WELLS FARGO & COMPANY/MN
Form 8-K
February 14, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (date of earliest event reported): February 14, 2019

WELLS FARGO & COMPANY

(Exact name of registrant as specified in its charter)

Delaware	001-2979	No. 41-0449260
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

420 Montgomery Street, San Francisco, California 94104

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 1-866-249-3302

Not applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act (17 CFR 230.405) or Rule 12b-2 of the Exchange Act (17 CFR 240.12b-2).

Emerging growth company

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.

Item 9.01. Financial Statements and Exhibits

Exhibits are filed herewith in connection with the Registration Statement on Form S-3 (File Nos. 333-221324 and 333-221324-01) filed by Wells Fargo & Company and Wells Fargo Finance LLC with the Securities and Exchange Commission.

On February 14, 2019, Wells Fargo Finance LLC issued the following Medium-Term Notes, Series A: Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index and the S&P 500® Index due August 14, 2020 (the "Notes"). The Notes are fully and unconditionally guaranteed by Wells Fargo & Company (the "Guarantee").

The purpose of this Current Report is to file with the Securities and Exchange Commission the form of Note related to such issuance and the opinion of Faegre Baker Daniels LLP regarding the Notes and the Guarantee.

(d) Exhibits

Exhibit No.	Description	Location
4.1	Form of Medium-Term Notes, Series A, Principal at Risk Securities Linked to the Lowest Performing of the Russell 2000® Index and the S&P 500® Index due August 14, 2020.	Filed herewith
5.1	Opinion of Faegre Baker Daniels LLP regarding the Notes and the Guarantee.	Filed herewith
23.1	Consent of Faegre Baker Daniels LLP.	Included as part of Exhibit 5.1

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SIGNATURE

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 hereunto duly authorized.

WELLS FARGO
& COMPANY

DATED: February 14, 2019 /s/ Le Roy Davis
Le Roy Davis
Senior Vice
President and
Assistant
Treasurer

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10.4	Subscription Agreement dated April 5, 2000, by and between Compliance1, Inc., a Delaware corporation, and Scherer Healthcare, Inc., a Delaware corporation (Exhibit 10.3 to the Company's amended Quarterly Report on Form 10-Q/A for the period ended September 30, 2000).
10.5	10% Convertible Promissory Note dated July 1, 2000, by and between Compliance1, Inc., a Delaware corporation, and Scherer Healthcare, Inc., a Delaware corporation (Exhibit 10.2 to the Company's amended Quarterly Report on Form 10-Q/A for the period ended September 30, 2000).
10.6	10% Series B Convertible Promissory Note dated October 15, 2000, by and between MedicareFacts, LLC, a Delaware LLC, and Scherer Healthcare, Inc. a Delaware corporation (Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2000).
10.7	Subscription Agreement dated October15, 2000, by and between MedicareFacts, LLC, a Delaware LLC, and Scherer Healthcare, Inc., a Delaware corporation (Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2000).
21	Subsidiaries of Registrant filed herewith.
23	Consent of Arthur Andersen LLP filed herewith.
99	Letter from Scherer Healthcare, Inc. to the SEC regarding Arthur Andersen LLP filed herewith.

(b) Reports on Form 8-K.

The following Current Reports on form 8-K were filed by the Company for the year ended March 31, 2002:

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on May 29, 2002.

SCHERER HEALTHCARE, INC.

By: /s/ ROBERT P. SCHERER, JR.

Robert P. Scherer, Jr.
Chairman, Chief Executive Officer and President

KNOW ALL MEN BY THESE PRESENTS, that the undersigned constitutes and appoints Robert P. Scherer, Jr. and Donald P. Zima, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign the Annual Report on Form 10-K of Scherer Healthcare, Inc. for the fiscal year ended March 31, 2002, and any and all amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and the National Association of Securities Dealers, Inc., granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite or necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on May 29, 2002.

Signature	Title
/s/ ROBERT P. SCHERER, JR. Robert P. Scherer, Jr.	Chairman of the Board, Director, Chief Executive Officer, and President
/s/ DONALD P. ZIMA Donald P. Zima	Vice President and Chief Financial Officer
/s/ STEPHEN LUKAS, SR. Stephen Lukas, Sr.	Director
/s/ KENNETH H. ROBERTSON Kenneth H. Robertson	Director
/s/ JOEL M. SEGAL Joel M. Segal	Director
/s/ WILLIAM J. THOMPSON William J. Thompson	Director

SCHERER HEALTHCARE, INC.

FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

The following consolidated financial statements and schedule of the Registrant and its subsidiaries are submitted herewith in response to Item 8:

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Scherer Healthcare, Inc.:

We have audited the accompanying consolidated balance sheets of **SCHERER HEALTHCARE, INC.** (a Delaware corporation) **AND SUBSIDIARIES** as of March 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2002. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Scherer Healthcare, Inc. and subsidiaries as of March 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index of financial statements and financial statement schedule is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

/s/ Arthur Andersen LLP

Atlanta, Georgia
May 29, 2002

SCHERER HEALTHCARE, INC.

CONSOLIDATED BALANCE SHEETS

	As of March 31,	
	2002	**2001**
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 5,561,000	$ 4,398,000
Accounts receivable, less allowance for doubtful accounts of $299,000 in 2002 and $319,000 in 2001	4,320,000	4,747,000
Interest receivable	219,000	243,000
Inventories	416,000	333,000
Income taxes receivable	130,000	
Prepaid and other	374,000	232,000
Total current assets	11,020,000	9,953,000
PROPERTY AND EQUIPMENT	10,010,000	9,287,000
Less accumulated depreciation	(5,466,000)	(4,722,000)
Total property and equipment, net	4,544,000	4,565,000
OTHER ASSETS		
Intangible assets, net	3,331,000	3,538,000
Investments	9,143,000	11,280,000
Deferred income taxes	590,000	761,000
Other		451,000
Net assets of discontinued operations	498,000	481,000
Total other assets	13,562,000	16,511,000
TOTAL ASSETS	$ 29,126,000	$ 31,029,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,070,000	$ 1,089,000
Accrued expenses	1,011,000	989,000
Unearned revenue	492,000	478,000
Current maturities of capital lease obligations	292,000	265,000
Income taxes payable		36,000
Total current liabilities	2,865,000	2,857,000
CAPITAL LEASE OBLIGATIONS, net of current maturities	673,000	551,000
OTHER LIABILITIES	56,000	100,000
COMMITMENTS AND CONTINGENCIES (Note 6)		
STOCKHOLDERS' EQUITY		

