

Edgar Filing: SURGIDYNE INC - Form DEFM14A

SURGIDYNE INC
Form DEFM14A
January 02, 2002

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange
Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- 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 Section 240.14a-11(c) or
Section 240.14a-12

SURGIDYNE, INC.

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 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:
 - 2) Aggregate number of securities to which transaction applies:
 - 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):
 - 4) Proposed maximum aggregate value of transaction:
 - 5) Total Fee Paid:
- 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: \$40.00. Calculated pursuant to
Rule 0-11(c)(2), based on the 1/50 of 1% of \$200,000.
 - 2) Form, Schedule or Registration Statement No.: Schedule PREM14A
 - 3) Filing Party: Surgidyne, Inc.
 - 4) Date Filed: October 12, 2001

Dear Shareholder:

The Board of Directors (the "Board") of Surgidyne, Inc. (the "Company" or "Surgidyne") is pleased to announce that it has approved a sale of all of its assets (except for cash and corporate records) to Oxboro Medical, Inc. ("Oxboro"), a Minnesota corporation (the "Asset Sale"). Oxboro has agreed

Edgar Filing: SURGIDYNE INC - Form DEFM14A

to purchase such assets pursuant to that certain Asset Purchase Agreement dated October 4, 2001 and amended November 29, 2001 (the "Asset Agreement") in exchange for \$200,000 cash. The Company believes that such purchase price will be paid out of Oxboro's current cash balance. This is the best offer that the Company has received in several years of searching for a prospective buyer or merger, and therefore, the Board has determined that this transaction is fair to, and in the best interests of, the shareholders of the Company. Following the Asset Sale, if approved, the Company plans to explore subsequent business relationships with other entities in effort to further advance the interests of the shareholders of the Company. As such, the Board unanimously recommends that the shareholders vote in favor of the Asset Sale.

The Asset Sale is designed to permit the Company to pay in full certain liabilities (accrued expenses and liabilities and royalties, professional fees, employee and general administrative expenses) not assumed by Oxboro and retain a modest cash balance of approximately \$15,000 in order to maintain the remaining public shell. In the event that the Company experiences any significant delays in closing the Asset Sale, however, such cash balance may be reduced. The Asset Sale also provides for on-going sales of and support for, the Company's products to many of the Company's long-term, loyal customers. The Company expects that Oxboro, with its significant resources, will not only continue to sell and support the Company's current products, but will expand the line as well.

The Company is currently seeking an existing private company with significant resources and potential to merge into the Company's remaining public shell. It is the Company's goal to secure as large a position as possible in the newly merged company to enable the Company's shareholders to benefit from the increased potential of such company.

In connection with the Asset Sale, the shareholders of the Company are being asked to approve amendments to the Company's Articles of Incorporation, as amended, to change the Company's name to Surg II, Inc. and, in order to facilitate possible future financing and/or business combination transactions, to increase the authorized shares of the Company from Twenty Million (20,000,000) to Two-Hundred Million (200,000,000).

You are cordially invited to attend a special meeting of the shareholders of the Company (the "Special Meeting") to vote on the following: (i) to approve and adopt the Asset Sale in accordance with the Asset Agreement; (ii) to approve an amendment to Articles of Incorporation, as amended, to change the name of the Company to Surg II, Inc.; and (iii) to approve an amendment to the Articles of Incorporation, as amended, to increase the authorized shares of the Company to Two-Hundred Million (200,000,000). Your Vote Is Very Important. Whether or not you plan to attend the Special Meeting, please take the time to vote on the proposals submitted by completing and mailing the enclosed proxy card to us. Please sign, date and mail your proxy card indicating how you wish to vote. If you fail to return your proxy card, the effect will be a vote "AGAINST" the Asset Sale, the name change and the increase in the authorized shares.

The date, time and place for the Special Meeting is:

- * Tuesday, January 22, 2002, at 10:00 a.m. (Minneapolis time)
- * Southgate Plaza
5001 W. 80th Street
Suite 590
Bloomington, Minnesota
Telephone No. (763) 595-0665

The enclosed Proxy Statement provides detailed information about the

Edgar Filing: SURGIDYNE INC - Form DEFM14A

Asset Sale and the related proposals. You are encouraged to read the entire Proxy Statement carefully.

Sincerely,

/s/Theodore A. Johnson

Chairman of the Board of Directors

Minneapolis, Minnesota
January 02, 2002

SURGIDYNE, INC.
9909 South Shore Drive
Minneapolis, Minnesota 55441

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
to be held on January 22, 2002

To the Shareholders of the Company:

Notice is hereby given that a special meeting (the "Special Meeting") of the shareholders of Surgidyne, Inc. (the "Company" or "Surgidyne") will be held at 10:00 a.m. (Minneapolis time) on Tuesday, January 22, 2002, at Southgate Plaza, 5001 W. 80th Street, Suite 590, Bloomington, Minnesota, to consider and vote on (a) a proposal to approve and adopt that certain Asset Purchase Agreement dated October 4, 2001, and amended November 29, 2001 (the "Asset Agreement"), pursuant to which the Company will sell all of its assets (except for cash and corporate records) to Oxboro Medical, Inc. (the "Asset Sale"), (b) a proposal to approve an amendment to the Company's Articles of Incorporation, as amended, to change the name of the Company, and (c) a proposal to approve an amendment to the Company's Articles of Incorporation, as amended, to increase the number of authorized shares. Details of this transaction and other important information are set forth in the accompanying Proxy Statement, which the Board of Directors of the Company urges you to read carefully.

