CAPRIUS INC
Form PRER14A
February 10, 2011

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No. 1)

Filed by the Registrant þ
Filed by a Party other than the Registrant ¨
Check the appropriate box:
þ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
¨ Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Material Pursuant to §240.14a-12

CAPRIUS, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
¨ No fee required.
þ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

Common Stock, par value $0.01 per share, and Preferred Stock, par value $0.01 per share, of Caprius, Inc.

(2) Aggregate number of securities to which transaction applies:

5,431,865 shares of Common Stock outstanding and owned by stockholders (other than treasury shares and shares of Common Stock issuable pursuant to warrants granted to Vintage Capital Group, LLC expected to be exercised prior to the record date), plus 8,625,000 shares of Common Stock underlying the conversion rights of the holders of Preferred Stock.

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

The filing fee, calculated in accordance with Section 14(g) of Exchange Act, was determined by multiplying $0.0000713 by the aggregate value of transaction.

(4) Proposed maximum aggregate value of transaction:

$913,696 The aggregate value of transaction was determined by multiplying (i) 14,056,865 shares of Common Stock by (ii) $0.065, the per share merger consideration.

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(5)Total fee paid:

$ 65.14

þ Fee paid previously with preliminary materials.

¨Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

AMENDED PRELIMINARY COPY, SUBJECT TO COMPLETION
DATED FEBRUARY 10, 2011

CAPRIUS, INC.
10 Forest Avenue
Paramus, New Jersey 07652

_____, 2011

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Caprius, Inc. ("Caprius") to be held on _____, 2011, at 10:00 a.m., New York time, at the offices of Carter Ledyard & Milburn LLP at 2 Wall Street (18th Floor), New York, N.Y. Holders of record of Caprius Common Stock and Preferred Stock outstanding at the close of business on _____ 2011 will be entitled to notice of and to vote at the special meeting. Notice of the special meeting and the related proxy statement is enclosed. We urge you to read the accompanying proxy statement carefully as it sets forth details of the proposed merger and other important information related to the merger (the "Merger").

At the special meeting, you will be asked to adopt the Agreement and Plan of Merger, dated as of November 10, 2010 (the "Merger Agreement"), among Caprius, Vintage Capital Group, LLC ("Vintage"), and Capac Co., a newly-formed wholly-owned subsidiary of Vintage. As a result of the Merger contemplated by the Merger Agreement, Caprius will become a wholly-owned subsidiary of Vintage. This is a going-private transaction.

If the Merger is completed, at the effective time of the Merger, the conversion of our capital stock (other than any shares owned by Vintage or Merger Sub, by Caprius as treasury stock, or by any stockholders who have properly exercised their appraisal rights with respect to such shares) would be as follows (and without interest and less any applicable withholding tax):
(i) if you are a holder of our common stock, you will be entitled to receive $0.065 per share in cash for each share of Common Stock you hold;.
(ii) if you are a holder of our Series E Convertible Preferred Stock ("Series E Preferred"), you will be entitled to receive $40.625 in cash in exchange for each share of Series E Preferred which you hold, which per share consideration represents the common-equivalent consideration for such Series E Preferred based on its current conversion ratio of 625 shares of our common stock per share and the per common share merger consideration of $0.065; and
(iii) if you are a holder of our Series F Convertible Preferred Stock ("Series F Preferred"), you will be entitled to receive $6.50 in cash in exchange for each share of Series F Preferred which you hold, which per share consideration represents the common-equivalent consideration for such Series F Preferred based on its current conversion ratio of 100 shares of our common stock per share and the per common share merger consideration of $0.065.
The receipt of cash in exchange for shares of our common stock or preferred stock in the Merger will constitute a taxable transaction for U.S. federal income tax purposes. A copy of the Merger Agreement is included as Annex A to the attached proxy statement.

A special committee of the Caprius board of directors, consisting of two non-employee independent directors, negotiated and reviewed the terms and conditions of the proposed Merger and, after considering the fairness opinion of an investment bank, the analysis of its financial advisor and other factors, unanimously recommended to the Caprius board of directors that it approve and adopt the Merger Agreement and the transactions contemplated thereby. The Caprius board of directors, after considering various factors including the recommendation of the special committee and the fairness opinion of the special committee's financial advisor, (i) determined that the Merger is advisable, and in the best interests of, Caprius and the unaffiliated stockholders of Caprius, (ii) authorized, approved and declared advisable the Merger Agreement, the Merger and the other transactions contemplated by the Merger Agreement, (iii) resolved that the Merger Agreement be submitted to Caprius stockholders for their consideration and

(iv) recommended that the Caprius stockholders vote to adopt the Merger Agreement. The Caprius board of directors recommends that you vote "FOR" the proposal to adopt the Merger Agreement and "FOR" the proposal to adjourn the special meeting, if necessary.

The completion of the Merger is subject to various conditions set forth in the Merger Agreement, including adoption of the Merger Agreement by the affirmative vote of holders of a majority in voting power of the outstanding shares of common stock and preferred stock, voting as a single class on an as-converted basis, at the special meeting. The Caprius stockholders will have statutory appraisal rights in accordance with the General Corporation Law of the State of Delaware. The transaction is not subject to a financing condition.

In the materials accompanying this letter, you will find a Notice of Special Meeting of Stockholders, a proxy statement relating to the actions to be taken by stockholders at the special meeting and a proxy card. Included in the proxy statement is the opinion of the special committee's financial advisor, Hempstead & Co., Incorporated, relating to the fairness, from a financial point of view, of the consideration provided in the Merger. The proxy statement contains important information about the Merger Agreement and the Merger. We encourage you to read the entire proxy statement (including its annexes) carefully.

Whether or not you plan to attend the special meeting, please complete, date, sign and return, as promptly as possible, the enclosed proxy by mail in the accompanying reply envelope, or submit your proxy by telephone or the Internet. Stockholders who attend the meeting may revoke their proxies and vote in person. Your vote is very important regardless of the number of shares of common stock or preferred stock that you own. If you fail to submit a proxy or vote in person, or fail to instruct your broker how to vote, it will have the same effect as a vote against the proposal to adopt the Merger Agreement.

Thank you for your cooperation and continued support.

Very truly yours,

Dwight Morgan, President and Chief Executive Officer

Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved the Merger, passed upon the merits or fairness of the Merger or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The attached proxy statement is dated _____, 2011 and is first being mailed to stockholders on or about ____, 2011.