	As of March 31,	
Convertible preferred stock $.01 par value, 2,000,000 shares authorized; 17,939 and 21,704 shares issued and outstanding as of March 31, 2002 and 2001, respectively		
Common stock $.01 par value, 12,000,000 shares authorized; 4,730,085 and 4,713,411 shares issued as of March 31, 2002 and 2001, respectively; 4,339,056 and 4,322,382 shares outstanding as of March 31, 2002 and 2001, respectively	47,000	47,000
Capital in excess of par value	22,394,000	22,394,000
Unrealized loss on marketable securities	(330,000)	(279,000)
Retained earnings	6,512,000	8,450,000
Less treasury stock, at cost	(3,091,000)	(3,091,000)
Total stockholders' equity	25,532,000	27,521,000
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 29,126,000	$ 31,029,000

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

SCHERER HEALTHCARE, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended March 31,		
	2002	**2001**	**2000**
NET SALES	$ 20,398,000	$ 18,738,000	$ 16,788,000
COSTS AND EXPENSES			
Cost of sales	13,328,000	11,754,000	10,249,000
Selling, general, and administrative	5,687,000	5,554,000	4,823,000
Litigation settlements (Note 6)			298,000
Total costs and expenses	19,015,000	17,308,000	15,370,000
OPERATING INCOME	1,383,000	1,430,000	1,418,000
OTHER (EXPENSE) INCOME			
Interest income	621,000	806,000	738,000
Equity in net losses of unconsolidated companies	(24,000)	(667,000)	
Impairment charge for investments	(3,371,000)	(561,000)	
Other, net	69,000	(41,000)	92,000
Total other (expense) income, net	(2,705,000)	(463,000)	830,000
(LOSS) INCOME BEFORE INCOME TAXES	(1,322,000)	967,000	2,248,000
(Benefit) provision for income taxes	616,000	(532,000)	202,000

	Year Ended March 31,		
NET (LOSS) INCOME	$ (1,938,000)	$ 1,499,000	$ 2,046,000
BASIC NET (LOSS) INCOME PER COMMON SHARE	$ (0.45)	$ 0.35	$ 0.47
DILUTED NET (LOSS) INCOME PER COMMON SHARE	$ (0.45)	$ 0.33	$ 0.45
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING BASIC	4,330,417	4,321,367	4,336,383
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING DILUTED	4,330,417	4,542,272	4,548,293

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

SCHERER HEALTHCARE, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the years ended March 31, 2002, 2001, and 2000

	Preferred Stock	Common Stock	Capital In Excess of Par Value	Unrealized Loss on Marketable Securities	Retained Earnings	Treasury Stock, At Cost	Total Stockholders' Equity	Accumulated Comprehensive Income
Balance at March 31, 1999	$	$ 47,000	$ 22,394,000	$ (45,000)	$ 4,905,000	$ (3,033,000)	$ 24,268,000	$ 4,860,000
Comprehensive income:								
Net income					2,046,000		2,046,000	2,046,000
Unrealized loss on marketable securities				(893,000)			(893,000)	(893,000)
Comprehensive income							1,153,000	1,153,000
Shares Purchased						(58,000)	(58,000)	
Balance at March 31, 2000		47,000	22,394,000	(938,000)	6,951,000	(3,091,000)	25,363,000	6,013,000
Comprehensive income:					1,499,000		1,499,000	1,499,000
Net income								
Unrealized gain on marketable securities				659,000			659,000	659,000
Comprehensive income							2,158,000	2,158,000
Balance at March 31, 2001		47,000	$ 22,394,000	(279,000)	$ 8,450,000	$ (3,091,000)	$ 27,521,000	$ 8,171,000

	Preferred Stock	Common Stock	Capital In Excess of Par Value	Unrealized Loss on Marketable Securities	Retained Earnings	Treasury Stock, At Cost	Total Stockholders' Equity	Accumulated Comprehensive Income
Comprehensive loss:								
Net loss					(1,938,000)		(1,938,000)	(1,938,000)
Unrealized loss on marketable securities				(51,000)			(51,000)	(51,000)
Comprehensive loss							(1,989,000)	(1,989,000)
Balance at March 31, 2002	$	$ 47,000	$ 22,394,000	(330,000)	$ 6,512,000	$ (3,091,000)	$ 25,532,000	$ 6,182,000

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

SCHERER HEALTHCARE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended March 31,		
	2002	**2001**	**2000**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (1,938,000)	$ 1,499,000	$ 2,046,000
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:			
Depreciation and amortization	1,540,000	1,559,000	1,364,000
Deferred taxes	171,000	(642,000)	210,000
Equity in net losses of unconsolidated companies	24,000	667,000	
Impairment charge for investments	3,371,000	561,000	
Other noncash charges and credits, net		14,000	(16,000)
Changes in operating assets and liabilities:			
Accounts receivable	427,000	(305,000)	(829,000)
Interest receivable	24,000	5,000	(140,000)
Inventories	(83,000)	41,000	(174,000)
Prepaid and other current assets	(102,000)	(17,000)	
Other assets	451,000	(186,000)	(68,000)
Income taxes	(166,000)	35,000	(84,000)
Accounts payable and accrued expenses	3,000	(65,000)	(60,000)
Unearned revenue	14,000	33,000	66,000
Other liabilities	(44,000)	(77,000)	(279,000)
Net cash provided by continuing operations	3,692,000	3,122,000	2,036,000
Net cash used by discontinued operations	(17,000)	(82,000)	(73,000)
Net cash provided by operating activities	3,675,000	3,040,000	1,963,000

	Year Ended March 31,		
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment	(845,000)	(1,513,000)	(1,375,000)
Sale of marketable securities	467,000	2,743,000	
Purchase of marketable securities	(1,679,000)		(1,906,000)
Decrease in notes receivable			174,000
Investments in unconsolidated companies	(112,000)	(1,665,000)	(2,350,000)
Permit acquisition costs	(36,000)	(161,000)	(157,000)
Net cash used for investing activities	(2,205,000)	(596,000)	(5,614,000)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Repayments of borrowings) net proceeds from	(307,000)	265,000	(35,000)
Purchase of treasury shares			(58,000)
Net cash (used in) provided by financing activities	(307,000)	265,000	(93,000)
CHANGE IN CASH AND CASH EQUIVALENTS	1,163,000	2,709,000	(3,744,000)
CASH AND CASH EQUIVALENTS, beginning of year	4,398,000	1,689,000	5,433,000
CASH AND CASH EQUIVALENTS, end of year	5,561,000	$ 4,398,000	$ 1,689,000
SUPPLEMENTAL DISCLOSURES:			
Cash payments for income taxes	$ 574,000	$ 67,000	$ 60,000

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

SCHERER HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002, 2001, AND 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRINCIPLES OF CONSOLIDATION

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the parent company, Scherer Healthcare, Inc., and its subsidiaries (the "Company" or "Scherer Healthcare"). All significant intercompany accounts and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 period. Actual results could differ from those estimates.

