

REFINITIV

DELTA REPORT

10-Q

ENZ - ENZO BIOCHEM INC

10-Q - OCTOBER 31, 2023 COMPARED TO 10-Q - APRIL 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1401
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 CHANGES	70
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 DELETIONS	733
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 ADDITIONS	598
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UNITED STATES

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Mark one

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

For the quarterly period ended April 30 October 31, 2023, 2023

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-09974

ENZO BIOCHEM, INC.

(Exact name of registrant as specified in its charter)

New York

13-2866202

(State or Other Jurisdiction of
Incorporation or Organization)

(IRS. Employer
Identification No.)

81 Executive Blvd. Suite 3 Farmingdale, New York

11735

(Address of Principal Executive office)

(Zip Code)

212-583-0100(631) 755-5500

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock \$0.01 par value	ENZ	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant has required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 45 of Regulation S-T (§232.405 of that chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock \$0.01 par	ENZ	New York Stock Exchange

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer a smaller reporting company, or an emerging growth company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/> <input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> <input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes ☐ No ☐

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

Yes ☐ No ☒

As of June 5, 2023 December 8, 2023, the Registrant had 49,728,084 50,489,771 shares of common stock outstanding.

ENZO BIOCHEM, INC.

FORM 10-Q

April 30, October 31, 2023

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PART I FINANCIAL INFORMATION
ITEM 1 FINANCIAL STATEMENTS
ENZO BIOCHEM, INC.
ENZO BIOCHEM, INC.
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(in thousands, except share and per share data)

	April 30, 2023	July 31, 2022	October 31 2023 (unaudited)	July 31, 2023
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 2,632	\$ 21,603	\$ 69,207	\$ 82,373
Accounts receivable, net	9,636	11,516	4,181	4,808
Inventories, net	15,289	15,411	7,595	7,939
Prepaid expenses and other current assets	4,442	5,824		
Prepaid expenses and other current assets, including \$5,000 escrow at October 31, 2023 and \$1,000 restricted cash at July 31, 2023			7,029	3,336
Total current assets	31,999	54,354	88,012	98,456
Property, plant, and equipment, net	17,506	17,259	13,075	13,086
Right-of-use assets, net	13,457	15,174		
Goodwill	7,452	7,452		
Other, including restricted cash of \$1,000 at April 30, 2023 and July 31, 2022	1,647	1,618		
Right-of-use assets			3,405	3,626
Other assets, including \$5,000 escrow at July 31, 2023			726	5,745
Non-current assets of discontinued operations, net			1,090	967
Total assets	\$ 72,061	\$ 95,857	\$ 106,308	\$ 121,880
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accounts payable – trade	\$ 13,645	\$ 8,508	\$ 1,962	\$ 3,575
Accrued liabilities	17,494	12,300	10,042	11,743
Current portion of operating lease liabilities	3,706	3,432	920	980
Mortgage debt, net	3,821	—		
Loans payable, net	3,354	—		
Other current debt and finance leases	132	310		
Other current liabilities			75	75
Convertible debentures			2,842	2,514

Current liabilities of discontinued operations, net			13,001	21,102
Total current liabilities	42,152	24,550	28,842	39,989
Other liabilities and finance leases long term	—	39		
Operating lease liabilities, non-current, net	10,734	12,729		
Long term debt - net	247	4,077		
Operating lease liabilities, non-current			2,972	3,160
Long term debt, net			219	269
Total liabilities	\$ 53,133	\$ 41,395	\$ 32,033	\$ 43,418
Contingencies – see Note 12				
Contingencies – see Note 13				
Stockholders' equity:				
Preferred Stock, \$.01 par value; authorized 25,000,000 shares; no shares issued or outstanding	—	—	—	—
Common Stock, \$.01 par value; authorized 75,000,000 shares; shares issued and outstanding: 49,669,488 at April 30, 2023 and 48,720,454 at July 31, 2022	496	487		
Common Stock, \$.01 par value; authorized 75,000,000 shares; shares issued and outstanding: 50,489,771 at October 31, 2023 and 49,997,631 at July 31, 2023			504	499
Additional paid-in capital	342,055	339,462	345,991	344,435
Accumulated deficit	(325,780)	(288,638)	(274,966)	(268,350)
Accumulated other comprehensive income	2,157	3,151	2,746	1,878
Total stockholders' equity	18,928	54,462	74,275	78,462
Total liabilities and stockholders' equity	\$ 72,061	\$ 95,857	\$ 106,308	\$ 121,880

The accompanying notes are an integral part of these consolidated financial statements.

ENZO BIOCHEM, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(unaudited)

(in thousands, except per share data)

	Three Months Ended April 30,		Nine Months Ended April 30,		Three Months Ended October 31,	
	2023	2022	2023	2022	2023	2022
Revenues	\$ 16,107	\$ 26,222	\$ 50,721	\$ 86,787	\$ 7,806	\$ 7,103
Operating costs and expenses:						
Operating costs and expenses, net:						
Cost of revenues	14,469	16,049	44,219	49,160	4,351	4,589
Research and development	975	1,133	3,402	2,697	849	699
Selling, general and administrative	12,022	11,442	35,285	36,960		
Legal and related expense, net	4,286	734	6,352	4,861		
Selling, general, and administrative Legal and related expenses					7,007	5,437
					1,075	1,007
Total operating costs and expenses	31,752	29,358	89,258	93,678	13,282	11,732
Operating loss	(15,645)	(3,136)	(38,537)	(6,891)	(5,476)	(4,629)
Other income (expense):						
Interest, net	(37)	54	95	161	977	72
Change in fair value of convertible debentures					(328)	—
Other	148	(716)	278	(1,211)	158	—
Foreign exchange gain (loss)	347	(1,056)	1,022	(1,887)		
Total other income (expense)	458	(1,718)	1,395	(2,937)		
Foreign exchange loss					(1,006)	(797)
Loss before income taxes	(15,187)	(4,854)	(37,142)	(9,828)	(5,675)	(5,354)
Income taxes	—	—	—	—	—	—
Net loss from continuing operations					\$ (5,675)	\$ (5,354)
Net loss from discontinued operations					(941)	(5,281)
Net loss	<u>\$ (15,187)</u>	<u>\$ (4,854)</u>	<u>\$ (37,142)</u>	<u>\$ (9,828)</u>	<u>(6,616)</u>	<u>(10,635)</u>
Net loss per common share:						

Basic and diluted	<u>\$ (0.31)</u>	<u>\$ (0.10)</u>	<u>\$ (0.76)</u>	<u>\$ (0.20)</u>		
Net loss per common share – basic and diluted:						
Continuing operations					\$ (0.11)	\$ (0.11)
Discontinued operations					<u>(0.02)</u>	<u>(0.11)</u>
Total net loss per basic and diluted common share					<u>\$ (0.13)</u>	<u>\$ (0.22)</u>
Weighted average common shares outstanding:						
Basic and diluted	<u>49,384</u>	<u>48,713</u>	<u>48,944</u>	<u>48,552</u>		
Basic					<u>50,184</u>	<u>48,720</u>
Diluted					<u>50,184</u>	<u>48,720</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENZO BIOCHEM, INC.
ENZO BIOCHEM, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
INCOME (LOSS)
(unaudited)
(in thousands)

	Three Months Ended April 30,		Nine Months Ended April 30,		Three Months Ended October 31,	
	2023	2022	2023	2022	2023	2022
Net loss	\$ (15,187)	\$ (4,854)	\$ (37,142)	\$ (9,828)	\$ (6,616)	\$ (10,635)
Other comprehensive (loss) income:						
Other comprehensive income:						
Foreign currency translation adjustments	(372)	911	(994)	1,530	868	733
Comprehensive loss	<u>\$ (15,559)</u>	<u>\$ (3,943)</u>	<u>\$ (38,136)</u>	<u>\$ (8,298)</u>	<u>\$ (5,748)</u>	<u>\$ (9,902)</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENZO BIOCHEM, INC.

ENZO BIOCHEM, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Three Months Ended April 30, 2023 October 31, 2023 and 2022

(UNAUDITED)

(unaudited)

(in thousands, except share data)

	<i>Common Stock Shares Issued</i>	<i>Common Stock Amount</i>	<i>Additional Paid-in Capital</i>	<i>Accumulated Deficit</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Total Stockholders' Equity</i>
Balance at January 31, 2023	48,733,054	\$ 487	\$ 340,407	\$ (310,593)	\$ 2,529	\$ 32,830
Net loss for the period ended April 30, 2023	—	—	—	(15,187)	—	(15,187)
Share-based compensation charges	—	—	563	—	—	563
Vesting of restricted stock units	86,667	1	—	—	—	1
Exercise of stock options	6,667	—	14	—	—	14
Issuance of common stock for employee 401(k) plan match	843,100	8	1,071	—	—	1,079
Foreign currency translation adjustments	—	—	—	—	(372)	(372)
Balance at April 30, 2023	<u>49,669,488</u>	<u>\$ 496</u>	<u>\$ 342,055</u>	<u>\$ (325,780)</u>	<u>\$ 2,157</u>	<u>\$ 18,928</u>

	<i>Common Stock Shares Issued</i>	<i>Common Stock Amount</i>	<i>Additional Paid-in Capital</i>	<i>Accumulated Deficit</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Total Stockholders' Equity</i>
Balance at July 31, 2023	49,997,631	\$ 499	\$ 344,435	\$ (268,350)	\$ 1,878	\$ 78,462
Net loss for the three months ended October 31, 2023	—	—	—	(6,616)	—	(6,616)
Vested restricted stock unit issuances	144,530	1	—	—	—	1
Common stock issued for Asset Purchase Agreement bonus payment	347,610	4	481	—	—	485
Share-based compensation charges	—	—	1,075	—	—	1,075
Foreign currency translation adjustments	—	—	—	—	868	868
Balance at October 31, 2023	<u>50,489,771</u>	<u>\$ 504</u>	<u>\$ 345,991</u>	<u>\$ (274,966)</u>	<u>\$ 2,746</u>	<u>\$ 74,275</u>

	<i>Common Stock Shares Issued</i>	<i>Common Stock Amount</i>	<i>Additional Paid-in Capital</i>	<i>Accumulated Deficit</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Total Stockholders' Equity</i>
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Balance at January 31, 2022	48,471,771	\$ 485	\$ 338,021	\$ (275,351)	\$ 1,971	\$ 65,126
Net loss for the period ended April 30, 2022	—	—	—	(4,854)	—	(4,854)
Share-based compensation charges	—	—	162	—	—	162
Exercise of stock options	11,300	—	28	—	—	28
Issuance of common stock for employee 401(k) plan match	237,383	2	812	—	—	814
Foreign currency translation adjustments	—	—	—	—	911	911
Balance at April 30, 2022	48,720,454	\$ 487	\$ 339,023	\$ (280,205)	\$ 2,882	\$ 62,187

	<i>Common Stock Shares Issued</i>	<i>Common Stock Amount</i>	<i>Additional Paid-in Capital</i>	<i>Accumulated Deficit</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Total Stockholders' Equity</i>
Balance at July 31, 2022	48,720,454	\$ 487	\$ 339,462	\$ (288,638)	\$ 3,151	\$ 54,462
Net loss for the period ended October 31, 2022	—	—	—	(10,635)	—	(10,635)
Share-based compensation charges	—	—	430	—	—	430
Foreign currency translation adjustments	—	—	—	—	733	733
Balance at October 31, 2022	48,720,454	\$ 487	\$ 339,892	\$ (299,273)	\$ 3,884	\$ 44,990

The accompanying notes are an integral part of these consolidated financial statements.

ENZO BIOCHEM, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Nine Months Ended April 30, 2023 and 2022
(UNAUDITED)

(in thousands, except share data) **CASH FLOWS**

	<i>Common Stock Shares Issued</i>	<i>Common Stock Amount</i>	<i>Additional Paid-in Capital</i>	<i>Accumulated Deficit</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Total Stockholders' Equity</i>
Balance at July 31, 2022	<u>48,720,454</u>	<u>\$ 487</u>	<u>\$ 339,462</u>	<u>\$ (288,638)</u>	<u>\$ 3,151</u>	<u>\$ 54,462</u>
Net loss for the period ended April 30, 2023	—	—	—	(37,142)	—	(37,142)
Share-based compensation charges	—	—	1,508	—	—	1,508
Vesting of restricted stock units	86,667	1	—	—	—	1
Vesting of performance stock units	12,600	—	—	—	—	—
Exercise of stock options	6,667	—	14	—	—	14
Issuance of common stock for employee 401(k) plan match	843,100	8	1,071	—	—	1,079
Foreign currency translation adjustments	—	—	—	—	(994)	(994)
Balance at April 30, 2023	<u>49,669,488</u>	<u>\$ 496</u>	<u>\$ 342,055</u>	<u>\$ (325,780)</u>	<u>\$ 2,157</u>	<u>\$ 18,928</u>
	<i>Common Stock Shares Issued</i>	<i>Common Stock Amount</i>	<i>Additional Paid-in Capital</i>	<i>Accumulated Deficit</i>	<i>Accumulated Other Comprehensive Income</i>	<i>Total Stockholders' Equity</i>
Balance at July 31, 2021	<u>48,471,771</u>	<u>\$ 485</u>	<u>\$ 337,126</u>	<u>\$ (270,377)</u>	<u>\$ 1,352</u>	<u>\$ 68,586</u>
Net loss for the period ended April 30, 2022	—	—	—	(9,828)	—	(9,828)
Share-based compensation charges	—	—	1,057	—	—	1,057
Exercise of stock options	11,300	—	28	—	—	28
Issuance of common stock for employee 401(k) plan match	237,383	2	812	—	—	814
Foreign currency translation adjustments	—	—	—	—	1,530	1,530
Balance at April 30, 2022	<u>48,720,454</u>	<u>\$ 487</u>	<u>\$ 339,023</u>	<u>\$ (280,205)</u>	<u>\$ 2,882</u>	<u>\$ 62,187</u>

(in thousands)

	Three Months Ended October 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (6,616)	\$ (10,635)
Adjustments to reconcile net loss to net cash used in operating activities:		

Change in fair value of convertible debentures	328	—
Depreciation and amortization of property, plant and equipment	270	780
Amortization of intangible, prepaid and other assets	—	22
Share-based compensation charges	1,075	430
Share-based 401(k) employer match expense	109	198
Unrealized foreign exchange loss	970	783
Changes in operating assets and liabilities:		
Accounts receivable	2,019	(11)
Inventories	428	(393)
Prepaid expenses and other assets	346	666
Accounts payable – trade	(5,601)	(407)
Accrued liabilities, other current liabilities and other liabilities	(6,702)	(126)
Total adjustments	<u>(6,758)</u>	<u>1,942</u>
Net cash used in operating activities	<u>(13,374)</u>	<u>(8,693)</u>
Cash flows from investing activities:		
Capital expenditures	<u>(254)</u>	<u>(652)</u>
Net cash used in investing activities	<u>(254)</u>	<u>(652)</u>
Cash flows from financing activities:		
Repayments under mortgage agreement and capital leases	(51)	(95)
Cash payments for taxes related to net share settlements of equity awards	<u>(467)</u>	<u>—</u>
Net cash used in financing activities	<u>(518)</u>	<u>(95)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(20)</u>	<u>(28)</u>
Decrease in cash and cash equivalents and restricted cash	(14,166)	(9,468)
Cash and cash equivalents and restricted cash - beginning of period	83,373	22,603
Cash and cash equivalents and restricted cash - end of period	<u>\$ 69,207</u>	<u>\$ 13,135</u>
Composition of cash and cash equivalents and restricted cash is as follows:		
Cash and cash equivalents	69,207	12,135
Restricted cash	—	1,000
Total cash and cash equivalents and restricted cash	<u>\$ 69,207</u>	<u>\$ 13,135</u>

The accompanying notes are an integral part of these consolidated financial statements.

ENZO BIOCHEM, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Nine Months Ended April 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (37,142)	\$ (9,828)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of property, plant and equipment	2,076	1,910
Amortization of intangible assets	—	228
Share-based compensation charges	1,508	1,057
Share-based 401(k) employer match expense	772	645
Foreign exchange (gain) loss	(1,081)	1,788
Realized loss on marketable securities	—	1,283
Changes in operating assets and liabilities:		
Accounts receivable	1,861	(1,556)
Inventories	91	(2,273)
Prepaid expenses and other assets	1,350	179
Accounts payable – trade	5,128	(458)
Accrued liabilities, other current liabilities and other liabilities	5,492	(495)
Total adjustments	<u>17,197</u>	<u>2,308</u>
Net cash used in operating activities	<u>(19,945)</u>	<u>(7,520)</u>
Cash flows from investing activities:		
Sales of marketable securities	—	28,695
Capital expenditures	(2,187)	(3,103)
Net cash (used in) provided by investing activities	<u>(2,187)</u>	<u>25,592</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	14	28
Proceeds from borrowings under Revolving Credit Agreement	7,565	—
Repayments under Revolving Credit Agreement	(4,211)	—
Repayments under mortgage agreement, finance leases and other	(253)	(173)
Net cash provided by (used in) financing activities	<u>3,115</u>	<u>(145)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>46</u>	<u>(71)</u>
(Decrease) increase in cash and cash equivalents and restricted cash	(18,971)	17,856
Cash and cash equivalents and restricted cash - beginning of period	<u>22,603</u>	<u>14,274</u>

Total cash and cash equivalents and restricted cash - end of period	\$ 3,632	\$ 32,130
The composition of total cash and cash equivalents and restricted cash is as follows:		
Cash and cash equivalents	2,632	31,130
Restricted cash included in other assets	1,000	1,000
Total cash and cash equivalents and restricted cash	\$ 3,632	\$ 32,130

The accompanying notes are an integral part of these consolidated financial statements.

ENZO BIOCHEM, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As of April 30, 2023
(UNAUDITED)
October 31, 2023
(unaudited)
(Dollars in thousands except share data)

Note 1 – Basis of Presentation

Enzo Biochem, Inc. (the “Company,” “we,” “our” or “Enzo”), is a manufacturer and supplier of a comprehensive portfolio of thousands of high-quality products, including antibodies, genomic probes, assays, biochemicals, and proteins. The Company’s proprietary products and technologies play central roles in translational research and drug development areas, including cell biology, genomics, assays, immunohistochemistry, and small molecule chemistry. Enzo Biochem, Inc.’s Life Science division supports the work of research centers and industry partners. Enzo Biochem, Inc. has a broad and deep intellectual property portfolio, with patent coverage across many vital enabling technologies.

The accompanying consolidated financial statements include the accounts of Enzo Biochem, Inc. and its wholly-owned subsidiaries, Enzo Life Sciences, Inc. (“Enzo Clinical Labs, Life Sciences”), Enzo Therapeutics, Inc. (“Enzo Therapeutics”), Enzo Realty LLC (“Enzo Realty”), and Enzo Realty II LLC (“Enzo Realty II”), collectively or with one or more of its subsidiaries referred to as the “Company” or “Companies.” The financial statements also include as discontinued operations the accounts of its wholly owned subsidiary Enzo Clinical Labs, Inc. (“Enzo Clinical Labs”). Effective July 24, 2023 we completed the sale of certain assets used in its clinical services operations to Laboratory Corporation of America Holdings, a Delaware corporation (“Labcorp”) and exited the clinical services business. See Note 2.

The Company has two reportable segments: Clinical Services and segment, Products. The consolidated balance sheet as of April 30, 2023 October 31, 2023, the consolidated statements of operations, comprehensive loss and stockholders’ equity for the three and nine months ended April 30, 2023 October 31, 2023 and 2022, and the consolidated statements of cash flows for the nine three months ended April 30, 2023 October 31, 2023 and 2022 (the “interim statements”) are unaudited. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position and operating results for the interim periods have been made. Certain information and footnote disclosure, normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), have been condensed or omitted. The interim statements should be read in conjunction with the consolidated financial statements for the fiscal year ended July 31, 2022 July 31, 2023 and notes thereto contained in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission. The consolidated balance sheet at July 31, 2022 July 31, 2023 has been derived from the audited financial statements at that date. The results of operations for the three and nine months ended April 30, 2023 October 31, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending July 31, 2023 July 31, 2024.

Change in PRINCIPLES OF CONSOLIDATION Segment Reporting

Historically, we engaged in the research and development of therapeutic candidates through Enzo Therapeutics, a biopharmaceutical venture that was developing multiple novel approaches in the areas of gastrointestinal, infectious, ophthalmic and metabolic diseases, many of which were derived from the researching work of Enzo Life Sciences. Enzo Therapeutics focused its efforts on researching treatment regimens for diseases and conditions for which treatment options were ineffective, costly, and/or caused unwanted side effects. This focus generated a clinical and preclinical pipeline, as well as numerous patents and patent applications with Enzo Therapeutics as the assignee. At the beginning of fiscal 2023, we determined we would redirect our research resources and efforts to our two operating segments, Clinical Services and Products, and no longer consider Enzo Therapeutics a segment. The operating results of Enzo Therapeutics are now included in the “Other” segment. The prior period segment information for the three and nine months ended April 30, 2022 reported in Note 11 has been restated to be included in the “Other” segment. The operating expenses of Enzo Therapeutics for the three and nine months ended April 30, 2023 now included in the “Other” segment were \$12 and \$33, respectively. The operating expenses of Enzo Therapeutics for the three and nine months ended April 30, 2022 now included in the “Other” segment were \$9 and \$34, respectively.

Ransomware Attack

On April 6, 2023, the Company experienced a ransomware attack that impacted certain critical information technology systems. In response, we promptly deployed containment measures, including disconnecting our systems from the internet, launching an investigation with assistance from third-party cybersecurity experts, and notifying law enforcement. We adhered to our disaster recovery plan, which enabled us to maintain operations throughout the incident response process. The Company’s facilities are open, and continue to provide services to patients and partners. On April 11, 2023, we became aware that certain data, including names, test information, and Social Security numbers, was accessed, and in some instances, exfiltrated from the Company’s

information technology systems as part of this incident. The investigation of this incident and the assessment of its impact is ongoing. However, the Company identified unauthorized access to or acquisition of clinical test information of approximately 2,470,000 individuals. The Social Security numbers of approximately 600,000 of these individuals may also have been involved. The Company is evaluating whether its employees' information may have been involved. The Company has provided notice to the individuals whose information may have been involved, as well as to regulatory authorities, in accordance with applicable law. The Company has incurred, and may continue to incur, certain expenses related to this attack, including expenses to respond to, remediate and investigate this matter. Further, the Company remains subject to risks and uncertainties as a result of the incident, including as a result of the data that was accessed or exfiltrated from the Company's network as noted above. Additionally, security and privacy incidents have led to, and may continue to lead to, additional regulatory scrutiny and class action litigation exposure. We are in the process of evaluating the full scope of the costs and related impacts of this incident.