AMENDED PRELIMINARY COPY, SUBJECT TO COMPLETION
DATED FEBRUARY 10, 2011

CAPRIUS, INC.
10 Forest Avenue
Paramus, New Jersey 07652

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON _____, 2011

To the Stockholders of Caprius, Inc.:

A Special Meeting of Stockholders of Caprius, Inc., a Delaware corporation ("Caprius," "we" or "us"), will be held on ____, 2011, at the offices of Carter Ledyard & Milburn LLP at 2 Wall Street (18th Floor), New York, N.Y. at 10:00 a.m., New York time (the "Special Meeting"), for the following purposes:

1. To consider and vote on a proposal to adopt the Agreement and Plan of Merger, dated as of November 10, 2010 ("Merger Agreement"), by and among Caprius, Vintage Capital Group, LLC, a Delaware limited liability company ("Vintage"), and Capac Co., a Delaware corporation and a wholly-owned subsidiary of Vintage ("Merger Sub").
2. To consider and vote on a proposal to adjourn the Special Meeting to a later date or time, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the Merger Agreement.
3. To consider and vote on such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

A copy of the Merger Agreement is attached as Annex A to the accompanying proxy statement. Pursuant to the terms of the Merger Agreement, Merger Sub will merge with and into Caprius, which we refer to as the "Merger." At the effective time of the Merger, with respect to the issued and outstanding Caprius capital stock immediately prior to the effective time of the Merger (other than shares held by Caprius in treasury, shares held by Vintage or Merger Sub and shares owned by stockholders who have properly exercised appraisal rights with respect to such shares),

(i) each share of our common stock par value $0.01 per share ("Common Stock"), will be converted into the right to receive $0.065 in cash;
(ii) each share of our Series E Convertible Preferred Stock, par value $0.01 per share ("Series E Preferred"), will be converted into the right to receive $40.625 in cash, which per share consideration represents the common-equivalent consideration for the Series E Preferred based on its current conversion ratio of 625 shares of Common Stock per share and the per common share merger consideration of $0.065; and
(iii) each share of our Series F Convertible Preferred Stock, par value $0.01 per share ("Series F Preferred" and together with the Series E Preferred, the "Preferred Stock") will be converted into the right to receive $6.50 in cash, which per share consideration represents the common-equivalent consideration for the Series F Preferred based on its current conversion ratio of 100 shares of Common Stock per share and the per common share merger consideration of $0.065; all of which will be without interest and subject to applicable withholding tax.

Only holders of record of Common Stock and of Preferred Stock as of the close of business on ____, 2011 are entitled to notice of and to vote at the Special Meeting and or any adjournment or postponement thereof. In voting on the proposals, the Common Stock and the Preferred Stock (on an as-converted basis) vote as a single class. The adoption of the Merger Agreement requires the affirmative vote of the holders of a majority in voting power of the outstanding shares of Common Stock and Preferred Stock entitled to vote on the proposal to adopt the Merger Agreement, voting as a single class. As of the record date, Vintage held 9,371,243 shares of Common Stock, constituting approximately

40% of our outstanding shares of Common Stock, and also a warrant exercisable into 7,275,930 additional shares of Common Stock.

Under Delaware law, in connection with the Merger, our stockholders are entitled to seek appraisal of their shares and obtain payment in cash for the fair value thereof, but only if they submit a written demand for an appraisal before the vote is taken on the Merger Agreement and comply with applicable provisions of Delaware law. A copy of the Delaware statutory provisions relating to appraisal rights is attached as Annex C to the accompanying proxy statement and a summary of these provisions can be found in the section entitled "Appraisal Rights" in the proxy statement.

Your vote is important. Therefore, your failure to vote in person at the Special Meeting or to submit a signed proxy card or to submit your proxy by telephone or Internet will have the same effect as a vote by you "AGAINST" the adoption of the Merger Agreement. Approval of the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies requires the affirmative vote of holders of a majority in voting power of the shares present in person or by proxy at the Special Meeting and entitled to vote on the proposal. Properly executed proxy cards with no instructions indicated on the proxy card will be voted "FOR" the proposal to adopt the Merger Agreement and "FOR" the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the Merger Agreement. Even if you plan to attend the Special Meeting in person, we recommend that you complete, sign, date and return the enclosed proxy or submit your proxy by telephone or Internet prior to the Special Meeting to ensure that your shares will be represented if you become unable to attend. If you attend the Special Meeting, you may revoke your proxy and vote in person if you wish, even if you have previously returned your proxy card. If you hold your shares through a bank, broker or other custodian, you should follow the instructions for voting provided by your bank, broker or other custodian and, if you intend to vote your shares in person at the Special Meeting, you must first obtain a legal proxy from such custodian.

No person has been authorized to give any information or to make any representations other than those set forth in the proxy statement in connection with the solicitation of proxies made hereby, and if given or made, such information must not be relied upon as having been authorized by Caprius.

We urge you to read the accompanying proxy statement carefully as it sets forth details of the proposed Merger and other important information related to the Merger.

By Order of the Board of Directors

Dwight Morgan, President and Chief Executive Officer

Paramus, New Jersey
_____, 2011

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR STOCKHOLDER MEETING TO BE HELD ON _____, 2011.
The Proxy Statement and Annual Report are available at our website at www.Caprius.com.

TABLE OF CONTENTS

TABLE OF CONTENTS

SUMMARY

The following summary highlights only selected information from this proxy statement and may not contain all of the information that may be important to you. Accordingly, we encourage you to read this proxy statement carefully in its entirety, including the annexes and the other documents referred to or incorporated by reference in this proxy statement. Each item in this summary includes a page reference directing you to a more complete description of that topic. See "Where You Can Find More Information" on page __ of this proxy statement.

Purpose of the Stockholder Vote

You are being asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of November 10, 2010, (the "Merger Agreement"), by and among Caprius, Inc. ("Caprius", the "Company" or "we," "us," "our" similar terms), Vintage Capital Group, LLC ("Vintage") and Capac Co. ("Merger Sub"), and the Merger contemplated thereby, at a special meeting to be held on _____ 2011 (the "Special Meeting"). Only holders of record of our outstanding voting capital stock on _____ (the "Record Date") are entitled to notice of and to vote at the Special Meeting. See "The Special Meeting" beginning on page __ and "The Merger Agreement" beginning on page __ of this proxy statement.

The Parties to the Merger (See page __)

Caprius, Inc.

Caprius. Inc. is a Delaware corporation engaged in the infectious medical waste disposal business through our wholly-owned subsidiary MCM Environmental Technologies, Inc. which developed, markets and sells the SteriMed and SteriMed Junior compact on-site systems that simultaneously shred and chemically disinfect regulated medical waste under our proprietary registered bio-degradable chemical known as Ster-Cid. The SteriMed Systems are sold in both the domestic and international markets. We conduct our business from our offices in Paramus, New Jersey as well as in Michigan and Israel.

