as to 2,429,477. The mailing address for BGLTD, BGF and BGNA is 45 Fremont Street, San Francisco, California 94105. (3) According to a Schedule 13D Amendment, dated August 9, 2001, and Form 5 filings dated January 28, 2002 and February 1, 2002, all of which have been filed with the Securities and Exchange Commission, Relational Investors LLC ("RILLC"), its affiliated companies and Messrs. Batchelder and Whitworth, individually and as Managing Members of RILLC, have sole voting and dispositive power as to 1,322,948 shares, which amount includes 161,666 shares subject to options that are currently exercisable. 1,161,282 of the shares are held by RILLC or by limited partnerships (Relational Coast Partners, L.P., Relational Investors, L.P., Relational Fund Partners, L.P., or Relational Partners, L.P.) of which RILLC is the sole general partner. Mr. Whitworth, who is the non-employee Chairman of the company's Board of Directors, holds currently exercisable options to acquire 96,666 shares, and Mr. Batchelder, who also serves as a non-employee member of the company's Board of Directors, holds 75,000 shares in a personal account and currently exercisable options to acquire 65,000 shares. The mailing address for both Mr. Whitworth and Mr. Batchelder is 11975 El Camino Real, Suite 300, San Diego, California 92130. (4) Includes 875,000 shares subject to options that are currently exercisable. The amounts reflected in the table have been adjusted to account for the sale during March 2002 of 50,000 shares acquired on option. (5) Includes 521,666 shares subject to options that are currently exercisable. (6) Includes 300,236 held in a shared trust with Mr. Goldsmith's wife and 91,666 shares subject to options that are currently exercisable. (7) Includes 145,000 shares subject to options that are currently exercisable. (8) Includes 78,333 shares subject to options that are currently exercisable. (9) Includes 71,633 shares subject to options that are currently exercisable. (10) Includes 65,000 shares subject to options that are currently exercisable. (11) Includes 65,000 shares subject to options that are currently exercisable. (12) Includes 64,000 shares subject to options that are currently exercisable. (13) Includes 45,000 shares subject to options that are currently exercisable. (14) Includes shares owned by certain trusts. Also includes 1,273,097 shares subject to options that are currently exercisable. ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS None. PART IV ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K (a) 1. The documents described in the "Index to Consolidated Financial Statements and Financial Statement Schedule" are included in this report starting at page F-1. 2. The financial statement schedule described in the "Index to Consolidated Financial Statements and Financial Statement Schedule" is included in this report starting on page S-1. All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted. 3. Exhibits included or incorporated herein: See Exhibit Index. (b) Reports on Form 8-K: No reports on Form 8-K were filed during the fourth quarter of the fiscal year covered by this report. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE PAGE ---- CONSOLIDATED FINANCIAL STATEMENTS Independent Auditors' Report..... F-1 Consolidated Balance Sheets - December 31, 2001 and 2000..... F-2 Consolidated Statements of Income - Years ended December 31, 2001, 2000 and 1999..... F-3 Consolidated Statements of Stockholders' Equity - Years ended December 31, 2001, 2000 and 1999..... F-4 Consolidated Statements of Cash Flows - Years ended December 31, 2001, 2000 and 1999..... F-5 Notes to Consolidated Financial Statements..... F-6 CONSOLIDATED FINANCIAL STATEMENT SCHEDULE Schedule II - Valuation and Qualifying Accounts..... S-1 INDEPENDENT AUDITORS' REPORT Board of Directors and Stockholders of Apria Healthcare Group Inc. We have audited the accompanying consolidated balance sheets of Apria Healthcare Group Inc. and subsidiaries (the Company) as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the financial statement schedule as of and for each of the three years in the period ended December 31, 2001, included in the Index at Item 14(a)(2). These consolidated financial statements and this financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and this financial statement schedule based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our

opinion. In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Apria Healthcare Group Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. /s/ DELOITTE & TOUCHE LLP

----- Costa Mesa, California April 1, 2002 APRIA HEALTHCARE GROUP INC.

CONSOLIDATED BALANCE SHEETS DECEMBER 31, ----- (in thousands) 2001 2000

		ASSETS CURRENT ASSETS	
Cash and cash equivalents	\$ 9,359	\$ 16,864	Accounts receivable, less allowance for doubtful accounts of \$32,073 and \$39,787 at December 31, 2001 and 2000, respectively
Inventories, net	25,084	22,404	Deferred income taxes
.....	33,017	33,067	Prepaid expenses and other current assets
10,271	8,617	-----	TOTAL CURRENT ASSETS
239,823	226,470	PATIENT SERVICE EQUIPMENT, less accumulated depreciation of \$342,010 and \$310,741 at December 31, 2001 and 2000, respectively	
165,471	134,812	PROPERTY, EQUIPMENT AND IMPROVEMENTS, NET	
47,312	40,630	DEFERRED INCOME TAXES	
75,076	GOODWILL, NET	193,458	131,841
4,863	6,087	OTHER ASSETS	
7,017	5,416	-----	
\$ 695,782	\$ 620,332	=====	
		LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES Accounts payable	\$ 71,198	\$ 54,250	Accrued payroll and related taxes and benefits
33,907	28,449	Accrued insurance	
10,376	9,980	Income taxes payable	
9,060	13,378	Other accrued liabilities	
34,754	24,555	Current portion of long-term debt	
15,455	1,999	-----	
174,750	132,611	LONG-TERM DEBT, net of current portion	
278,234	341,479	COMMITMENTS AND CONTINGENCIES (Notes 9 and 11) STOCKHOLDERS' EQUITY Preferred stock, \$.001 par value: 10,000,000 shares authorized; none issued	
-	-	Common stock, \$.001 par value: 150,000,000 shares authorized; 54,690,267 and 53,153,890 shares issued at December 31, 2001 and 2000, respectively; 54,604,167 and 53,067,790 outstanding at December 31, 2001 and 2000, respectively	
55	53	Additional paid-in capital	
368,231	343,621	Treasury stock, at cost; 86,100 shares at December 31, 2001 and 2000, respectively	
(961)	(961)	Accumulated deficit	
(124,554)	(196,471)	Accumulated other comprehensive income	
27	-	-----	
242,798	146,242	-----	
\$ 695,782	\$ 620,332	=====	

----- See notes to consolidated financial statements. APRIA HEALTHCARE GROUP INC. CONSOLIDATED INCOME STATEMENTS YEAR ENDED DECEMBER 31, ----- (in thousands, except per share data) 2001 2000 1999

		Net revenues	
.....	\$ 1,131,915	\$ 1,014,201	\$ 940,024
Costs and expenses: Cost of net revenues: Product and supply costs	204,666	188,581	183,750
89,985	77,819	73,138	Nursing services
1,223	1,642	2,011	Other
11,773	10,900	9,015	-----
307,647	278,942	267,914	TOTAL COST OF NET REVENUES
32,166	34,314	Selling, distribution and administrative	
631,582	554,691	514,041	Amortization of goodwill and intangible assets
12,349	10,205	8,048	-----
988,688	876,004	824,317	-----
		OPERATING INCOME	
.....	143,227	138,197	115,707
Interest expense, net	25,685	40,056	42,526
-----	117,542	98,141	73,181
Income tax expense (benefit)	44,097	41,135	(130,954)
-----	73,445	57,006	204,135
Extraordinary charge on debt refinancing, net of taxes of \$914	1,528	-	-
-----	\$ 71,917	\$ 57,006	\$ 204,135
		=====	
		Basic income	