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

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments

As of March 31, 2002 and 2001, the carrying value of financial instruments such as cash, short-term investments, trade receivables and payables and short-term debt approximated their fair values based on the short-term maturities of these instruments. Additionally, the carrying value of both long-term investments and long-term debt approximated fair values.

Inventories

Inventories are stated at the lower of cost or market, using the first-in, first-out ("FIFO") method.

During the fourth quarter of 2001, the Company changed its method of determining the cost of inventories from the last-in, first-out ("LIFO") method to the FIFO method, as it represented a more accurate methodology for costing inventory. The change in accounting principle increased net income by $31,000 and is included in the accompanying consolidated statements of operations for the year ended March 31, 2001.

	As of March 31,	
	2002	**2001**
Finished products	$ 53,000	$ 65,000
Containers, packaging, and raw material	363,000	268,000
Total	$ 416,000	$ 333,000

Property and Equipment

Property and equipment is stated at cost, and depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows: automobiles and trucks 5 years, leasehold improvements 3-31 years, and furniture, fixtures, equipment and containers 3-10 years.

	As of March 31,	
	2002	**2001**
Automobiles and trucks	$ 2,628,000	$ 2,246,000
Leasehold improvements	967,000	964,000
Furniture, fixtures, equipment and containers	6,415,000	6,077,000
Total	$ 10,010,000	$ 9,287,000

Depreciation expense for the years ending March 31, 2002, 2001, and 2000 was $1,323,000, $1,276,000, and $1,117,000, respectively.

Intangible Assets

Intangible assets include the cost in excess of net assets acquired ("goodwill") as well as various other intangibles. Intangible assets are amortized over the following estimated useful lives:

	Years
Goodwill	30
Permit acquisition costs	1-5

Marketable Securities

The Company determines the appropriate classification of its marketable securities at the time of purchase and reevaluates such designation at each balance sheet date. The Company's marketable securities are categorized as available-for-sale securities, as defined by SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and are carried at fair market value, with unrealized holding gains and losses reported in stockholders' equity (see Note 3).

Income Taxes

The Company uses the liability method to account for income taxes (see Note 9).

Revenue Recognition

Revenue for services provided is recorded when the Company has completed the service. Product revenue is recorded by the Company when products are received by customers or independent distributors. The Company's payment terms for product sales are the same for all customers, i.e. 1% discount if paid in 10 days, net due in 30 days. The Company does not offer price protection. In accordance with SFAS No. 48, "Revenue Recognition When Right of Return Exists," transactions with

customers and distributors qualify as sales at delivery. The Company's return and exchange policy is as follows:

- The Company will accept for exchange or credit all merchandise returned in the original and unopened packages within one year after the expiration date;
- Merchandise will not be accepted for exchange or credit if purchased at sacrifice, fire or bankruptcy sale, or sold on a non-returnable basis or if deteriorated from causes beyond the Company's control;
- Merchandise eligible for return may be exchanged for merchandise of equal value, for a return of the purchase price, or for credit to be applied to future orders;
- Exchange merchandise is required to be shipped prepaid by the customer; and
- The return of merchandise constitutes an authorization without recourse to the Company to destroy without payment any return items deemed unfit for resale.

The Company's returns for the years ending March 31, 2002, 2001, and 2000 were $10,000, $8,000, and $9,000, respectively. The Company's policy is to reduce sales and cost of goods sold when merchandise is returned.

Cost of Sales

Cost of sales includes the cost of product sales attributed to the Consumer Healthcare Products Segment and the cost of services associated with the Waste Management Services Segment which includes salaries and benefits costs, transportation and overhead costs.

Unearned Revenue

Unearned revenue includes the liability for advance billings to customers for contractual services billed on the first day of monthly billing periods.

Long-Lived Assets

The Company reviews its long-lived assets, such as property and equipment and intangible assets, including goodwill, for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount of an asset should be assessed. Management evaluates the intangible assets related to each acquisition individually to determine whether impairment has occurred. When factors indicate that long-lived assets and intangible assets should be evaluated for possible impairment, the Company will use an estimate of undiscounted cash flows over the remaining life of the asset in measuring whether the asset is recoverable. Management believes the Company's long-lived assets and intangible assets are appropriately valued in the consolidated balance sheets as of March 31, 2002 and 2001.

Insurance/Self-Insurance

The Company uses a combination of insurance and self-insurance for a number of risks including workers' compensation, general liability, vehicle liability and employee related health care benefits, a portion of which is paid by the employees. Liabilities associated with these risks are estimated in part by considering historical claims experience, demographic factors, severity factors and other actuarial assumptions.

Net Income Per Common Share

Basic net income per common share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net income per common share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares.

For the year ended March 31, 2002, the Company reported a loss and has not calculated dilutive weighted average common shares as the dilutive securities are anti-dilutive. The following is a reconciliation of the Company's basic weighted average common shares outstanding to diluted weighted average common shares outstanding for the years ending March 31, 2001 and 2000.

	2001	2000
Weighted average common shares outstanding basic	4,321,367	4,336,383
Dilutive potential common shares, weighted:		
Conversion of preferred stock to common stock	96,127	98,287
Dilutive stock options, net	124,778	113,623
Weighted average common shares outstanding diluted	4,542,272	4,548,293
Anti-dilutive options not included	50,000	129,800

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, *Business Combinations*, and No. 142, *Goodwill and Other Intangible Assets*, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill and intangible assets deemed to have indefinite lives will no longer be amortized, but will be subject to annual impairment tests in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of fiscal 2003. Application of the nonamortization provisions of the Statement is expected to result in an increase in net income of approximately $100,000, net of tax effects, for fiscal 2003. Prior to the completion of the second quarter of fiscal 2003, the Company will complete a transitional impairment review for goodwill and indefinite lived intangible assets as of the date of adoption. Subsequently, the Company will perform similar impairment reviews annually.

Management does not believe that the adoption of the impairment review provisions of the standard will have a material effect on the Company's financial position or results of operations.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FAS 144), which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. FAS 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of*, and the accounting and reporting provisions of APB Opinion No. 30, *Reporting the Results of Operations for a Disposal of a Segment of a Business*. The Company will adopt FAS 144 as of April 1, 2002 and does not believe that the adoption of FAS 144 will have a material impact on the Company's financial position or results of operations.

NOTE 2. SEGMENT INFORMATION

The Company operates in two business segments. The Company's waste management services segment assists hospitals, clinics, doctors' offices, and other health care facilities with the containment, control, collection, and processing of sharp-edged medical waste such as needles, syringes, razors, scissors, and scalpels. The consumer healthcare products segment distributes brand name and generic over-the-counter health care products. The Company also has a corporate segment, which has no operations.