Vintage Capital Group, LLC and Capac Co.

Vintage is a Delaware limited liability company engaged in principal investment activities, including in operating business and early stage investments through equity investments, debt purchases, restructurings and turnarounds, debtor in possession financing and sale-leaseback transactions. Vintage, with a capital base exceeding $150 million, combines decades of investment, operating and management skills. It is based in Los Angeles, California. Merger Sub was formed solely for the purpose of entering into the Merger Agreement and consummating the transactions contemplated thereby, and has not carried on any business or activities to date, except activities incidental to its formation and in connection with the Merger Agreement and the transactions contemplated thereby. Vintage and Merger Sub are private companies.

In September 2009, Vintage entered into a secured loan arrangement with Caprius. As of January 31, 2011, Vintage had advanced approximately $4.9 million in cash to Caprius, exclusive of an additional $1.8 million of capitalized obligations (including approximately $880,000 of interest) owed to Vintage, pursuant to a Senior Secured Promissory Note (the "Vintage Note"). The maturity date of the Vintage Note initially was December 16, 2010. On December 16, 2010, the maturity date was extended to February 1, 2011. On January 31, 2011, the maturity date was further extended to the earlier of (i) April 30, 2011 or (ii) the termination of the Merger Agreement. The Vintage loan arrangement included affirmative and negative covenants by Caprius, including restrictions on extraordinary corporate transactions, such as mergers. As of the record date, Vintage directly owned 9,371,243 shares of Caprius common stock, representing approximately 40% of the voting power of our capital stock, and also held warrants exercisable for

7,275,930 additional shares of Caprius common stock at an exercise price of $0.01 per share (the "Vintage Warrant"). Pursuant to the Merger Agreement, Vintage agreed to limit its exercise of the Vintage Warrant for purposes of the approval of the Merger and the Merger Agreement to not more than 40% of the voting power of our capital stock as of the record date for the Special Meeting. See "Certain Relationships" beginning on page __ of this proxy statement.

The Merger Agreement and Merger Consideration (See page __)

Pursuant to the Merger Agreement, at the effective time of the Merger, Merger Sub will be merged with and into Caprius with Caprius continuing as the surviving corporation and becoming a wholly-owned subsidiary of Vintage. We sometimes use the term "surviving corporation" in this proxy statement to refer to Caprius as the surviving corporation following the Merger. Pursuant to the Merger (other than shares held by us in treasury, shares owned by Vintage or Merger Sub and shares owned by stockholders who have properly exercised appraisal rights under Section 262 of the General Corporation Law of the State of Delaware (which we refer to as the "DGCL")), (i) each share of Caprius common stock, par value $0.01 per share ("Common Stock"), will be automatically be cancelled and converted into the right to receive $0.065 per share in cash, (ii) each share of our Series E Convertible Preferred Stock, par value $0.01 per share ("Series E Preferred") will be converted into the right to receive $40.625 in cash, which per share consideration for the Series E Preferred represents the common-equivalent consideration for such Series E Preferred based on its current conversion ratio of 625 shares of our Common Stock; and (iii) each share of our Series F Convertible Preferred Stock, par value $0.01 per share ("Series F Preferred") will be converted into the right to receive $6.50 in cash, which per share consideration for the Series F Preferred represents the common-equivalent consideration for such Series F Preferred based on its current conversion ratio of 100 shares of our Common Stock $0.065, all without interest and less any applicable withholding tax. We refer to the foregoing consideration, collectively, as the "Merger Consideration."

We are working toward completing the conditions to the Merger contained in the Merger Agreement. The completion of the Merger is subject to various conditions set forth in the Merger Agreement, including fulfillment of the customary closing conditions, adoption of the Merger Agreement by the affirmative vote of holders of a majority in voting power of the outstanding shares of Common Stock and Preferred Stock entitled to vote thereon at the Special Meeting and completion of the Merger by June 30, 2011. However, we cannot predict the exact timing of the completion of the Merger or whether the Merger will be completed. See "The Merger Agreement – Conditions to Completion of the Merger" beginning on page __ of this proxy statement.

Going-Private Transaction

The proposed Merger will be a "going-private" transaction. If the Merger is completed, Caprius will cease to be a publicly-trading company. You will no longer have any interest in Caprius' future earnings, if any, or growth. Following consummation of the Merger, the registration of the Common Stock and our reporting obligations with respect to the Common Stock under the Securities Exchange Act of 1934 (the "Exchange Act") will be terminated upon application to the SEC. In addition, the shares of Common Stock will no longer trade on the Pink OTC Market (commonly known as the "Pink Sheets"). See "Special Factors-Deregistration of Caprius Common Stock" on page __ of this proxy statement.

Important Considerations

Recommendation of the Special Committee of Caprius's Board of Directors (See page _)

Our Board of Directors (the "Board") established a special committee (the "Special Committee") on October 6, 2010 by a resolution of the Board, to consider, examine, explore, review, analyze and negotiate the terms and conditions of a proposal made by Vintage for the Merger transaction. The Special Committee consists of the Company's two non-employee independent directors, Kenneth Leung and Roger Miller. The Special Committee has unanimously:

- approved the terms of the Merger Agreement, including the Merger and the other transactions contemplated by the Merger Agreement; and
- recommended that the Board approve and adopt the Merger Agreement, and the transactions contemplated thereby.

Opinion of Hempstead & Co. Incorporated to the Special Committee (See page __)

On November 10, 2010, Hempstead & Co. Incorporated ("Hempstead") rendered an oral opinion to the Special Committee and the full Board (which was confirmed in writing by delivery of its written opinion dated the same date), as to the fairness of the Merger Consideration to be received by the unaffiliated holders of our Common Stock and Preferred Stock on an assumed converted basis in the Merger, from a financial point of view.

Hempstead's opinion was addressed to the Board and only covered the fairness, from a financial point of view, of the Merger Consideration to be received by the unaffiliated holders of our shares in the Merger, and does not address any other aspect or implication of the Merger. The summary of Hempstead's opinion in this proxy statement is qualified in its entirety by reference to the full text of its written opinion, which is included as Annex B to this proxy statement, and sets forth the procedures followed, assumptions made, qualifications and limitations on the review undertaken and other matters considered by Hempstead in preparing its opinion. We encourage our stockholders to carefully read the full text of Hempstead's written opinion. However, neither Hempstead's opinion nor the summary of its opinion and the related analyses set forth in this proxy statement are intended to be, and do not constitute advice or a recommendation to the Special Committee, our Board or any stockholder as to how to act or vote with respect to the Merger or related matters. A more detailed description of the opinion of Hempstead is set forth in the section entitled "Special Factors: Background of the Merger – Opinion of Hempstead & Co. Incorporated to the Special Committee"

beginning on page __ of this proxy statement.