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per common share: Income before extraordinary charge \$ 1.36 \$ 1.09 \$ 3.93 Extraordinary charge on debt refinancing, net of taxes.... 0.03 - - ----- Net income \$ 1.33 \$ 1.09 \$ 3.93 =====
 ===== Diluted income per common share: Income before extraordinary charge \$ 1.32 \$ 1.06 \$ 3.81 Extraordinary charge on debt refinancing, net of taxes.... 0.03 - - ----- Net income \$ 1.29 \$ 1.06 \$ 3.81 =====

===== See notes to consolidated financial statements. APRIA HEALTHCARE GROUP INC.
 CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY ACCUMULATED COMMON STOCK
 ADDITIONAL TREASURY STOCK OTHER TOTAL ----- PAID-IN ----- ACCUMULATED
 COMPREHENSIVE STOCKHOLDERS' (in thousands) SHARES PAR VALUE CAPITAL SHARES COST
 DEFICIT INCOME EQUITY

----- Balance at December 31, 1998 51,785 \$ 52 \$ 325,906 - \$(3) \$(457,612) \$ - \$(131,657) Exercise of stock options 270 2,671 2,671 Tax benefits related to stock options 235 235 Other 85 85 Net income 204,135 204,135 ----- Balance at December 31, 1999 52,055 52 328,897 - (3) (253,477) - 75,469 Exercise of stock options 1,099 1 10,735 10,736 Tax benefits related to stock options..... 3,989 3,989 Repurchases of common stock (86) (958) (958) Net income 57,006 57,006 ----- Balance at December 31, 2000 53,154 53 343,621 (86) (961) (196,471) - 146,242 Exercise of stock options 1,536 2 16,476 16,478 Tax benefits related to stock options..... 8,134 8,134 Unrealized gain on interest rate swap agreements, net of taxes... 27 27 Net income 71,917 71,917 ----- Total comprehensive income... 71,917 27 71,944 ----- Balance at December 31, 2001 54,690 \$ 55 \$ 368,231 (86) \$(961) \$(124,554) \$ 27 \$ 242,798 =====
 ===== See notes to consolidated financial statements. APRIA HEALTHCARE GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEAR ENDED DECEMBER 31,
 ----- (in thousands) 2001 2000 1999

----- OPERATING ACTIVITIES Net income \$ 71,917 \$ 57,006 \$ 204,135 Items included in net income not requiring (providing) cash: Extraordinary charge on debt refinancing 2,442 - - Provision for doubtful accounts 37,110 32,166 34,314 Provision for inventory and patient service equipment shortages - - 3,968 Depreciation 106,106 95,074 92,312 Amortization of goodwill and intangible assets 12,349 10,205 8,048 Amortization of deferred debt issuance costs..... 1,880 2,618 4,471 Deferred income taxes 45,405 34,414 (138,334) Other, net 97 (921) (1,679) Changes in operating assets and liabilities, exclusive of effects of acquisitions: Accounts receivable (53,822) (27,105) (49,802) Inventories, net (2,516) (3,898) (3,668) Prepaids and other assets (1,718) 1,427 (3,905) Accounts payable, exclusive of outstanding checks 11,979 (156) 4,446 Accrued payroll and related taxes and benefits 5,459 1,971 898 Income taxes payable (4,319) 4,158 4,701 Accrued expenses 9,060 (18,976) (12,188) ----- NET CASH PROVIDED BY OPERATING ACTIVITIES 241,429 187,983 147,717 INVESTING ACTIVITIES Purchases of patient service equipment and property, equipment and improvements, exclusive of effects of acquisitions..... (133,162) (96,414) (75,119) Proceeds from disposition of assets 303 637 1,038 Cash paid for acquisitions, including payments of deferred consideration..... (80,273) (26,220) (53,427) ----- NET CASH USED IN INVESTING ACTIVITIES (213,132) (121,997) (127,508) FINANCING ACTIVITIES Proceeds from revolving credit facilities 94,900 - - Payments on revolving credit facilities (87,100) - - Proceeds from term loans 300,000 - - Payments on term loans (156,938) (79,062) (68,938) Payment on redemption of senior subordinated notes (200,000) - - Payments on other long-term debt (2,488) (3,608) (5,826) Outstanding checks included in accounts payable 4,969 4,259 (872) Capitalized debt issuance costs, net (5,623) (982) (2,226) Repurchases of common stock - (958) - Issuances of common stock 16,478 10,736 2,671 ----- NET CASH

USED IN FINANCING ACTIVITIES	(35,802)	(69,615)	(75,191)	-----	-----	-----	-----	-----	NET
DECREASE IN CASH AND CASH EQUIVALENTS	(7,505)	(3,629)	(54,982)						Cash and cash
equivalents at beginning of year	16,864	20,493	75,475	-----	-----	-----	-----	-----	CASH AND CASH
EQUIVALENTS AT END OF YEAR	\$ 9,359	\$ 16,864	\$ 20,493	=====	=====	=====	=====	=====	

===== SUPPLEMENTAL DISCLOSURES - See Notes 5 and 7 for cash paid for interest and income taxes, respectively. NON-CASH TRANSACTIONS - See Statements of Stockholders' Equity, Note 3 and Note 9 for tax benefit from stock option exercises, liabilities assumed in acquisitions and purchase of property and equipment under capital leases, respectively. See notes to consolidated financial statements. APRIA HEALTHCARE GROUP INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These statements include the accounts of Apria Healthcare Group Inc. ("Apria" or "the company") and its subsidiaries. Intercompany transactions and accounts have been eliminated. **Company Background and Segment Reporting:** Apria operates in the home healthcare segment of the healthcare industry, providing a variety of clinical services and related products and supplies as prescribed by a physician or authorized by a case manager as part of a care plan. All products and services offered by the company are provided through the company's network of approximately 400 branch facilities, which are located throughout the United States and are organized into 15 geographic regions. Each region consists of a number of branches and a regional office, which provides key support services such as billing, purchasing, equipment maintenance, repair and warehousing. Management evaluates operating results on a geographic basis and therefore views each region as an operating segment. All regions provide the same products and services, including respiratory therapy, infusion therapy and home medical equipment and supplies. For financial reporting purposes, all of the company's operating segments are aggregated into one reportable segment in accordance with the aggregation criteria in paragraph 17 of Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information". Respiratory therapy, infusion therapy and home medical equipment represent approximately 66%, 19% and 15% of total 2001 revenues, respectively. The gross margins for these services and related products were 79%, 59% and 63%, respectively. **Use of Accounting Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. **Revenue Recognition and Concentration of Credit Risk:** Revenues are recognized on the date services and related products are provided to patients and are recorded at amounts estimated to be received under reimbursement arrangements with third-party payors, including private insurers, prepaid health plans, Medicare and Medicaid. Approximately 30% of the company's 2001 revenues are reimbursed under arrangements with Medicare and Medicaid. In 2001, no other third-party payor group represented 10% or more of the company's revenues. The majority of the company's revenues are derived from fees charged for patient care under fee-for-service arrangements. Revenues derived from capitation arrangements represented less than 10% of total net revenues for 2001, 2000 and 1999. Due to the nature of the industry and the reimbursement environment in which Apria operates, certain estimates are required to record net revenues and accounts receivable at their net realizable values. Inherent in these estimates is the risk that they will have to be revised or updated as additional information becomes available. Specifically, the complexity of many third-party billing arrangements and the uncertainty of reimbursement amounts for certain services from certain payors may result in adjustments to amounts originally recorded. Such adjustments are typically identified and recorded at the point of cash application, claim denial or account review. Management performs periodic analyses to evaluate the net realizable value of accounts receivable. Specifically, management considers historical realization data, accounts receivable aging trends, other operating trends and relevant business conditions. Also, focused reviews of certain large and/or problematic payors are performed. Because of continuing changes in the healthcare industry and third-party reimbursement, it is possible that management's estimates could change in the near term, which could have an impact on operations and cash flows. Accounts receivable are reduced by an allowance for doubtful accounts which provides for those accounts from which payment is not expected to be received, although services were provided and revenue was earned. **Cash and Cash Equivalents:** Apria maintains cash with various financial institutions. These financial institutions are located throughout the United States and the company's cash management practices limit exposure to any one institution. Outstanding checks, which are reported as a component of accounts payable, were \$23,457,000 and \$18,488,000 at