The accounting policies of the business segments are the same as those described in the summary of significant accounting policies (see Note 1). Summarized financial data by business segment as of and for the years ending March 31, 2002, 2001, and 2000 are as follows.

	Year Ended March 31,		
	2002	2001	2000
Net Sales:			
Waste Management Services Segment	$ 18,832,000	$ 17,278,000	$ 15,435,000
Consumer Healthcare Products Segment	1,566,000	1,460,000	1,353,000
Total	20,398,000	$ 18,738,000	$ 16,788,000
Operating Income (Loss):			
Waste Management Services Segment	$ 1,763,000	$ 1,712,000	$ 1,656,000
Consumer Healthcare Products Segment	546,000	507,000	460,000
Corporate	(926,000)	(789,000)	(698,000)
Total	$ 1,383,000	$ 1,430,000	$ 1,418,000
Identifiable Assets:			
Waste Management Services Segment	$ 13,008,000	$ 13,201,000	$ 12,708,000
Consumer Healthcare Products Segment	244,000	236,000	228,000
Corporate (a)	15,874,000	17,592,000	15,744,000
Total	$ 29,126,000	$ 31,029,000	$ 28,680,000
Depreciation Expense:			
Waste Management Services Segment	$ 1,296,000	$ 1,228,000	$ 1,069,000
Consumer Healthcare Products Segment	5,000	2,000	3,000
Corporate	22,000	46,000	45,000

	Year Ended March 31,		
Total	$ 1,323,000	$ 1,276,000	$ 1,117,000
Capital Expenditures:			
Waste Management Services Segment	$ 841,000	$ 1,509,000	$ 1,344,000
Consumer Healthcare Products Segment	0	2,000	3,000
Corporate	4,000	2,000	28,000
Total	$ 845,000	$ 1,513,000	$ 1,375,000

(a) Amount includes net assets of discontinued operations of $498,000, $481,000, and $399,000 as of March 31, 2002, 2001, and 2000, respectively (see Note 10).

The Company recorded interest income of $621,000, $806,000, and $738,000 for the years ending March 31, 2002, 2001, and 2000, respectively, primarily related to interest-bearing investments carried at market value. The Company records interest income at the Corporate level.

Waste Management Services Segment

The Company operates its medical waste management services segment through its wholly-owned subsidiaries, BioWaste Systems, Inc., and Medical Waste Systems, Inc. (collectively, "Bio Systems"). Bio Systems has developed and implemented a system to manage and to dispose of certain infectious waste from hospitals and medical facilities primarily injectables and other sharp-edged waste. Bio Systems operates in ten Northeastern and Mid-Atlantic States, plus the District of Columbia.

Consumer Healthcare Products Segment

Scherer Laboratories, Inc. ("Scherer Labs"), a 100% owned subsidiary of the Company, distributes its own brand name over-the-counter ("OTC") healthcare products. The OTC products are principally products used for treatment of colds and coughs, eye and ear irritations and insect bites. In the years ended March 31, 2002, 2001 and 2000, Scherer Labs had one customer who accounted for 68% of sales for each year.

Scherer Labs markets its products primarily to drug and food stores, mass market retailers, drug wholesalers, and government agencies. The majority of the sales are through retailers in the southwest region of the United States.

NOTE 3. INVESTMENTS

The Company has the following investments as of March 31, 2002 and 2001.

	2002	2001
Investments in marketable securities, at fair value	$ 8,811,000	$ 7,843,000
Equity method investments in unconsolidated companies	303,000	3,167,000
Other investments, at cost	29,000	270,000
Total	$ 9,143,000	$ 11,280,000

The Company's investments, at market value, consist of investments in long-term high-grade marketable securities composed primarily of government and corporate fixed income bonds. These marketable securities are classified as available-for-sale and are being carried at fair market value based on quoted market prices. The net unrealized holding gains or losses on these investments are reported in stockholders' equity in the accompanying balance sheet.

The amortized cost and fair market value of the Company's marketable securities are as follows:

	Cost Amortized	Net Unrealized Loss	Fair Market Value
March 31, 2002			
Municipal bonds	$ 6,408,000	$ (243,000)	$ 6,165,000
Corporate bonds	2,733,000	(87,000)	2,646,000
Total	$ 9,141,000	$ (330,000)	$ 8,811,000
March 31, 2001			
Municipal bonds	$ 6,608,000	$ (148,000)	$ 6,460,000
Corporate bonds	1,215,000	(107,000)	1,108,000
Preferred stocks	299,000	(24,000)	275,000
Total	$ 8,122,000	$ (279,000)	$ 7,843,000

The net unrealized losses of the Company's marketable securities at March 31, 2002 and 2001, respectively, are detailed as follows:

	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Losses
March 31, 2002			
Municipal bonds	$ 24,000	$ (267,000)	$ (243,000)
Corporate bonds	3,000	(90,000)	(87,000)
Total	$ 27,000	$ (357,000)	$ (330,000)

	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Losses
March 31, 2001			
Municipal bonds	$ 21,000	$ (169,000)	$ (148,000)
Corporate bonds	1,000	(108,000)	(107,000)
Preferred stocks		(24,000)	(24,000)
Total	$ 22,000	$ (301,000)	$ (279,000)

The amortized cost and estimated fair value of the marketable securities (excluding the preferred stocks) at March 31, 2002, by contractual maturity, are shown below:

	Amortized Cost	Fair Value
Due in one year or less	$	$
Due after one year through five years	2,123,000	2,121,000
Due after five years through ten years	210,000	208,000
Due after ten years	6,808,000	6,482,000
Total	$ 9,141,000	$ 8,811,000

The equity method of accounting is used for companies and other investments in which the Company has significant influence. Generally this represents common stock ownership or convertible rights of at least 20% and not greater than 50%, and for investments in limited liability companies of at least 5% of ownership percentages.

The Company had investments in unconsolidated companies, recorded on the equity method of accounting, of $303,000 and $3,167,000 as of March 31, 2002 and 2001, respectively. The Company's equity in net losses of unconsolidated companies was $24,000 and $667,000 for the years ended March 31, 2002, and 2001, respectively.

The Company performs analysis of the operations and financial position of all investments on a quarterly basis subsequent to its initial investment, including a review of quarterly unaudited financial statements. The Company considers any increase/decrease in the Company's investments to be temporary unless other information related to sale or cessation exist. Following is a discussion of the Company's investments during the year ended March 31, 2002:

MedicareFacts, LLC:

MedicareFacts, LLC ("MedicareFacts") designs and develops reimbursement guides which provide a single source for all coding and coverage information needed to file accurate Medicare claims, thus ensuring optimal reimbursement and compliance with government regulations. These products are used principally by hospitals and clinical laboratories. The Company's investment is in the form of a two-year 10% series B unsecured convertible note in the aggregate principal amount of $400,000 that matures in October 2002, and which converts, at the Company's option, into 18.6% of the outstanding common stock of MedicareFacts as of March 31, 2002.