Recommendation of the Caprius Board of Directors (See page__)

Our Board has:

determined that the Merger is advisable, and in the best interests of, Caprius and its unaffiliated stockholders;
approved the Merger Agreement, including the Merger and the other transactions contemplated by the Merger Agreement, and declared the same to be advisable, and in the best interests of, Caprius and its unaffiliated stockholders;
resolved that the Merger Agreement be submitted for consideration by the holders of Caprius Common Stock and Preferred Stock at a special meeting of stockholders; and
recommended that you vote "FOR" the proposal to adopt the Merger Agreement and "FOR" the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the Special Meeting to adopt the Merger Agreement.

We have four directors on our Board, including two directors, Kenneth Leung and Roger Miller, who are not employees of the Company. None of our directors is affiliated with Vintage.

Having taken into consideration the determination of the Special Committee and the Caprius Board as to the fairness of the Merger, and the delivery by Hempstead of its opinion to the Caprius Board, Vintage and its affiliates reasonably believe that the Merger is fair to the unaffiliated stockholders of Caprius.

Financing (See page __)

As part of the Merger Agreement, Vintage and Merger Sub represented and warranted to us that they have all of the funds necessary ($914,000) to consummate the Merger on the terms and conditions in the Merger Agreement, which will be funded with cash Vintage has on hand.

Interests of Our Directors and Executive Officers in the Merger (See page __)

In considering the recommendation of our Board that you adopt the Merger Agreement, you should be aware that certain of our directors and executive officers may have interests in the transaction that are different from, or are in addition to, your interests as a stockholder, including the following:

the Merger Agreement provides for post-Merger indemnification arrangements for each of Caprius's current and former directors and officers, as well as continuation of directors and officers insurance coverage for their services to Caprius; and
two directors of Caprius, Dwight Morgan and George Aaron, are employees of Caprius and, upon the Merger, Mr. Morgan's employment agreement will be amended and Mr. Aaron will continue his "at will" employment.

Solicitation of Other Offers (See page __)

Under the Merger Agreement, during the period from the date of the Merger Agreement through December 15, 2010 (the "No-Shop Period Start Date"), the Company, and our officers, directors, employees and representatives, were permitted to initiate, solicit and encourage third parties to make an Acquisition Proposal (as defined in the Merger Agreement) to acquire the Company. Any third party solicited prior to the No-Shop Period Start Date who made an Acquisition Proposal that the Board or the Special Committee believed in good faith to constitute a Superior Proposal (as defined in the Merger Agreement), was deemed an "Excluded Party." Commencing on the No-Shop Period Start Date and continuing until the earlier of stockholder approval or the termination of the Merger Agreement, the Company has the right to negotiate and consider a Superior Proposal from an Excluded Party, but the Company

cannot initiate, solicit or encourage any other party to make an Acquisition Proposal. If the Company receives an unsolicited Acquisition Proposal after the No-Shop Period Start Date but prior to obtaining stockholder approval of the Merger and the Merger Agreement that the Board determines in good faith after consultation with its financial advisors and legal counsel is, or would reasonably be expected to lead to, a Superior Proposal and the Board determines in good faith after consultation with its legal counsel that it would reasonably be expected to be a breach of the Board's fiduciary duties to fail to engage in discussions or negotiations with the person or group making such Acquisition Proposal, Caprius is permitted to engage in such discussions or negotiations. In the event the Merger Agreement is terminated by reason of our entry into an agreement with respect to a Superior Proposal, we would have to pay the greater of (i) a termination fee in the amount of $61,000 and (ii) fees and expenses incurred by Vintage in connection with the Merger up to $100,000. See "The Merger Agreement – Effects of Terminating the Merger Agreement" beginning on page __ of this proxy statement.

Prior to the No-Shop Period Start Date, KPMG Corporate Finance LLC ("KPMG Corporate Finance"), as financial advisor to the Special Committee, undertook solicitation of entities which might make an Acquisition Proposal. KPMG Corporate Finance completed a broad solicitation process, however, no solicited party submitted a competing proposal to acquire the Company.

Conditions to the Completion of the Merger (See page __)

Conditions to Each Party's Obligation to Effect the Merger. Each party's obligation to effect the Merger is subject to the satisfaction or waiver of the following conditions:

- adoption of the Merger Agreement by Caprius's stockholders at the Special Meeting to be called after the Company files the requisite proxy material with the SEC;
- the absence of any law, statute, rule, regulation, order, decree, ruling, judgment, injunction or arbitration award of any governmental entity which prohibits or prevents the consummation of the Merger; and
- all necessary consents, approvals and authorizations of any governmental entity having been obtained.

Conditions to Caprius's Obligation to Effect the Merger. The obligation of Caprius to effect the Merger is subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of Vintage and Merger Sub contained in the Merger Agreement must be true and correct as of November 10, 2010 and as of the effective time of the Merger as if made at such time (except that to the extent such representations and warranties speak as of a specified date, they need only be true and correct as of such date);
- Vintage and Merger Sub must have performed in all material respects their respective obligations under the Merger Agreement required to be performed by them at or prior to the effective time of the Merger; and
- Caprius shall have received confirmation from its insurance agent or carrier that for six years after the date of the Merger, a directors and officers insurance policy shall be in place with at least the same coverage and containing terms and conditions comparable to the current policies.