Liquidity and Going Concern

During the nine months ended April 30, 2023, the Company incurred a net loss of \$37,142, used cash in operating activities of \$19,945 and had as of April 30, 2023 a working capital deficit of \$10,153. The Company believes that based on its fiscal 2023 forecast, its current cash and cash equivalents level is not sufficient for its foreseeable liquidity and capital resource needs over at least the next twelve (12) months, which conditions raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the unaudited interim financial statements are issued. In response to these conditions, the Company evaluated and is acting upon various financing strategies to obtain sufficient additional liquidity to meet its operating and capital requirements for the next twelve months following the date of issuance of these unaudited interim consolidated financial statements.

Specifically, the Company entered into a revolving line of credit for up to \$8 million based on eligible receivables in March 2023, sold 10% convertible debentures and warrants for proceeds of \$7 million in May 2023, and entered into an agreement to sell substantially all the operating assets and assign certain liabilities of our clinical laboratory business in March 2023, with an expected closing in July 2023. Additionally, in May 2023, we filed a Form S-3 "shelf" registration statement and sales agreement prospectus covering the offering, issuance and sale of our Common Stock that can be issued and sold under the sales agreement in an aggregate amount of up to \$30 million. A total of \$150 million of securities, including those covered by the Sales Agreement, may be sold under the shelf registration when it is declared effective. See Note 10 Stockholders equity for additional information.

There can be no assurance that these capital raising strategies will ultimately prove to be successful, and the Company may need to raise additional capital during the current fiscal year. Our liquidity plans are subject to a number of risks and uncertainties, some of which are outside our control. The revolving line of credit agreement and the 10% convertible debenture securities (discussed below) both contain clauses that require our closing the asset sale with Labcorp within a given time frame. Macroeconomic conditions could limit our ability to successfully execute our business plans and therefore adversely affect our liquidity plans. The unaudited interim financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Clinical Labs Asset Sale Agreement

On March 16, 2023, the Company entered into an Asset Purchase Agreement with respect to the sale to Labcorp of substantially all the operating assets and assignment of certain liabilities of the Clinical Labs division. The sale is expected to close in July 2023, at which time we will exit the clinical laboratory services business. See Note 13 Clinical Labs Asset Sale Agreement with Labcorp for additional information.

Revolving Line of Credit Agreement

On March 31, 2023, the Company entered into a Revolving Loan and Security Agreement with Gemino Healthcare Finance, LLC d/b/a SLR Healthcare ABL as lender specializing in direct lending to middle-market companies in the healthcare sector. The credit facility provides for a maximum \$8 million revolving line of credit based on the Company's eligible accounts receivable. The annual interest rate is equal to the 90 day term SOFR rate plus 5.5%. The line of credit would terminate one year from closing and unused line fees and early prepayment penalties apply. As of April 30, 2023, the outstanding balance of the revolving loan was \$3,354. See Note 7 Mortgage and loans payable, net for additional information.

Sale of 10% Convertible Debentures and Warrants

Subsequent to our fiscal quarter ended April 30, 2023, the Company entered into a Securities Purchase Agreement on May 19, 2023 for 10% Original Issue Discount Secured Convertible Debentures with an aggregate principal amount of \$7,608,696 with a conversion price of \$3.01 per share and (ii) warrants to purchase up to 1,000,000 shares of the Company's common stock, par value \$0.01 per share for an exercise price of \$2.31 per share, for a total purchase price of \$7,000,000. The Purchase Agreement contains customary representations, warranties and covenants. See Note 14 Subsequent Events for additional information.

Impact of COVID-19

We made substantial investments to expand and maintain the amount of COVID-19 testing available in the communities we serve since the start of the pandemic in March 2020. We applied our technical expertise in molecular diagnostics to develop next generation COVID-19 diagnostic and antibody testing options which were approved under the FDA Emergency Use Authorization (EUA). During the fiscal year ended July 31, 2022, the Company generated substantial COVID-19 related services revenues, representing 44% of all services revenues. This testing had a significantly positive impact on the profitability and cash flow of our Clinical services segment for most of fiscal 2022. Revenues from COVID-19 testing during the three and nine months ended April 30, 2022 represented 43% and 49%, respectively of all services revenues. The rate of transmission of COVID-19 and the severity of its variants have dramatically declined in the U.S. Revenues from COVID-19 testing during the three and nine months ended April 30, 2023 represented approximately 4% and 5%, respectively, of all services revenues.

In March 2022, the U.S. Health Resources and Services Administration ("HRSA") informed providers that, after March 22, 2022, it would stop accepting claims for testing and treatment for uninsured individuals under the HRSA COVID-19 Uninsured Program and that claims submitted prior to that date would be subject to eligibility and availability of funds. Although we believe that our estimates for contractual allowances and patient price concessions are appropriate, actual results could differ from those estimates. Volume, revenues, profitability, and cash flow from COVID-19 testing during the current periods were all substantially and materially lower than the prior year period levels. COVID-19 testing is no longer a material part of our Clinical Services business. The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company, including inflation and actions by the Federal Reserve to increase interest rates as of April 30, 2023 and through the date of this Quarterly Report. The accounting matters assessed included, but were not limited to, the Company's patient self-pay revenue concessions and credit losses in the Clinical Services segment, accounts receivable, inventories and the carrying value of goodwill and other long-lived assets. The Company's future assessment of economic factors could result in additional material adverse impacts to the Company's accompanying consolidated financial statements have been prepared in future reporting periods, conformity with U.S. GAAP and include the accounts of the Company and its wholly-owned subsidiaries, Enzo Life Sciences (and its wholly-owned foreign subsidiaries), Enzo Therapeutics, Enzo Realty, Enzo Realty II, and Enzo Clinical Labs (a corporate entity with discontinued operations). All intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Effect of New Accounting Pronouncements

Pronouncements Issued but Not Yet Adopted

In June 2016, the Financial Accounting Standards Board ("FASB" issued Accounting Standards Update ("ASU") No. 2016-13 Financial Instruments – Credit Losses (Topic 326). This standard changes the impairment model for most financial instruments, including trade receivables, from an incurred loss method to a new forward-looking approach, based on expected losses.

Contingencies

Contingencies are evaluated and a liability is recorded when the matter is both probable and reasonably estimable. Gain contingencies are evaluated and not recognized until the gain is realizable or realized.

Fair Value Measurements

The estimate Company determines fair value measurements used in its consolidated financial statements based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of expected any transaction costs, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits with banks and highly liquid money market funds. At October 31, 2023 and July 31, 2023, the Company had cash and cash equivalents in foreign bank accounts of \$512 and \$419, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit losses will require entities to incorporate considerations risk primarily consist of historical information, current information cash and reasonable cash equivalents and supportable forecasts. Adoption of this standard is required for our annual and interim periods beginning August 1, 2023, as we qualified as a smaller reporting company at accounts receivable. The Company believes the end of fiscal 2022 and must be adopted using a modified retrospective transition approach. We are currently assessing the impact fair value of the adoption aforementioned financial instruments approximates the cost due to the immediate or short-term nature of this standard on our results these items. At October 31, 2023 and July 31, 2023, the Company had cash deposited in certain financial institutions in excess of operations, federally insured levels. The Company regularly monitors the financial position stability of these financial institutions and believes that it is not exposed to any significant credit risk in cash and cash flows, equivalents or restricted cash.

We reviewed all other recently issued accounting pronouncements and have concluded they are not applicable or not expected to be significant. Concentration of credit risk with respect to the accounting for our operations.

Concentration Risk

Other than Company's Products segment is mitigated by the Medicare program, one provider whose programs are included in the "Third-party payers" and "Health Maintenance Organizations" ("HMO's") categories represents approximately 16% and 17% of Clinical Services net revenue for the three and nine months ended April 30, 2023, respectively and 13% diversity of the Clinical Services net Company's customers and their dispersion across many different geographic regions. To reduce risk, the Company routinely assesses the financial strength of these customers and, consequently, believes that its accounts receivable as of April 30, 2023. Other than the Medicare program, two providers whose programs are included in the "Third-party payers" and "Health Maintenance Organizations" ("HMO's") categories represent approximately 30% and 34% of Clinical Services net revenue for the three and nine months ended April 30, 2022, respectively. credit exposure with respect to these customers is limited.

Income Taxes

The Company accounts for income taxes under the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The liability method requires that any tax benefits recognized for net operating loss carry forwards and other items be reduced by a valuation allowance when it is more likely than not that the benefits may not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Under the liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Effect of New Accounting Pronouncements - Recently Adopted Accounting Pronouncements

In June 2016, FASB issued ASU No. 2016-13 *Financial Instruments – Credit Losses* (Topic 326). This standard changes the impairment model for most financial instruments, including trade receivables, from an incurred loss method to a new forward-looking approach, based on expected losses. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. We adopted this standard for our interim period beginning August 1, 2023 using a modified retrospective transition approach. The impact of the adoption of this standard on our results of operations, financial position and cash flows is not material.

We reviewed all other recently issued accounting pronouncements and have concluded they are not applicable or not expected to be significant to the accounting for our operations.

Note 2 - Discontinued operations

Prior to July 24, 2023, we operated a clinical laboratory, doing business as Enzo Clinical Labs, which provided reference, molecular and esoteric diagnostic medical testing services in the New York, New Jersey, and Connecticut medical communities. Effective July 24, 2023, we completed the sale of certain assets used in the operation of Enzo Clinical Labs and the assignment of certain clinical lab liabilities to Labcorp for an aggregate purchase price of \$113.25 million in cash, subject to customary closing adjustments. Excluded from the sale of the clinical services assets were its cash and accounts receivable. In accordance with the sale, we ceased our clinical services operations but continue winding down activities. As a consequence of the sale, for the three months ended October 31, 2023 and 2022 we have classified as discontinued operations all income and expenses attributable to the clinical services business.

The following table sets forth the condensed operating results of the discontinued operations for the three months ended October 31,

	2023	2022
Net revenues	—	\$ 11,173
Cost of revenues	\$ (175)	10,082
Selling, general and administrative	1,437	6,014
Research and development	—	297
Legal and related expenses	41	64
Other income	(362)	(3)
Loss from discontinued operations	<u>\$ (941)</u>	<u>\$ (5,281)</u>

The following table sets forth the condensed carrying amounts of major classes of assets and liabilities of the discontinued operations as of the dates indicated:

	October 31, 2023	July 31, 2023
<u>Carrying amounts of major current assets included as part of discontinued operations:</u>		
Trade receivables	\$ 378	\$ 1,675
Prepaid and other current	41	54
Total current assets	<u>419</u>	<u>1,729</u>
<u>Carrying amounts of major current liabilities included as part of discontinued operations:</u>		
Trade payables and accrued liabilities	11,214	20,616
Operating lease liabilities and other	2,206	2,215
Total current liabilities	<u>13,420</u>	<u>22,831</u>
Current liabilities of discontinued operations, net	<u>13,001</u>	<u>21,102</u>
<u>Carrying amount of major non-current assets included as part of discontinued operations:</u>		
Right of use assets	\$ 6,564	\$ 7,001
Other	62	62
Total non-current assets	<u>6,626</u>	<u>7,063</u>

Carrying amount of major non-current liabilities included as part of discontinued operations:

Operating lease liabilities and other	<u>5,536</u>	<u>6,096</u>
Non-current assets of discontinued operations, net	<u>\$ 1,090</u>	<u>\$ 967</u>

During the three months ended October 31, 2023, the cash used in operating activities of the discontinued operations was \$8,082, primarily for reductions of trade payables and accrued liabilities. During the three months ended October 31, 2022, the cash used in operating activities and investing activities of the discontinued operations was \$5,623 and \$156, respectively.

Note 2 – 3 - Net income (loss) per share

Basic net income (loss) per share represents net income (loss) divided by the weighted average number of common shares outstanding during the period. As a result The dilutive effect of potential common shares, consisting of outstanding stock options, and unvested restricted stock units and performance stock units, is determined using the treasury stock method.

For the three months ended October 31, 2023, the effect of approximately 3,320,000 of outstanding “out of the money” options to purchase common shares and the effect of approximately 54,000 of outstanding restricted stock units were excluded from the calculation of diluted net loss for (loss) income per share because their effect would be anti-dilutive. During the three and nine months ended April 30, 2023 October 31, 2023, the effect of approximately 593,000 warrants and 2022, the effect of approximately 1,199,000 shares related to the assumed conversion of debentures were excluded from the calculation of diluted weighted average shares outstanding are the same as basic weighted average shares outstanding, and do not include the potential common shares from stock options, restricted stock units, or unearned performance stock units because to do so their effect would be antidilutive. anti-dilutive.

For the three and nine months ended April 30, 2023 October 31, 2022, approximately 173,000 and 105,000, respectively, of 106,000 potential common shares from “in the money options” and unvested restricted stock and unearned performance stock units were excluded from the calculation of diluted (loss) per share because their effect would be antidilutive. share. For the three and nine months ended April 30, 2022, approximately 438,000 and 510,000, respectively, of potential common shares from “in the money options” and unvested performance stock units were excluded from the calculation of diluted (loss) per share because their effect would be antidilutive.

For the three and nine months ended April 30, 2023 October 31, 2022, the effect of approximately 4,097,000 and 3,627,000, respectively, 2,595,000 of outstanding “out of the money” options to purchase common shares were excluded from the calculation of diluted net (loss) income per share because their effect would be anti-dilutive. For the three and nine months ended April 30, 2022, the effect of 1,319,000 and 1,068,000, respectively, of outstanding “out of the money” options to purchase common shares were excluded from the calculation of diluted net (loss) income per share because their effect would be anti-dilutive.

Note 34 – Revenue Recognition

Clinical Services Revenue

The Company accounts for revenue pursuant to Accounting Standards Codification (“ASC”) Topic 606. Service revenues in the Company’s clinical services business accounted for 54% and 71% of the Company’s total revenues for three months ended April 30, 2023 and 2022, respectively and 56% and 71% for the nine months ended April 30, 2023 and 2022, respectively and are primarily comprised of a high volume of relatively low-dollar transactions. The services business, which provides clinical testing services, satisfies its performance obligation and recognizes revenues upon completion of the testing process for a specific patient and reporting to the ordering physician. The Company may also perform clinical testing services for other laboratories and will recognize revenue from those services when reported to the ordering laboratory. The Company estimates the amount of consideration it expects to receive from customer groups using the portfolio approach. These estimates of the expected consideration include the impact of contractual allowances and price concessions on our customer group portfolios consisting of healthcare insurers, government payers, client payers and patients as described below. Contracts with customers in our laboratory services business do not contain a financing component, based on the typically limited period of time between performance of services and collection of consideration. The transaction price includes variable consideration in the form of the contractual allowance and price concessions as well as the collectability of the transaction based on patient intent and ability to pay. The Company uses the expected value method in estimating the amount of the variability included in the transaction price.

The following are descriptions of our laboratory services business portfolios:

Third party payers and Health Maintenance Organizations (HMO’s)

Reimbursements from third party payers, primarily healthcare insurers and HMO’s are based on negotiated fee-for-service schedules and on capitated payment rates. Revenues consist of amounts billed net of contractual allowances for differences between amounts billed and the estimated consideration the Company expects to receive from such payers, which considers historical collection and denial experience and the terms of the Company’s contractual arrangements. Adjustments to the allowances, based on actual receipts from the third-party payers, are recorded upon settlement.

Collection of the consideration the Company expects to receive is normally a function of providing complete and correct billing information to these third party payers within the various filing deadlines, and typically occurs within 30 to 90 days of billing. Provided the Company has billed healthcare insurers accurately with complete information prior to the established filing deadline, there has historically been little to no collection risk. If there has been a delay in billing, the Company determines if the amounts in question will likely go past the filing deadline, and if so, will reserve accordingly for the billing.

Third-party payers, including government programs, may decide to deny payment or recoup payments for testing that they contend was improperly billed or not medically necessary, against their coverage determinations, or for which they believe they have otherwise overpaid (including as a result of their own error), and we may be required to refund payments already received. Our revenues may be subject to adjustment as a result of these factors among others, including without limitation, differing interpretations of billing and coding guidance and changes by government agencies and payers in interpretations, requirements, and “conditions of participation” in various programs.

Government Payer - Medicare

Reimbursements from Medicare are based on fee-for-service schedules set by Medicare, which is funded by the government. Revenues consist of amounts billed net of contractual allowances for differences between amounts billed and the estimated consideration the Company expects to receive from Medicare, which considers historical collection and denial experience and other factors. Adjustments to the allowances, based on actual receipts from the government payers, are recorded upon settlement.

Collection of consideration the Company expects to receive is normally a function of providing the complete and correct billing information within the various filing deadlines and typically occurs within 60 days of billing. Provided the Company has billed the government payer accurately with complete information prior to the established filing deadline, there has historically been little to no collection risk. If there has been a delay in billing, the Company determines if the amounts in question will likely go past the filing deadline, and, if so, it will reserve accordingly for the billing.

Patient self-pay

Uninsured patients are billed based on established patient fee schedules or fees negotiated with physicians on behalf of their patients. Coinsurance and deductible responsibilities based on fees negotiated with healthcare insurers are also billed to insured patients and included in this portfolio. Collection of billings from patients is subject to credit risk and ability of the patients to pay. Revenues consist of amounts billed net of discounts provided to uninsured patients in accordance with the Company's policies and implicit price concessions. Implicit price concessions represent differences between amounts billed and the estimated consideration the Company expects to receive from patients, which considers historical collection experience and other factors including current market conditions. Adjustments to the estimated allowances, based on actual receipts from the patients, are recorded upon settlement. Patient responsibility is invoiced and if it reaches 91 days outstanding, the account is sent to a collection agency for further processing. After the account has been with the collection agency for at least 105 days, it is written off.

The following table represents clinical services net revenues and percentages by type of customer:

Revenue category	Three months ended April 30, 2023		Three months ended April 30, 2022	
Third-party payer	\$ 4,451	52 %	\$ 10,817	58 %
Medicare	1,500	17	2,436	13
Patient self-pay	1,304	15	2,177	12
HMOs	1,367	16	3,200	17
Total	<u>\$ 8,622</u>	<u>100 %</u>	<u>\$ 18,630</u>	<u>100 %</u>
Revenue category	Nine months ended April 30, 2023		Nine months ended April 30, 2022	
Third-party payer	\$ 15,638	55 %	\$ 36,962	60 %
Medicare	5,170	18	7,949	13
Patient self-pay	3,516	12	6,727	10
HMOs	4,295	15	10,407	17
Total	<u>\$ 28,619</u>	<u>100 %</u>	<u>\$ 62,045</u>	<u>100 %</u>

For three and nine months ended April 30, 2023 and 2022, all of the Company's clinical services revenues were generated within the United States.

Products Revenue

In accordance with ASC Topic 606, the Company generates product revenue from the sale of our single-use products used in the identification of genomic information. Revenue is recorded net of sales tax. The Company considers revenue to be earned when all of the following criteria are met: the Company has a contract with a customer that creates enforceable rights and obligations; promised products are identified; the transaction price is determinable; and the Company has transferred control of the promised items to the customer. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the contract. The transaction price for the contract is measured as the amount of consideration the Company expects to receive in exchange for the goods expected to be transferred. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, control of the distinct good or service is transferred. Transfer of control for the Company's products is generally at shipment or delivery, depending on contractual terms, but occurs when title and risk of loss transfers to the customer which represents the point in time when the customer obtains the use of and substantially all of the remaining benefit of the product. As such, the Company's performance obligation related to product sales is satisfied at a point in time. The Company recognizes a receivable when it has an unconditional right to payment, which represents the amount the Company expects to collect in a transaction and is most often equal to the transaction price in the contract. Payment terms for shipments to end-user and distributor customers may range from 30 to 90 days. Amounts billed to customers for shipping and handling are included in revenue, while the related shipping and handling costs are reflected in cost of products. revenues.

Products revenue by geography is as follows:

	Three Months Ended April 30		Nine Months Ended April 30		Three Months Ended October 31	
	2023	2022	2023	2022	2023	2022
United States	\$ 5,043	\$ 4,422	\$ 13,282	\$ 15,039	\$ 4,635	\$ 4,095
Europe	1,688	2,169	5,869	6,576	2,138	1,904
Asia Pacific	754	1,001	2,951	3,127	1,033	1,104
Products revenue	<u>\$ 7,485</u>	<u>\$ 7,592</u>	<u>\$ 22,102</u>	<u>\$ 24,742</u>	<u>\$ 7,806</u>	<u>\$ 7,103</u>

As of February 1, 2023 August 1, 2023 and 2022, the consolidated balance of accounts receivables was \$10,866 and \$15,316, respectively. As of August 1, 2022 and 2021, the consolidated balance of accounts receivable from continuing operations was \$11,516 \$4,808 and \$10,198, \$4,762, respectively.

Note 4 – 5 - Supplemental disclosure for statement of cash flows

In the nine three months ended April 30, 2023 October 31, 2023 and 2022, interest paid by the Company was \$204 approximated \$92 and \$167, \$53, respectively.

For the nine three months ended April 30, 2023 October 31, 2023 and 2022, the net reductions in the measurement of right of use assets and liabilities included in cash flows from operating activities was \$5 approximately \$148 and \$29, \$1, respectively. For The changes are included in changes in accrued liabilities, other current liabilities, and other liabilities in the nine statements of cash flows.

In connection with the completed sale of certain assets used in the operation of Enzo Clinical Labs, \$5,000 of escrowed proceeds were included in prepaid and other assets as of October 31, 2023 and in other assets as of July 31, 2023. In connection with the full payment of a mortgage in July 2023, the restricted cash collateral deposit of \$1,000 was released during the three months ended April 30, 2023 October 31, 2023.

During the three months ended October 31, 2023, the Company recorded right disbursed \$467 for taxes related to net share settlement of use assets bonuses paid in stock to two senior executives.