Econometrics, Inc.:

Econometrics, Inc. ("Econometrics") is a database marketing company that manages its own national consumer database of 180 million consumers and links marketers to its national database through the Internet. The Company's investment is in the form of a five-year 8% unsecured convertible debenture in the aggregate principal amount of $2,000,000 that matures in October 2004, a three-year 10% convertible debenture for $100,000, plus warrants to purchase common stock, that matures in June 2003, and an 18% promissory note for $50,000 that matured in April 2001.

Econometrics, Inc. was cash flow deficient and had poor earnings performance; however, it was able to meet its interest payment obligations to the Company through September 30, 2000. During the three months ended March 31, 2001, and continuing into the quarters ended June 30, 2001, and September 30, 2001, Econometrics was negotiating (i) a reverse merger with an independent company that would have reduced the Company's equity interest to 16% and (ii) a potential sale of 100% of Econometrics, including the Company's interests, for $15 million. These negotiations led to discussions regarding a potential three-way merger transaction with an established advertising agency and a small database compiling company. The overall objective was to merge those two businesses into Econometrics to improve Econometrics' business and prospects and/or to sell Econometrics.

Discussions between Econometrics and these third parties continued through the quarter ended September 30, 2001. However, as a result of the decline in the economy in general and the parties' industry in particular, the business activity of all three parties to the proposed merger deteriorated and the discussions regarding the transaction were terminated.

After the tragic events of September 11, 2001, the Company invested an additional $25,000 in Econometrics to provide emergency capital. Another investor agreed to invest $25,000; however, that investor subsequently refused to honor its commitment. As a result, Econometrics was not able to meet its payroll in early October 2001. A number of employees departed and, subsequently, Econometrics' executive officers resigned. Since the end of November 2001, Econometrics has not had any employees and does not conduct any operations. Accordingly, the Company wrote down the investment in the quarter ended September 30, 2001.

Compliance1, Inc.

Compliance1, Inc. ("Compliance1") manages the Health and Safety Information Service, a joint venture with the U.S. Department of Commerce, which facilitates agri-chemical and crop protection product compliance in cooperation with the U.S. Environmental Protection Agency and state departments of agriculture. Its internet-based solution consolidates the official up-to-date information needed by online market places to comply with federal, state, and local regulations. The Company's investment is in the form of three-year 10% secured convertible debentures in the aggregate principal amount of $1,165,000, which mature on various dates during 2003.

Compliance1, Inc. was a start-up enterprise that never had any revenue and attempts to finance future operations were unsuccessful. Compliance1 attempted to negotiate a sale of the company to a third party. However, during the quarter ended September 30, 2001, the Company was notified that all negotiations with potential buyers had ceased and, accordingly, the Company wrote down its investment.

Renaissance Pharmaceuticals, Inc.

The Company has an investment in Renaissance Pharmaceuticals, Inc. ("Renaissance Pharmaceuticals") which is recorded at historical cost under the cost method. Renaissance Pharmaceuticals, Inc. is a development stage drug delivery company. The Company had a direct investment of $622,000 in Renaissance Pharmaceuticals for 2.5% of the outstanding common stock as of March 31, 2001. During the quarter ending December 31, 2000, the Company recorded an

impairment charge of $380,000 against its investment in Renaissance Pharmaceuticals due to a revised valuation by the management of Renaissance Pharmaceuticals in connection with convertible preferred stock offering.

During the year ended March 31, 2002, the Company received notice that Renaissance Pharmaceuticals was having cash flow problems and would not be able to continue without additional equity contributions. Management believes that there is no future benefit in contributing cash to Renaissance Pharmaceuticals and wrote down the remaining investment in the approximate amount of $242,000.

Due to the recent difficult economic conditions affecting these companies resulting in the inability to generate sufficient cash flow and the amount of liabilities ranking ahead of the Company's investment in these entities, the Company has concluded that the decrease in value of its total investment in Econometrics, Compliance1 and Renaissance Pharmaceuticals is other than temporary and has written down the respective investments to zero. Accordingly, the Company recorded impairment charges of $3,129,000 in the quarter ended September 30, 2001, and $242,000 in the quarter ended March 31, 2002.

NOTE 4. INTANGIBLES AND GOODWILL

Intangible assets and the related accumulated amortization as of March 31, 2002 and 2001 are as follows:

	2002	2001
Goodwill	$ 4,575,000	$ 4,575,000
Permit acquisition costs	526,000	490,000
Acquisition costs for investments in Econometrics		138,000
	5,101,000	5,203,000
Less accumulated amortization	1,770,000	1,665,000
Intangible assets, net	$ 3,331,000	$ 3,538,000

Goodwill represents the cost in excess of net assets acquired relating to the acquisition of Bio Systems Partners. Goodwill amortization expense was $155,000, $150,000, and $149,000 for the years ending March 31, 2002, 2001, and 2000, respectively. Permit acquisition costs relate to the costs incurred in acquiring and amending disposal permits, as required by the state of New York and the Department of Environmental Conservation. Permit acquisition costs amortization expense was $106,000, $105,000, and $85,000 for the years ending March 31, 2002, 2001, and 2000, respectively. Acquisition costs for the investment in Econometrics relates primarily to acquisition consulting fees. The acquisition costs associated with the investment in Econometrics, net of amortization, of $97,000 were included in the impairment charge of $3,371,000 included in the Statements of Operations (Note 3).

NOTE 5. LEASES

At March 31, 2002, future minimum annual rental commitments under lease obligations are as follows:

Years ending March 31:	Capital Leases	Operating Leases
2003	$ 375,000	$ 624,000
2004	302,000	364,000
2005	248,000	260,000
2006	148,000	74,000
2007	56,000	75,000
Total minimum lease payments	1,129,000	$ 1,397,000
Less: Amount representing interest	164,000	
Present value of net minimum lease payments	965,000	
Less: Current maturities of capital leases obligations	292,000	
Long-term capital lease obligations	$ 673,000	

Total rental expense included in the consolidated statements of operations was $449,000, $392,000 and $329,000 for the years ending March 31, 2002, 2001 and 2000, respectively.