Conditions to Vintage's and Merger Sub's Obligation to Effect the Merger. The obligation of Vintage and Merger Sub to effect the Merger is subject to the satisfaction or waiver of the following additional conditions:

- the representations and warranties of Caprius contained in the Merger Agreement must be true and correct as of November 10, 2010 and as of the effective time of the Merger as if made at such time (except that to the extent such representations and warranties speak as of a specified date, they need only be true and correct as of such date);
- Caprius must have performed in all material respects its obligations under the Merger Agreement required to be performed by it at or prior to the effective time of the Merger;
- all stock options and warrants (other than the Vintage Warrant) to purchase Caprius Common Stock shall terminate upon consummation of the Merger in accordance with their terms, and Caprius shall obtain the consent of the requisite holders of warrants to provide for such termination; and
- there must not have occurred and be continuing any Company Material Adverse Effect (as described under the section entitled "The Merger Agreement – Representations and Warranties" beginning on page _ of this proxy statement), or any event or development that would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

Termination of the Merger Agreement (See page __)

The Merger Agreement may be terminated and the Merger abandoned at any time prior to the effective time of the Merger, whether prior to or after the adoption of the Merger Agreement by the Caprius stockholders:

- by mutual written consent of Vintage and Caprius

- by either Vintage or Caprius, if:
  - the Merger has not been consummated on or before June 30, 2011, subject to extension under certain conditions, provided that a party may not terminate the Merger Agreement if the Merger has not been consummated by June 30, 2011 principally due to its breach of any representation, covenant or warranty or failure to perform any obligations under the Merger Agreement required to be performed by it at or prior to the effective time of the Merger;
  - any governmental entity has issued an order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by the Merger Agreement, and such order, decree, ruling or other action or order shall have become final and non-appealable; or

- the approval by Caprius stockholders required for consummation of the Merger shall not have been obtained by reason of the failure to obtain the required vote at the Special Meeting or any adjournment thereof.

Vintage also may terminate the Merger Agreement if:

- Caprius has breached any material covenant or agreement contained in the Merger Agreement, or any of Caprius's representations and warranties contained in the Merger Agreement was untrue as of November 10, 2010 or is not capable of being true as of the effective time of the Merger and such breach or inaccuracy shall not have been cured within 5 business days after Vintage gives written notice thereof; or
- in the event that (i) the Special Committee or Caprius' Board shall change their recommendation; (ii) Caprius fails to comply with any of the limitations on solicitation of other offers, (iii) the Board fails upon Vintage's or Merger Sub's request to reconfirm its recommendation of the Merger and the Merger Agreement, (iv) Caprius enters into an agreement related to a Superior Proposal or (v) an person or group (other than Vintage, Merger Sub or their affiliates) becomes the beneficial owner of 15% or more of Caprius Common Stock.

Caprius may also terminate the Merger Agreement if:

- Caprius enters into an agreement with respect to a Superior Proposal (as described in the section entitled "The Merger Agreement –Special Meeting of Caprius Stockholders; Recommendation of the Board; Agreement With Respect to a Superior Proposal" beginning at page __ of this proxy statement); or
- Vintage or Merger Sub has breached any material covenant or agreement contained in the Merger Agreement, or any representation and warranty of Vintage or Merger Sub contained in the Merger Agreement shall have become untrue and is not cured within five business days after Caprius gives written notice thereof.

Fees and Expenses (See page __)

In the event the Merger Agreement is terminated by us or by Vintage by reason of the exercise of certain termination rights, we are required to reimburse Vintage for its expenses, up to a maximum of $100,000. If the Merger Agreement is terminated under certain circumstances, including by reason of our entry into an agreement regarding a Superior Proposal, we would pay Vintage a termination fee of $61,000; provided that if Vintage is entitled to both a termination fee and expense reimbursement, the total amount we would have to pay will not exceed $100,000.

Vintage has agreed to reimburse our expenses, but not to exceed $50,000, in the event we prevail in an action for specific performance of the Merger Agreement.

Limited Remedies (See page __)

The maximum aggregate liability of Caprius is limited to the greater of the termination fee and expense reimbursement. We are not entitled to seek any damages or recovery of any kind against Vintage, Merger Sub, or any of their respective affiliates in connection with the Merger Agreement or the transactions contemplated thereby. However, each party is entitled to seek an injunction, specific performance or other equitable relief to prevent material breaches of the Merger Agreement and to enforce specifically the terms thereof.

Appraisal Rights (See page __)

Under Section 262 of the DGCL (a copy of which is attached hereto as Annex C), our stockholders are entitled to appraisal rights in connection with the Merger, provided that stockholders meet all of the conditions set forth in Section 262. If the Merger is consummated, dissenting stockholders who follow the procedures described in Section 262 within the appropriate time periods will be entitled to have the value of their shares of stock determined by the

Delaware Court of Chancery and to receive the "fair value" of such shares in cash as determined by the Delaware Court of Chancery, together with interest, if any, in lieu of the Merger Consideration that such stockholder would otherwise be entitled to receive pursuant to the Merger Agreement. These rights are known as appraisal rights. If a stockholder wishes to exercise appraisal rights in connection with the Merger, the stockholder must not submit a proxy or otherwise vote in favor of the proposal to adopt the Merger Agreement, must continuously be the holder of record of such shares through the effective time of the Merger and must meet the conditions described in Section 262. The rules and procedures relating to appraisal rights provisions of Section 262 are summarized in "Appraisal Rights" beginning at page __ of this proxy statement.

Material U.S. Federal Income Tax Consequences (See page __)

The conversion of shares of our Common Stock and Preferred Stock into the right to receive the respective per share cash Merger Consideration will be a taxable transaction to our stockholders for U.S. federal income tax purposes.

Market Price of Caprius Common Stock (See page __)

Shares of Caprius Common Stock are traded on the Pink OTC Market (commonly known as the "Pink Sheets") under the ticker symbol "CAPI." The closing price of our shares on the Pink Sheets on November 5, 2010, the last trading day prior to Vintage proposing the Merger Consideration was $0.03. The closing price of our shares of Common Stock on the Pink Sheets on November 10, 2010, the last trading day prior to our public announcement of the Merger Agreement, was $0.02 per share. On ___ __, 2011, the closing price of our shares of Common Stock on the Pink Sheets was $0.__ per share. We have not paid any cash dividends on our Common Stock. The Preferred Stock is not publicly traded. You are encouraged to obtain current market quotations for shares of Common Stock.

The Special Meeting (See page __)

Date, Time and Place

The Special Meeting of our stockholders will be held on___, 2011 at the offices of Carter Ledyard & Milburn LLP at 2 Wall Street (18th Floor), New York, N.Y.

Record Date, Notice and Quorum

Holders of Caprius Common Stock and Preferred Stock at the close of business on _____, 2011, the Record Date for the Special Meeting, will be entitled to receive notice of and to vote at the Special Meeting and any adjournments or postponements thereof. As of the Record Date, there were outstanding 14,803,108 shares of Common Stock, 4,200 shares of Series E Preferred and 60,000 shares of Series F Preferred. Each share of outstanding Common Stock is entitled to one vote, each share of Series E Preferred is entitled to 625 votes per share and each share of Series F Preferred is entitled to 100 votes per share on each matter properly brought before the Special Meeting, voting together as one class comprised of an aggregate of 23,428,108 votes. The presence in person or by proxy of the holders of shares of stock having a majority of the votes which could be cast by the holders of all outstanding shares of Common Stock and Preferred Stock entitled to vote at the Special Meeting is required to constitute a quorum for the purpose of considering the proposals.