December 31, 2001 and 2000, respectively. Management considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. Accounts Receivable: Included in accounts receivable are earned but unbilled receivables of \$26,925,000 and \$17,863,000 at December 31, 2001 and 2000, respectively. Delays, ranging from a day up to several weeks, between the date of service and billing can occur due to delays in obtaining certain required payor-specific documentation from internal and external sources. Earned but unbilled receivables are aged from date of service and are considered in Apria's analysis of historical performance and collectibility. Inventories: Inventories are stated at the lower of cost (first-in, first-out method) or market and consist primarily of disposables used in conjunction with patient service equipment and pharmaceuticals. Patient Service Equipment: Patient service equipment consists of medical equipment provided to in-home patients and is stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the equipment, which range from one to ten years. Property, Equipment and Improvements: Property, equipment and improvements are stated at cost. Included in property and equipment are assets under capitalized leases which consist solely of information systems. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for each of the categories presented in Note 3 are as follows: leasehold improvements -- the shorter of the remaining lease term or seven years; equipment and furnishings -- three to fifteen years; information systems -- three to four years. Capitalized Software: Included in property, equipment and improvements are costs related to internally-developed and purchased software that are capitalized and amortized over periods not exceeding four years. Capitalized costs include direct costs of materials and services incurred in developing or obtaining internal-use software and payroll and payroll-related costs for employees directly involved in the development of internal-use software. The carrying value of capitalized software is reviewed if the facts and circumstances suggest that it may be impaired. Indicators of impairment may include a subsequent change in the extent or manner in which the software is used or expected to be used, a significant change to the software is made or expected to be made or the cost to develop or modify internal-use software exceeds that expected amount. Management does not believe any impairment of its capitalized software existed at December 31, 2001. Goodwill: Goodwill arising from business combinations represents the excess of the purchase price over the estimated fair value of the net assets of the acquired business. Prior to a transition period called for by SFAS No. 142, "Goodwill and Other Intangible Assets", goodwill attributable to business combinations completed on or before June 30, 2001, was being amortized over the period of expected benefit. The amortization period for substantially all of the company's goodwill was 20 years. Management reviewed for impairment on an ongoing basis and whenever events or changes in circumstances indicated the possibility of impairment. In accordance with the provisions of SFAS No. 142, goodwill arising from business combinations initiated after June 30, 2001, will no longer be amortized but shall be tested annually for impairment or more frequently if circumstances indicate potential impairment. Upon Apria's adoption of SFAS No. 142 in its entirety on January 1, 2002, the amortization of goodwill, including goodwill recorded in past transactions, ceased completely. See "Recent Accounting Pronouncements". Intangible and Other Long-lived Assets: Intangible assets consist primarily of covenants not to compete resulting from business combinations. The values assigned to such intangible assets are amortized on a straight-line basis over their contractual terms, which range from two to ten years. Management reviews for impairment of intangible assets and long-lived assets on an ongoing basis and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management does not believe any impairment of its intangible assets or long-lived assets existed at December 31, 2001. See "Recent Accounting Pronouncements". Fair Value of Financial Instruments: The fair value of long-term debt and letters of credit is determined by reference to borrowing rates currently available to Apria for loans with similar terms and average maturities. The carrying amounts of cash and cash equivalents, accounts receivables, trade payables and accrued expenses approximate fair value because of their short maturity. Advertising: Advertising costs amounting to \$3,044,000, \$2,212,000 and \$2,528,000 for 2001, 2000 and 1999, respectively, are expensed as incurred and included in "Selling, distribution and administrative expenses". Income Taxes: Apria provides for income taxes in accordance with provisions specified in SFAS No. 109, "Accounting for Income Taxes". Accordingly, deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities. These differences will result in taxable or deductible amounts in the future, based on tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to amounts which are more likely than not to be realized. Derivative Instruments and Hedging Activities: Effective January 1, 2001, the company adopted SFAS No. 133, "Accounting for

Derivative Instruments and Hedging Activities", as amended by SFAS No. 137 and SFAS No. 138. SFAS No. 133 establishes accounting and reporting standards for hedging activities and for derivative instruments, including certain derivative instruments embedded in other contracts. Apria's adoption of SFAS No. 133 did not have a material effect on the company's consolidated financial statements. Comprehensive Income: For the year ended December 31, 2001, the difference between net income and comprehensive income is \$27,000, net of taxes, which is attributable to unrealized gains on two interest rate swap agreements. For the years ended December 31, 2000 and 1999, there were no differences between comprehensive income and net income. Per Share Amounts: Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding. Diluted net income per share includes the effect of the potential shares outstanding, including dilutive stock options and warrants, using the treasury stock method. Recent Accounting Pronouncements: In July 2001, Apria adopted SFAS No. 141, "Business Combinations". SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations and requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method. Adoption of SFAS No. 141 did not have a material effect on the company's consolidated financial statements. Effective January 1, 2002, Apria adopted SFAS No. 142, "Goodwill and Other Intangible Assets" in its entirety. SFAS No. 142 addresses the financial accounting and reporting for goodwill and other intangible assets. The statement provides that goodwill or other intangible assets with indefinite lives will no longer be amortized, but shall be tested for impairment annually, or more frequently if circumstances indicate potential impairment. The impairment test is comprised of two steps: (1) a reporting unit's fair value is compared to its carrying value; if the fair value is less than its carrying value, goodwill impairment is indicated; and (2) if impairment is indicated in the first step, it is measured by comparing the implied fair value of goodwill to its carrying value at the reporting unit level. In the year of adoption, SFAS No. 142 requires a transitional goodwill impairment test; the first step must be completed within six months of adoption and the second step, if necessary, must be completed by the end of the year. Amounts used in the transitional test shall be measured as of the beginning of the year. An impairment loss resulting from application of the transitional goodwill impairment test shall be recognized as the effect of a change in accounting principle. Apria's transitional goodwill impairment test and overall evaluation of SFAS No. 142's impact is currently in progress, therefore it is not presently known whether adoption will have a material effect on the consolidated financial statements. Goodwill amortization expense for the year ended December 31, 2001 was \$9,809,000. Effective January 1, 2002, Apria was required to adopt SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 requires that one accounting model be used for long-lived assets to be disposed of by sale. Discontinued operations will be measured similarly to other long-lived assets classified as held for sale at the lower of its carrying amount or fair value less cost to sell. Future operating losses will no longer be recognized before they occur. SFAS No. 144 also broadens the presentation of discontinued operations to include a component of an entity when operations and cash flows can be clearly distinguished, and establishes criteria to determine when a long-lived asset is held for sale. The adoption of this statement will not have a material effect on Apria's financial statements. Reclassifications: Certain amounts for prior periods have been reclassified to conform to the current year presentation. NOTE 2 -- PROPERTY, EQUIPMENT AND IMPROVEMENTS Property, equipment and improvements consist of the following: DECEMBER 31, ----- (IN THOUSANDS) 2001 2000