NOTE 6. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

In a January 1989 merger transaction, a wholly-owned subsidiary of the Company acquired Med X Services of Pennsylvania, Inc. ("Med X") whose President and majority stockholder was Harry Kovar. Mr. Kovar continued to be employed by Med X after the merger although a written employment agreement between Mr. Kovar and Med X had not been executed by both parties. In July 1989, Mr. Kovar was terminated from his employment with Med X. On December 18, 1989, Mr. Kovar and his wife filed a complaint against the Company, Med X, and other affiliated entities and persons in the Court of Common Pleas of Bucks County, Pennsylvania ("Kovar Complaint"). The Kovar Complaint, as amended four times by Mr. Kovar, alleged, among other charges, breach of an oral agreement by the Company to cause Med X to employ Mr. Kovar on a long-term basis and breach by Med-X of an alleged employment contract between Mr. Kovar and Med X. On March 13, 1992, the company answered Mr. Kovar's Fourth Amended Complaint and filed a counterclaim against Mr. Kovar for breach of warranties and representations, fraud, and violations of Pennsylvania's Securities Act of 1972 in connection with the merger of the Company's subsidiary and Med X. On October 26, 1999, counsel for the parties agreed to pay Mr. Kovar $325,000 in a lump sum cash payment. In December 1999, the Company, without admitting any wrongdoing, finalized the terms of the settlement with Mr. Kovar and the lawsuit was dismissed. The Company recorded $210,000 in litigation settlements expense for the year ending March 31, 2000, relating to this settlement.

On August 28, 1998, Amy Murphy, the former President of the Company, filed a sex discrimination and retaliation charge against the Company alleging a violation of Title VII of the Civil Rights Act of 1964, as amended. Ms. Murphy filed the charge with the Atlanta, Georgia office of the Equal Employment Opportunity Commission ("EEOC"). On September 23, 1998, Ms. Murphy amended this charge to identify the Company and Robert P. Scherer, Jr., Chairman, President and Chief Executive Officer of the Company, as her employers. The Company conducted an internal investigation of Ms. Murphy's charge and concluded that there has been no Title VII violation. On December 22, 1998, the EEOC notified the Company that it had terminated its investigation of Ms. Murphy's charge. On March 17, 1999, Ms. Murphy filed a complaint in United States District Court, Northern District of Georgia, Atlanta, Division, against the Company and Mr. Scherer alleging gender discrimination, sexual harassment, and intentional infliction of emotional distress. The Company and Mr. Scherer filed an answer denying Ms. Murphy's allegations on April 23, 1999. On October 4, 1999, the Company, without admitting any wrongdoing, settled the dispute with Ms. Murphy for a cash payment of $140,000. The Company recorded $88,000 in litigation settlements expense for the year ending March 31, 2000, relating to this settlement. The Company also agreed to repurchase all of Ms. Murphy's 16,667 shares of Common Stock of the Company for $3.50 per share. The price was equal to the price of the Company's common stock on the settlement date and was recorded as treasury stock. Ms. Murphy withdrew the lawsuit and retracted her allegations against the Company and Mr. Scherer.

The Company is subject to other legal proceedings and claims that arise in the ordinary course of business. Although the outcome of such proceedings and claims cannot be determined with certainty, management is of the opinion that their final outcome will not have a material adverse effect on the Company's consolidated operations or financial position.

NOTE 7. STOCKHOLDERS' EQUITY

Stock Options

The Company has stock options outstanding and exercisable under three stock option plans and a long-term incentive plan. Options become exercisable at a rate ranging from 20% to 100% per year from the date of grant and expire ten years from the date of grant. The Company's 1994 Stock Incentive Plan (the "1994 Plan") is the only Plan with stock option awards available for grant. All prior plans have expired. At March 31, 2002, the maximum shares available under the 1994 Plan for future grants was 540,000. The exercise price of options granted to date has been the fair market value of the shares on date of grant and all options vest over a period of three to five years.

The Company accounts for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, *"Accounting for Stock Issued to Employees,"* under which no compensation cost is recognized for options granted with an exercise price equal to the fair market value of the Company's common stock at the grant date. If the Company had accounted for these plans in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation," which measures compensation cost at the grant date based on the value of the award and is recognized over the service (or vesting) period, the

Company's pro forma net (loss) income and (loss) earnings per share would have been reflected as follows:

	Year Ended March 31,		
	2002	**2001**	**2000**
Net (loss) income			
As reported	$ (1,938,000)	$ 1,499,000	$ 2,046,000
Pro forma	$ (2,015,000)	$ 1,446,000	$ 2,017,000
Basic (loss) earnings per share			
As reported	$ (0.45)	$ 0.35	$ 0.47
Pro forma	$ (0.46)	$ 0.33	$ 0.47
Diluted (loss) earnings per share			
As reported	$ (0.45)	$ 0.33	$ 0.45
Pro forma	$ (0.46)	$ 0.32	$ 0.44

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted assumptions used for options granted for the year ended March 31, 2002: dividend yield of 0%, expected volatility of 70%, risk-free interest rates of return of 5.81%, and expected option lives of 6 years. There were no options issued for the years ending March 31, 2001 and 2000. The fair value of the options issued in the year ended March 31, 2002, was $460,000.

A summary of changes in outstanding options is as follows:

	Shares Subject to Option	Weighted Average Price per Share
Balance at March 31, 1999	399,800	$ 6.21
Options granted		
Options exercised		
Options cancelled and expired		
Balance at March 31, 2000	399,800	6.21
Options granted		
Options exercised		
Options cancelled and expired	(99,800)	10.38
Balance at March 31, 2001	300,000	4.83
Options granted	190,000	3.25
Options exercised		
Options cancelled and expired	(45,000)	7.70
Balance at March 31, 2002	445,000	$ 3.86
Options exercisable at March 31, 2002	318,334	

	Outstanding			Exercisable	
Ranges of Exercise Prices	Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
0.00- 1.69	185,000	5.1	1.69	185,000	1.69
1.70- 3.25	190,000	7.6	3.25	63,334	3.25
3.26- 3.56	40,000	7.1	3.56	40,000	3.56
20.50-26.88	30,000	1.0	21.56	30,000	21.56

Convertible Preferred Stock

As part of the Marquest acquisition in the year ended March 31, 1994, the Company issued 43,516 shares of its 5% convertible preferred stock, $.01 par value (the "Preferred Stock") to the former holders of Marquest's defaulted Swiss bonds. The Company has 2,000,000 shares of the Preferred Stock authorized. Each share of the Preferred Stock is convertible into approximately 4.43 shares of the Company's common stock. During the years ended March 31, 2002, 2001 and 2000, holders of the convertible Preferred Stock converted 3,765; 288; and 783 preferred shares into 16,674; 1,274; and 3,464 common shares. At March 31, 2002, and 2001, the Company had 17,939 and 21,704 shares, respectively, of the Preferred Stock outstanding which were convertible into approximately 79,470 and 96,149 shares, respectively, of the Company's common stock. No dividends have been declared or are payable on the Preferred Stock since the sale of Marquest in July of 1997. In the event of any liquidation, dissolution or winding up of the Company, the Preferred Stock will be preferred to common stock as to both earnings and assets. The holders of the Preferred Stock will be entitled to receive $100 per share plus any cumulative dividends accrued and unpaid as of the date of distribution before a distribution of any earnings or assets will be made to the holders of the common stock.