Note 6 - Inventories

Inventories, net consisted of the following as at:

	October 31, 2023	July 31, 2023
Raw materials	\$ 2,081	\$ 2,206
Work in process	2,587	2,599
Finished products	2,927	3,134
	<u>\$ 7,595</u>	<u>\$ 7,939</u>

Note 7 – Convertible debentures and operating lease liabilities other current debt

On May 19, 2023, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with each of \$1,717. For the nine months ended April 30, 2023 purchasers that are parties thereto (each, including its successors and 2022, tax on capital paid assigns, a “Purchaser” and collectively, the “Purchasers”) and JGB Collateral, LLC, a Delaware limited liability company, as collateral agent for the Purchasers (the “Agent”). Pursuant to the Purchase Agreement, the Company agreed to sell to the Purchasers (i) 10% Original Issue Discount Secured Convertible Debentures (the “Debentures”) with an aggregate principal amount of \$7,608 and (ii) warrants to purchase up to 1,000,000 shares of the Company’s common stock, par value \$0.01 per share (the “Common Stock”), for an exercise price of \$2.31 per share, the average of the three (3) daily volume weighted average prices of the Common Stock as defined in the Purchase Agreement (“VWAP”) prior to the closing date (the “Warrants”), subject to adjustments as set forth in the Warrants, for a total purchase price of \$7,000. The Purchase Agreement contains customary representations, warranties and covenants. The transactions contemplated by the Purchase Agreement were consummated on May 19, 2023. Pursuant to ASC 825, *Fair Value Option*, the Company was \$9 and \$120, respectively, made an irrevocable election at the time of issuance to report the Debentures at fair value with changes in fair value recorded through the Company’s consolidated statements of operations as other income (expense) in each reporting period.

Note 5 – Inventories

Inventories consist of the following:

	April 30, 2023	July 31, 2022
Raw materials	\$ 2,061	\$ 1,524
Work in process	2,835	2,459
Finished products	10,393	11,428
	<u>\$ 15,289</u>	<u>\$ 15,411</u>

Note 6 – Goodwill and Long-Lived Assets

The Company’s carrying amount of goodwill is in the Clinical Labs Services segment and is \$7,452 as of April 30, 2023 and July 31, 2022.

The Company reviews the recoverability of the carrying value of long-lived assets (including its intangible assets, all of which have finite lives) of an asset or asset group for impairment annually as of the end of the fiscal year, or more frequently if indicators of potential impairment exist. Should indicators of impairment exist, the carrying values of the assets are evaluated in relation to the operating performance and future undiscounted cash flows of an asset or asset group. The net book value of the long-lived asset is adjusted to fair value if its expected future undiscounted cash flow is less than its book value. Primarily based on the Asset Purchase Agreement with Labcorp, the Company has determined that there is no impairment of goodwill or long-lived assets at April 30, 2023.

Note 7 – Mortgage Debentures

The Debentures bear interest at a rate of 10% per annum (which interest rate is increased to 18% per annum five days after the occurrence and Loans payable, net

Loans payable, net

On March 31, 2023 continuance of an Event of Default (as defined in the Debentures)), we entered have a maturity date of May 20, 2024 and are convertible, at any time after their issuance date at the option of the Purchasers, into shares of Common Stock at a Revolving Loan conversion price equal to \$3.01 per share (the “Conversion Price”), subject to adjustment as set forth in the Debentures. Following the July 24, 2023 consummation of the Company’s sale of certain assets and Security Agreement (the “Credit Facility”) among assignment of certain liabilities of Enzo Clinical Labs Inc. and Enzo Life Sciences, Inc., and the Company as borrowers and certain of its domestic subsidiaries, as guarantors (the “Guarantors”), and Gemino Healthcare Finance, LLC d/b/a SLR Healthcare ABL as lender (“SLR”). The Credit Facility provides for a maximum \$8 million revolving line of credit. The Company is using the borrowing proceeds under the Credit Facility for working capital and general corporate purposes. The commitment under the Credit Facility expires after one year and all outstanding borrowings under the Credit Facility will become due and payable at that time. Prior to its expiration, the Company expects Labcorp pursuant to prepay and terminate the Credit Facility upon the closing of the Asset Purchase Agreement, pertaining dated March 16, 2023, the Company prepaid \$4,000 of the outstanding principal amount prior to July 31, 2023.

The Company’s obligations under the Clinical Labs business, Debentures may be accelerated, at the Purchasers’ election, upon the occurrence of certain customary events of default. As of October 31, 2023 and July 31, 2023, there were no events of default. The Debentures contain customary representations, warranties and covenants including among other things and subject to certain exceptions, covenants that restrict the Company from incurring additional indebtedness, creating or permitting liens on assets, amending its charter documents and bylaws, repurchasing or otherwise acquiring more than a standard termination fee would be payable in connection therewith. de minimis number of its Common Stock or equivalents thereof, repaying outstanding indebtedness, paying dividends or distributions, assigning or selling certain assets, making or holding any investments, and entering into transactions with affiliates.

The Credit Facility is secured by following table presents a first priority perfected security interest reconciliation of the beginning and ending balances of the convertible debentures measured at fair value on a recurring basis that use significant unobservable inputs (Level 3) and the related unrealized losses recorded in the collateral. The collateral includes substantially all consolidated statement of operations during the U.S. assets three months ended October 31, 2023:

Fair value, July 31, 2023	\$	2,514
Change in fair value of convertible debentures		328
Fair value, October 31, 2023	\$	2,842

Security Agreement and Subsidiary Guarantees

In connection with the Purchase Agreement, on May 19, 2023, the Company, certain of the Company’s domestic subsidiaries (“Guarantors”), the Purchasers and the Agent entered into a Security Agreement (the “Security Agreement”), pursuant to which the Company and the Guarantors including among other assets, cash, receivables, inventory and fixed assets.

Borrowings granted, for the benefit of the Purchasers, to secure the Company’s obligations under the Credit Facility, Purchase Agreement and the Debentures.

Warrants

The Warrants are exercisable for five years from May 19, 2023, at an exercise price of \$2.31 per share, which are based on eligible receivables is the average of the Company’s Clinical Labs and U.S.-based Life Sciences operating segments, accrue interest at the rate per annum equal three (3) daily VWAPs prior to Term SOFR (Secured Overnight Financing Rate) for a three-month tenor of 5.30% at April 30, 2023 plus 5.50%. Other fees, such as an unused line fee and a collateral monitoring fee, also apply. The Company borrowed \$5,500 under the Credit Facility upon the closing thereof. As date, subject, with certain exceptions, to adjustments in the event of April 30, 2023, stock splits, dividends, subsequent dilutive offerings and certain fundamental transactions, as more fully described in the net balance outstanding was \$3,354, which is classified as Loans payable, net in current liabilities. Warrant.

The Credit Facility includes customary affirmative and negative covenants for revolving credit facilities of this nature, including certain limitations

Registration Rights Agreement

In connection with the Purchase Agreement, on the incurrence of additional indebtedness and liens. In addition, the Credit Facility requires the Borrowers to maintain certain minimum liquidity levels as of the last day of each calendar month. The levels decline over time, starting at \$4 million as of April 30, 2023, then \$3 million as of May 31, 2023 and \$2 million as of the end of each month thereafter. As of April 30, 2023 May 19, 2023, the Company was not in compliance with SLR's minimum liquidity covenant as per the strict definitions in the agreement pertaining to qualified cash, which constituted an event of default. On June 12, 2023, SLR and the Purchasers entered into a Registration Rights Agreement, pursuant to which the Company agreed is obligated to a waiver limited to register the specific event shares of default with respect to Company Common Stock issuable upon exercise of the minimum liquidity covenant.

The Credit Facility includes customary events of default for revolving credit facilities of this nature, including failure to pay outstanding principal or interest, failure of applicable representations or warranties to be correct in any material respects, failure to perform any other term, covenant or agreement, certain defaults upon obligations under the Employee Retirement Income Security Act, bankruptcy or a change in control. Such events of default would require the repayment of any outstanding borrowings Debentures and the termination of Warrants. The Company has registered the right to borrow additional funds under the Credit Facility. shares.

Note 8 – Long term debt

In April 2020, our the Company's subsidiary in Switzerland received a loan of CHF 400 (or \$400, based on the foreign exchange rate at that time) as of July 31, 2020) from the Swiss government under the "Corona Krise" emergency loan program in response to the COVID-19 pandemic. This loan is uncollateralized and bears 0% interest. In January 2022, the bank agent of the Swiss government informed our subsidiary that the loan had to be fully amortized within a maximum of eight years and that the first of semi-annual semiannual amortization payments of CHF 33 would begin in March 2022. In September March 2022, and March 2023, the subsidiary made its second and third first semi-annual principal repayments repayment of CHF 33 (or \$38 \$35 based on exchange rates). Based on this amortization schedule, the loan will be repaid by September 2027. The current portion of this loan of \$75 is included in other current debt and finance leases liabilities and the long term portion of \$247 is in long term debt – net as of April 30, 2023 October 31, 2023 and July 31, 2023.

Mortgage debt, net

In connection with the purchase of a building in Farmingdale, NY in November 2018, a wholly-owned subsidiary (the "mortgagor subsidiary") of the Company entered into a Fee Mortgage and Security Agreement (the "mortgage agreement") with Citibank, N.A. (the "mortgagee"). The mortgage agreement provides for a loan of \$4,500 for a term of 10 years, bears a fixed interest rate of 5.09% per annum and requires monthly mortgage payments of principal and interest of \$30. Debt issuance costs of \$72 are being amortized over the life of the mortgage agreement. The balance of unamortized debt issuance cost was \$40 at April 30, 2023. At April 30, 2023, the balance owed by the subsidiary under the mortgage agreement was \$3,861. The Company's obligations under the mortgage agreement are secured by the building and by a \$1,000 cash collateral deposit with the mortgagee as additional security. This restricted cash is included in other assets as of April 30, 2023.

The mortgage agreement includes affirmative and negative covenants and events of default, as defined. Events of default include non-payment of principal and interest on debt outstanding, non-performance of covenants, material changes in business, breach of representations, bankruptcy or insolvency, and changes in control. The mortgage includes certain financial covenants. Effective October 2020, the Company and the mortgagee agreed to a covenant restructure whereby the mortgagee waived the Company's financial ratio covenant for the fiscal period ended July 31, 2020 and modified the mortgage to replace that covenant with a liquidity covenant. The liquidity covenant requires that we own and maintain at all times and throughout the remaining term of the loan at least \$25,000 of liquid assets, defined as time deposits, money market accounts and obligations issued by the U.S. government or any of its agencies. The cash collateral agreement was also modified to require compliance with the liquidity covenant for two consecutive fiscal years before the collateral is released back to us. Effective September 29, 2021, the Company and the mortgagee agreed to further covenant restructuring whereby (a) the liquidity covenant was reduced to 150% of the loan principal (or approximately \$5,911 as of April 30, 2023) from \$25,000 previously, and (b) the collateral requirement was increased from \$750 to \$1,000. As of April 30, 2023, the Company was not in compliance with the liquidity covenant or an unsubordinated liabilities to net capital base leverage ratio covenant. While the Company believes it will be able to either achieve compliance or obtain waivers going forward, as there can be no assurances, all of the mortgage debt is classified as current in the consolidated balance sheet as of April 30, 2023.

Minimum future annual principal payments under the mortgage and Corona Krise agreements this agreement as of April 30, 2023 October 31, 2023 are as follows:

July 31,	Total	Total
2023	\$ 41	
2024	242	\$ 37
2025	252	74
2026	261	74
2027	270	74
Thereafter	3,117	
2028		35
Total principal payments	4,183	294
Less: current portion, included in other current liabilities and finance leases	(75)	
unamortized mortgage cost	(40)	
Mortgage and Corona Krise debt - current and long term – net	\$ 4,068	
Less: current portion, included in other current liabilities		(75)
Long term debt – net		\$ 219

The CARES Act expanded the U.S. Small Business Administration's (SBA) business loan program to create the Paycheck Protection Program (PPP), which provided employers with uncollateralized loans whose primary purpose was to retain or maintain workforce and salaries for a twenty-four week period ("covered period") following receipt of the loan. We applied for the PPP loan based on the eligibility and need requirements established when the program was announced and in April 2020 received \$7,000 through Citibank N.A., the Company's existing lender, pursuant to the PPP (the "PPP Loan"). In June 2021, the SBA approved in full our request for loan forgiveness and in the fiscal year 2021 the Company recognized the forgiveness of the \$7,000 loan in Other income. The SBA announced its intention to audit loans in excess of \$2,000 and in June 2022 requested through Citibank N.A. the production of documents and information related to our loan and our request for forgiveness. We provided that information to the SBA via Citibank N.A. In October 2022 the SBA requested through Citibank N.A. that we complete a new version of their loan necessity questionnaire with respect our forgiven loan, which we provided. The SBA subsequently requested additional information with respect to wages paid which was provided in January 2023. We have been notified by Citibank N.A. that on the SBA Forgiveness Portal, the status of our PPP loan forgiveness audit shows as "Review Complete."

Note 8 – 9 - Leases

The Company determines if an arrangement is or contains a lease at contract inception. The Company leases buildings, office space, patient service centers, and equipment primarily through operating leases, and equipment through a limited number of finance operating leases. Generally, a right-of-use asset, representing the right to use the underlying asset during the lease term, and a lease liability, representing the payment obligation arising from the lease, are recognized on the balance sheet at lease commencement based on the present value of the payment obligation. For operating leases, expense is recognized on a straight-line basis over the lease term. For finance leases, interest expense on the lease liability is recognized using the effective interest method and amortization of the right-of-use asset is recognized on a straight-line basis over the lease term. Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company primarily uses its incremental borrowing rate in determining the present value of lease payments as the Company's leases generally do not provide an implicit rate.

The Company has lease agreements with (i) right-of-use asset payments and (ii) non-lease components (i.e. (e.g. payments related to maintenance fees, utilities, etc.)) which have generally been combined and accounted for as a single lease component. The Company's leases have remaining terms of less than 1 year to 64 years, some of which include options to extend the leases for up to 53 years. The Company's lease terms may include renewal options that are reasonably certain to be exercised and early termination options that are reasonably certain not to be exercised.

Certain of the Company's lease agreements include rental payments adjusted periodically for inflation or a market rate which are included in the lease liabilities.

Leases	Balance Sheet Classification	April 30, 2023	July 31, 2022
Assets			
Operating	Right-of-use assets	\$ 13,457	\$ 15,174
Finance	Property, plant and equipment, net (a)	144	172
Total lease assets		<u>\$ 13,601</u>	<u>\$ 15,346</u>
Liabilities			
Current:			
Operating	Current portion of operating lease liabilities	\$ 3,706	\$ 3,432
Finance	Finance leases short term	57	81
Non-current:			
Operating	Operating lease liabilities, non-current	10,734	12,729
Finance	Other liabilities and finance leases long term	—	39
Total lease liabilities		<u>\$ 14,497</u>	<u>\$ 16,281</u>

(a) Accumulated amortization of finance lease assets was approximately \$267 and \$210 as of April 30, 2023 and July 31, 2022, respectively.

Leases	Balance Sheet Classification	October 31, 2023	July 31, 2023
Assets			
Operating	Right-of-use assets	\$ 3,405	\$ 3,626
Total lease assets		<u>\$ 3,405</u>	<u>\$ 3,626</u>
Liabilities			
Current:			
Operating	Current portion of operating lease liabilities	\$ 920	\$ 980
Non-current:			
Operating	Operating lease liabilities, non-current	2,972	3,160
Total lease liabilities		<u>\$ 3,892</u>	<u>\$ 4,140</u>

Components

For the three months ended October 31, components of lease cost were as follows:

	Three months ended April 30,		Nine months ended April 30,	
	2023	2022	2023	2022
Operating lease cost – net (a)	\$ 937	\$ 1,085	\$ 2,897	\$ 3,372
Finance lease cost:				
Amortization of leased assets	19	19	57	57
Interest on lease liabilities	1	3	4	8
Total lease cost	<u>\$ 957</u>	<u>\$ 1,107</u>	<u>\$ 2,958</u>	<u>\$ 3,437</u>

Lease Cost	2023	2022
Operating lease cost – net (a)	\$ 141	\$ 262

(a) Net of \$126 and \$252 sublease income for the three and nine months ended April 30, 2023, respectively. October 31, 2023. The maturity of the Company's lease liabilities as of April 30, 2023 October 31, 2023 is as follows:

Maturity of lease liabilities, years ending July 31,	Operating leases	Finance leases	Total	Operating leases
2023	\$ 1,137	\$ 22	\$ 1,159	
2024	4,254	37	4,291	\$ 863
2025	3,816	—	3,816	896
2026	3,431	—	3,431	886
2027	2,507	—	2,507	881
Thereafter	808	—	808	
2028				808
Total lease payments	15,953	59	16,012	4,334
Less: Interest (a)	(1,513)	(2)	(1,515)	(442)
Present value of lease liabilities	<u>\$ 14,440</u>	<u>\$ 57</u>	<u>\$ 14,497</u>	<u>\$ 3,892</u>

(a) Primarily calculated using the Company's incremental borrowing rate.

Lease term and discount rate for the nine for the three months ended April 30 October 31 were as follows:

Lease term and discount rate	2023	2022	2023	2022
Weighted-average remaining lease term (years):				
Operating leases	4.0 years	5.0 years	4.5 years	5.5 years
Finance leases	0.7 years	1.7 years		
Weighted-average discount rate:				
Operating leases	5.18 %	4.97 %	5.1 %	5.1 %
Finance leases	3.31 %	5.20 %		

See Note 45 for cash flow information on cash paid for amounts included in the measurement of lease liabilities for the three and nine months ended April 30, 2023 October 31, 2023 and 2022.

Note 9 – Accrued Liabilities

Accrued liabilities consist of:	April 30, 2023	July 31, 2022
Payroll, benefits, and commissions	\$ 3,970	\$ 4,912
Professional fees	1,104	801
Legal	7,154	4,523
Other	5,266	2,064
	<u>\$ 17,494</u>	<u>\$ 12,300</u>

Note 10 - Accrued Liabilities and other current liabilities

Accrued liabilities consist of:

	October 31, 2023	July 31, 2022
Payroll, benefits and commissions	\$ 7,715	\$ 7,421
Professional fees	543	610
Legal	1,095	2,248
Other	689	1,464
	<u>\$ 10,042</u>	<u>\$ 11,743</u>

Self-Insured Medical Plan

The Company self-funds medical insurance coverage for certain of its U.S. based employees. The risk to the Company is believed to be limited through the use of individual and aggregate stop loss insurance. As of April 30, 2023, October 31, 2023 and July 31, 2022, the Company has had established a reserve reserves of \$290, \$252 and \$260, \$631, respectively, which is are included in accrued liabilities for payroll, benefits and commissions, for claims that have been reported but not paid and for claims that have been incurred but not reported. The reserve is based upon the Company's historical payment trends, claim history and current estimates.

At October 31, 2023 and July 31, 2023 other current liabilities consist of the current portion of the Swiss government loan.

Note 10 – 11 - Stockholders' equity**Controlled Equity Offering**

In May 2023, the Company entered into a sales agreement (the "Sales Agreement") with B. Riley Securities, Inc. as sales agent ("Riley"). Under the Sales Agreement, the Company may offer and sell, from time to time, through Riley, shares of the Company's common stock, par value \$0.01 per share ("Shares") having an aggregate offering price of up to \$30 million. The Company pays Riley a commission of 3.0% of the aggregate gross proceeds received under the Sales Agreement. The Company is not obligated to make any sales of Shares under the Sales Agreement. The offering of Shares pursuant to the Sales Agreement will terminate upon the earlier of (a) the sale of all of the Shares subject to the Sales Agreement or (b) the termination of the Sales Agreement by Riley or the Company, as permitted therein. As of the date of issuance of these financial statements, there have been no sales of Shares under the Sales Agreement. In May 2023, the Company filed with the SEC a "shelf" registration and sales agreement prospectus covering the Sales Agreement and issuance and sale of our Common Stock that may be sold under that agreement in an aggregate amount of up to \$30 million. Agreement. A total of \$150 million of securities, including those covered by the Sales Agreement, may be sold under the shelf registration when it is which was declared effective, effective in July 2023. During the fourth quarter of the fiscal year ended July 31, 2023, the Company sold 276,479 shares for net proceeds of \$386. There was no activity during the three months ended October 31, 2023.

Share based awards and share based compensation Incentive stock plans

In January 2011, the Company's stockholders approved the adoption of the 2011 Incentive Plan (the "2011 Plan") for the issuance of equity awards, including, among others, options, restricted stock, restricted stock units and performance stock units for up to 3,000,000 shares of common stock. In January 2018, the Company's stockholders approved the amendment and restatement of the 2011 Plan (the "Amended and Restated 2011 Plan") to increase the number of shares of common stock available for grant under the 2011 Plan by 2,000,000 shares of common stock bringing the total number of shares available for grant to 5,000,000 shares of common stock. On October 7, 2020, the Company's Board of Directors approved the amendment and restatement of the Amended and Restated 2011 Plan, with an effective date of October 7, 2020 and subject to approval by the Company's stockholders at the 2020 annual meeting of stockholders of the Company. The amendment and restatement of the Amended and Restated 2011 Plan was for purposes of, among other things, (i) increasing the shares of common stock available for grant under the Amended and Restated 2011 Plan by an additional 4,000,000 shares of common stock bringing the total number of shares available for grant to 9,000,000 shares of common stock and (ii) extending the term of the Amended and Restated 2011 Plan until October 7, 2030. In January 2021, the Company's stockholders approved the amendment and restatement of the Amended and Restated 2011 Plan.

The exercise price of options granted under the Amended and Restated 2011 Plan, as amended and restated, is equal to or greater than fair market value of the common stock on the date of grant. The Amended and Restated 2011 Plan, as amended and restated, will terminate at the earliest of (a) such time as no shares of common stock remain available for issuance under the plan, (b) termination of the plan by the Company's Board of Directors, or (c) October 7, 2030. Awards outstanding upon expiration of the Amended and Restated 2011 Plan, as amended and restated, will remain in effect until they have been exercised or terminated, or have expired. As of April 30, 2023 October 31, 2023, there were approximately 3,734,000 4,623,000 shares of common stock available for grant under the Amended and Restated 2011 Plan, as amended and restated.