----- Leasehold improvements.....	\$ 17,809	\$ 20,912
Equipment and furnishings.....	43,565	46,136
Information systems.....	73,597	57,408
-----	-----	-----
134,971	124,456	Less accumulated depreciation.....
		(87,659)
		(83,826)

		\$ 47,312
		\$ 40,630

===== NOTE 3 -- BUSINESS COMBINATIONS During 2001, 2000 and 1999, Apria acquired a number of complementary businesses in specific geographic markets. Included are five companies acquired after June 30, 2001. All of these companies primarily provided home respiratory therapy services. For all periods presented, these all-cash transactions were accounted for as purchases and, accordingly, the results of operations of the acquired businesses are included in the consolidated income statements from the dates of acquisition. The purchase prices were allocated to the various underlying tangible and intangible assets and liabilities on the basis of estimated fair value. The following table summarizes the allocation of the purchase prices of acquisitions made by the company, which include payments deferred from prior years. In 2001, such payments totaled \$2,408,000. At December 31, 2001, outstanding deferred consideration totaled \$1,385,000 and \$2,200,000 for business combinations initiated on or before June 30, 2001 and after June 30, 2001, respectively. 2001 YEAR ENDED ----- DECEMBER 31, After On or prior ----- (IN THOUSANDS) June 30, to June 30, 2000 1999

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----- Fair value of assets acquired..... \$ 44,523 \$
 37,286 \$ 26,778 \$ 56,313 Liabilities (assumed) paid, net..... (1,932) 396 (558) (2,886) -----
 ----- Cash paid..... \$ 42,591 \$ 37,682 \$ 26,220 \$ 53,427 =====

===== The allocation of the aggregate consideration for acquisitions effected during 2001, 2000 and 1999 includes goodwill and intangible assets of \$73,112,000, \$22,492,000 and \$49,324,000, respectively. The following supplemental unaudited pro forma information presents the combined operating results of Apria and the businesses that were acquired by Apria during 2001, as if the acquisitions had occurred at the beginning of the periods presented. The pro forma information is based on the historical financial statements of Apria and those of the acquired businesses. Amounts are not necessarily indicative of the results that may have been obtained had the combinations been in effect on the dates indicated or that may be achieved in the future. YEAR ENDED DECEMBER 31,

----- (IN THOUSANDS) 2001 2000 -----
 Net revenues..... \$1,164,658 \$1,083,178 Income before extraordinary charge..... \$ 73,197 \$ 53,191
 Net income..... \$ 71,669 \$ 53,191 Diluted income per common share: Income before extraordinary charge..... \$ 1.34 \$ 0.97
 Extraordinary charge on debt refinancing, net of taxes..... 0.03 -
 ----- Net income..... \$ 1.31 \$ 0.97 ===== NOTE 4 - GOODWILL AND INTANGIBLE ASSETS DECEMBER 31, ----- (IN THOUSANDS) 2001 2000

----- Goodwill from business combinations completed on or before June 30, 2001..... \$ 203,077 \$ 170,522
 Less accumulated amortization..... (48,490) (38,681) -----
 ----- 154,587 131,841 Goodwill from business combinations initiated after June 30, 2001..... 38,871 -
 ----- \$ 193,458 \$ 131,841 ===== Intangible assets, comprised of covenants not to compete..... \$ 16,180 \$ 16,455
 Less accumulated amortization..... (11,317) (10,368) -----
 \$ 4,863 \$ 6,087 =====

===== Covenants not to compete relating to business combinations completed after June 30, 2001 have a weighted-average life of five years. All of the goodwill recorded in conjunction with business combinations initiated after June 30, 2001 is expected to be deductible for tax purposes. NOTE 5 -- CREDIT FACILITY AND LONG-TERM DEBT Long-term debt consists of the following: DECEMBER 31, ----- (IN THOUSANDS) 2001 2000 -----

Term loans payable..... \$283,062 \$140,000 Notes payable relating to revolving credit facilities..... 7,800 - 9 1/2% senior subordinated notes..... - 200,000
 Capital lease obligations (see Note 9)..... 2,827 3,478 ----- 293,689 343,478
 Less: Current maturities..... (15,455) (1,999) -----
 \$278,234 \$341,479 =====

===== Credit Agreement: On July 20, 2001, Apria closed a new \$400,000,000 senior secured credit agreement with a syndicate of lenders led by Bank of America, N.A. The credit facilities consist of a \$100,000,000 five-year revolving credit facility, a \$125,000,000 five-year term loan and a \$175,000,000 six-year term loan. The \$125,000,000 term loan is repayable in 20 consecutive quarterly installments of \$5,500,000 to \$7,000,000 each, commencing December 31, 2001. The \$175,000,000 term loan is repayable in 20 consecutive quarterly installments of \$437,500 each, commencing December 31, 2001, followed by three consecutive quarterly installments of \$41,562,500 each, and a final payment of \$41,562,500 due on July 20, 2007. On December 28, 2001, the company made scheduled quarterly payments of \$5,500,000 and \$437,500 on the five-year and six-year term loans, respectively. The company further reduced the outstanding debt on the five-year term loan by making a voluntary prepayment of \$11,000,000 on December 28, 2001. The voluntary prepayment was applied against future scheduled quarterly payments, effectively eliminating any prepayment requirements on the five-year term loan until September 2002. The senior secured credit agreement permits Apria to select one of two variable interest rates. One option is the base rate, which is expressed as the higher of (a) the Federal Funds rate plus 0.50% and (b) the Prime Rate. The other option is the Eurodollar rate, which is based on the London Interbank Offered Rate ("LIBOR"). Interest on outstanding balances under the senior secured credit agreement are determined by adding a margin to the Eurodollar rate or base rate in effect at each interest calculation date. The applicable margins for the revolving credit facility and the \$125,000,000 term loan are based on Apria's leverage ratio, which is the ratio of its funded debt to its last four quarters of earnings before interest, taxes, depreciation, and amortization. The applicable margin ranges from 1.50% to 2.25% for Eurodollar loans and from 0.50% to 1.25% for base rate loans. For the \$175,000,000 term loan, the margins are fixed at 3.00% for Eurodollar loans and at 2.00% for base rate loans. The effective interest rate at December 31, 2001 was 4.87% on total borrowings of \$290,862,500. The senior credit agreement also requires payment of commitment fees ranging from 0.25% to 0.50% (also based on Apria's leverage ratio) on the unused