If the Company is consolidated with or merged into or sells or disposes of all or substantially all of its property and assets to any other corporation, the Company will provide as part of the terms of such consolidation, merger, or sale for the holders of the Preferred Stock to receive equivalent preferred stock in the surviving corporation and be entitled to equivalent conversion rights with respect to securities of the corporation resulting from such consolidation, merger or sale. In essence, the consolidation or merger of the Company with or into any other corporation, or the sale, lease, exchange, or transfer of all or substantially all of the Company's assets will not be deemed to be liquidation, dissolution, or winding up of the Company and the liquidation preference on the Preferred Stock would not be applicable.

NOTE 8. RETIREMENT PLAN

A contributory 401(k) salary reduction plan (the "401(k) Plan") covers all nonunion employees, and union employees in a few states, who are 21 years of age or older and have been employed at least one year. An eligible employee may elect to contribute from 2% up to 10% of their compensation and the Company may make a matching contribution, at its discretion, equal to a set percentage of employee compensation for all 401(k) Plan participants still employed on the last day of the 401(k) Plan year. The amount of employee contributions to which the match percentage is applied is limited to 6% of an employee's compensation. For fiscal 2002, the Company made a matching contribution equal to 100% of employee contributions up to the maximum of 6% of employee compensation.

Company contributions were approximately $109,000, $110,000, and $155,000 for the years ending March 31, 2002, 2001, and 2000, respectively.

NOTE 9. INCOME TAXES

As of March 31, 2002 and 2001, the Company's net deferred tax assets consisted of the following:

	2002	2001
Deferred tax assets:		
Accrued expenses	$ 261,000	$ 270,000
Net operating loss carryforwards		269,000
Equity losses in unconsolidated companies	217,000	208,000
Impairment of investment	1,464,000	183,000
Allowance for doubtful accounts	150,000	121,000
Alternative minimum tax credit	159,000	
Total deferred tax assets	2,251,000	1,051,000
Deferred tax liabilities:		
Depreciation	(180,000)	(59,000)
Other	(200,000)	(231,000)
Total deferred tax liabilities	(380,000)	(290,000)
Net gross deferred tax assets	1,871,000	761,000
Valuation allowance	1,281,000	
Net deferred tax assets	$ 590,000	$ 761,000

The increase in the valuation allowance of $1,281,000 during the year ended March 31, 2002, was attributable to the uncertainty of realizing the loss created by impairing investments. Based on management's assessment, it is more likely than not that the deferred tax asset created by the impairment of investments will be realized through future capital transactions. A reconciliation of the income tax provision at the federal statutory rates to the actual tax provision for the years ending March 31, 2002, 2001, and 2000 is as follows:

	2002	2001	2000
Computed statutory amount	$ (218,000)	$ 514,000	$ 742,000
Increase (decrease) in taxes resulting from:			
	(26,000)	60,000	87,000

	2002	2001	2000
State income taxes, net of federal income tax benefit			
Amortization of goodwill and intangible assets	43,000	43,000	43,000
Net change in valuation allowance	1,281,000	(860,000)	(505,000)
Tax exempt interest income	(116,000)	(140,000)	
Other, net	(51,000)	78,000	(165,000)
Federal taxes	(297,000)	(227,000)	
Provision (benefit) for income taxes	616,000	$ (532,000)	$ 202,000

Components of the provision (benefit) for income taxes for the years ending March 31, 2002, 2001, and 2000 are as follows:

	2002	2001	2000
Current taxes:			
Deferred tax	$ 171,000	$ (642,000)	$ 210,000
Federal	330,000	45,000	23,000
State	115,000	65,000	(31,000)
Provision (benefit) for income taxes	$ 616,000	$ (532,000)	$ 202,000

At March 31, 2002, all of the Company's federal tax loss carryforwards had been utilized. However, the Company has $159,000 of alternative minimum tax credits to use against future federal tax. The Company paid income taxes of $574,000, $67,000 and $60,000 for the years ending March 31, 2002, 2001 and 2000.

NOTE 10. DISCONTINUED OPERATIONS

Pharmaceutical Research and Development Segment

Biofor, Inc. ("Biofor"), a majority owned subsidiary of the Company which had been operating the Company's Pharmaceutical Research and Development Segment, was engaged in research to identify and develop new drug compounds. Biofor utilized "artificial intelligence" computer technology (known as "MultiCASE") which employed a system of rational drug design (known as M-CADD). This technology was used for new drug compound development and for contracted research and development.

Biofor focused its drug design efforts on arthritis and osteoarthritis as well as the treatment for acute pain. Biofor's lead compound, BF-389, was an anti-inflammatory analgesic which preliminary Phase I clinical trials indicated was not sufficiently bioavailable when administered orally in humans. Other delivery methods that would allow oral administration of the compound were pursued by Biofor without success.

In fiscal 1991, Biofor and Ono Pharmaceutical Company, Ltd. ("Ono") entered into the first of two research and collaboration agreements pursuant to which they jointly researched compounds. Biofor provided the use of its exclusive M-CADD software and its scientists experienced in using M-CADD, while Ono provided funding and clinical testing of any compounds discovered. The first contract expired in fiscal 1994 and the second expired March 1996.

In July 1995, after attempts to locate a purchaser for Biofor, Biofor ceased further drug design efforts and concentrated solely on the Ono research contract. When the Ono contract expired in March 1996, Biofor discontinued all operations and the Company abandoned all operations of Biofor.

The abandonment of the operations of Biofor was accounted for as a discontinued segment, and accordingly, the operations of Biofor were segregated and reported as discontinued operations in the prior period consolidated financial statements.

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There are no results of operations attributable to the discontinued operations of Biofor for the years ended March 31, 2002, 2001 and 2000.

The net assets of the discontinued operations of Biofor at March 31, 2002 and 2001 are as follows:

	2002	2001
Assets:		
Property and equipment, net of disposal costs (a)	$ 498,000	$ 487,000
Total assets	498,000	487,000
Liabilities:		
Accounts payable and accrued expenses		6,000
Total liabilities		6,000
Net assets of Biofor	$ 498,000	$ 481,000

(a) The remaining property and equipment of Biofor consists of 29 acres of vacant land and a 30,000 square foot building owned by Biofor.