The Company estimates the fair value of each stock option award on the measurement date using a Black-Scholes option pricing model. model or the fair value of our stock at the date of grant. The fair value of awards is amortized to expense on a straight-line basis over the requisite service period. The Company expenses restricted stock awards based on vesting requirements, primarily time elapsed. Performance stock awards are not recognized until it is probable they will be earned. At such time, their expense is then recognized over the requisite service period, including that portion of the service period already elapsed.

Options granted pursuant to the plans may be either incentive stock options or non-statutory options. The 2011 Plan provides for the issuance of stock options, restricted stock and restricted stock unit awards which generally vest over a two or three year period. During the three months ended October 31, 2023, the Company recognized \$519 of share based compensation with respect to stock options and \$367 of share based compensation with respect to restricted stock units as a result of the termination of the former CEO during the quarter then ended. See Note 14.

The amounts of share-based compensation expense recognized in the periods presented are as follows:

	Three months ended April 30,		Nine months ended April 30,		Three months ended October 31,	
	2023	2022	2023	2022	2023	2022
Stock options and performance stock units	\$ 286	\$ 76	\$ 842	\$ 898	\$ 646	180
Restricted stock units	277	86	666	159	429	186
	<u>\$ 563</u>	<u>\$ 162</u>	<u>\$ 1,508</u>	<u>\$ 1,057</u>	<u>\$ 1,075</u>	<u>366</u>

The following table sets forth the amount of expense related to share-based payment arrangements included in specific line items in the accompanying statements of operations:

	Three months ended April 30,		Nine months ended April 30,		Three months ended October 31,	
	2023	2022	2023	2022	2023	2022
Selling, general and administrative	\$ 547	\$ 158	\$ 1,450	\$ 1,037	\$ 1,069	360
Cost of revenues	16	4	58	20	6	6
	<u>\$ 563</u>	<u>\$ 162</u>	<u>\$ 1,508</u>	<u>\$ 1,057</u>	<u>\$ 1,075</u>	<u>366</u>

No excess tax benefits were recognized during the three and nine month periods ended April 30, 2023, October 31, 2023 and 2022.

Stock Option Plans

The following table summarizes stock option activity during the nine three month period ended April 30, 2023 October 31, 2023:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding at July 31, 2022	3,941,783	\$ 3.00						
Awarded	615,000	\$ 2.00						
Outstanding at July 31, 2023					3,829,500	\$ 2.61		—
Granted					—	—		
Exercised	(6,667)	2.14		\$	—	—		\$
Cancelled or expired	(453,616)	\$ 3.95			(508,916)	\$ 1.58		
Outstanding at end of period	4,096,500	\$ 2.74	2.2 years	\$ 675	3,320,584	\$ 2.64	2.5 years	\$ —
Exercisable at end of period	2,126,067	\$	0.3 years	\$	2,313,784	\$ 2.83	1.9 years	\$ —

As of April 30, 2023 October 31, 2023, the total future compensation cost related to non-vested options, not yet recognized in the statements of operations, was \$2,038 \$839 and the weighted average period over which the remaining expense of these awards is expected to be recognized is approximately two one and one half years.

The intrinsic value of in the money stock option awards at represents the end value of the period represents the Company's closing stock price on the last trading day of the period in excess of the exercise price multiplied by the number of outstanding options, options that are outstanding.

Restricted Stock Units

The following table summarizes RSU activity for the three months ended October 31, 2023:

	Number of RSUs outstanding	Weighted Average Fair Value per Unit at Date of Grant	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding at beginning of fiscal year	557,490	\$ 2.21	1.1 years	825
Granted	—	\$ —		—
Vested	(173,333)	\$ 3.39		
Cancelled	(100,000)	\$ 1.97		
Outstanding at end of period	284,157	\$ 1.75	0.4 years	\$ 381
Expected to vest at end of period	284,157	\$ 1.75	0.4 years	\$ 381

Certain directors had not exercised their vested RSU shares, totaling 144,530, as of July 31, 2023. These shares were issued during the three months ended October 31, 2023. During the three months ended October 31, 2023, 173,333 RSUs vested and 100,000 were cancelled as a result of the termination of the former CEO. The vested shares had not been issued as of October 31, 2023.

During the three months ended October 31, 2023 and 2022, the Company recognized shared based compensation expense for RSU's of \$429 and \$186, respectively. As of October 31, 2023, the total future compensation cost related to non-vested RSUs, not yet recognized in the statements of operations, was \$138 and the weighted average period over which the remaining expense of these awards is expected to be recognized is approximately one half years.

Performance Stock Units

Beginning in fiscal 2018, the Company granted long-term incentive awards in the form of time based stock options and performance-based restricted stock units ("Performance Stock Units" or "PSUs"). The PSUs earned is determined over a three-year performance period. The primary performance metrics will be revenue and Adjusted EBITDA growth, as defined. Payouts are based on revenue and adjusted EBITDA goals met at threshold, target or maximum levels and are modified based on Total Shareholder Return ("TSR") performance relative to Enzo's peer group. The PSUs awarded to executive officers in fiscal 2018, net of forfeitures, expired in fiscal 2021 as the 3 year growth goals were not achieved.

During the fiscal years ended 2020 and 2019, the Company awarded additional PSUs to its executive officers. These awards provide for the grant of shares of our common stock at the end of a three-year period based on the achievement of revenue growth and adjusted EBITDA growth goals met at threshold, target or maximum levels over the respective period. The PSUs awarded to executive officers in fiscal 2019, net of forfeitures, were earned as of the three-year period ending July 31, 2022 as the growth goals at the maximum level were achieved. After TSR modification, a total of 25,200 PSUs were earned equally by two officers. As of April 30, 2023, 12,600 shares had been issued and the balance of the shares are expected to be issued in the fourth quarter of fiscal 2023.

During the nine months ended April 30, 2023 a former officer forfeited 15,000 PSUs awarded in fiscal 2020. The Company recorded PSU compensation expense of \$7 during the three months ended April 30, 2023 and (\$41) during 2022, the nine Company recognized \$0 and \$66 of share based compensation for Performance Stock Units ("PSUs"). During the three months ended, April 30, 2023 one senior executive vested in 10,640 shares of stock which were not yet issued as of October 31, 2023. For the three and nine months ended April 30, 2022, the Company recorded PSU compensation expense As of (\$105) and \$57, respectively. October 31, 2023 there were no PSUs outstanding.

The following table summarizes PSU's granted and outstanding through April 30, 2023:

Grant Date	Total Grant	Forfeitures	Outstanding	Fair Market Value At Grant Date (000s)
10/19/2020	98,600	(40,300)	58,300	\$ 122

Restricted Stock Units

The following table summarizes Restricted Stock Unit ("RSU") activity for the nine month period ended April 30, 2023:

	Number of Unvested RSUs outstanding	Weighted Average Fair Value per Unit at Date of Grant or Vesting	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (000s)
Outstanding at July 31, 2022	502,187	\$ 2.95		
Granted	325,564	1.53		
Vested	(145,263)	3.06		
Cancelled	—	\$		
Outstanding at end of period	<u>682,488</u>	\$ 2.25	1.1 years	\$ 1,727
Expected to vest at end of period	<u>682,488</u>	\$	1.1 years	\$

During the three and nine months ended April 30, 2023, the Company recognized shared based compensation expense for these RSUs of \$277 and \$666, respectively. During the three and nine months ended April 30, 2022, the Company recognized shared-based compensation expense for these RSUs of \$86 and \$159, respectively. RSU's that vested on April 27, 2023, representing 58,596 shares of common stock, were issued in May 2023.

As of April 30, 2023, the total future compensation cost related to non-vested RSUs, not yet recognized in the statements of operations, was \$1,017 and the weighted average period over which the remaining expense of these awards is expected to be recognized is approximately fourteen months.

Note 11 – 12 - Segment reporting

The Company has **two** reportable segments: Clinical Services and Products. The Clinical Services segment, provides diagnostic services to the health care community. The Company's Products, segment which develops, manufactures, and markets products to research and pharmaceutical customers. The Company evaluates segment performance based on segment income (loss) before taxes. Costs excluded from segment income (loss) before taxes and reported as "Other" "Corporate & Other" consist of corporate general and administrative costs which are not allocable to the **two** reportable segments. **Products segment.**

Legal and related expenses incurred to defend the Company's intellectual property, which may result in settlements recognized in another segment and other general corporate matters are considered a component of the **Corporate & Other** segment. Legal and related expenses specific to **other segments' the Products' segment's** activities are allocated to **those segments, that segment.**

Management of the Company assesses assets on a consolidated basis only and therefore, assets by reportable segment have not been included in the reportable segments below. The accounting policies of the reportable **segments** segment are the same as those described in the summary of significant accounting policies.

At the beginning of fiscal 2023, we determined we would redirect our research resources and efforts to our two operating segments, Clinical Services and Products, and as a result, Enzo Therapeutics no longer meets the criteria for being a reportable segment. The operating expenses of Enzo Therapeutics are included in the "Other" segment for all periods presented.

The following financial information represents the operating results of the reportable segments of the Company:

Three months ended October 31, 2023

	Products	Corporate & Other	Consolidated
Revenues	\$ 7,806	—	\$ 7,806
Operating costs and expenses:			
Cost of revenues	4,351	—	4,351
Research and development	838	\$ 11	849
Selling, general and administrative	3,104	3,903	7,007
Legal and related expenses	30	1,045	1,075
Total operating costs and expenses	<u>8,323</u>	<u>4,959</u>	<u>13,282</u>
Operating loss	(517)	(4,959)	(5,476)
Other income (expense)			
Interest	34	943	977
Change in fair value of convertible debentures	—	(328)	(328)
Other	2	156	158
Foreign exchange loss	(1,006)	—	(1,006)
Loss before taxes	<u>\$ (1,487)</u>	<u>\$ (4,188)</u>	<u>\$ (5,675)</u>
Depreciation and amortization included above	<u>\$ 166</u>	<u>\$ 104</u>	<u>\$ 270</u>
Share-based compensation included above:			

Selling, general and administrative	22	1,047	1,069
Cost of sales	6	—	6
Total	<u>\$ 28</u>	<u>\$ 1,047</u>	<u>\$ 1,075</u>
Capital expenditures	<u>\$ 248</u>	<u>\$ 6</u>	<u>\$ 254</u>

Three months ended April 30, 2023	Clinical Services	Products	Other	Consolidated
Revenues	\$ 8,622	\$ 7,485	—	\$ 16,107
<u>Operating costs and expenses:</u>				
Cost of revenues	9,993	4,476	—	14,469
Research and development	91	872	12	975
Selling, general and administrative	6,337	2,641	3,044	12,022
Legal fee expense	21	19	4,246	4,286
Total operating costs and expenses	16,442	8,008	7,302	31,752
Operating loss	(7,820)	(523)	(7,302)	(15,645)
<u>Other income (expense):</u>				
Interest, net	(1)	30	(66)	(37)
Other	4	2	142	148
Foreign exchange loss	—	347	—	347
Loss before income taxes	\$ (7,817)	\$ (144)	\$ (7,226)	\$ (15,187)
Depreciation and amortization included above	\$ 373	182	93	648
<u>Share-based compensation included in above:</u>				
Selling, general and administrative	65	20	461	546
Cost of revenues	11	6	—	17
Total	\$ 76	26	461	563
Capital expenditures	\$ 53	331	282	666
Three months ended October 31, 2022				
Three months ended April 30, 2022	Clinical Services	Products	Other	Consolidated
Revenues	\$ 18,630	\$ 7,592	—	\$ 26,222
<u>Operating costs and expenses:</u>				
Cost of revenues	11,180	4,869	—	16,049
Research and development	666	458	9	1,133
Selling, general and administrative	6,756	2,786	1,900	11,442
Legal fee expense	12	10	712	734
Total operating costs and expenses	18,614	8,123	2,621	29,358
Operating income (loss)	16	(531)	(2,621)	(3,136)
<u>Other income (expense):</u>				
Interest, net	(2)	10	46	54

Other	15	(2)	(729)	(716)
Foreign exchange loss	—	(1,056)	—	(1,056)
Income (loss) before income taxes	<u>\$ 29</u>	<u>\$ (1,579)</u>	<u>\$ (3,304)</u>	<u>\$ (4,854)</u>
Depreciation and amortization included above	<u>\$ 430</u>	<u>224</u>	<u>78</u>	<u>732</u>
<u>Share-based compensation included in above:</u>				
Selling, general and administrative	38	1	119	158
Cost of revenues	<u>4</u>	<u>—</u>	<u>—</u>	<u>4</u>
Total	<u>\$ 42</u>	<u>1</u>	<u>119</u>	<u>162</u>
Capital expenditures	<u>\$ 202</u>	<u>572</u>	<u>82</u>	<u>856</u>
		Products	Corporate & Other	Consolidated
Revenues		\$ 7,103	—	\$ 7,103
Operating costs and expenses:				
Cost of revenues		4,589	—	4,589
Research and development		690	\$ 9	699
Selling, general and administrative		2,885	2,552	5,437
Legal and related expenses		<u>25</u>	<u>982</u>	<u>1,007</u>
Total operating costs and expenses		<u>8,189</u>	<u>3,543</u>	<u>11,732</u>
Operating loss		(1,086)	(3,543)	(4,629)
Other income (expense)				
Interest		25	47	72
Other		2	(2)	—
Foreign exchange loss		<u>(797)</u>	<u>—</u>	<u>(797)</u>
Loss before taxes		<u>\$ (1,856)</u>	<u>\$ (3,498)</u>	<u>\$ (5,354)</u>
Depreciation and amortization included above		<u>\$ 165</u>	<u>\$ 83</u>	<u>\$ 248</u>
Share-based compensation included above:				
Selling, general and administrative		20	340	360
Cost of sales		<u>6</u>	<u>—</u>	<u>6</u>
Total		<u>\$ 26</u>	<u>\$ 340</u>	<u>\$ 366</u>
Capital expenditures		<u>\$ 306</u>	<u>\$ 183</u>	<u>\$ 489</u>

Note 13 – Contingencies

In April 2023, the Company experienced a ransomware attack that impacted certain critical information technology systems. In response, we promptly deployed containment measures, including disconnecting our systems from the internet, launching an investigation with assistance from third-party cybersecurity experts, and notifying law enforcement. We adhered to our disaster recovery plan, which enabled us to maintain operations throughout the incident response process. We are in the process of evaluating the full scope of the costs and related impacts of this incident. The Company's facilities remained open, and we

continued to provide services to patients and partners. We later became aware that certain data, including names, test information, and Social Security numbers, was accessed, and in some instances, exfiltrated from the Company's information technology systems as part of this incident. The investigation identified unauthorized access to or acquisition of clinical test information of approximately 2,470,000 individuals. The Social Security numbers of approximately 600,000 of these individuals may also have been involved. Additionally, the Company has determined that some employees' information may have been involved. The Company has provided notice to the individuals whose information may have been involved, as well as to regulatory authorities, in accordance with applicable law.

Enzo Biochem is currently subject to regulatory inquiry from the New York Attorney General, a joint inquiry from the Connecticut and New Jersey Attorneys General and an inquiry from the Utah Attorney General. All inquiries ask questions about the ransomware incident, as well as the corrective actions taken in response. It is not known at this time whether the Attorneys General will seek penalty against the Company. We are unable to evaluate the likelihood of an outcome, favorable or unfavorable, to the Company or to estimate the amount or range of any potential liability, if any, at this time.

Nine months ended April 30, 2023	Clinical Services	Products	Other	Consolidated
Revenues	\$ 28,619	\$ 22,102	—	\$ 50,721
<u>Operating costs and expenses:</u>				
Cost of revenues	30,538	13,681	—	44,219
Research and development	694	2,675	33	3,402
Selling, general and administrative	19,830	7,627	7,828	35,285
Legal fee expense	192	55	6,105	6,352
Total operating costs and expenses	<u>51,254</u>	<u>24,038</u>	<u>13,966</u>	<u>89,258</u>
Operating loss	(22,635)	(1,936)	(13,966)	(38,537)
<u>Other income (expense):</u>				
Interest, net	(4)	84	15	95
Other	16	6	256	278
Foreign exchange loss	—	1,022	—	1,022
Loss before income taxes	<u>\$ (22,623)</u>	<u>\$ (824)</u>	<u>\$ (13,695)</u>	<u>\$ (37,142)</u>
Depreciation and amortization included above	<u>\$ 1,291</u>	<u>518</u>	<u>267</u>	<u>2,076</u>
<u>Share-based compensation included in above:</u>				
Selling, general and administrative	179	61	1,211	1,451
Cost of revenues	41	16	—	57
Total	<u>\$ 220</u>	<u>77</u>	<u>1,211</u>	<u>1,508</u>
Capital expenditures	<u>\$ 412</u>	<u>1,269</u>	<u>506</u>	<u>2,187</u>
Nine months ended April 30, 2022	Clinical Services	Products	Other	Consolidated
Revenues – Services and Products	\$ 62,045	\$ 24,742	—	\$ 86,787
<u>Operating costs and expenses:</u>				
Cost of revenues	34,969	14,191	—	49,160
Research and development	762	1,901	34	2,697
Selling, general and administrative	19,568	8,920	\$ 8,472	36,960
Legal and related expenses	217	23	4,621	4,861
Total operating costs and expenses	<u>55,516</u>	<u>25,035</u>	<u>13,127</u>	<u>93,678</u>
Operating income (loss)	6,529	(293)	(13,127)	(6,891)
<u>Other income (expense):</u>				
Interest, net	(7)	28	140	161
Other	69	3	(1,283)	(1,211)

Foreign exchange (loss)		(1,887)	—	(1,887)
Net income (loss)	\$ 6,591	\$ (2,149)	\$ (14,270)	\$ (9,828)
Depreciation and amortization included above	\$ 1,286	\$ 626	\$ 226	\$ 2,138
<u>Share-based compensation included in above:</u>				
Selling, general and administrative	74	2	961	1,037
Cost of revenues	20	—	—	20
Total	\$ 94	\$ 2	\$ 961	\$ 1,057
Capital expenditures	\$ 795	\$ 1,788	\$ 520	\$ 3,103

Note 12 – Contingencies There is also pending Class Action litigation:

Enzo has identified several purported class action complaints that have been filed against *In re Enzo Biochem Inc. and Enzo Clinical Labs, Inc. arising from the recent ransomware attack and data breach on Enzo's computer network*. All of the actions that we have identified were commenced in the United States District Court for Data Breach Litigation, No. 2:23-cv-04282 (EDNY)

In the Eastern District of New York, twenty putative class actions have been consolidated alleging various harms stemming from the April 2023 data incident. Interim lead counsel has been appointed and filed a Consolidated Amended Complaint on November 13, 2023. The complaints generally allege that Enzo failed to adequately secure and safeguard the private and confidential information of the class members entrusted to it. The complaints assert various common law claims including negligence, negligence per se, breach of fiduciary duty, breach of implied contract, breach of the implied covenant of good faith and seek money damages, restitution and injunctive relief. To date, neither fair dealing, violation of the New York's General Business Law § 349, Invasion of Privacy, violations of the Connecticut Unfair Trade Practices Act, violations of the New Jersey Consumer Fraud Act.

Maria Sgambati et al., v. Enzo Biochem, Inc. nor Enzo Clinical Labs, Inc. has been served with, et al., Index No. 619511/2023 (N.Y. Sup. Ct.)

This is a copy putative class action pending in state court alleging various harms stemming from the April 2023 data incident. The complaint seeks to certify a class of New York residents. The complaint brings claims of negligence; negligence per se; breach of implied covenant and good faith and fair dealing; breach of duty; breach of implied contract; and violations of New York's Deceptive Acts and Practices § 349. This court granted our motion to stay the case pending the outcome of the summons federal action.

Louis v. Enzo Biochem, Inc. et al., Index No. 653281/2023 (N.Y. Sup. Ct.)

This is a putative class action pending in state court alleging various harms stemming from the April 2023 data incident. The complaint seeks to certify a class of New York citizens. The complaint brings claims of for negligence; negligence per se; breach of duty, breach of implied contract; breach of implied covenant of good faith and complaint in any fair dealing; and violations of New York's Deceptive Acts and Practices § 349. We have filed a motion to stay this action pending the resolution of the actions. Federal Action and the motion remains pending.

A provision was made in the financial statements as of July 31, 2023 for the above matters based on a reasonable estimate; however, the actual exposure may differ.

On or about March 2, 2023, a verified complaint was filed in the Supreme Court of the State of New York, New York County captioned Elazar Rabbani v. Mary Tagliaferri, et al., Index No. 651120/2023. The verified complaint purports to assert causes of action for breach of fiduciary duty and corporate waste under N.Y.B.C.L. § 720, and also seeks an accounting and certain injunctive relief. Plaintiff served a copy of the verified complaint on Enzo's agent for service in New York on or about March 13, 2023. On August 4, 2023, defendants moved to dismiss all the causes of action asserted in the verified complaint. Plaintiff filed an amended complaint on or about October 4, 2023, adding, among other things, an additional cause of action for violation of N.Y.B.C.L. § 626. On October 23, 2023, Defendants filed a reply in further support of their motion to dismiss. On October 24, 2023, Plaintiff sought leave to file an opposition brief. Defendants filed an opposition to that request on October 26, 2023. On October 31, 2023, in response to a question from the Court's law clerk, Defendants reiterated that they had elected to apply their original motion to dismiss to the amended pleading. On November 6, 2023, Plaintiff filed an opposition to Defendants' motion to dismiss. On November 17, 2023, Defendants filed a reply brief in further support of their motion to dismiss the Amended Complaint. The Company cannot predict the outcome of this matter; however, no inference whatsoever should be drawn from the absence of such prediction that the Company will not prevail.

The Company has brought cases in the United States District Court for the District of Delaware ("the Court"), alleging patent infringement against various companies. In 2017, the Court ruled that the asserted claims of the '180 and '405 Patents are invalid for nonenablement in cases involving Abbott, Becton Dickinson, Gen-Probe, Hologic, and Roche. That ruling was affirmed by the United States Court of Appeals for the Federal Circuit ("Federal Circuit") in June 2019. Enzo subsequently filed a petition for certiorari regarding the invalidity ruling for the '180 and '405 Patents in February 2020; the Supreme Court denied Enzo's petition on March 30, 2020.