portion of the revolving credit facility. Borrowings under the senior secured credit facilities are collateralized by substantially all of the assets of Apria. The credit agreement contains numerous restrictions, including but not limited to, covenants requiring the maintenance of certain financial ratios, limitations on additional borrowings, capital expenditures, mergers, acquisitions and investments and, restrictions on cash dividends, loans and other distributions. The agreement also permits Apria to expend a maximum of \$100,000,000 per year on acquisitions. At December 31, 2001, the company was in compliance with all of the financial covenants required by the credit agreement. The carrying value of the term loans and the revolver approximates fair value because the underlying instruments are variable notes that reprice frequently. The company's previous credit agreement and the \$200,000,000 9 1/2% senior subordinated notes, both of which were scheduled to mature in late 2002, were repaid in full concurrently with the closing of the new senior secured credit agreement. In connection with the early retirement of its debt, Apria wrote-off the unamortized balance of deferred financing fees attributable to the subordinated notes and the previous credit agreement. Accordingly, Apria recorded an extraordinary charge of \$1,528,000, net of tax, in the quarter ended September 30, 2001. On December 31, 2001, borrowings under the revolving credit facility were \$7,800,000, outstanding letters of credit totaled \$1,000,000 and credit available under the revolving facility was \$91,200,000.

Maturities of long-term debt, exclusive of capital lease obligations, are as follows: (IN THOUSANDS) DECEMBER

31, 2001 -----	2002.....	\$ 13,250
2003.....	25,750 2004.....	26,500 2005.....
2006.....	71,675 2007.....	124,687 -----

\$290,862 Total interest paid in 2001, 2000 and 1999 amounted to \$27,298,000, \$37,119,000 and \$37,923,000, respectively. Hedging Activities: Apria is exposed to interest rate fluctuations on its underlying variable rate long-term debt. Apria's policy for managing interest rate risk is to evaluate and monitor all available relevant information, including but not limited to, the structure of its interest-bearing assets and liabilities, historical interest rate trends and interest rate forecasts published by major financial institutions. The tools Apria may utilize to moderate its exposure to fluctuations in the relevant interest rate indices include, but are not limited to: (1) strategic determination of repricing periods and related principal amounts, and (2) derivative financial instruments such as interest rate swap agreements, caps or collars. Apria does not use derivatives for trading or other speculative purposes. During the fourth quarter of 2001, Apria entered into two interest rate swap agreements with a total notional amount of \$100,000,000 to fix its LIBOR-based variable rate debt at 2.58% (before the applicable margin). The swap agreements became effective October 30, 2001 and terminate on March 31, 2003. The swaps are being accounted for as cash flow hedges under SFAS No. 133. Accordingly, the difference between the interest received and interest paid is reflected as an adjustment to interest expense. For the period between the effective date of the swap agreements and December 31, 2001, Apria paid a net settlement amount of \$39,000. At December 31, 2001, the swap agreements are reflected in the accompanying balance sheet in other assets at their fair value of \$44,000. Unrealized gains on the fair value of the swap agreements are reflected, net of taxes, in other comprehensive income.

NOTE 6 -- STOCKHOLDERS' EQUITY Treasury Stock: In mid-February 2002, Apria announced a plan to repurchase up to \$35,000,000 of outstanding common stock during the first two quarters of 2002. Depending on market conditions and other considerations, repurchases will be made from time to time in open market transactions. From February 15, 2002 through March 11, 2002 Apria repurchased 999,800 shares for \$21,670,000. In 2000, Apria repurchased 86,000 shares of its common stock for \$958,000. All repurchased common shares are being held in treasury. Stock Compensation Plans: Apria has various stock-based compensation plans, which are described below. Management applies the provisions of Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans. No compensation expense has been recognized upon granting of options under its fixed stock option plans or its performance-based plans. Had compensation expense for the company's stock-based compensation plans been recognized based on the fair value of awards at the date of grant, Apria's net income and per share amounts would have been adjusted to the pro forma amounts indicated below. (IN THOUSANDS, EXCEPT PER SHARE DATA) 2001 2000 1999 ----- Net income: As reported..... \$ 71,917 \$ 57,006 \$ 204,135 Pro forma..... \$ 61,761 \$ 47,812 \$ 196,971 Basic net income per share: As reported..... \$ 1.33 \$ 1.09 \$ 3.93 Pro forma..... \$ 1.14 \$ 0.91 \$ 3.79 Diluted net income per share: As reported..... \$ 1.29 \$ 1.06 \$ 3.81 Pro forma..... \$ 1.11 \$ 0.89 \$

3.71 For purposes of pro forma disclosure, the fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2001, 2000 and 1999: risk-free interest rates ranging from 3.83% to 5.03%, 5.99% to 6.72% and 6.81% to 6.89%,

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----- \$ 4.69 - \$
 6.50 685,126 6.61 \$ 6.18 685,126 \$ 6.18 \$ 6.75 - \$ 9.00 610,000 6.41 \$ 8.75 610,000 \$ 8.75 \$10.75 - \$18.56 101,084
 5.03 \$14.53 101,084 \$14.53 ----- \$ 4.69 - \$18.56 1,396,210 6.41 \$ 7.91 1,396,210 \$ 7.91 =====

===== Approximately 9,328,000 shares of common stock are reserved for future issuance upon exercise of
 stock options under all of Apria's active plans. NOTE 7 -- INCOME TAXES Significant components of Apria's
 deferred tax assets and liabilities are as follows: DECEMBER 31, ----- (IN THOUSANDS) 2001
 2000 ----- Deferred tax liabilities: Tax over book
 depreciation..... \$ (4,122) \$ (4,834) Other, net..... (1,182) (878) ----- Total deferred tax
 liabilities..... (5,304) (5,712) Deferred tax assets: Allowance for doubtful accounts..... 12,028 14,636
 Accruals..... 9,309 9,251 Asset valuation reserves..... 2,181 2,766 Net operating loss
 carryforward, limited by Section 382..... 35,623 70,115 AMT credit carryovers..... 9,766 8,052
 Intangible assets..... 4,823 8,126 Other, net..... 2,429 909 ----- Total deferred tax
 assets..... 76,159 113,855 ----- Net deferred tax assets..... \$ 70,855 \$108,143 =====

===== At December 31, 2001, the company's net current deferred tax assets and net long-term deferred tax assets
 are \$33,017,000 and \$37,838,000, respectively. The difference in the company's deferred tax assets from 2000 to 2001
 is primarily attributable to utilization of current year net operating loss carryforwards. At December 31, 2001, Apria
 had federal net operating loss carryforwards of approximately \$89,000,000, expiring in varying amounts in the years
 2003 through 2018, and various state operating loss carryforwards that began to expire in 1997. Additionally, the
 company has an alternative minimum tax credit carryforward of approximately \$9,800,000. As a result of an
 ownership change in 1992 that met specified criteria of Section 382 of the Internal Revenue Code, future use of a
 portion of the federal and state operating loss carryforwards generated prior to 1992 are each limited to approximately
 \$5,000,000 per year. Because of the annual limitation, approximately \$57,000,000 of each of Apria's federal and state
 operating loss carryforwards may expire unused. The net operating loss carryforward amount in the related deferred
 tax asset excludes such amount. Income tax expense (benefit) consists of the following: YEAR ENDED DECEMBER
 31, ----- (IN THOUSANDS) 2001 2000 1999