The Proposals

At the Special Meeting, you will be asked to vote upon proposals to (1) adopt the Merger Agreement, (2) adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the Merger Agreement if there are insufficient votes at the Special Meeting to adopt the Merger Agreement and (3) consider and vote upon such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

Required Vote

Approval of the proposal to adopt the Merger Agreement requires the affirmative vote of the holders of a majority in voting power of the outstanding shares of Common Stock and Preferred Stock (voting on an as-converted into Common Stock basis) entitled to vote thereon, voting as a single class. Approval of the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the Merger

Agreement requires the affirmative vote of the holders of a majority in voting power of the shares of Common Stock and Preferred Stock (voting on an as-converted into Common Stock basis), or a total of 11,714,055 votes, present in person or represented by proxy at the Special Meeting and entitled to vote thereon, voting as a single class. The vote of a majority of unaffiliated stockholders is not required under Delaware law and is not required by the Merger Agreement. Failure to vote your shares of Common Stock and Preferred Stock, including as a result of broker non-votes and abstentions, will have the same effect as voting against the proposal to adopt the Merger Agreement.

At the Record Date, Vintage was the record holder of 9,371,243 shares of our Common Stock, equal to approximately 40% of the voting power of our outstanding shares of Common Stock and Preferred Stock, voting as one class. Vintage has informed us that it intends to vote its shares of Common Stock in favor of the proposal to adopt the Merger Agreement. Accordingly, other stockholders holding at least 2,342,812 shares (or approximately 10.1% of the outstanding shares) must vote in favor of the proposal to obtain approval of the Merger.

Voting and Proxies

If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, your are considered the stockholder of record with respect to those shares. Any stockholder of record entitled to vote at the Special Meeting may submit a proxy by returning the enclosed proxy card by mail, or may vote in person at the Special Meeting. If you intend to submit your proxy by mail it must be received by us or our proxy solicitor prior to the commencement of the Special Meeting.

If your shares are held on your behalf in "street name" by a bank, broker or other nominee, you are considered the beneficial owner of such shares. As a beneficial owner of shares, you must provide the nominee who holds your shares with specific voting instructions or obtain a proxy from the nominee for you to vote the shares directly Please provide voting instructions to the nominee that holds your shares by carefully following their instructions If the nominee does not receive voting instructions from you, the nominee will inform our inspector of election that it does not have the authority to vote on the Merger with respect to your shares. This is generally referred to as a "broker non-vote." Broker non-votes will not be counted for purposes of determining whether a quorum is present. ABSTENTIONS AND BROKER NON-VOTES WILL HAVE THE EFFECT OF A VOTE "AGAINST" THE PROPOSAL TO ADOPT THE MERGER AGREEMENT.

The persons named in the accompanying proxy will also have discretionary authority to vote on proposal to adjourn the Special Meeting. Even if you plan to attend the Special Meeting, after carefully reading and considering the information contained in this proxy statement, if you hold your shares of Common Stock or Preferred Stock in your own name as the stockholder of record, please have your shares voted at the Special Meeting by completing, signing, dating and returning the enclosed proxy card or by using the telephone number or Internet address printed on your proxy card.

If you return your signed proxy card, but do not mark the boxes showing how you wish to vote, your shares of Common Stock or Preferred Stock represented by such proxy card will be voted "FOR" the proposal to adopt the Merger Agreement and "FOR" the proposal to adjourn the Special Meeting, if applicable.

Revocability of Proxy

Any stockholder of record who executes and returns a proxy card (or submits a proxy via telephone or Internet) may revoke the proxy at any time before it is voted at the Special Meeting by attending the Special Meeting and voting in person. Your attendance at the Special Meeting will not, by itself, revoke your proxy. To revoke your proxy, you must vote in person at the Special Meeting. If you hold your shares of Common Stock or Preferred Stock in your name as a stockholder of record, you may also revoke the proxy by notifying our Chief Financial Officer at the following address: Caprius, Inc., Attention: Chief Financial Officer, 10 Forest Avenue, Paramus, New Jersey 07652. Further, your proxy may be revoked by submitting a later-dated proxy card, or, if you voted by telephone or Internet, by submitting a subsequent proxy by telephone or Internet.

In the event that you have instructed a broker, bank or other custodian to vote your shares of Common Stock or Preferred Stock, you have to follow the directions received from your broker, bank or other custodian and change those instructions in order to revoke your proxy.

Transfer or Sale of Shares

If you held your shares of Common Stock and Preferred Stock on _____, 2011, the Record Date for the Special Meeting, but sell or otherwise transfer your shares prior to the effective time of the Merger, you will not have the right to receive the Merger Consideration for those shares. The right to receive the Merger Consideration when the Merger

becomes effective will pass to the person who as of the effective time of the Merger owns the shares of our Common Stock or Preferred Stock that you previously owned. The voting rights with respect to shares of Common Stock or Preferred Stock owned by you on the record date for the Special Meeting but subsequently sold or transferred by you would depend upon any arrangements with the purchaser or transferee of the shares.

Solicitation of Proxies; Costs

This proxy solicitation is being made and paid for by Caprius on behalf of our Board. We will pay all expenses of this solicitation, including the cost of preparing and mailing this document. In addition to solicitation by use of the mails, proxies may be solicited by our directors, officers and employees in person or by telephone, telegram, electronic mail, facsimile transmission or other means of communication. Those persons will not be additionally compensated for solicitation activities, but may be reimbursed for out-of-pocket expenses in connection with any solicitation. We also may reimburse custodians, nominees and fiduciaries for their expenses in sending proxies and proxy material to beneficial owners.

We have retained Georgeson, Inc. ("Georgeson") to assist with the solicitation of proxies for a fee of $6,000, plus reimbursement of out-of-pocket expenses. Georgeson may solicit proxies by personal interview, mail, telephone, and electronic communications, and will request brokerage houses and other custodians, nominees, and fiduciaries to forward soliciting material to the beneficial owners of the Common Stock and Preferred Stock held on the Record Date by such persons.

We will also request brokers and other fiduciaries to forward proxy solicitation material to the beneficial owners of shares of our Common Stock and Preferred Stock that the brokers and fiduciaries hold of record. We will reimburse them for their reasonable out-of-pocket expenses.