The Company, along with its subsidiary Enzo Life Sciences, Inc., resolved its claims against Roche regarding the '197 Patent before the Court (civil action No. 12 cv-00106) in July 2022. There is currently one case that was originally brought by the Company that is still pending in the Court. In that case, Enzo alleges patent infringement of the '197 patent against Becton Dickinson Defendants. The claims in that case are stayed.

In separate inter partes review proceedings before the U.S. Patent and Trademark Office (PTO) involving, among others, Becton Dickinson, certain claims of the '197 Patent were found unpatentable as anticipated or obvious and cancelled by the Patent Trial and Appeals Board ("Board"). Enzo appealed that decision to the Federal Circuit. On August 16, 2019, the Federal Circuit affirmed the Board's decision, finding that each of the challenged claims is unpatentable. The Company filed a petition for rehearing and rehearing en banc on October 30, 2019, which the Federal Circuit denied on December 4, 2019. The Company filed a petition for certiorari with the Supreme Court on March 3, 2020, which was denied.

In April 2019, the Company entered into an agreement with Hologic and Grifols, resolving litigation resulting from four cases originally brought by the Company in the Court. As a result, Enzo dismissed (1) a stayed patent litigation regarding the '180 and '197 Patent against Hologic in the Court; (2) the Consolidated Appeals against Gen-Probe and Hologic resulting from two cases filed in the Court, and (3) the Company's appeal in the litigation involving the '581 Patent that involved both Hologic and Grifols. As a result of the agreement with Hologic, Hologic withdrew from Enzo's Federal Circuit appeal of the Board's adverse rulings in the *inter partes* review proceedings regarding the '197 Patent filed by Hologic and joined by Becton Dickinson mentioned above.

On September 2, 2021, the PTO issued a non-final office action in an *ex parte* reexamination concerning the '197 Patent. In the office action, the PTO rejected certain claims of the '197 Patent under 35 U.S.C. §§ 102 and 103, and for nonstatutory double-patenting. Enzo responded to the office action on January 3, 2022, and the proceeding remains pending. Becton Dickinson requested another *ex parte* reexamination concerning the '197 patent on July 26, 2022. On September 16, 2022, the PTO ordered that *ex parte* reexamination as to certain claims of the '197 patent and has not yet issued an office action. Enzo filed a petition to terminate that second reexamination proceeding on November 16, 2022.

On February 5, 2020 or about September 26, 2023, Harbert Discovery Fund, LP James G. Wolf, Individually and Harbert Discovery Co-Investment Fund I, LP ("HDF") brought as the Trustee of the Wolf Family Charitable Foundation, Barbaranne R. Wolf, Stephen Paul Wolf, and Preston M. Wolf initiated an appraisal action against Enzo Biochem, Inc. in the United States District New York Supreme Court for the Southern District of New York against the Company and five of its present or former Directors, Dr. Elazar Rabbani, Barry W. Weiner, Dr. Bruce A. Hanna, Dov Perlysky and Rebecca Fischer. On March 26, 2020, HDF filed Suffolk County. Petitioners seek an amended complaint against the same defendants. Count I asserted the Company violated Section 14(a) appraisal of the Securities and Exchange Act value of 1934 and Rule 14a-9 thereunder by disseminating proxy materials that made purportedly false statements. Count II asserted a claim against the individual defendants under Section 20(a) of the Exchange Act premised on Enzo's purported violation of Section 14(a) and Rule 14a-9. Count III asserted the individual defendants breached their fiduciary duty, based on the same conduct and by seeking to entrench themselves. Finally, Count IV purported to assert a derivative claim for a declaration that any amendment to Article II, Section 2 requires the approval of 80% of Enzo's shareholders. On July 16, 2020, the day before the defendants' motion to dismiss was due, HDF asked the Court to dismiss their claims without prejudice. Defendants asked HDF to dismiss the claims with prejudice, but they refused. On July 17, 2020, the Court dismissed the claims without prejudice.

On November 27, 2020, the Company brought an action **shares** in the United States District Court for the Southern District of New York against Harbert Discovery Fund, LP, Harbert Discovery Co-Investment Fund I, LP, Harbert Fund Advisors, Inc., Harbert Management Corp. and Kenan Lucas (together, “Harbert”). The Company alleged Harbert made false and misleading representations, or omitted to state material facts necessary to make their statements not misleading, in proxy materials they disseminated seeking the election to the Company’s Board of Directors at its 2019 Annual Meeting of two candidates they nominated, in violation of Section 14(a) of the 1934 Exchange Act and Rule 14a-9 thereunder. The Company sought damages and injunctive relief. On October 12, 2021, HDF filed five counterclaims against the Company and present and former directors Dr. Elazar Rabbani, Barry W. Weiner, Dr. Bruce A. Hanna, Dov Perlysky, Rebeca Fischer, Dr. Mary Tagliaferri and Dr. Ian B. Walters. HDF claimed the Company made false and misleading representations in proxy materials it disseminated in connection with its 2019 Annual Meeting, in violation of Section 14(a) of the 1934 Exchange Act and Rule 14a-9 thereunder, and that the Company’s directors at that time were liable under Section 20(a) of the Exchange Act for the Company’s purported misstatements. HDF also claimed that current and former Company directors breached their fiduciary duties by taking four corporate actions: (a) adjourning the 2019 meeting for 25 days; (b) purportedly causing the two Harbert candidates for director, who were elected at the 2019 Meeting, to resign in November 2020; (c) authorizing the November 27, 2020 Lawsuit; and (d) not accepting Dr. Rabbani’s resignation as a director in March 2021. On November 10, 2021, the Company and the other counterclaim defendants moved to dismiss HDF’s counterclaims. On December 9, 2021, the court granted the motion to dismiss HDF’s counterclaims except HDF’s Section 14(a) claim against the Company concerning its statement that it intended to “delay” the 2019 Annual Meeting, and HDF’s Section 20(a) and breach of fiduciary duty counterclaims against Dr. Elazar Rabbani, Barry W. Weiner, Dr. Bruce Hanna, Dov Perlysky and Rebecca Fischer with respect to that statement. The Court allowed HDF to move for leave to replead with respect to its dismissed counterclaims. On June 7, 2022, the Court “so ordered” a stipulation of dismissal with prejudice of the Company’s claims against Harbert Discovery Fund, LP, Harbert Discovery Co-Investment Fund I, LP, Harbert Fund Advisors, Inc., Harbert Management Corp., and Kenan Lucas, and HDF’s counterclaims against the Company, Dr. Bruce Hanna, Dov Perlysky, Rebecca Fischer, Dr. Ian B. Walters and Dr. Mary Tagliaferri. The only remaining claims were HDF’s counterclaims against Dr. Rabbani and Mr. Weiner. HDF asked the Court to dismiss those claims without prejudice. Dr. Rabbani and Mr. Weiner asked the Court to dismiss those counterclaims with prejudice and to allow them to take discovery from HDF, the Company, and possibly others. On December 1, 2022, the court granted HDF’s motion for voluntary dismissal without prejudice, denied Dr. Rabbani and Mr. Weiner’s motion to compel discovery, and directed the Clerk of the Court to close this case.

There can be no assurance that the Company will be successful in any of these litigations. Even if the Company is not successful, management does not believe that there will be a significant adverse monetary impact on the Company. The **amount of damages sought by the Petitioners is unspecified**. The Company is party to other claims, legal actions, complaints, and contractual disputes that arise **will defend itself vigorously** in the ordinary course of business. The Company believes that any liability that may ultimately result from the resolution of these matters will not, individually or in the aggregate, have a material adverse effect on its financial position or results of operations. **appraisal action**.

As described in Note 3, **In our discontinued Clinical Labs operations**, third-party payers, including government programs, may decide to deny payment or recoup payments for testing that they contend was improperly billed or not medically necessary, against their coverage determinations, or for which they believe they have otherwise overpaid (including as a result of their own error), and we may be required to refund payments **already that we received**.

Former executives arbitration

The Company terminated the employment of Elazar Rabbani, Ph.D., the Company's former Chief Executive Officer, effective April 21, 2022. Dr. Rabbani remains a board director of the Company. Company until the Annual Meeting on January 31, 2024. Dr. Rabbani is was a party to an employment agreement with the Company which entitles that entitled him to certain termination benefits, including severance pay, acceleration of vesting of share-based compensation, and continuation of benefits. Based on the terms of his employment agreement, the Company estimated and accrued a charge of \$2,600 in fiscal year 2022 which is included in Selling, general and administrative expenses. The charge was partially offset by the reversal of bonus accruals. In May 2022, the Company paid Dr. Rabbani \$2,123 in severance (the payment constituted taxable income but the Company did not withhold taxes from the payment). In July 2022, the Company paid Dr. Rabbani's income and other withholding taxes of \$1,024 related to that payment on Dr. Rabbani's behalf, which is was included in "prepaid expense and other current assets" as of July 31, 2022, as the payment is reimbursable from Dr. Rabbani. Dr. Rabbani disputed, among other things, the Company's decision to not award him a bonus for fiscal year 2021 and the amount of severance that was owed to him under his employment agreement. On July 8, 2022, the Company filed a demand for arbitration with the American Arbitration Association (the "AAA") seeking, among other things, a declaration that the Company has fully satisfied its contractual obligations to Dr. Rabbani and seeking the tax withholding reimbursement referenced above. On August 4, 2022, Dr. Rabbani filed counterclaims in the arbitration seeking, among other things, a bonus for fiscal year 2021 and additional severance that he asserts is asserted was owed to him. At the parties' joint request, the arbitration has been stayed while the parties work towards finalizing resolving the matter. A provision was made in the financial statements as of July 31, 2023 based on a settlement agreement, reasonable estimate; however, the actual exposure may differ.

On February 25, 2022, Barry Weiner, the Company's co-founder and President, notified the Company that he was terminating his employment as President of the Company for "Good Reason" as defined in his employment agreement. The Company accepted Mr. Weiner's termination, effective April 19, 2022, but disagreed with Mr. Weiner's assertion regarding "Good Reason." On July 20, 2022, Mr. Weiner filed a demand for arbitration with the AAA asserting, among other things, that his annual bonus for fiscal year 2021 was too low and that his resignation (effective April 19, 2022) was for "Good Reason" under the terms of his employment agreement. He seeks, among other things, payment of a higher 2021 bonus, and severance payments and benefits. At the parties' joint request, the arbitration has been stayed while the parties work towards finalizing a settlement agreement. As of April 30, 2023, the Company has not accrued any charges and Mr. Weiner reached an agreement resolving the dispute and a provision was made in the financial statements as of July 31, 2023 based on the settlement agreement. The Company paid Mr. Weiner \$3,600, less applicable withholding taxes, related to Mr. Weiner's termination, the agreement in November 2023.

Note 13 14 – Clinical Labs Asset Sale Agreement with Labcorp Departure and Appointment of Certain Officers

On March 16, 2023, September 5, 2023, the Company filed a Form 8-K indicating that it and Enzo Clinical Labs, Inc. (the "Subsidiary" and, together with the Company, the "Seller") entered into an Asset Purchase a Separation Agreement and General Release (the "Purchase Separation Agreement") with Laboratory Corporation Hamid Erfanian, the Company's Chief Executive Officer, which provides for Mr. Erfanian's separation of America Holdings, employment, resignations from his positions as Chief Executive Officer and as a Delaware corporation (the "Buyer"). Pursuant to the Purchase Agreement, the Seller has agreed to sell substantially all operating assets and assign certain liabilities director of its clinical labs business (the "Business") to the Buyer in exchange for approximately \$146 million in cash (subject to certain adjustments), on and subject to the terms and conditions set forth therein (such transaction, the "Transaction").

The Purchase Agreement contains customary representations, warranties, covenants and termination rights for a transaction of this nature, including, among other things, customary covenants: (i) relating to the conduct of the Business between the signing of the Purchase Agreement and the closing of the Transaction and (ii) regarding the efforts of the parties to cause the Transaction to be consummated, including obtaining certain consents and approvals. The consummation of the Transaction is subject to the satisfaction or waiver of customary closing conditions, including the expiration or termination of any required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. In addition, closing under the Purchase Agreement is contingent on the Company obtaining approval of the Transaction by shareholders of the Company holding a majority of the shares of its common stock outstanding.

At a Special Meeting of shareholders on May 22, 2023, shareholders approved, by majority vote, the Transaction and adoption of the Purchase Agreement. Seller has also met all regulatory requirements for closing the sale of the Business.

The Purchase Agreement also includes customary termination provisions for both the Company and the Buyer and provides that, in connection with the termination payment of the Purchase Agreement under specified circumstances, including termination by the Company to accept and enter into a definitive agreement with respect to an unsolicited Superior Proposal, the Company will be required to pay Buyer a termination fee of \$5 million or a reimbursement of Buyer's expenses of up to \$5 million.

Subject to the terms and conditions stated in the Purchase Agreement, after shareholder approval of the Transaction, which was obtained on May 22, 2023, Buyer is obligated to pay a ticking fee to the Company for each day after the date of such approval, payable at the end of the applicable month, until the closing of the Transaction. At the closing of the Transaction, such ticking fees paid will be wholly or partially credited against the purchase price. On May 31, 2023, the Company received the May portion of such ticking fee.

There can be no assurances that the Transaction will close or, if it does close, the exact net proceeds to be received by the Company.

Note 14 – Subsequent Events

Sale of Convertible Debentures and Warrants

On May 19, 2023, Enzo Biochem, Inc. (the "Company") entered into a Securities Purchase Agreement (the "Purchase Agreement") with each of the purchasers that are parties thereto (each, including its successors and assigns, a "Purchaser" and collectively, the "Purchasers") and JGB Collateral, LLC, a Delaware limited liability company, severance benefits as collateral agent for the Purchasers (the "Agent"). Pursuant to the Purchase Separation Agreement, Mr. Erfanian's resignations as Chief Executive Officer and as a director became effective immediately and his final date of employment with the Company agreed to sell was November 18, 2023 (the "Separation Date").

Pursuant to the Purchasers Separation Agreement, Mr. Erfanian is entitled to the following severance benefits: (i) 10% Original Issue Discount Secured Convertible Debentures (the "Debentures") with an aggregate principal amount a payment equaling twelve (12) months of \$7,608,696 his annual base salary of \$624, subject to standard payroll deductions and withholdings; (ii) warrants to purchase up to 1,000,000 a lump-sum payment of \$187, representing his annual bonus; (iii) a grant of restricted shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), for in an exercise price of \$2.31 per share, the average amount equal to \$1,502 with 50% of the three (3) daily volume weighted average prices restricted Common Stock granted as soon as reasonably practicable after September 13, 2023, and the remaining 50% granted on the earlier of July 24, 2024 or a Change in Control of the Common Stock as defined in the Purchase Agreement ("VWAP") prior to the closing date (the "Warrants"), subject to adjustments as set forth in the Warrants, for a total purchase price of \$7,000,000. The Purchase Agreement contains customary representations, warranties and covenants. The transactions contemplated by the Purchase Agreement were consummated on May 19, 2023.

Debentures

The Debentures bear interest at a rate of 10% per annum (which interest rate is increased to 18% per annum five days after the occurrence and continuance of an Event of Default Company (as defined in Mr. Erfanian's employment agreement with the Debentures)), have a maturity date of May 20, 2024 Company; and are convertible, at any time after their issuance date at (iv) the option immediate vesting on the Separation Date of the Purchasers, into remainder of a restricted stock unit award of 260,000 shares of Common Stock at a conversion price equal and an option to \$3.01 per share (the "Conversion Price"), subject to adjustment as set forth in the Debentures. Following the consummation of the Company's sale of substantially all of the assets and business of Enzo Clinical Labs, Inc., a wholly-owned subsidiary of the Company, to Laboratory Corporation of American Holdings pursuant to the Asset Purchase Agreement, dated March 16, 2023, and as further described in the Company's definitive Proxy Statement on Schedule 14A filed with the U.S. Securities and Exchange Commission on April 24, 2023 (the "Asset Sale"), the Company shall either, at the option of the Company upon written notice delivered to the Purchasers within three (3) trading days after the consummation of the Asset Sale, (i) prepay \$4,000,000 of the outstanding principal amount of the Debentures (to be applied pro rata among the outstanding Debentures based on the relative outstanding principal balance of each Debenture) or (ii) deposit \$4,000,000 in cash, as collateral for the Company's obligations, into a deposit account subject to a deposit account control agreement, among the Company, the depository bank and the Agent and otherwise acceptable to Agent (in its sole absolute discretion) in form and substance.

The Company's obligations under the Debentures may be accelerated, at the Purchasers' election, upon the occurrence of certain customary events of default. In the event of a default and acceleration of the Company's obligations, the Company would be required to pay the greater of (i) the outstanding principal amount of the Debentures, all accrued and unpaid interest, plus the amount of additional interest that would accrue on such principal through the date of maturity, divided by the conversion price on the date accelerated payment is either (A) demanded (if demand or notice is required to create an Event of Default) or otherwise due or (B) paid in full, whichever has a lower conversion price, multiplied by the VWAP on the date the accelerated payment is either (x) demanded or otherwise due or (y) paid in full, whichever has a higher VWAP, or (ii) 130% of the outstanding principal amount of the Debentures, plus all accrued and unpaid interest, plus the amount of additional interest that would accrue on such principal through the date of maturity. Such accelerated payment would also include all other amounts, costs, expenses or

liquidated damages due under the Debentures. The Debentures contain customary representations, warranties and covenants including among other things and subject to certain exceptions, covenants that restrict the Company from incurring additional indebtedness, creating or permitting liens on assets, amending its charter documents and bylaws, repurchasing or otherwise acquiring more than a de minimis number of its Common Stock or equivalents thereof, repaying outstanding indebtedness, paying dividends or distributions, assigning or selling certain assets, making or holding any investments, and entering into transactions with affiliates.

Security Agreement and Subsidiary Guarantees

In connection with the Purchase Agreement, on May 19, 2023, the Company, certain of the Company's domestic subsidiaries ("Guarantors"), the Purchasers and the Agent entered into a Security Agreement (the "Security Agreement"), pursuant to which the Company and the Guarantors granted, for the benefit of the Purchasers, to secure the Company's obligations under the Purchase Agreement and the Debentures, (i) second-priority liens on certain collateral (the "SLR Collateral") that secures on a first-priority basis the Revolving Loan and Security Agreement between the Company, as borrower, and Gemino Healthcare Finance, LLC d/b/a SLR Healthcare ABL, as lender (the "Credit Facility"), and (ii) first-priority liens on the collateral (the "Non-SLR Collateral" and together with the Non-SLR Collateral, the "Collateral") that does not secure the Credit Facility, in each case subject to permitted liens described in the Indenture. Upon an event of default under the Security Agreement, subject to the security interests under the Credit Agreement, the Purchasers may, among other things, take possession of the Collateral and enter any premises where the Collateral, or any part thereof, is or may be placed and remove the Collateral. In addition, on May 19, 2023, the Company and all of the Guarantors entered into Subsidiary Guarantees (the "Subsidiary Guarantees"), pursuant to which they guaranteed all of the Company's obligations under the Purchase Agreement and the Debentures.

Warrants

The Warrants are exercisable for five years from May 19, 2023, at an exercise price of \$2.31 per share, which is the average of three (3) daily VWAPs prior to the closing date, subject, with certain exceptions, to adjustments in the event of stock splits, dividends, subsequent dilutive offerings and certain fundamental transactions, as more fully described in the Warrant. If, at the time a Purchaser exercises its Warrant, there is no effective registration statement available for an issuance of the shares underlying the Warrant to the Purchasers, then in lieu of making the cash payment otherwise contemplated to be made to the Company upon the exercise of the Warrant, the Purchaser may elect to receive upon exercise (either in whole or in part) on a cashless basis the net number of purchase 700,000 shares of Common Stock determined according that were previously granted to a specified formula (as set forth in the Warrant).

Registration Rights Agreement

In connection Mr. Erfanian upon his employment. The foregoing are subject to continued compliance with the Purchase Agreement, on May 19, 2023, existing restrictive covenants under Mr. Erfanian's employment agreement with the Company and his reaffirmation.

The severance benefits with respect to salary and bonus were accrued during the Purchasers entered into a Registration Rights Agreement, pursuant three months ended October 31, 2023. The share-based charges related to which the immediate vesting of the remainder of the restricted stock unit award and options granted upon employment were recognized during the three months ended October 31, 2023.

On September 5, 2023, the Company's board of directors appointed Kara Cannon, the Company's Chief Operating Officer, to serve as Interim Chief Executive Officer of the Company, is obligated to register the shares of Company Common Stock issuable which became effective immediately upon exercise of the Debentures and the Warrants by June 19, 2023 (the "Registration Deadline"). If the Company fails to meet the Registration Deadline or maintain the effectiveness of the Registration Statement for the required effectiveness period, subject to certain permitted exceptions, the Company will be required to pay liquidated damages to the Purchasers. The Company also agreed, among other things, to indemnify the selling holders under the Registration Statement from certain liabilities and to pay all fees and expenses incident to the Company's performance of or compliance with the Registration Rights Agreement. Mr. Erfanian's resignation as Chief Executive Officer.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes and other information included elsewhere in this Quarterly Report on Form 10-Q.

Forward-Looking Statements

Our disclosure and analysis in this report, including but not limited to the information discussed in this Item 2, contain forward-looking information about our (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act")). All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including statements regarding the Company's future financial condition, results and estimates, business prospects of operations and products in research and development that involve substantial risks and uncertainties. From time to time, we also may provide oral or written include forward-looking statements in other materials we release to the public, statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They typically use words such as "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", "will", and other words and terms of similar meaning in connection with any discussion of future operations or financial performance. All forward-looking statements are subject to important factors, risks, uncertainties, and assumptions, including industry and economic conditions, that could cause actual results to differ materially from those described in the forward-looking statements.