----- Current: Federal..... \$ 2,150 \$ 1,622 \$ 1,470
 State..... 1,200 5,099 6,145 ----- 3,350 6,721 7,615 Deferred: Federal..... 39,049
 30,116 (123,495) State..... 1,698 4,298 (15,074) ----- 40,747 34,414 (138,569) -----
 ----- \$ 44,097 \$ 41,135 \$(130,954) =====

===== During 2001, the exercise of stock
 options granted under Apria's various stock option plans gave rise to \$21,689,000 in compensation that is includable
 as taxable income to the employee and deductible by the company for federal and state tax purposes but is not
 recognized as expense for financial reporting purposes. Current federal income tax expense for 2001 and 2000
 represents the company's expected federal alternative minimum tax liability. This amount is also reflected as a
 deferred tax asset in the accompanying balance sheet. The current liability also includes estimated settlement amounts
 for state income tax examinations. During 1999, the company settled its foreign tax liabilities associated with the
 foreign tax audits. Differences between Apria's income tax expense (benefit) and an amount calculated utilizing the
 federal statutory rate are as follows: YEAR ENDED DECEMBER 31, ----- (IN
 THOUSANDS) 2001 2000 1999

----- Income tax expense at
 statutory rate..... \$ 41,140 \$ 34,349 \$ 25,613 Non-deductible amortization of goodwill..... 1,693 1,590 1,628
 State and foreign taxes, net of federal benefit and state loss carryforwards..... 2,959 3,942 4,073 Decrease in
 valuation allowance for deferred items currently recognized..... - - (158,992) Other.....
 (1,695) 1,254 (3,276) ----- \$ 44,097 \$ 41,135 \$(130,954) =====

===== Net
 income taxes paid in 2001, 2000 and 1999, amounted to \$2,096,000, \$2,575,000 and \$2,679,000, respectively. NOTE
 8 -- PER SHARE AMOUNTS The following table sets forth the computation of basic and diluted per share amounts:
 YEAR ENDED DECEMBER 31, ----- (IN THOUSANDS) 2001 2000 1999

----- Numerator: Net
 income..... \$ 71,917 \$ 57,006 \$ 204,135 Numerator for basic and diluted per share
 amounts - net income available to common stockholders..... \$ 71,917 \$ 57,006 \$ 204,135 Denominator:
 Denominator for basic per share amounts - weighted-average shares..... 53,971 52,375 51,940 Effect of
 dilutive securities: Employee stock options..... 1,807 1,647 1,590 ----- Total

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dilutive potential common shares.....	1,807	1,647	1,590	-----	-----	-----	Denominator for diluted per share amounts - adjusted weighted-average shares.....	55,778	54,022	53,530	=====
=====	=====	=====	=====	=====	=====	=====	Basic net income per common share.....	\$ 1.33	\$ 1.09	\$ 3.93	=====
=====	=====	=====	=====	=====	=====	=====	Diluted net income per common share.....	\$ 1.29	\$ 1.06	\$ 3.81	=====
=====	=====	=====	=====	=====	=====	=====	Employee stock options excluded from the computation of diluted per share amounts: Shares for which exercise price exceeds average market price of common stock.....	1,853	249	1,789	=====
=====	=====	=====	=====	=====	=====	=====	Average exercise price per share that exceeds average market price of common stock.....	\$26.86	\$25.52	\$19.11	=====

NOTE 9 -- LEASES Apria operates principally in leased offices and warehouse facilities. In addition, delivery vehicles and office equipment are leased under operating leases. Lease terms are generally ten or fewer years with renewal options for additional periods. Many leases provide that the company pay taxes, maintenance, insurance and other expenses. Rentals are generally increased annually by the Consumer Price Index, subject to certain maximum amounts defined within individual agreements. Apria occasionally subleases unused facility space when a lease buyout is not a viable option. Sublease income, in amounts not considered material, is recognized monthly and is offset against facility lease expense. Net rent expense in 2001, 2000 and 1999 amounted to \$60,618,000, \$56,243,000 and \$55,465,000, respectively. In addition, during 2001 and 2000, Apria acquired information systems totaling \$1,837,000 and \$3,054,000, respectively, under capital lease arrangements with lease terms ranging from 24 to 30 months. No such arrangements were effected in 1999. Amortization of the leased information systems amounted to \$811,000, \$87,000 and \$2,023,000 in 2001, 2000 and 1999, respectively. The following amounts for assets under capital lease obligations are included in property, equipment and improvements: DECEMBER 31, ----- (IN THOUSANDS) 2001 2000

-----	-----	-----	-----	-----	-----	-----	Information systems.....	\$ 4,458	\$ 3,054
-----	-----	-----	-----	-----	-----	-----	Less accumulated depreciation.....	(811)	(87)
-----	-----	-----	-----	-----	-----	-----	-----	\$ 3,647	\$ 2,967

Future minimum payments, by year and in the aggregate, required under capital lease obligations and noncancellable operating leases consist of the following at December 31, 2001: CAPITAL OPERATING (IN THOUSANDS) LEASES LEASES ----- 2002..... \$ 2,324 \$ 48,564 2003..... 642 39,383 2004..... - 31,941 2005..... - 23,612 2006..... - 16,512 Thereafter..... - 19,894 ----- 2,966 \$179,906 ===== Less interest included in minimum lease payments..... (139) ----- Present value of minimum lease payments..... 2,827 Less current portion..... (2,205) ----- \$ 622 ===== NOTE 10 -- EMPLOYEE BENEFIT PLANS Apria has a 401(k) defined contribution plan, whereby eligible employees may contribute up to 16% of their annual basic earnings. The company matches 50% of the first 8% of employee contributions. Total expenses related to the defined contribution plan were \$4,240,000, \$3,792,000 and \$3,405,000 in 2001, 2000 and 1999, respectively. NOTE 11 -- COMMITMENTS AND CONTINGENCIES Litigation: Apria is engaged in the defense of certain claims and lawsuits arising out of the ordinary course and conduct of its business, the outcomes of which are not determinable at this time. Apria has insurance policies covering such potential losses where such coverage is cost effective. In the opinion of management, any liability that might be incurred by the company upon the resolution of these claims and lawsuits will not, in the aggregate, have a material adverse effect on Apria's consolidated results of operations and financial position. Management is unable to estimate the range of possible loss for all other claims and lawsuits. Apria and certain of its present and former officers and/or directors are defendants in a class action lawsuit, In Re Apria Healthcare Group Securities Litigation, filed in the U.S. District Court for the Central District of California, Southern Division (Case No. SACV98-217 GLT). This case is a consolidation of three similar class actions filed in March and April, 1998. The consolidated amended class action complaint purports to establish a class of plaintiff shareholders who purchased Apria's common stock between May 22, 1995 and January 20, 1998. No class has been certified at this time. The complaint alleges, among other things, that the defendants made false and/or misleading public statements regarding Apria and its financial condition in violation of federal securities laws. The complaint seeks compensatory and punitive damages as well as other relief. Two similar class actions were filed during July 1998 in the Superior Court for the State of California for the County of Orange: Schall v. Apria Healthcare Group Inc., et al. (Case No. 797060) and Thompson v. Apria Healthcare Group Inc., et al. (Case No. 797580). These two actions were consolidated by a court order dated October 22, 1998 (Master Case No. 797060). On June 14, 1999, the plaintiffs filed a consolidated amended class action complaint asserting claims founded on state law and on Sections 11 and 12(2) of