The Company intends to sell the remaining assets of Biofor, but anticipates that it may take several years (primarily to sell the building). No income taxes or interest expense was allocated to the discontinued operations of Biofor for the years ending March 31, 2002, 2001, and 2000.

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NOTE 11. QUARTERLY RESULTS OF OPERATIONS (Unaudited)

QUARTERLY RESULTS OF OPERATIONS
(In thousands except per share data)

	Fiscal year ended March 31, 2002				Fiscal year ended March 31, 2001				Fiscal year ended March 31, 2000			
	June 30	Sept 30	Dec 31	Mar 31	June 30	Sept 30	Dec 31	Mar 31	June 30	Sept 30	Dec 31	Mar 31
NET SALES	$ 5,034	$ 5,132	$ 5,048	$ 5,184	$ 4,626	$ 4,611	$ 4,708	$ 4,793	$ 4,070	$ 4,019	$ 4,220	$ 4,479
Cost of sales	3,192	3,357	3,372	3,407	2,759	2,928	2,957	3,110	2,340	2,418	2,634	2,857
Selling, general, and administrative expenses	1,288	1,312	1,293	1,794	1,301	1,218	1,325	1,710	1,209	1,151	1,232	1,231
Litigation settlements										245		53

	Fiscal year ended March 31, 2002				Fiscal year ended March 31, 2001				Fiscal year ended March 31, 2000			
OPERATING INCOME (LOSS)	554	463	383	(17)	566	465	426	(27)	521	205	354	338
OTHER (EXPENSE) INCOME:												
Interest income	192	114	166	149	241	210	241	114	188	156	199	195
Equity in net losses of unconsolidated companies	39	(40)	(1)	(22)		(197)	(106)	(364)				
Impairment charge for other investments, at cost		(3,129)		(242)			(380)	(181)				
Other, net	(3)	(29)	10	91	(49)	5	1	2	20	19	20	92
Total (expense) other income	228	(3,084)	175	(24)	192	18	(244)	(429)	208	175	219	287
Income (loss) before income taxes	782	(2,621)	558	(41)	758	483	182	(456)	729	380	573	625
Provision (benefit) for income taxes	282	(1,089)	70	1,353	29	39	(229)	(371)	22	20	19	141
NET INCOME (LOSS)	$ 500	$ (1,532)	$ 488	$ (1,394)	$ 729	$ 444	$ 411	$ (85)	$ 707	$ 360	$ 554	$ 484
BASIC NET INCOME (LOSS) PER COMMON SHARE	$ 0.12	$ (0.35)	$ 0.11	$ (0.32)	$ 0.17	$ 0.10	$ 0.10	$ (0.02)	$ 0.16	$ 0.08	$ 0.13	$ 0.11
DILUTED INCOME (LOSS) PER COMMON SHARE	$ 0.11	$ (0.34)	$ 0.11	$ (0.32)	$ .16	$ 0.10	$ 0.09	$ (0.02)	$ 0.16	$ 0.08	$ 0.12	$ 0.11
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING BASIC	4,323	4,323	4,339	4,330	4,336	4,321	4,321	4,321	4,336	4,336	4,336	4,336
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING DILUTED	4,525	4,517	4,516	4,330	4,548	4,552	4,533	4,542	4,547	4,556	4,541	4,548

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Schedule II

SCHERER HEALTHCARE, INC.

VALUATION AND QUALIFYING ACCOUNTS

Three Years Ended March 31, 2002

Col. A	Col. B	Col. C	Col. D	Col. E	Col. F
		Additions			
Description	Balance Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Year
2002:					
Allowance for doubtful accounts	$ 319,000	$ 8,000	$	$ 28,000(a)	$ 299,000

		Additions			
2001:					
Allowance for doubtful accounts	$ 257,000	$ 111,000	$	$ 49,000(a)	$ 319,000
2000:					
Allowance for doubtful accounts	$ 293,000	$ (10,000)	$	$ 26,000(a)	$ 257,000

(a) Accounts written off, net of recoveries.

SCHERER HEALTHCARE, INC.

Index of Exhibits

The following exhibits are filed with or incorporated by reference in this report. Where such filing is made by incorporation by reference to a previously filed registration statement or report, such registration statement or report is identified in parentheses.

Exhibit Number	Description	Page Number
3.1	Certificate of Incorporation of the Company, as amended (Exhibit 3.1 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994).	
3.2	By-Laws of the Company (Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994).	
4	Certificate of Designation, Preferences and Rights of Preferred Stock by Resolution of the Board of Directors Providing for an Issue of 7,000 Shares of Preferred Stock Designated "Series A" Cumulative Convertible Preferred Stock (Exhibit 4 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994).	
10.1(a)	Property Lease between Bio Systems Partners and Flushing Operating Corp. for 210 Sherwood Avenue, Farmingdale, New York, and Addendum (Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994).	
(b)	Property Lease between Bio Systems Partners and Owners of 210 Sherwood Avenue for 210 Sherwood Avenue, Farmingdale, New York (Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).	
10.2	Property Lease between Med X Services of PA, Inc. and successors and Mark Hankin and Hamnar Associates XVII for 380 Constance Drive, Warminster, Pennsylvania, and Addendum (Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 1994).	
10.3	10% Convertible Promissory Note dated April 5, 2000, by and between Compliance1, Inc., a Delaware corporation, and Scherer Healthcare, Inc., a Delaware corporation (Exhibit 10.1 to the Company's amended Quarterly Report on Form 10-Q/A for the period ended September 31, 2000).	
10.4	Subscription Agreement dated April 5, 2000, by and between Compliance1, Inc., a Delaware corporation, and Scherer Healthcare, Inc., a Delaware corporation (Exhibit	

Exhibit Number	Description	Page Number
	10.3 to the Company's amended Quarterly Report on Form 10-Q/A for the period ended September 30, 2000).	
10.5	10% Convertible Promissory Note dated July 1, 2000, by and between Compliance1, Inc., a Delaware corporation, and Scherer Healthcare, Inc., a Delaware corporation (Exhibit 10.2 to the Company's amended Quarterly Report on Form 10-Q/A for the period ended September 30, 2000).	
10.6	10% Series B Convertible Promissory Note dated October 15, 2000, by and between MedicareFacts, LLC, a Delaware LLC, and Scherer Healthcare, Inc. a Delaware corporation (Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2000).	
10.7	Subscription Agreement dated October 15, 2000, by and between MedicareFacts, LLC, a Delaware LLC, and Scherer Healthcare, Inc., a Delaware corporation (Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2000).	
21	Subsidiaries of Registrant filed herewith.	20
23	Consent of Arthur Andersen LLP filed herewith.	
99	Letter from Scherer Healthcare, Inc. to the SEC regarding Arthur Andersen LLP filed herewith.	

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