In particular, these Forward-looking statements may include, without limitation, statements relating to future actions, including the Asset Purchase Agreement with respect to the sale of substantially all assets and assignment of certain liabilities of the Clinical Labs division and the timing of its closing, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign currency rates, intellectual property matters, the outcome of contingencies, such as legal proceedings, impacts of the COVID-19 pandemic and measures we have taken in response, and future financial results. We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. As a result, investors are cautioned not to place undue reliance on any of our forward-looking statements. Investors should bear this in mind as they consider forward-looking statements. We do not assume any obligation to update or revise any forward-looking statement that we make, even if new information becomes available or other events occur in the future. We are also affected by other factors that may be identified from time to time in our filings with the Securities and Exchange Commission, some of which are set forth in Item 1A - Risk Factors in our Form 10-K filing for the July 31, 2022 July 31, 2023 fiscal year and in this Form 10-Q filing, year. You are advised to consult any further disclosures we make on related subjects in our periodic reports on Forms 10-Q, 8-K and 10-K reports to filed with the Securities and Exchange Commission. Although we have attempted to provide a list of important factors which may affect our business, investors are cautioned that other factors may prove to be important in the future and could affect our operating results. You should understand that it is not possible to predict or identify all such factors or to assess the impact of each factor or combination of factors on our business. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.

Impact of COVID-19

We made substantial investments to expand and maintain the amount of COVID-19 testing available in the communities we serve since the start of the pandemic in March 2020. We applied our technical expertise in molecular diagnostics to develop next generation COVID-19 diagnostic and antibody testing options which were approved under the FDA Emergency Use Authorization (EUA). During the fiscal year ended July 31, 2022, the Company generated substantial COVID-19 related services revenues, representing 44% of all services revenues. This testing had a significantly positive impact on the profitability and cash flow of our Clinical services segment for most of fiscal 2022. Revenues from COVID-19 testing during the three and nine months ended April 30, 2022 represented 43% and 49%, respectively of all services revenues. The rate of transmission of COVID-19 and the severity of its variants have dramatically declined in the U.S. Revenues from COVID-19 testing during the three and nine months ended April 30, 2023 represented approximately 4% and 5%, respectively of all services revenues.

In March 2022, **Overview**

The Company's Enzo Life Sciences Products reporting unit, as described below, operates in our one reportable segment, Products, and is a global company affected by different US and global economic conditions. Our company evolved out of our core competence: the U.S. Health Resources use of nucleic acids as informational molecules and the use of compounds for immune modulation. Costs excluded from this reporting unit and reported as "Corporate and Other" consist of corporate general and administrative costs which are not allocable to the reportable segment. Below is a brief description of this operating segment (see Note 12 in the Notes to Consolidated Financial Statements).

Enzo Life Sciences Products operates through the Company's wholly owned subsidiary, Enzo Life Sciences, Inc. ("Enzo Life Sciences"). It manufactures, develops and markets products and tools to life sciences, drug development and clinical research customers world-wide and has amassed a large patent and technology portfolio. Enzo Life Sciences is a recognized leader in labeling and detection technologies across research and diagnostic markets. Our strong portfolio of proteins, antibodies, peptides, small molecules, labeling probes, dyes and kits provides life science researchers tools for target identification/validation, high content analysis, gene expression analysis, nucleic acid detection, protein biochemistry and detection, and cellular analysis. It is globally recognized and acknowledged as a leader in manufacturing, in-licensing, and commercialization of over 20,000 products. The strategic focus of this segment is directed to innovative high quality research reagents and kits in the primary key research areas of genomics, immunohistochemistry, immunoassays, cellular analysis, and small molecule chemistry. The segment is an established source for a comprehensive panel of products to scientific experts in the fields of cancer, cardiovascular disease, neurological disorders, diabetes and obesity, endocrine disorders, infectious and autoimmune disease, hepatotoxicity and renal injury.

Discontinued operations – sale of Clinical Services Administration business to Labcorp

Effective July 24, 2023, pursuant to an Asset Purchase Agreement, dated March 16, 2023 (the "Asset Purchase Agreement"), we completed the sale of certain assets used in the operation of Enzo Clinical Labs and the assignment of certain clinical lab liabilities to Laboratory Corporation of America Holdings, a Delaware corporation ("HRSA" Labcorp) informed providers that, after March 22, 2022, it would stop accepting claims for testing and treatment for uninsured individuals under the HRSA COVID-19 Uninsured Program and that claims submitted prior to that date would be an aggregate purchase price of \$113.25 million in cash, subject to eligibility customary closing adjustments (such assets and availability liabilities, the "clinical services business"). In accordance with the sale, we ceased our clinical services operations. As a consequence of funds. Although the sale, for the three months ended October 31, 2023 and 2022 we believe that our estimates for contractual allowances have classified as discontinued operations all income and patient price concessions are appropriate, actual results could differ from those estimates, expenses attributable to the clinical services business.

Discontinued Operations Carve Out and Expense Allocations

As a consequence of the sale of the clinical services business, for the three months ended October 31, 2023 and 2022, results from operations for that business are classified as discontinued operations, as are its assets and liabilities as of October 31 and July 31, 2023. The COVID-19 impact on carve out of the Company's discontinued operations is consistent was prepared in accordance with the overall industry Securities and our competitors, partners, Exchange Commission's carve out rules under ASC 205-20 Discontinued Operations and vendors. Volume, revenues, profitability, is derived from identifying and cash flow carving out the specific assets, liabilities, operating expenses and interest expense associated with the clinical services business's operations. Certain administrative and overhead expenses, including personnel expenses, which were incurred by us (for which the discontinued operation benefited from COVID-19 testing during such resources) are allocated out of the current periods were all substantially discontinued operations based upon the identification of those allocated expenses and materially lower than to the prior year period levels. COVID-19 testing is no longer a material part of our Services business, continuing operations.

Clinical Labs Asset Sale Agreement For the three months ended October 31, 2022, we allocated \$536 of selling, general and administrative expenses from the discontinued operations to the continuing operations in the accompanying results of operations tables and explanations.

On March 16, 2023, the Company entered into an Asset Purchase Agreement with respect to the sale to Labcorp of substantially all the operating assets and assignment of certain liabilities which are necessary for Labcorp to operate the business of the Clinical Labs division. The sale is expected to close in July 2023, at which time we will exit the clinical laboratory services business. See Note 13 Clinical Labs Asset Sale Agreement with Labcorp for additional information. **Ransomware Attack**

Ransomware attack

On April 6, 2023, In April 2023, the Company experienced a ransomware attack that impacted certain critical information technology systems. In response, we promptly deployed containment measures, including disconnecting our systems from the internet, launched launching an investigation with assistance from third-party cybersecurity experts, and notified notifying law enforcement. We adhered to our disaster recovery plan, which enabled us to maintain operations throughout the incident response process. The Company's facilities are remained open, and continue we continued to provide services to patients and partners. We later became aware that certain data, including names, test information, and Social Security numbers, was accessed, and in some instances, exfiltrated from the Company's information technology systems as part of this incident. The investigation identified unauthorized access to or acquisition of clinical test information of approximately 2,470,000 individuals. The Social Security numbers of approximately 600,000 of these individuals may also have been involved. Additionally, the Company has determined that some employees' information may have been involved. The Company has provided notice to the individuals whose information may have been involved, as well as to regulatory authorities, in accordance with applicable law. The Company has incurred, and may continue to incur, certain expenses related expenses. The Company's cybersecurity insurance carrier has indicated that it will cover up to \$3 million of the remediation costs related to this attack, including expenses to respond to, remediate incident and investigate this matter. Further, pay all service providers directly from the policy.

The Company remains subject to risks and uncertainties as a result of the incident, including as a result of the data that was accessed or exfiltrated from the Company's network, network as noted above. Additionally, security and privacy incidents have led to, and may continue to lead to, additional regulatory scrutiny and class action litigation exposure. We are in the process of evaluating the full scope of the costs and related impacts of this incident. During the disaster recovery, our ability to perform clinical reference testing was severely curtailed and we were forced to outsource much See Note 13 of the testing to third parties, including Labcorp. This negatively impacted the 2023 period's services revenue and increased the cost of outsourcing the testing to third parties.

Other

The Company assessed certain accounting matters that generally require consideration of forecasted financial information in context with the information reasonably available to the Company, including inflation and actions by the Federal Reserve to increase interest rates as of April 30, 2023 and through the date of this Quarterly Report. The accounting matters assessed included, but were not limited to, the Company's patient self-pay revenue concessions and credit losses in the Clinical Services segment, accounts receivable, inventories and the carrying value of goodwill and other long-lived assets. The Company's future assessment of economic factors could result in additional material adverse impacts to the Company's consolidated financial statements for litigation in future reporting periods, connection with this incident.

Overview

Enzo Biochem, Inc. (the "Company", "we", "our", or "Enzo") is an integrated diagnostics, clinical lab, and life sciences company focused on delivering and applying advanced technology capabilities to produce affordable reliable products and services that enable our customers to meet their clinical needs. Through a connection with the market, we provide advanced biotechnology solutions to the global community as affordable and flexible quality products and services. We develop, manufacture and sell our proprietary technology solutions and platforms to clinical laboratories, specialty clinics, researchers and physicians globally. Enzo's

structure and business strategy represent the culmination of years of extensive planning and work. The Company has the ability to offer low cost, high performance products and services for diagnostic testing, which ideally positions us 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 develops low cost diagnostic platform products and related services. Our platform development includes automation-compatible reagent systems and associated products for sample collection and processing through analysis. We develop affordable products and services to improve healthcare, one of the greatest challenges today. Enzo combines over 40 years of expertise in technology development with assay development capabilities and diagnostic testing services to create high performance, cost-effective, and open assay solutions. The ability to combine these assets in one company is unique. With our strong intellectual property portfolio integrated with assay development know-how, production, distribution, validation and services capabilities, we have enabled sustainable products and services for a market that is facing increasing pressure in costs and reimbursement.

Enzo technology solutions and platforms and unique operational structure are designed to reduce overall healthcare costs for both government and private insurers. Our proprietary technology platforms reduce our customers' need for multiple, specialized instruments, and offer a variety of high 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.

In the course of our research and development activities, we have built a substantial portfolio of intellectual property assets, comprised of approximately 472 issued patents worldwide and over 64 pending patent applications, along with extensive enabling technologies and platforms.

Below are brief descriptions of each of our two operating segments (See Note 11 in the Notes to Consolidated Financial Statements):

Enzo Clinical Services 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 Clinical Laboratory Improvement Amendments of 1988 ("CLIA") certified and College of American Pathologists ("CAP") accredited 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 and 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, New Jersey and Connecticut, two free standing "STAT" or rapid response laboratories in New York City and Connecticut, an in-house logistics department, and an information technology department. Under our license in New York State, we are able to offer testing services to clinical laboratories and physicians nationwide.

The Clinical Laboratory Services reporting unit is impacted by various risk factors, including among others, loss of a substantial portion of revenues from COVID-19 testing, reduced reimbursements from third party payers for testing performed and from recent health care legislation.

On March 16, 2023, the Company entered into an Asset Purchase Agreement with respect to the sale of assets and assignment of certain liabilities of the Clinical Labs division. See Note 13 - Clinical Labs Asset Sale Agreement with Labcorp.

Enzo Products manufactures, develops and markets products and tools for 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. Information regarding our technologies can be found in the "Core Technologies" section of our most recently filed Form 10-K. 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 also the life sciences markets 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.

Results of Operations from Continuing Operations
Three months ended April 30, 2023 October 31, 2023 compared to April 30, 2022 October 31, 2022
(in 000s) \$000s)

Comparative Financial Data from Continuing Operations for the Three Months Ended April 30, three months ended October 31,

	2023	2022	Favorable (Unfavorable)	% Change	2023	2022	Favorable (Unfavorable)	% Change
Revenues	\$ 16,107	\$ 26,222	\$ (10,115)	(39)	\$ 7,806	\$ 7,103	\$ 703	10
Operating costs and expenses:								
Cost of revenues	14,469	16,049	1,580	10	4,351	4,589	238	5
Research and development	975	1,133	158	14	849	699	(150)	(21)
Selling, general and administrative	12,022	11,442	(580)	(5)	7,007	5,437	(1,570)	(29)
Legal and related expenses	4,286	734	(3,552)	**	1,075	1,007	(68)	(7)
Total operating costs and expenses	31,752	29,358	(2,394)	(8)	13,282	11,732	(1,550)	(13)
Operating loss	(15,645)	(3,136)	(12,509)	**	(5,476)	(4,629)	(847)	(18)
Other income (expense):								
Interest	(37)	54	(91)	(169)				
Interest, net					977	72	905	**
Fair value adjustment					(328)	—	(328)	**
Other	148	(716)	864	121	158	—	158	**
Foreign exchange gain (loss)	347	(1,056)	1,403	133				
Foreign exchange loss					(1,006)	(797)	(209)	(26)
Loss before income taxes	\$ (15,187)	\$ (4,854)	\$ (10,333)	(213)	\$ (5,675)	\$ (5,354)	\$ (321)	(6)

** not meaningful

Consolidated Results:

The “2023 period” and the “2022 period” refer to the three months ended April 30, 2023 of fiscal year 2023 October 31, 2023 and April 30, 2022 of the fiscal year 2022, October 31, 2022, respectively.

Clinical services revenues for the 2023 period were \$8.6 million compared to \$18.6 million in the 2022 period, a decrease of \$10.0 million or 54%. Revenues from COVID-19 testing decreased approximately \$7.8 million and represented 4% and 43% of Clinical revenues in the 2023 and 2022 periods, respectively. The 2023 period’s operations were severely impacted by the ransomware attack. Accessions from all testing other than COVID-19 decreased versus the 2022 period resulting in a decline in such revenues from this testing period over period. Additionally, revenues decreased due to changes in payer and test mix and liquidation rate adjustments.

Estimated collection amounts are subject to the complexities and ambiguities of third party payer billing, reimbursement regulations and claims processing, as well as issues unique to Medicare and Medicaid programs, and require us to consider the potential for adjustments when estimating variable consideration in the recognition of revenue in the period that the related services are rendered. Furthermore, the current recessionary environment, including inflation and actions by the Federal Reserve to increase interest rates, have, in part, resulted in longer lag periods between the time when we perform and report on our clinical services and when we are ultimately paid. Changes in our estimates of collections could have a material adverse impact on our consolidated financial statements.

In 2014, Congress passed the U.S. Protecting Access to Medicare Act of 2014 (PAMA), which included substantial changes to the way in which clinical laboratory services are paid under Medicare. Beginning in 2018, Medicare payments for clinical laboratory services are paid based upon the volume-weighted median of private payer rates as reported by certain clinical laboratories across the US, replacing the previous system which was based upon fee schedules derived from historical charges for clinical laboratory tests. We estimate that the effect of PAMA directly negatively impacted reimbursements from Medicare and Medicaid by \$0.2 million in the 2023 and \$0.3 million in the 2022 period.

Product revenues were \$7.5 million \$7.8 million in the 2023 period and \$7.6 million \$7.1 million in the 2022 period, a decrease an increase of \$0.1 million approximately \$0.7 million or 1% 10%. In During the 2023 period, decreases we experienced increases in revenues from European and Asia Pacific markets were almost offset by an increase in revenues from the US market. The cost of Clinical Services was \$10.0 million in the 2023 period and \$11.2 million in the 2022 period, a decrease of \$1.2 million or 11%. Due to the decline in testing services in the 2023 period versus 2022, from both the decline in COVID-19 testing and the ransomware attack, our reagent costs decreased by \$0.4 million, salaries by \$0.7 million, and supplies usage by \$0.6 million, which were European markets, partially offset by an increase in outside reference testing of \$0.5 million. During the 2022 period, we significantly reduced our outside reference testing costs for COVID-19 by utilizing our internal manufacturing capabilities, thereby reducing some of our reliance on testing and reagents sourced from third parties and internally. The gross profit (loss) margin on Clinical Services revenues a decrease in the 2023 period was approximately (16%) versus 40% in the 2022 period, due to the magnitude of the decline in high margin COVID-19 testing, the ransomware attack, and market changes resulting in liquidation rate adjustments. Asia Pacific market.

The cost of Product revenues was \$4.5 million \$4.4 million in the 2023 period and \$4.9 million in the 2022 period, a decrease of approximately \$0.4 million or 8%, driven by lower revenues. The gross profit margin on Products was 40% in the 2023 period and 36% in the 2022 period due to distribution channel conversion and expansion efforts.

Research and development expenses were \$1.0 million in the 2023 period and \$1.1 million \$4.6 million in the 2022 period, a decrease of \$0.2 million or 14%, due to a reduction 5%. The gross profit margin for Products was approximately 44% in focus on COVID-19 testing.

Selling, general and administrative expenses were \$12.0 million during the 2023 period versus \$11.4 million during the 2022 period, an increase of \$0.6 million or 5%. The Other segment expense increased \$1.1 million during the 2023 period compared to 2022. During the 2023 period, we incurred increased consulting and professional fees other than legal of \$1.3 million related to the Clinical Labs Asset Sale Agreement, the Credit Facility and the Controlled Equity Offering, which were partially offset by lower salaries, bonus and benefits as compared to 35% in the 2022 period. The Life Sciences Products expense decreased \$0.1 million during 2023 period gross profit was positively impacted by a decrease in manufacturing headcount, other cost containment measures, and a more profitable mix of products sold. The 2022 period was negatively impacted by the impact of inflation on materials cost and market adjustment salary increases.

Research and development expenses were \$0.8 million in the 2023 period due to lower compensation. The Clinical Services expense decreased \$0.4 million primarily due to a decrease in sales commissions earned on lower revenues.

Legal and related expenses were \$4.3 million during the 2023 period compared to \$0.7 million in the 2022 period, an increase of \$3.6 million. During \$0.1 million or 21%, due to increased investment in research and development resources and materials consumed.

Selling, general and administrative expenses were \$7.0 million during the 2023 period versus \$5.4 million during the 2022 period, an increase of \$1.6 million or 29%. The Corporate and Other segment expense increased \$1.4 million during the 2023 period primarily due to severance provisions and accelerated recognition of share-based compensation related to a former senior officer of \$1.5 million. The Products segment expense in the 2023 period increased \$0.2 million compared to 2022 due to investments in sales and marketing.

Legal and related expenses were \$1.1 million during the 2023 period and \$1.0 million in the 2022 period, an increase of \$0.1 million or 7%. During both periods, we required significant legal expertise and assistance associated with our strategic initiatives which include negotiation and sale of the Clinical Labs assets, the revolving line of credit agreement, the ransomware attack and matters related to two former senior executives' arbitration, one of which are was settled during the 2023 period and one of which is ongoing.

Interest income, (expense), net was less than (\$0.1) million \$1.0 million in the 2023 period and less than \$0.1 million in the 2022 period, an unfavorable a favorable variance of approximately \$0.1 million \$0.9 million. The 2023 period's expense was due to interest income is earned on the net proceeds from the Asset Purchase Agreement (as defined above), which are on deposit in a money market fund. We incur interest expense on the mortgage facility and interest on the new Credit Facility entered into the last month of the 2023 period, 10% convertible debentures. In the 2022 period, we earned some interest on marketable securities in bond funds, which were sold by the end of the 2022 period.

Other income (expense) in the 2023 and 2022 period was \$0.1 million and (\$0.7) million respectively, a favorable variance of approximately \$0.8 million. During the 2022 period, the primary component of the expense was realized losses on marketable securities in bond funds liquidated in full by the end of that period.

The foreign exchange gain (loss) recognized by the Life Sciences Products segment during the 2023 period was \$0.3 million compared to (\$1.1) million in the 2022 period, a favorable variance of \$1.4 million. The 2023 period revaluation gain was due to the continued appreciation of the British pound and Swiss franc versus the U.S. dollar as of the end of the 2023 period compared to its start. The revaluation loss in the 2022 period was due to significant depreciation of the British pound and Swiss franc versus the U.S. dollar as of the end of that period compared to its start, as a result of actions by the US Federal Reserve to begin raising interest rates.

Results of Operations
Nine months ended April 30, 2023 compared to April 30, 2022
(in 000s)

Comparative Financial Data for the Nine Months Ended April 30,

	2023	2022	Favorable (Unfavorable)	% Change
Revenues	\$ 50,721	\$ 86,787	\$ (36,066)	(42)
<u>Operating costs and expenses:</u>				
Cost of revenues	44,219	49,160	4,941	10
Research and development	3,402	2,697	(705)	(26)
Selling, general and administrative	35,285	36,960	1,675	5
Legal and related expenses	6,352	4,861	(1,491)	(31)
Total operating costs and expenses	<u>89,258</u>	<u>93,678</u>	<u>4,420</u>	5
Operating loss	(38,537)	(6,891)	(31,646)	**
<u>Other income (expense):</u>				
Interest	95	161	(66)	(41)
Other	278	(1,211)	1,489	123
Foreign exchange gain (loss)	1,022	(1,887)	2,909	154
Loss before income taxes	<u>\$ (37,142)</u>	<u>\$ (9,828)</u>	<u>\$ (27,314)</u>	(278)

**** not meaningful**

Consolidated Results:

The “2023 period” and the “2022 period” refer to the nine months ended April 30, 2023 and April 30, 2022, respectively, which represent the first three quarters of the Company’s fiscal year ending July 31.

Clinical services revenues for the 2023 period were \$28.6 million compared to \$62.0 million in the 2022 period, a decrease of \$33.4 million or 54%. Revenues from COVID-19 testing decreased approximately \$29.1 million and represented 5% and 49% of Clinical revenues in the 2023 and 2022 periods, respectively as COVID-19 accessions declined in the 2023 period versus the 2022 period. Revenues from all other testing decreased period over period due to the impact of the ransomware attack as well as changes in payer and test mix and liquidation rate adjustments. Due to a Medicaid audit, we recorded a \$1.3 million charge as a reduction of revenue.

Estimated collection amounts are subject to the complexities and ambiguities of third party payer billing, reimbursement regulations and claims processing, as well as issues unique to Medicare and Medicaid programs, and require us to consider the potential for adjustments when estimating variable consideration in the recognition of revenue in the period that the related services are rendered. Furthermore, the current recessionary environment, including inflation and actions by the Federal Reserve to increase interest rates, have, in part, resulted in longer lag periods between the time when we perform and report on our clinical services and when we are ultimately paid. While we believe this to be a timing issue, any changes in our estimates of collections could have a material adverse impact on our consolidated financial statements.

In 2014, Congress passed the U.S. Protecting Access to Medicare Act of 2014 (PAMA), which included substantial changes to the way in which clinical laboratory services are paid under Medicare. Beginning in 2018, Medicare payments for clinical laboratory services are paid based upon the volume-weighted median of private payer rates as reported by certain clinical laboratories across the US, replacing the previous system which was based upon fee schedules derived from historical charges for clinical laboratory tests. We estimate that the effect of PAMA directly negatively impacted reimbursements from Medicare and Medicaid in the 2023 and 2022 periods by \$0.6 million and \$0.9 million, respectively.