Caprius Stock Ownership of Directors and Executive Officers

As of the Record Date, our directors and executive officers, as a group, beneficially owned and were entitled to vote an aggregate of approximately 268,536 shares of Common Stock, representing approximately 1.1% of the voting power of capital stock entitled to vote at the Special Meeting. These directors and executive officers have informed us that they intend to vote the shares of Common Stock that they own "FOR" the proposal to adopt the Merger Agreement and "FOR" the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the Special Meeting to adopt the Merger Agreement. The members of the Special Committee do not have significant share holdings.

Additional Information

For additional information about the Merger, assistance in submitting proxies or voting shares of Common Stock or Preferred Stock, or additional copies of the proxy statement or enclosed proxy card, please contact our Chief Financial Officer at the following address or telephone number: Caprius, Inc., Attention: Chief Financial Officer, 10 Forest Avenue, Paramus, New Jersey 07652 (201) 342-0900.

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER

The following questions and answers are intended to address briefly some questions you may have regarding the Special Meeting and the proposed Merger. These questions and answers may not address all questions that may be important to you as a stockholder of Caprius. Please refer to the "Summary" and the more detailed information contained elsewhere in this proxy statement and the annexes, as well as the additional documents referred to or incorporated in this proxy statement, which you should read carefully in their entirety. See "Where You Can Find More Information" on page__ of this proxy statement.

Q: When and where is the Special Meeting?

A: The Special Meeting of our stockholders will be held on ____, 2011, at the offices of Carter Ledyard & Milburn LLP at 2 Wall Street (18th Floor), New York, N.Y. at 10:00 a.m., New York time.

Q What am I being asked to vote on?

A: At the Special Meeting, you will be asked to vote upon proposals to (1) adopt the Merger Agreement, (2) adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies in favor of the proposal to adopt the Merger Agreement if there are insufficient votes at the Special Meeting to adopt the Merger Agreement and (3) consider and vote upon such other business as may properly come before the Special Meeting or any adjournments or postponements thereof.

Q: How does the Caprius Board recommend that I vote?

A: Our Board, including those directors who are not employees of Caprius, have unanimously recommended that you vote "FOR" the proposal to adopt the Merger Agreement and "FOR" the proposal to adjourn the Special Meeting, if necessary or appropriate. In making its recommendation, our Board considered the unanimous recommendation of a Special Committee, consisting of two non-employee independent directors, the report and "fairness" opinion of Hempstead and the Special Committee's determination that the Merger Agreement is advisable, and in the best interests of, Caprius and its unaffiliated stockholders.

We have four directors on our Board, including two directors, Kenneth Leung and Roger Miller, who are not employees of Caprius. The other two of our directors, George Aaron and Dwight Morgan, are our employees, but are not affiliated with Vintage.

Q: What is the proposed transaction?

A: The proposed transaction is the acquisition of Caprius by Vintage. If the Merger Agreement is adopted by our stockholders and the other closing conditions in the Merger Agreement are satisfied or waived, Merger Sub will merge with and into Caprius, Caprius will be the surviving corporation after the Merger and will be wholly-owned by Vintage.

Q: What will I receive in the Merger?

A: Each share of our Common Stock issued and outstanding immediately prior to the effective time of the Merger (other than shares held by us in treasury, shares held by Vintage or Merger Sub and shares held by stockholders who have properly exercised appraisal rights with respect to such shares) will be converted into the right to receive $0.065 per share in cash. Each share of our Series E Preferred (other than shares of Series E Preferred owned by stockholders who have properly exercised appraisal rights with respect to such shares) will be converted

into the right to receive $40.625 in cash. The per share merger consideration for the Series E Preferred represents the common-equivalent consideration for such Series E Preferred based on its current conversion ratio of 625 shares of our common stock per share of our Series E Preferred and the per common share merger consideration of $0.065. Each share of our Series F Preferred (other than shares of Series F Preferred owned by stockholders who have properly exercised appraisal rights with respect to such shares) will be converted into the right to receive $6.50 in cash. The per share merger consideration for the Series F Preferred represents the common-equivalent consideration for such Series F Preferred based on its current conversion ratio of 100 shares of our common stock per share of our Series F Preferred and the per common share merger consideration of $0.065. In each case, such consideration will be paid without interest and subject to applicable withholding tax. We refer to the foregoing consideration, collectively, as the "Merger Consideration."

Q: What will happen to the Common Stock or Preferred Stock that I currently own after completion of the Merger?

A: Following completion of the Merger, your shares of Caprius Common Stock or Preferred Stock will be cancelled and will represent only the right to receive the Merger Consideration, without interest and less any applicable withholding tax, unless appraisal rights were properly sought. Trading in Caprius Common Stock on the Pink Sheets will cease, price quotations for the Common Stock will no longer be available following completion of the Merger and the Common Stock will cease to be registered under the Exchange Act. You will no longer have any equity in Caprius, nor will you acquire any equity interest in Vintage. In addition, the accrued dividend on the Series E Preferred and the Series F Preferred will be cancelled by virtue of the Merger.

Q: When do you expect the Merger to be completed?

A: If our stockholders adopt the Merger Agreement, and assuming that the other conditions to the Merger are satisfied or waived, we believe that the Merger will be completed during the second quarter of 2011. The outside date to complete the Merger is June 30, 2011. However, we cannot predict the exact timing of the completion of the Merger or whether the Merger would be completed. See "The Merger Agreement – Conditions to Completion of the Merger" beginning on page __ of this proxy statement.

Q: Am I entitled to appraisal rights?

A: Yes. Under Delaware law, Caprius stockholders are entitled to appraisal rights in connection with the Merger, subject to complying with the procedures for exercising the same. These procedures are described in more detail under the section entitled "Appraisal Rights," beginning on page __ of this proxy statement. A copy of the Delaware appraisal rights statute is attached as Annex C to this proxy statement.

Q: What happens if the Merger is not completed?

A: If the Merger Agreement is not adopted by Caprius's stockholders or if the Merger is not completed for any other reason, Caprius stockholders will not receive any payment for their shares and will continue as stockholders. Caprius will remain a public company, and shares of Caprius Common Stock will continue to be listed and traded on the Pink Sheets and registered under the Exchange Act, and Vintage will remain our primary secured lender and major beneficial owner of our Common Stock. We cannot predict what our capital needs would be or what the status of the Vintage loans would be at that time. Under specified circumstances, we may be required to pay Vintage a termination fee and expenses as described under the section entitled "The Merger Agreement—Effects of Terminating the Merger Agreement," beginning on page __ of this proxy statement.