the 1933 Securities Act. Following a series of settlement discussions, the parties reached a tentative settlement of both the consolidated federal and state class actions in early 2002. Under the terms of the settlement, Apria has contributed \$1 million to a settlement pool, with the balance of the total settlement amount of \$42 million coming from Apria's insurance carriers. Apria has also agreed to provide various indemnities to certain current and former Apria officers and directors who would be entitled to receive such indemnification under applicable law. The Orange County Superior Court has required that final settlement documents be presented to the Court on April 16, 2002. Apria cannot provide any assurances that all of the agreements necessary to finalize the settlement, and obtain final Court approval for such a settlement, will be obtained. However, in the opinion of Apria's management, the ultimate disposition of these class actions will not have a material adverse effect on Apria's results of operations or financial condition. Apria and its former Chief Executive Officer are also defendants in a class action lawsuit, J.E.B. Capital Partners, LP v. Apria Healthcare Group Inc. and Philip L. Carter, filed on August 27, 2001 in the U.S. District Court for the Central District of California, Southern Division (Case No. SACV01-813 GLT). Among other things, the operative complaint alleges that the defendants made false and/or misleading public statements by not announcing until July 16, 2001 the amount of potential damages asserted by the U.S. Attorney's office in Los Angeles and counsel for the plaintiffs in the qui tam actions referred to below. Apria believes that it has meritorious defenses to the plaintiff's claims and it intends to vigorously defend itself. In the opinion of Apria's management, the ultimate disposition of this class action will not have a material adverse effect on Apria's results of operations or financial condition. As previously reported, since mid-1998 Apria has been the subject of investigations conducted by several U.S. Attorneys' offices and the U.S. Department of Health and Human Services. These investigations concern the documentation supporting Apria's billing for services provided to patients whose healthcare costs are paid by Medicare and other federal programs. Apria is cooperating with the government in connection with these investigations and is responding to various document requests and subpoenas. A criminal investigation conducted by the U.S. Attorney's office in Sacramento was closed in mid-1999 with no charges being filed. Potential claims resulting from an investigation by the U.S. Attorney's office in San Diego were settled in mid-2001 in exchange for a payment by Apria of \$95,000. Apria has been informed by the U.S. Attorney's office in Los Angeles that the investigation being conducted by that office is the result of civil qui tam litigation filed on behalf of the government against Apria. The complaints in the litigation are under seal, however, and the government has not informed Apria of either the identities of the plaintiffs, the court or courts where the proceedings are pending, the date or dates instituted or the factual bases alleged to underlie the proceedings. To date, the U.S. Attorney's office has not informed Apria of any decision to intervene in the qui tam actions; however, it could reach a decision with respect to intervention at any time. On July 12, 2001, government representatives and counsel for the plaintiffs in the qui tam actions asserted that, by a process of extrapolation from a sample of 300 patient files to all of Apria's billings to the federal government during the three-and-one-half year sample period, Apria could be liable to the government under the False Claims Act for more than \$9,000,000,000, consisting of extrapolated overpayment liability, plus treble damages and penalties of up to \$10,000 for each allegedly false claim derived from the extrapolation. Apria has acknowledged that there may be errors and omissions in supporting documentation affecting a portion of its billings. However, it considers the assertions and amounts described in the preceding paragraph to be unsupported both legally and factually and believes that most of the alleged documentation errors and omissions should not give rise to any liability, for overpayment refunds or otherwise. Accordingly, Apria believes that the claims asserted are unwarranted and that it is in a position to assert numerous meritorious defenses. Nevertheless, Apria cannot provide any assurances as to the outcome of these proceedings. Management cannot estimate the possible loss or range of loss that may result from these proceedings and therefore has not recorded any related accruals. If a judge, jury or administrative agency were to determine that false claims were submitted to federal healthcare programs or that there were significant overpayments by the government, Apria could face civil and administrative claims for refunds, sanctions and penalties for amounts that would be highly material to its business, results of operations and financial condition, including exclusion of Apria from participation in federal healthcare programs. Certain Concentrations: Approximately 66% of Apria's revenues are derived from respiratory therapy services, a significant portion of which is reimbursed under the federal Medicare program. The Balanced Budget Act of 1997 significantly reduced the Medicare reimbursement rates for home oxygen services and respiratory drugs and included other provisions that have impacted or may impact reimbursement rates in the future. Although the Medicare Balanced Budget Refinement Act of 1999 and the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 mitigated or delayed some of the effects of the original legislation, there are still significant

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issues outstanding that could adversely impact future revenues and operating results. Apria currently purchases approximately 40% of its patient service equipment and supplies from three suppliers. Although there are a limited number of suppliers, management believes that other suppliers could provide similar products on comparable terms. However, a change in suppliers could cause delays in service delivery and possible losses in revenue, which could adversely affect operating results. NOTE 12 -- SERVICE/PRODUCT LINE DATA The following table sets forth a summary of net revenues and gross profit by service line: YEAR ENDED DECEMBER 31, ----- (IN THOUSANDS) 2001 2000 1999

----- Net revenues: Respiratory											
therapy.....	\$ 742,805	\$ 656,089	\$ 598,901	Infusion therapy.....	216,436	194,508	179,148	Home			
medical equipment/other.....	172,674	163,604	161,975	-----	-----	-----	-----	Total net revenues.....			
	\$1,131,915	\$1,014,201	\$ 940,024	=====	=====	=====	=====	Gross profit: Respiratory			
therapy.....	\$ 588,868	\$ 521,867	\$ 472,306	Infusion therapy.....	126,778	115,352	106,162	Home			
medical equipment/other.....	108,622	98,040	93,642	-----	-----	-----	-----	Total gross profit.....	\$		
	\$ 824,268	\$ 735,259	\$ 672,110	=====	=====	=====	=====	NOTE 13 -- SELECTED QUARTERLY			
FINANCIAL DATA (UNAUDITED) QUARTER ----- (IN THOUSANDS,											
EXCEPT PER SHARE DATA) FIRST SECOND THIRD FOURTH											