Product revenues were \$22.1 million in the 2023 period and \$24.7 million in the 2022 period, a decrease of approximately \$2.6 million or 11%. The 2022 period includes a \$2.8 million bulk sale of a GMP reagent to a large industrial customer in the US. Excluding the bulk sale, in the 2023 period there was an approximate \$1.0 million increase in revenues in the US market, partially offset by a \$0.8 million decrease in revenues in the European and Asia Pacific markets.

The cost of Clinical Services was \$30.6 million in the 2023 period and \$35.0 million in the 2022 period, a decrease of \$4.4 million or 13%. Due to the decline in Services revenues in the 2023 period versus 2022, our headcount and salaries, including temporary employees, decreased \$2.7 million, our reagent costs decreased by \$1.5 million and supplies cost decreased \$0.4 million, partially offset by an increase in outside reference testing of \$0.2 million. The gross profit (loss) margin on Clinical Services revenues in the 2023 period was approximately (7%) versus 44% in the 2022 period, due to the magnitude of the decline in high margin COVID-19 testing, the ransomware attack, the Medicaid charge, and market changes resulting in liquidation rate adjustments. During the 2022 period, we significantly reduced our outside reference testing costs for COVID-19 by utilizing our internal manufacturing capabilities, thereby reducing some of our reliance on testing and reagents sourced from third parties, which improved the period's profit margin.

The cost of Product revenues was \$13.7 million in the 2023 period and \$14.2 million in the 2022 period, a decrease of \$0.5 million or 4%. The gross profit margin on Products was approximately 38% in the 2023 period and 43% in the 2022 period. During the 2022 period we made a large bulk sale of a GMP reagent which had a significantly positive impact on that period's profit margin. The 2023 period gross profit was also impacted by an increase in production headcount and related salaries and benefits compared to the 2022 period.

Research and development expenses were \$3.4 million in the 2023 period and \$2.7 million in the 2022 period, an increase of \$0.7 million or 26%, due to headcount increases and materials consumed in the Product segment.

Selling, general and administrative expenses were \$35.3 million during the 2023 period versus \$37.0 million during the 2022 period, a decrease of \$1.7 million or 5%.

The Other segment expense decreased \$0.6 million during the 2023 period. In the 2022 period we recorded \$2.6 million for severance and other discrete employment matters related to the termination of our former chief executive officer. During the 2023 period, salaries, bonuses and benefits also decreased \$0.4 million. These decreases were partially offset by an increase of \$2.2 million for professional fees relating to advisory services including the evaluation of strategic alternatives for the Company, including the Clinical Labs Asset Sale Agreement, the Credit Facility, and the Controlled Equity Offering. Bank fees and insurance expenses also increased \$0.2 million. The Life Sciences Products expense in the 2023 period decreased \$1.3 million compared to 2022, of which \$0.9 million was due to a decrease in marketing and selling expenses and salaries. Additionally, the 2022 period includes \$0.4 million for employee severance and winding down costs associated with the closure of the Ann Arbor MI manufacturing and distribution center. The Clinical Services expense increased \$0.2 million due to increased salaries, marketing and facility costs totaling \$1.1 million, partially offset by lower commissions totaling \$0.9 million.

Legal and related expenses were \$6.4 million during the 2023 period compared to \$4.9 million in the 2022 period, an increase of \$1.5 million or 31%. During the 2023 period, we required significant legal expertise and assistance associated with our strategic initiatives which include negotiation and sale of the Clinical Labs assets, the Credit Facility, the ransomware attack, and matters related to two former executives' arbitration, which are ongoing. The 2023 period expense is net of a reimbursement of \$0.8 million under the Company's directors and officers insurance policy. During the 2022 period, we incurred legal expenses associated with strategic initiatives, and corporate employment matters related to two former executives' arbitration, which are ongoing.

Interest income, net was \$0.1 million in the 2023 period and \$0.2 million in the 2022 period. The 2023 period's interest income was earned on available cash in a money market fund. In the 2022 period, we earned interest on marketable securities in bond funds. In the 2023 period we had fund and incurred interest expense primarily on a mortgage and a Credit Facility. In the 2022 period we had interest expense primarily on a mortgage.

We recorded a fair value adjustment charge of approximately \$0.3 million for the 10% convertible debentures based on their fair value as of October 31, 2023.

Other income (expense) in the 2023 period was \$0.3 million versus (\$1.2) million in of \$0.2 million is from the 2022 period, subletting of a favorable variance portion of approximately \$1.5 million. During the 2022 period, the primary component of the expense was realized losses on marketable securities in bond funds liquidated in full by the end of that period, our office space.

The foreign exchange gain (loss) loss recognized by the Life Sciences Products segment during the 2023 period was \$1.0 million compared to (\$1.9) million \$0.8 million in the 2022 period, a favorable an unfavorable variance of \$2.9 million \$0.2 million.

The 2023 period revaluation gain loss was due to the significant appreciation depreciation of the British pound and Swiss franc versus the U.S. dollar Euro and British pound as of the end of the 2023 period compared to its start, the start of the period. The revaluation loss in the 2022 period was due to the depreciation of the British pound and Swiss franc versus the U.S. dollar as of the end of that period compared to its start as a result of actions by the US Federal Reserve to begin raising raise interest rates.

Liquidity and Capital Resources

During the nine months ended April 30, 2023, the Company incurred a net loss of \$37,142, used cash in operating activities of \$19,945 and has as of April 30, 2023 a working capital deficit of \$10,153.

The Company believes that based on its fiscal 2023 forecast, its current Our aggregate cash and cash equivalents level is not sufficient for its foreseeable liquidity and restricted cash as of October 31 and July 31, 2023 was \$69.2 million and \$83.4 million, respectively. Our working capital resource needs over at least the next twelve (12) months, which conditions raise substantial doubt about the Company's ability to continue was \$59.2 million and \$58.5 million as a going concern for one year after the date that the unaudited interim financial statements are issued. In response to these conditions, the Company evaluated of October 31 and is acting upon various financing strategies to obtain sufficient additional liquidity to meet its operating and capital requirements for the next twelve months following the date July 31, 2023, respectively. The decrease of issuance of these unaudited interim consolidated financial statements.

Specifically, the Company entered into a revolving line of credit for up to \$8 million based on eligible receivables \$14.2 million in March 2023, sold 10% convertible debentures and warrants for proceeds of \$7 million in May 2023, and as previously disclosed, entered into an agreement to sell substantially all the operating assets and assign certain liabilities of our clinical laboratory business in March, with an expected closing in July 2023. Additionally, in May 2023, we filed a Form S-3 "shelf" registration statement and sales agreement prospectus covering the offering, issuance and sale of our Common Stock that can be issued and sold under the sales agreement in an aggregate amount of up to \$30 million. The registration statement in connection with the sales agreement is pending effectiveness with the SEC. See Note 10 Stockholders' equity for additional information.

There can be no assurance that these financing and capital raising strategies will ultimately prove to be successful, and the Company may need to raise additional capital during the current fiscal year. Our liquidity plans are subject to a number of risks and uncertainties, some of which are outside our control. The revolving line of credit agreement and the 10% convertible debenture securities are dependent on our closing the asset sale with Labcorp within a given time frame. Macroeconomic conditions could limit our ability to successfully execute our business plans and therefore adversely affect our liquidity plans. The unaudited interim financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

At April 30, 2023, the Company had cash and cash equivalents totaling \$2.6 million and restricted cash balance as of which \$0.8 million October 31, 2023 was in foreign accounts, as compared to cash and cash equivalents of \$21.6 million, of which \$0.6 million was in foreign accounts at July 31, 2022. It is the Company's current intent to permanently reinvest these foreign funds outside of the United States. Its current plans do not demonstrate a need to repatriate them to fund its United States operations.

The Company had a working capital deficit of \$10.2 million at April 30, 2023, compared to working capital of \$29.8 million at July 31, 2022, a decrease of \$40.0 million. The decrease in working capital was primarily due to the use period net loss and by cash used to pay down accounts payable – trade and accrued liabilities including those of cash and cash equivalents to fund operations, capital expenditures, and the reclassification of mortgage debt from long term to current, discontinued operations.

Net cash used in operating activities during the 2023 period was \$19.9 million \$13.4 million, compared to \$7.5 million \$8.7 million during the 2022 period, an unfavorable variance of approximately \$12.4 million. The net \$4.7 million, primarily due to the period loss and paydown of accounts payable – trade and accrued liabilities.

Net cash used in the 2023 period was due to the net loss of \$37.1 million, which was partially offset by a net increase of \$10.6 million in operating liabilities, primarily accounts payable and accrued liabilities, an increase in non-cash expense adjustments of \$3.3 million, and a decrease in operating assets of \$3.3 million, primarily accounts receivable and prepaid assets. In order to conserve cash and maintain overall liquidity, the Company has been working with some vendors and professional services providers to delay payments, which has resulted in the large increase in its accounts payable-trade and accrued liabilities balances at April 30, 2023 as compared to July 31, 2022.

Net cash (used) provided by investing activities during the 2023 period was approximately (\$2.2) million \$0.3 million as compared to \$25.6 million \$0.7 million in the 2022 period. In both periods we made period and represent capital expenditures to support and grow our existing operations, including investments in equipment, information technology, and the buildout of our Farmingdale campus. In the 2022 period, we sold our investments in bond funds for proceeds of \$28.7 million. expenditures.

Cash provided by used in financing activities in the 2023 period amounted to \$3.1 million – net, \$0.5 million compared to \$0.1 million in the 2022 period, an increase of \$0.4 million, primarily from borrowings and repayments under our Revolving Credit Agreement. In both the 2023 and 2022 periods we used approximated \$0.1 million for payments taxes on bonuses paid in stock.

The Company is a defendant in a number of legal matters, including class action lawsuits related to the ransomware attack of its information technology systems in April 2023. We face a mortgage significant risk due to ongoing litigation that has the potential to result in future financial obligations, adversely impacting the Company's business and finance leases. profitability.

AsManagement is not aware of April 30, 2023 any other trends, events or uncertainties that have or are reasonably likely to have a material negative impact upon our(i) short-term or long-term liquidity, or (ii) net sales or income from continuing operations. Our business is subject to seasonal variations thereby impacting our liquidity and working capital during the course of our fiscal year. To the extent that we had a mortgage principal balance of \$3.8 million entered into do not generate sufficient cash from operations, our cash balances will decline. We may also use our cash to explore and/or acquire new product technologies, applications, product line extensions, or other new business opportunities. In the event that our available cash is insufficient to support such initiatives, we may need to incur indebtedness or issue Common Stock to finance plans for growth. Volatility in the purchase of a building facility at our Farmingdale campus, which bears a fixed interest rate of 5.09% per annum. It requires monthly mortgage payments totaling \$0.4 million annually. Our obligations under the mortgage agreement are secured by the facility, assets of the Company, and by a \$1.0 million cash collateral deposit with the mortgagee as additional security, which is included in other assets as of April 30, 2023. As of April 30, 2023, we had a short term Credit Facility Agreement with a principal balance of \$3.4 million which accrues interest at the rate per annum equal to Term SOFR (Secured Overnight Financing Rate) for a three-month tenor of 5.30% at April 30, 2023 plus 5.50%.

Effective October 19, 2020, the Company credit markets and the mortgagee agreed liquidity of major financial institutions may have an adverse effect on our ability to a covenant restructure whereby fund our business strategy through borrowings, under either existing or newly created instruments in the mortgagee waived the Company's financial ratio covenant for the fiscal period ended July 31, 2020 and modified the mortgage to replace a financial ratio covenant with a liquidity covenant. The liquidity covenant required public or private markets on terms that we own and maintain believe to be reasonable, if at all times, and throughout the remaining term of the loan, at least \$25 million of liquid assets, defined as time deposits, money market accounts and commercial paper, and obligations issued by the U.S. government or any of its agencies. The cash collateral agreement was also modified to require compliance with the liquidity covenant for two consecutive fiscal years before the collateral is released back to us. As of July 31, 2021, the Company was in compliance with the financial and liquidity covenants in effect at that time related to this mortgage. Effective September 29, 2021, the Company and the mortgagee agreed to further covenant restructuring whereby (a) the liquidity covenant was reduced to 150% of the loan principal (or approximately \$5.8 million at October 31, 2022) from \$25 million previously, and (b) the collateral requirement would be increased from \$0.75 million to \$1.0 million. The Company increased the collateral deposit to \$1.0 million in November 2021 and was in compliance with the liquidity covenant as of October 31, 2022 and July 31, 2022. As of April 30, 2023, the Company was not in compliance with the liquidity covenant, but was in compliance with the other financial covenants related to this mortgage. Effective March 20, 2023, the Company and the mortgagee agreed to a waiver of the liquidity covenant default as of January 31, 2023. As of April 30, 2023, the Company was not in compliance with the liquidity covenant or an unsubordinated liabilities to net capital base leverage ratio covenant. While the Company believes it will be able to either achieve compliance or obtain waivers going forward, as there can be no assurances, all of the mortgage debt is classified as current in the consolidated balance sheet as of April 30, 2023.

The Credit Facility includes customary affirmative and negative covenants for revolving credit facilities of this nature, including certain limitations on the incurrence of additional indebtedness and liens. In addition, the Credit Facility requires the Borrowers to maintain certain minimum liquidity levels as of the last day of each calendar month. The levels decline over time, starting at \$4

million as of April 30, 2023, then \$3 million as of May 31, 2023 and \$2 million as of the end of each month thereafter. As of April 30, 2023, the Company was not in compliance with the lender's minimum liquidity covenant as per the strict definitions in the agreement pertaining to qualified cash, which constituted an event of default. On June 12, 2023, SLR and the Company agreed to a waiver limited to the specific event of default with respect to the minimum liquidity covenant. all.

Off-Balance Sheet Arrangements

Labcorp Asset Purchase Agreement

On March 16, 2023, We have indemnification obligations to Labcorp under the Company filed a Form 8-K indicating that it and Enzo Clinical Labs, Inc. (the “Subsidiary” and, together with the Company, the “Seller”) entered into an Asset Purchase Agreement (the “Purchase Agreement”) that may require us to make future payments to Labcorp and other related persons for any damages incurred by Labcorp or such related persons as a result of any breaches of our representations, warranties, covenants or agreements contained in the Asset Purchase Agreement, or arising from the Retained Liabilities (as such term is defined in the Asset Purchase Agreement) or certain third-party claims specified in the Asset Purchase Agreement. Generally, our representations and warranties survive for a period of 15 months from the closing date, which was July 24, 2023, other than certain fundamental representations which survive until the expiration of the applicable statute of limitations. There is an indemnification cap with Laboratory Corporation respect to a majority of America Holdings, the Company’s indemnification obligations under the Asset Purchase Agreement with the exception of claims for actual fraud, the breach of any fundamental representations and certain other items, which are subject to a Delaware corporation (the “Buyer”) higher indemnification cap (up to the purchase price). Pursuant to the terms of the Asset Purchase Agreement, the Seller has agreed we, Labcorp, and an escrow agent entered into an Escrow Agreement at closing, pursuant to sell substantially all operating assets and assign certain liabilities of its clinical labs business (the “Business”) to the Buyer which are necessary to operate the Business in exchange for approximately \$146,000,000 in cash (subject to certain adjustments), on and subject to the terms and conditions set forth therein (such transaction, the “Transaction”).

The Purchase Agreement contains customary representations, warranties, covenants and termination rights for a transaction of this nature, including, among other things, customary covenants: (i) relating to the conduct Labcorp deposited \$5 million of the Business between the signing of the Purchase Agreement and the closing of the Transaction and (ii) regarding the efforts of the parties to cause the Transaction to be consummated, including obtaining certain consents and approvals. The consummation of the Transaction is subject to the satisfaction or waiver of customary closing conditions, including the expiration or termination of any required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. In addition, closing under the Purchase Agreement is contingent on the Company obtaining approval of the Transaction by shareholders of the Company holding a majority of the shares of its common stock outstanding.

At a Special Meeting of shareholders on May 22, 2023, shareholders approved by majority vote the asset sale Transaction and adoption of the asset Purchase Agreement. Enzo has also met all regulatory requirements for closing the sale aggregate purchase price of the clinical labs business.

The Purchase Agreement also includes customary termination provisions for both the Company and Buyer and provides that, in connection service business into an escrow account established with the termination Escrow Agent in order to satisfy, in whole or in part, certain of our indemnity obligations, if any, that arise under the Asset Purchase Agreement. If, on the 15-month anniversary of the Purchase Agreement under specified circumstances, including termination closing date, there are funds remaining in the escrow account, the Escrow Agent will release any funds remaining in the escrow account to us minus any amounts being reserved for escrow claims asserted by Labcorp prior to such date. Upon the Company to accept and enter into a definitive agreement with respect to an unsolicited Superior Proposal, resolution of any pending escrow claims, the Company Escrow Agent will, be required to pay Buyer a termination fee within two business days of \$5 million receipt of joint instructions or a reimbursement of Buyer’s expenses of up to \$5 million.

Subject final order from a court (as described in the Escrow Agreement) disburse such reserved amount to the terms and conditions stated in the Purchase Agreement, after shareholder approval of the Transaction, which occurred on May 22, 2023, Buyer is be obligated parties entitled to pay a fee to the Company for each day after such funds. Through the date of such approval until the closing this filing, no disbursements have been made out of the Transaction. At the closing of the Transaction, such fee will be wholly or partially credited against the purchase price. On May 31, 2023, the Company received the May portion of the fee. escrow funds.

There can be no assurances that the Purchase Agreement will close and if it does close, the exact proceeds to be received by the Company.

Off Balance Sheet Arrangements

The Company does not have any “off-balance sheet arrangements” as such term is defined in Item 303(a)(4) of Regulation S-K.

General and estimates

The Company’s discussion and analysis of its financial condition and results of operations are based upon Enzo Biochem, Inc.’s interim consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect

the reported amounts of assets, liabilities, revenues and expenses. These estimates and judgments also affect related disclosure of contingent assets and liabilities.

On an on-going basis, we evaluate our estimates, including those related to contractual expense, allowance for uncollectible accounts, inventory, **intangible assets, goodwill** and income taxes. The Company bases its estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Contingencies

Contingencies are evaluated and a liability is recorded when the matter is both probable and reasonably estimable. Gain contingencies are evaluated and not recognized until the gain is realizable or realized.

Revenues – Clinical Services Product revenues

Contractual Adjustment Products revenues consist of the sale of single-use products used in the identification of genomic information and are recognized at a point in time following the transfer of control of such products to the customer, which generally occurs upon shipment. Payment terms for shipments to end-user and distributor customers may range from 30 to 90 days. Any claims for credit or return of goods may be made generally within 30 days of receipt. Revenues are reduced to reflect estimated credits and returns, although historically these adjustments have not been material. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue. Amounts billed to customers for shipping and handling are included in revenue, while the related shipping and handling costs are reflected in cost of products.

The Company's estimate of contractual adjustment is based on significant assumptions and judgments, such as its interpretation of payer reimbursement policies, and bears the risk of change. The estimation process is based on the experience of amounts approved as reimbursable and ultimately settled by payers, versus the corresponding gross amount billed to the respective payers. The contractual adjustment is an estimate that reduces gross revenue, based on gross billing rates, to amounts expected to be approved and reimbursed.

Gross billings are based on a standard fee schedule we set for all third party payers, including Medicare, HMO's and managed care. The Company adjusts the contractual adjustment estimate quarterly, based on its evaluation of current and historical settlement experience with payers, industry reimbursement trends, and other relevant factors. The other relevant factors that affect our contractual adjustment include the monthly and quarterly review of: 1) current gross billings and receivables and reimbursement by payer, 2) current changes in third party arrangements and 3) the growth of in-network provider arrangements and managed care plans specific to our Company.

Our clinical business is primarily dependent upon reimbursement from third-party payers, such as Medicare (which principally serves patients 65 and older) and insurers. We are subject to variances in reimbursement rates among different third-party payers, as well as constant changes of reimbursement rates. Changes that decrease reimbursement rates or coverage would negatively impact our revenues. The number of individuals covered under managed care contracts or other similar arrangements has grown over the past several years and may continue to grow in the future. In addition, Medicare and other government healthcare programs continue to shift to managed care. These trends will continue to reduce our revenues from these programs.

During the three months ended April 30, 2023 and 2022, the contractual adjustment percentages, determined using current and historical reimbursement statistics, was 89.8% and 83.4% respectively, of gross billings. During the nine months ended April 30, 2023 and 2022, the contractual adjustment percentages, determined using current and historical reimbursement statistics, was 89.3% and 82.5% respectively, of gross billings. The Company estimates (by using a sensitivity analysis) that each 1% point change in the contractual adjustment percentage could result in a change in clinical services revenues of approximately \$2.7 million and \$3.5 million for the nine months periods ended April 30, 2023 and 2022 respectively, and a change in the net accounts receivable of approximately \$0.5 million as of April 30, 2023.

Our clinical services financial billing system records gross billings using a standard fee schedule for all payers and does not record contractual adjustment by payer at the time of billing. Therefore, we are unable to quantify the effect contractual adjustments recorded during the current period have on revenue recorded in a previous period. However, we can reasonably estimate our monthly contractual adjustment to revenue on a timely basis based on our quarterly review process, which includes:

- an analysis of industry reimbursement trends;
- an evaluation of third-party reimbursement rates changes and changes in reimbursement arrangements with third-party payers;
- a rolling monthly analysis of current and historical claim settlement and reimbursement experience statistics with payers; and
- an analysis of current gross billings and receivables by payer.

Accounts Receivable

Accounts receivable are reported at realizable value, net of allowances for doubtful accounts, which is estimated and recorded in the period of the related revenue.

The following is a tableAs of the Company's net October 31 and July 31, 2023, Products accounts receivable, by segment. The Clinical Laboratory Services segment's net receivables are detailed by billing category were \$4,181 and as a percent to its total net receivables, \$4,808, respectively. As of April 30, 2023 October 31 and July 31, 2022 July 31, 2023, approximately 58% and 59%, respectively of the Company's net accounts receivable relates to its Clinical Laboratory Services business, which operates in the

New York, New Jersey and Connecticut medical communities. The Life Sciences products segment's accounts receivable includes these totals include foreign receivables, net, of approximately \$0.8 million or 19% \$1,353 and \$1.1 million or 24% of total segment receivables as of April 30, 2023 and July 31, 2022, \$1,277, respectively.