Q. Will the Merger be taxable to me?

A. Generally, yes. For U.S. federal income tax purposes, generally the Caprius stockholders (other than Vintage) will recognize a taxable gain or loss as a result of the Merger measured by the difference, if any, between $0.065 per share of Common Stock, $40.625 per share of Series E Preferred and $6.50 per share of Series F Preferred and your adjusted tax basis in that share. This gain or loss will be a long-term capital gain or loss if you have held your shares for more than one year at the effective time of the Merger. See "Special Factors-Material United States Federal Income Tax Consequences" beginning at page ___ of this proxy statement.

Q: What vote of our stockholders is required to adopt the Merger Agreement and to approve the proposal to adjourn the Special Meeting?

A: The affirmative vote of holders of a majority in voting power of the outstanding shares of Caprius Common Stock and Preferred Stock (voting on an as-converted into Common Stock basis), entitled to vote thereon, voting as a single class, is required to approve the proposal to adopt the Merger Agreement. The total votes in the class is 23,428,108. Approval of the proposal to adjourn the Special Meeting to solicit additional proxies, if necessary or appropriate, requires the affirmative vote of holders of a majority in voting power of the shares present in person or by proxy at the Special Meeting and entitled to vote thereon, voting as a single class, or 11,714,055 shares. At the close of business on the Record Date, Vintage owned 9,371,243 shares of our Common Stock, equal to approximately 40% of the voting power of the shares entitled to vote at the Special Meeting. Vintage has informed us that it will vote in favor of the proposal to adopt the Merger Agreement. Accordingly, other stockholders holding at least 2,342,812 shares (or 10.1% of the outstanding shares) must vote in favor of the proposal to obtain approval of the Merger. The vote of a majority of unaffiliated stockholders is not required under Delaware law and is not required by the Merger

Agreement. If a quorum is not present at the Special Meeting, it may be adjourned by the affirmative vote of holders of a majority in voting power of the shares present in person or by proxy at the Special Meeting.

Q: Who can vote and attend the Special Meeting?

A: The holders of record of Common Stock and the holders of record of Preferred Stock as of the close of business on the Record Date for the Special Meeting are entitled to receive notice of, to attend and to vote at the Special Meeting and any adjournments or postponements thereof. Each share of Common Stock is entitled to one vote, each share of Series E Preferred is entitled to 625 votes and Series F Preferred is entitled to 100 votes, voting as one class, on each matter properly brought before the Special Meeting.

Q: What will happen if I abstain from voting or fail to vote?

A: With respect to the proposal to adopt the Merger Agreement, if you abstain from voting on the proposal, fail to cast your vote in person or by proxy or, if you hold your shares in “street name,” fail to give voting instructions to the record holder of your shares, it will have the same effect as a vote against the proposal to adopt the Merger Agreement.

With respect to the proposal to adjourn the Special Meeting, if necessary or appropriate, to solicit additional proxies, if you abstain from voting on the proposal, it will have the same effect as a vote against the proposal. If you fail to cast your vote in person or by proxy or, if you hold your shares in “street name” and fail to give voting instructions to the record holder of your shares, it will have no effect on the outcome of the vote on the proposal to adjourn the Special Meeting, if necessary or appropriate.

Q: How do I cast my vote if my shares of Common Stock or Preferred Stock are held of record?

A: If you are a stockholder of record on the Record Date, you may vote in person or authorize a proxy for the Special Meeting. You can authorize your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage-paid envelope, or, if you prefer, by following the instructions on your proxy card for telephonic or Internet proxy authorization.

Q: How do I cast my vote if my shares of Common Stock and Preferred Stock are held in "street name"?

A: If you hold your shares of Common Stock or Preferred Stock in "street name" through a broker, bank or other custodian, your broker, bank or custodian will not vote your shares unless you provide instructions on how to vote. You must obtain a voting instruction card from the broker, bank or other custodian that is the record holder of your shares and provide your broker, bank or other custodian with instructions as to how to vote your shares, in accordance with the voting directions provided by your broker, bank or custodian. Additionally, if your shares of Common Stock or Preferred Stock are held in "street name" and you intend to vote your shares in person at the Special Meeting you must first obtain a legal proxy from such bank, broker or other custodian. The inability of your broker, bank or other custodian to vote your shares, often referred to as a "broker non-vote," will have the same effect as a vote against the proposal to adopt the Merger Agreement and will have no effect on the proposal to adjourn the Special Meeting for the purpose of soliciting additional proxies. If your shares are held in "street name," please refer to the voting instruction card used by your broker, bank or other custodian, or contact them directly, to see if you may submit voting instructions using the telephone.

Q: How will proxy holders vote my shares of Common Stock or Preferred Stock?

A: If you properly authorize a proxy prior to the Special Meeting, your shares of Common Stock or Preferred Stock will be voted as you direct. If you authorize a proxy but no direction is otherwise made, your shares of Common Stock or Preferred Stock will be voted "FOR" the proposal to adopt the Merger Agreement and "FOR" the proposal to adjourn the Special Meeting. The proxy holders will vote in their discretion upon such other matters as may properly come before the Special Meeting or any adjournments or postponements of the Special Meeting.

Q: What happens if I sell my shares of Common Stock or Preferred Stock before the Special Meeting?

A: If you held your shares of Common Stock or Preferred Stock on ___, 2011, the Record Date for the Special Meeting, but sell or transfer your shares prior to the Special Meeting, you not have any will retain your right to right to receive the Merger for those shares. The right to receive the Merger Consideration when the Merger becomes effective will pass to the person who as of the time of the Merger owns the shares of our Common Stock or Preferred Stock that you previously owned.

Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes. If you own shares of Common Stock or Preferred Stock as a record holder on _____, 2011, the Record Date for the Special Meeting, you may revoke a previously authorized proxy at any time prior to its exercise by delivering a properly executed, later-dated proxy card, by authorizing your proxy by telephone or Internet at a later date than your previously authorized proxy, following the instructions that appear on the enclosed proxy card or by voting in person at the Special Meeting. Attendance at the Special Meeting will not, in itself, constitute revocation of a previously authorized proxy. If you own shares of Common Stock or Preferred Stock in "street name," you may revoke or change previously granted voting instructions by following the instructions provided by the bank, broker or other custodian that is the registered owner of the shares.

Q: Should I send in my certificates representing shares of Common Stock or Preferred Stock now?

A: No. Shortly after the Merger is completed, you will receive a letter of transmittal with instructions informing you how to send your share certificates to the paying agent in order to receive the Merger Consideration. You should use the letter of transmittal to exchange your shares of Common Stock and Preferred Stock for the Merger Consideration following the Merger. DO NOT SEND ANY SHARE CERTIFICATES WITH YOUR PROXY.

Q: Where can I find more information about Caprius?