----- 2001 Net											
revenues.....	\$271,354	\$283,480	\$284,025	\$293,056	Gross profit.....	\$195,076					
	\$207,905	\$207,548	\$213,739	Operating income.....	\$ 35,696	\$ 35,613	\$ 35,681	\$ 36,237	Income		
before extraordinary charge.....	\$ 17,076	\$ 17,247	\$ 19,133	\$ 19,989	Net income.....	\$ 17,076					
	\$ 17,247	\$ 17,605	\$ 19,989	Basic income per common share: Income before extraordinary charge.....	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32			
	\$ 0.35	\$ 0.37	Extraordinary charge on debt refinancing, net of taxes.....	\$ -	\$ -	\$ 0.03	\$ -	-----			
-----	-----	-----	Net income.....	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.37	Diluted income per common share: Income			
before extraordinary charge.....	\$ 0.31	\$ 0.31	\$ 0.34	\$ 0.36	Extraordinary charge on debt refinancing, net of						
taxes.....	\$ -	\$ -	\$ 0.03	\$ -	-----	-----	-----	Net income.....	\$ 0.31	\$ 0.31	\$ 0.31
	\$ 0.36	2000 Net revenues.....	\$250,722	\$252,570	\$252,588	\$258,321	Gross				
profit.....	\$179,221	\$183,189	\$185,178	\$187,671	Operating income.....	\$ 32,637	\$				
	\$34,567	\$35,695	\$35,298	Net income.....	\$ 12,781	\$ 14,071	\$ 14,806	\$ 15,348	Basic income per		
common share.....	\$ 0.24	\$ 0.27	\$ 0.28	\$ 0.29	Diluted income per common share.....	\$ 0.24	\$ 0.26	\$			
	\$ 0.28	\$ 0.28	Third Quarter - 2001: Net income for the third quarter of 2001 includes an extraordinary charge of								
			\$1,528,000, net of tax, attributable to the write-off of the unamortized balance of deferred financing fees related to the								
			early retirement of Apria's 9 1/2% senior subordinated notes and the previously existing credit agreement. Both were								
			scheduled to mature in late 2002, but were repaid in full concurrently with the closing of the new senior credit								
			agreement in July 2001. o o o o o APRIA HEALTHCARE GROUP INC. SCHEDULE II - VALUATION AND								
			QUALIFYING ACCOUNTS ADDITIONS ----- BALANCE AT CHARGED TO CHARGED TO								
			BALANCE AT BEGINNING COSTS AND OTHER END OF (IN THOUSANDS) OF PERIOD EXPENSES								
			ACCOUNTS DEDUCTIONS PERIOD								

----- Year ended																
December 31, 2001 -----	Deducted from asset accounts: Allowance for doubtful accounts															
\$39,787	\$37,110	\$ -	\$44,824	\$32,073	Reserve for inventory and patient service equipment shortages	7,790	-	1,974	5,816	-----	-----					
					Totals	\$47,577	\$37,110	\$ -	\$46,798	\$37,889	=====					
=====	=====	=====	=====	=====	Year ended December 31, 2000 -----	Deducted from asset										
accounts: Allowance for doubtful accounts	\$44,652	\$32,166	\$ -	\$37,031	\$39,787	Reserve for inventory and										
patient service equipment shortages	10,359	-	2,569	7,790	-----	-----	-----	-----	Totals							
.....	\$55,011	\$32,166	\$ -	\$39,600	\$47,577	=====	=====	=====	=====	=====	=====					
Year ended																
December 31, 1999 -----	Deducted from asset accounts: Allowance for doubtful accounts															
\$35,564	\$34,314	\$ -	\$25,226	\$44,652	Reserve for inventory and patient service equipment shortages	15,797										
					Totals	\$51,361	\$38,282	\$ -	\$34,632	\$55,011	=====					
					-----	-----	-----	-----	-----	-----	-----					

===== SIGNATURES Pursuant to the requirements of Section 13 or 15(d) 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. Dated: April 1, 2002 APRIA HEALTHCARE GROUP INC. By: /s/

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LAWRENCE M. HIGBY ----- Chief Executive Officer and President Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. SIGNATURE TITLE DATE -----
/s/ LAWRENCE M. HIGBY April 1, 2002 ----- Lawrence M. Higby Director, Chief Executive Officer and President (Principal Executive Officer) /s/ JAMES E. BAKER ----- James E. Baker Chief Financial Officer April 1, 2002 (Principal Financial and Accounting Officer) /s/ RALPH V. WHITWORTH ----- Ralph V. Whitworth Director, Chairman of the Board April 1, 2002 /s/ DAVID H. BATCHELDER ----- David H. Batchelder Director April 1, 2002 /s/ DAVID L. GOLDSMITH ----- David L. Goldsmith Director April 1, 2002 /s/ RICHARD H. KOPPES ----- Richard H. Koppes Director April 1, 2002 /s/ PHILIP R. LOCHNER ----- Philip R. Lochner Director April 1, 2002 /s/ BEVERLY B. THOMAS ----- Beverly B. Thomas Director April 1, 2002 EXHIBIT INDEX EXHIBIT NO. DESCRIPTION REFERENCE -----
3.1 Restated Certificate of Incorporation of Registrant. (b) 3.2 Certificate of Ownership and Merger merging Apria Healthcare Group Inc. into Abbey and amending Abbey's Restated Certificate of Incorporation to change Abbey's name to "Apria Healthcare Group Inc". 3.3 Amended and Restated Bylaws of Registrant, as amended on May 5, 1998. (c) 3.4 Certificate of Amendment of Certificate of Incorporation of Apria Healthcare Group Inc. (d) 3.5 Amended and Restated Bylaws of Registrant, as amended on October 29, 1999. (e) 4.1 Specimen Stock Certificate of the Registrant. 4.2 Certificate of Designation of the Registrant. (b) 10.1 Schedule of Registration Procedures and Related Matters. (a) 10.2 Executive Severance Agreement effective June 28, 1997 between Registrant and Michael J. Keenan. 10.3 Amended and Restated Executive Severance Agreement dated February 26, 1999, between Registrant and Michael R. Dobbs, as revised in December 2000. (f) 10.4 Amended and Restated Employment Agreement effective January 1, 2000, between Registrant and Lawrence M. Higby. (f) 10.5 Executive Severance Agreement effective March 28, 2000 between Registrant and George J. Suda. 10.6 Building Lease, dated December 6, 2000 and commencing on December 1, 2001, between MSGW California I, LLC and Apria Healthcare, Inc. for two buildings within the MSGW/Pacific Commercentre Business Park, Lake Forest, California. (g) 10.7 Amendment No. 1 to the 1998 Nonqualified Stock Incentive Plan, dated January 31, 2001. (f) 10.8 Credit Agreement dated July 20, 2001, among Registrant and certain of its subsidiaries, Bank of America National Association and other financial institutions party to the Credit Agreement. (g) 10.9 Underwriting Agreement dated August 9, 2001, between Registrant and Relational Investors, LLC. (g) 10.10 Resignation and General Release Agreement effective February 12, 2002, between Registrant and Philip L. Carter. 21.1 List of Subsidiaries. 23.1 Consent of Deloitte & Touche LLP, Independent Auditors. REFERENCES - DOCUMENTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (a) Incorporated by reference to Registration Statement on Form S-4 (Registration No. 33-69094), as filed on September 17, 1993. (b) Incorporated by reference to Registration Statement on Form S-4 (Registration No. 33-90658), and its appendices, as filed on March 27, 1995. (c) Incorporated by reference to Quarterly Report on Form 10-Q dated June 30, 1998, as filed on August 14, 1998. (d) Incorporated by reference to Quarterly Report on Form 10-Q dated June 30, 1999, as filed on August 12, 1999. (e) Incorporated by reference to Quarterly Report on Form 10-Q dated September 30, 1999, as filed on November 12, 1999. (f) Incorporated by reference to Annual Report on Form 10-K for the year ended December 31, 2000. (g) Incorporated by reference to Quarterly Report on Form 10-Q dated September 30, 2001, as filed on November 14, 2001. COPIES OF EXHIBITS Copies of exhibits will be provided upon written request and payment of a fee of \$.25 per page plus postage. The written request should be directed to the Financial Reporting Department (Attn: Ms. Donna Draper), at the address of the company set forth on the first page of this Form 10-K.