Net accounts receivable (in thousands)

Net accounts receivable by segment	April 30, 2023		July 31, 2022	
	Amount	%	Amount	%
Clinical Labs (by billing category)				
Third party payers	\$ 2,362	43	\$ 2,647	40
Patient self-pay	2,340	42	2,779	41
Medicare	458	8	768	11
HMO's	396	7	560	8
Total Clinical Labs	5,556	100 %	6,754	100 %
Total Life Sciences	4,080		4,762	
Total accounts receivable – net	\$ 9,636		\$ 11,516	

The Company's ability to collect outstanding receivables from third party payers is critical to its operating performance and cash flows. The primary collection risk lies with uninsured patients or patients for whom primary insurance has paid but a patient portion remains outstanding. The Company assesses the current state of its billing functions in order to identify any known collection or reimbursement issues. The Company assesses the impact, if any, on the allowance estimates, which involves Company's management judgment. It is important to note that the collection of these receivables is not guaranteed from Third Party Payers. The Company believes that the collectability of its receivables is directly linked to the quality of its billing processes, most notably, those related to obtaining the accurate patient information to effectively bill for the services provided. Should circumstances change (e.g. shift in payer mix, decline in economic conditions or deterioration in aging of receivables), our estimates of net realizable value of receivables could be reduced by a material amount. As of April 30, 2023, approximately 13% of Clinical Labs receivables are from one payer other than Medicare and as of July 31, 2022, approximately 23%, of Clinical Labs receivables are from two payers other than Medicare.

Billing for laboratory services is complicated due to several factors, including, but not limited to, the differences between our standard gross fee schedule for all payers and the reimbursement rates of the various payers we deal with, disparity of coverage and information requirements among the various payers, and disputes with payers as to which party is responsible for reimbursement.

Income Taxes

The Company accounts for income taxes under the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The liability method requires that any tax benefits recognized for net operating loss carry forwards and other items be reduced by a valuation allowance where it is not more likely than not the benefits will be realized in the foreseeable future. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. It is the Company's policy to provide for uncertain tax positions, if any, and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. To the extent the Company prevails in matters for which a liability for an unrecognized tax benefit is established or is required to pay amounts in excess of the liability, the Company's effective tax rate in a given financial statement period may be affected.

The proposed Clinical Labs Asset Sale will be treated as a sale of corporate assets in exchange for cash and the assumption of certain liabilities. The adjusted tax basis in the assets being sold is less than the sales proceeds that will be received from the Buyer in which case we will incur U.S. federal and state income tax as a result of a realized gain from the Asset Sale. However, we anticipate that our tax attributes, including our U.S. federal and state net operating loss carryforwards ("NOLs"), will be available to offset a substantial portion of our U.S. federal and state income tax liabilities resulting from such gain. In addition, in general, under Section 382 of the Code, a corporation that undergoes an "ownership change" is subject to annual limitations on its ability to use its pre-change NOLs or other tax attributes to offset future taxable income or reduce taxes. Although no formal Section 382 study has been performed, we do not anticipate any limitation under Section 382.

As of April 30, 2023, we estimate we have \$65 million of unlimited U.S. federal NOL carryforwards and approximately \$32 million of U.S. federal NOL carryforwards subject to an 80% limitation. We estimate we have state and local NOL carryforwards of approximately \$38 million. The determination of our realized gain on the proposed Asset Sale and whether and to what extent our tax attributes will be available to offset the gain is highly complex and is based in part upon facts that will not be known until

the completion of the Asset Sale. Therefore, it is possible that we could incur substantial U.S. federal and state income taxes as a result of the proposed Clinical Labs Asset Sale.

Inventory

The Company values inventory at the lower of cost (first-in, first-out) or net realizable value. Work-in-process and finished goods inventories consist of material, labor, and manufacturing overhead. Write downs of inventories to net realizable value are based on a review of inventory quantities on hand and estimated sales forecasts based on sales history and anticipated future demand. Unanticipated changes in demand could have a significant impact on the value of our inventory and require additional write downs of inventory which would impact our results of operations.

Goodwill and Long-Lived Assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the net assets acquired. Long-Lived Assets

The Company reviews the recoverability of the carrying value of long-lived depreciable assets (including its intangible assets, all of which have finite lives) of an asset or asset group for impairment annually as of the end of the fiscal year, or more frequently if indicators of potential impairment exist. Should indicators of impairment exist, the carrying values of the depreciable assets are evaluated in relation to the operating performance and future undiscounted cash flows of an asset or asset group. The net book value of the long-lived depreciable long lived asset is adjusted to fair value if its expected future undiscounted cash flow is less than its book value. Primarily based on

During the Asset Purchase Agreement with Labcorp, the Company has determined that three months ended October 31, 2023 and 2022 there is was no impairment of goodwill or depreciable long-lived assets at April 30, 2023, used in continuing operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable. As a smaller reporting company, we are not required to provide the information required by this Item.

Item 4. Controls and Procedures

Item 4. Evaluation of Disclosure Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, the Company's management conducted an evaluation (as required under Rules 13a-15(b) and 15d-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of the Company's "disclosure controls and procedures" (as such term is defined under the Exchange Act), under the supervision and with the participation of the each of our principal executive officer and the principal financial officer. Based on this evaluation, as a result of the material weakness identified below, the principal executive officer and the principal financial officer concluded that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this report. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

As previously disclosed on Current Reports on Form 8-K's 8-K dated April 13, 2023, and May 30, 2023, respectively, the Company experienced a ransomware attack that impacted certain critical information technology systems. In response, the Company promptly deployed containment measures, including disconnecting its systems from the internet, launching an investigation with assistance from third-party cybersecurity experts, and notifying law enforcement. The Company adhered to its disaster recovery plan, which enabled it to substantially maintain operations throughout the incident response process.

As a result of the ransomware attack and the subsequent investigation, the Company determined a material weakness existed that impaired the Company's ability to assure ensure that standard systems and accounting processes could operate effectively. As a result, a reasonable possibility exists that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected and corrected in a timely manner. The following is a description of the material weakness identified:

Control Environment, Risk Assessment, Information and Communication, and Control Activities

- We did not maintain effective internal control related to our control environment, risk assessment, information and communication, and control activities:

- In April 2023, we became aware that we were exposed to a ransomware attack in our Information Technology environment which interrupted systems and affected operations. The effect of these circumstances significantly impacted the following:
 - our ability to access and reinstate our financial systems for an extended period to a new normal state of operation;
 - the need to rebuild our financial information from backups as a result of the ransomware incident;
 - additional workload associated with process workflows that were previously automated but were manually performed as a result of the ransomware attack.
- We were required to supplement resources and as a result, did not adequately perform in a timely manner the following:
 - assessment, redesign and timely evaluation of performance of controls over financial reporting risks as a result of existing IT circumstances; and

- o generate real time information across the organization to allow the finance department to perform timely application of controls; and
- o Internal controls over financial reporting related to the recording and processing of revenue transactions could not be completed timely using standard methods due to the limitations of access to data.

Management ~~has begun~~ began remediation measures during and after the April 30, 2023 period end ~~and continues~~ which were substantially implemented by July 31, 2023. During the first quarter of the fiscal year ending July 31, 2024, evaluation of certain controls' effectiveness could not be performed according to ~~assess additional necessary remediation measures.~~ the typical frequency or sufficient evidence of control performance was not available for testing due to the cyber incident.

(b) Changes in Internal ~~Controls over~~ Control Over Financial Reporting

There were no changes in Management assessed the effectiveness of our internal control over financial reporting as of October 31, 2023. In making this assessment, management used the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that, ~~occurred during the quarter ended April 30, 2023 other than the discussion above, that have materially affected, or are reasonably likely to materially affect,~~ as of October 31, 2023, our internal control over financial ~~reporting.~~ reporting was not effective because the first quarter included timeframes during which specific data was not available for testing.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

There have been no other material developments with respect to previously reported legal proceedings discussed in the annual report on Form 10-K, as amended for the fiscal year ended July 31, 2022 July 31, 2023 filed with the Securities and Exchange Commission, other than as noted in Note 12 13 to the Consolidated Financial Statements as of April 30, 2023 October 31, 2023.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part 1, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2022, except as follows:

We rely on network and information systems and other technology whose failure or misuse could cause, and has caused, a disruption of services or loss or improper disclosure of personal data, business information, including intellectual property, or other confidential information, resulting in increased costs, loss of revenue or other harm to our business.

Network and information systems and other technologies, including those related to the Company's network management, are important to its business activities. The Company also relies on third party providers for certain technology and "cloud-based" systems and services that support a variety of business operations. Network and information systems-related events affecting the Company's systems, or those of third parties upon which the Company's business relies, such as computer compromises, cyber threats and attacks, ransomware attacks, computer viruses, worms or other destructive or disruptive software, process breakdowns, denial of service attacks, malicious social engineering or other malicious activities, or any combination of the foregoing, as well as power outages, equipment failure, natural disasters (including extreme weather), terrorist activities, war, human or technological error or malfeasance that may affect such systems, could result in disruption of the Company's business and/or loss, corruption or improper disclosure of personal data, business information, including intellectual property, or other confidential information. In addition, any design or manufacturing defects in, or the improper implementation of, hardware or software applications the Company develops or procures from third parties could unexpectedly compromise information security. In recent years, there has been a rise in the number of cyber-attacks and ransomware attacks on companies' network and information systems, and such attacks have become more sophisticated, targeted and difficult to detect and prevent against. As a result, the risks associated with such an event continue to increase, particularly as the Company's digital businesses expand. The Company's security measures and internal controls that are designed to protect personal data, business information, including intellectual property, and other confidential information, to prevent data loss, and to prevent or detect security breaches, have not always provided, and cannot provide, absolute security and have at times failed and may not be successful in preventing these events from occurring, particularly given that techniques used to access, disable or degrade service, or sabotage systems change frequently, and any network and information systems-related events have required and could continue to require the Company to expend significant resources to remedy such event. Moreover, the development and maintenance of these measures is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become more sophisticated. The Company's cyber risk insurance may not be sufficient to cover all losses from any future breaches of our systems.

A significant cyber attack, ransomware attack, failure, compromise, breach or interruption of the Company's systems, or those of third parties upon which its business relies, could result in a disruption of its operations, customer, audience or advertiser dissatisfaction, damage to its reputation or brands, regulatory investigations and enforcement actions, lawsuits, remediation costs, a loss of customers, advertisers or revenues and other financial losses. If any such failure, interruption or similar event results in the improper disclosure of information maintained in the Company's information systems and networks or those of its vendors, including financial, personal, credit card, confidential and proprietary information relating to personnel, customers, vendors and the Company's business, including its intellectual property, the Company could also be subject to liability under relevant contractual obligations and laws and regulations protecting personal data and privacy. In addition, media or other reports of perceived security vulnerabilities to our systems or those of third parties upon which the Company's business relies, even if nothing has actually been attempted or occurred, could also adversely impact our brand and reputation and materially affect our business.

On April 6, 2023, the Company experienced a ransomware attack that impacted certain critical information technology systems. The Company has incurred, and may continue to incur, certain expenses related to this attack and remains subject to risks and uncertainties as a result of the incident, including as a result of the data that was accessed or exfiltrated from the Company's network. Additionally, security and privacy incidents have led to, and may continue to lead to, additional regulatory scrutiny and class action litigation exposure. This incident severely curtailed our ability to perform clinical reference testing and we were forced to outsource much of the testing to third parties, including Labcorp, which negatively impacted the 2023 period's services revenue and increased the cost of outsourcing the testing to third parties. See Note 1 *Ransomware Attack* for additional information.

Cyber security risks and the failure to maintain the confidentiality, integrity, and availability of our computer hardware, software, and Internet applications and related tools and functions could result in damage to the Company's reputation and/or subject the Company to costs, fines, or lawsuits.

The integrity and protection of our own data, and that of its customers and employees, is critical to the Company's business. The regulatory environment governing information, security and privacy laws is increasingly demanding and continues to evolve. Maintaining compliance with applicable security and privacy regulations may increase the Company's operating costs and/or adversely impact the Company's ability to market its products and services to customers. Although the Company's computer and communications hardware is protected through physical and software safeguards, it is still vulnerable to cyber threat actors, fire, storm, flood, power loss, earthquakes, telecommunications failures, physical or software break-ins, software viruses, and similar events. These events could lead to the unauthorized access, disclosure and use of non-public information. The techniques used by criminal elements to attack computer systems are sophisticated, change frequently and may originate from less regulated and remote areas of the world. As a result, the Company may not be able to address these techniques proactively or implement adequate preventative measures. If the Company's computer systems are compromised, it could be subject to fines, damages, litigation, and enforcement actions, customers could curtail or cease using its applications, and the Company could lose trade secrets, the occurrence of which could harm its business.

Liquidity and Going Concern

During the nine months ended April 30, 2023, the Company incurred a net loss of \$37,142 and used cash in operating activities of \$19,945, and had as of April 30, 2023 a working capital deficit of \$10,153. The Company believes that based on its fiscal 2023 forecast, its current cash and cash equivalents level is not sufficient for its foreseeable liquidity and capital resource needs over at least the next twelve (12) months, which conditions raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the unaudited interim financial statements are issued. In response to these conditions, the Company evaluated and acted upon various financing strategies to obtain sufficient additional liquidity to meet its operating and capital requirements for the next twelve months following the date of issuance of these unaudited interim consolidated financial statements.

Specifically, the Company entered into a revolving line of credit for up to \$8 million based on eligible receivables in March 2023, sold 10% convertible debentures and warrants for proceeds of \$7 million in May 2023, and as previously disclosed entered into an agreement to sell substantially all the operating assets and assign certain liabilities of our clinical laboratory business in March, with an expected closing in July 2023. Additionally, in May 2023, we filed a Form S-3 "shelf" registration statement and sales agreement prospectus covering the offering, issuance and sale of our Common Stock that can be issued and sold under the sales agreement in an aggregate amount of up to \$30 million **July 31, 2023**. See Note 10 Stockholders' equity for additional information. There can be no assurance that these capital raising strategies will ultimately prove to be successful, and the Company may need to raise additional capital during the current fiscal year. Our liquidity plans are subject to a number of risks and uncertainties, some of which are outside our control. The revolving line of credit agreement and the 10% convertible debenture securities are dependent on our closing the asset sale with Labcorp within a given time frame. Macroeconomic conditions could limit our ability to successfully execute our business plans and therefore adversely affect our liquidity plans. The unaudited interim financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

Enzo has concluded that there are material weaknesses in its internal control over financial reporting, which, if not remediated, could materially adversely affect its ability to timely

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and accurately report its results Issuer Purchases of operations and financial condition. The accuracy of Enzo's financial reporting depends on the effectiveness of its internal controls over financial reporting. Equity Securities

Internal controls over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements and may not prevent or detect misstatements. Failure to maintain effective internal controls over financial reporting, or lapses in disclosure controls and procedures, could undermine the ability to provide accurate disclosure (including with respect to financial information) on a timely basis, which could cause investors to lose confidence in Enzo's disclosures (including with respect to financial information), require significant resources to remediate the lapse or deficiency, and expose it to legal or regulatory proceedings. In connection with our April 30, 2023 unaudited consolidated financial statements, Enzo's management identified a deficiency, which it considers to be a "material weakness," which, could reasonably result in a material misstatement in the Company's financial statements. The Company has begun remediation measures during and after the April 30, 2023 period end and continues to assess additional necessary remediation measures. The material weakness cannot be considered completely remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Enzo cannot guarantee that it will be successful in remediating the material weakness it identified or that its internal control over financial reporting, as modified, will enable it to identify or avoid material weaknesses in the future. None.

Item 3. Defaults Upon Senior Securities

There can be no guarantee that the Asset Sale will be completed and, if not completed, we may have to file for bankruptcy and liquidation. None.

The consummation of the Asset Sale is subject to the satisfaction or waiver of various conditions, including the approval of the Asset Sale by our stockholders, which we obtained on May 22, 2023. We cannot guarantee that the closing conditions set forth in the Asset Purchase Agreement will be satisfied. If we are unable to satisfy our closing conditions under the Purchase Agreement or if other mutual closing conditions are not satisfied, Buyer will not be obligated to complete the Asset Sale. If the Asset Sale is not completed, our board of directors, in discharging its fiduciary obligations to our stockholders, will evaluate other strategic alternatives that may be available, which alternatives may not be as favorable to our stockholders as the Asset Sale and may include a bankruptcy and liquidation of the Company.

The Company has incurred and will continue to incur substantial expenses, including transaction-related costs, pending the Asset Sale. **Item 4. Mine Safety Disclosures**

Claims, liabilities and expenses from operations, such as operating costs, salaries, directors' and officers' insurance, payroll and local taxes, legal, accounting and consulting fees and office expenses will continue to be incurred by us during the pendency of the Asset Sale. Further, Enzo has incurred, and expects to continue to incur, a number of non-recurring transaction-related costs in initiating and completing the Asset Sale. Non-recurring transaction costs include, but are not limited to, fees paid to Enzo's financial, legal and accounting advisors, filing fees and printing costs. These fees and costs have been, and will continue to be, substantial. We cannot estimate what the aggregate of these expenses will be and these costs may be higher than expected. There can be no assurance of the exact amount of net cash proceeds Enzo will receive from the Asset Sale or the exact timing at which it will receive such proceeds. Therefore, it is uncertain the extent to which our financial condition and operations will benefit from or improve as a result of or after the Asset Sale. Not applicable.

Item 5. Other Information

The Purchase Agreement also includes customary termination provisions for both the Company and Buyer and provides that, in connection with the termination of the Purchase Agreement under specified circumstances, including termination by the Company to accept and enter into a definitive agreement with respect to an unsolicited Superior Proposal, the Company will be required to pay Buyer a termination fee of \$5 million, or reimbursement of Buyer's expenses of up to \$5 million. None.

Subject to the terms and conditions stated in the Purchase Agreement, after shareholder approval of the Transaction, which occurred on May 22, 2023, Buyer is obligated to pay a fee to the Company for each day after the date of such approval until the closing of the Transaction. At the closing of the Transaction, such fee will be wholly or partially credited against the purchase price. On May 31, 2023, the Company received the May portion of the fee.

There can be no assurance that the Purchase Agreement will close and that if it does close, the exact proceeds to be received by the Company.

Item 6. Exhibits

Exhibit No.	Exhibit
4.1	Form of Debenture. (a)
4.2	Form of Warrant. (b)
10.1	Asset Purchase Agreement, dated as of March 16, 2023 by and among Laboratory Corporation of America Holdings, Enzo Clinical Labs, Inc. and Enzo Biochem, Inc. (c)
10.2	Credit Agreement dated as of March 31, 2023, by and among Enzo Clinical Labs, Inc., Enzo Life Sciences, Inc., Gemino Healthcare Finance LLC d/b/a SLR Healthcare ABL, Enzo Biochem, Inc., and certain other parties thereto. (d)
10.3	Securities Purchase Agreement, dated May 19, 2023 by and among Enzo Biochem, Inc., and purchasers named therein, and JGB Collateral LLC. (e)
10.4	Registration Rights Agreement, dated May 19, 2023, by and among Enzo Biochem, Inc. and the purchasers named therein. (f)
10.5	Security Agreement, dated May 19, 2023, by and among Enzo Biochem, Inc., each of Enzo Biochem, Inc.'s specified subsidiaries named therein, the purchasers named therein and JGB Collateral, LLC. (g)
10.6	Form of Subsidiary Guarantee. (h)
31.1	Certification of Hamid Erfanian Kara Cannon pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Patricia Eckert pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Hamid Erfanian Kara Cannon pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Patricia Eckert Kara Cannon pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS* 101. INS*	Inline XBRL Instance Document.
101.SCH* 101. SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL* 101. CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).
<p>* XBRL (Extensible Business Reporting Language) information is being furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.</p> <p>(a) Filed as Exhibit 4.1 of Form 8-K filed May 22, 2023.</p> <p>(b) Filed as Exhibit 4.2 of Form 8-K filed May 22, 2023.</p> <p>(c) Filed as Exhibit 2.1 of Form 8-K filed March 16, 2023.</p> <p>(d) Filed as Exhibit 10.1 of Form 8-K filed April 5, 2023.</p> <p>(e) Filed as Exhibit 10.1 of Form 8-K filed May 22, 2023.</p> <p>(f) Filed as Exhibit 10.2 of Form 8-K filed May 22, 2023.</p> <p>(g) Filed as Exhibit 10.3 of Form 8-K filed May 22, 2023.</p> <p>(h) Filed as Exhibit 10.4 of Form 8-K filed May 22, 2023.</p>	

SIGNATURES

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

ENZO BIOCHEM, INC.

(Registrant)

Date: **June 14, 2023** **December 15, 2023**

by: /s/ Patricia Eckert

Interim Chief Financial Officer and
Principal Accounting Officer

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EXHIBIT 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Hamid Erfanian**, **Kara Cannon**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Enzo Biochem, Inc. (the “registrant”).
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 15(e) and 15d – 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 14, 2023 December 15, 2023

By: /s/ Hamid Erfanian Kara Cannon
Hamid Erfanian Kara Cannon
Interim Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Patricia Eckert, certify that:

- 1. I have reviewed this quarterly report on Form 10-Q of Enzo Biochem, Inc. (the "registrant").
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 15(e) and 15d – 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 14, 2023 December 15, 2023

By: /s/ Patricia Eckert

Patricia Eckert
Interim Chief Financial Officer and Principal
Accounting Officer

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
TITLE 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Enzo Biochem, Inc., and Subsidiaries ("the Company") on Form 10-Q for the period ended April 30, 2023 October 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hamid Erfanian, Kara Cannon, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 14, 2023 December 15, 2023

By: /s/ Hamid Erfanian Kara Cannon
Hamid Erfanian Kara Cannon
Interim Chief Executive Officer

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
TITLE 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Enzo Biochem, Inc., and Subsidiaries (“the Company”) on Form 10-Q for the period ended April 30, 2023 October 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Patricia Eckert, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 14, 2023 December 15, 2023

By: /s/ Patricia Eckert
Patricia Eckert
Interim Chief Financial Officer and Principal
Accounting Officer

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