THE BOARD OF DIRECTORS OF THE COMPANY UNANIMOUSLY RECOMMENDS AN AFFIRMATIVE VOTE FOR EACH PROPOSAL.

The Board of Directors of the Company has fixed the close of business on December 17, 2001, as the record date for determination of shareholders entitled to notice of, and to vote at, the Special Meeting and any adjournment(s) or postponement(s) of the Special Meeting. A complete list of the shareholders entitled to vote at the Special Meeting, or any adjournment(s) or postponement(s) thereof, will be available at and during the Special Meeting.

You have the unconditional right to revoke your proxy at any time prior to its use at the Special Meeting by:

- * attending the Special Meeting and voting in person,
- * delivering to the Company, prior to the vote at the Special Meeting, a duly executed proxy with a later date than your original proxy, or

Edgar Filing: SURGIDYNE INC - Form DEFM14A

- * giving written notice of revocation to the Company addressed to Mr. Charles McNeil, Executive Vice President, Surgidyne, Inc., 9909 South Shore Drive, Minneapolis, Minnesota, 55441, prior to the vote at the Special Meeting.

If you return a proxy without specifying a choice on the proxy, the proxy will be voted "FOR" each of the proposals to be voted on at the Special Meeting. Additional information regarding the Special Meeting is included in the attached Proxy Statement.

Under Minnesota law, the holders of shares of common stock of the Company have the right to dissent from the Asset Sale and receive payment of the fair value of their shares upon compliance with the Minnesota Business Corporation Act (the "MBCA"). This right is explained more fully in the section of the attached Proxy Statement entitled "Rights of Dissenting Shareholders." Further, the dissenters' rights provisions of the MBCA are attached to the Proxy Statement as Appendix D.

Whether or not you expect to attend the Special Meeting in person, please complete, sign, date and return the accompanying proxy card without delay in the enclosed postage prepaid envelope. The proxy is revocable and will not be used if you are present and vote in person. If you receive more than one proxy card because you own shares registered in different names, or at different addresses, please sign and return each proxy card.

BY ORDER OF THE BOARD OF DIRECTORS

Minneapolis, Minnesota
January 02, 2002

/s/ Theodore A. Johnson
Chairman of the Board of Directors

PROXY STATEMENT

SPECIAL MEETING OF SHAREHOLDERS

January 22, 2002

This proxy statement ("Proxy Statement") is provided to you in connection with a special meeting (the "Special Meeting") of the shareholders of Surgidyne, Inc. (the "Company" or "Surgidyne"), that will be held at 10:00 a.m. (Minneapolis time) on Tuesday, January 22, 2002, at Southgate Plaza, 5001 W. 80th Street, Suite 590, Bloomington, Minnesota, and any adjournment thereof. The accompanying proxy is being solicited by the Board of Directors of the Company.

At the Special Meeting, you will be asked to approve (i) that certain Asset Purchase Agreement, dated October 4, 2001, and amended November 29, 2001 (the "Asset Agreement"), pursuant to which the Company will sell substantially all of its assets (the "Asset Sale") to Oxboro Medical, Inc. ("Oxboro"), (ii) the amendment to the Company's Articles of Incorporation, as amended, to change the name of the Company to Surg II, Inc., and (iii) the amendment of the Company's Articles of Incorporation, as amended, to increase the authorized capital stock to Two-Hundred Million (200,000,000) shares. The Board of Directors (the "Board") of the Company unanimously recommends that you vote "FOR" each proposal. By signing and returning the accompanying proxy, you authorize Theodore A. Johnson, the Chairman of the Board (with the power to act alone and with the power of substitution and revocation) to vote all of your

Edgar Filing: SURGIDYNE INC - Form DEFM14A

shares. Your proxy, if properly completed, signed and dated will be voted as you have directed. Regardless of the size of your holdings, you are encouraged to complete and return the proxy card so that your shares may be voted at the meeting.

We are sending this Proxy Statement and the accompanying form of proxy to you on or about January 02, 2002.

Only holders of record of shares of common stock ("Surgidyne Common Stock") and Series A convertible preferred stock ("Surgidyne Preferred Stock") of the Company at the close of business on December 17, 2001 (the "Record Date") are entitled to vote at the meeting. Each share of Surgidyne Common Stock and Surgidyne Preferred Stock is entitled to one vote. As of the Record Date, a total of 9,047,085 shares of Surgidyne Common Stock, including shares of Surgidyne Preferred Stock on an as-if converted 1:1 basis (collectively "Common Equivalents"), were outstanding. A majority of the outstanding shares of Surgidyne Common Stock and Surgidyne Preferred Stock entitled to vote, represented in person or by proxy, is required for a quorum. Each of (i) the Asset Agreement, (ii) the amendment to the Articles of Incorporation, as amended, to change the name of the Company and (iii) the amendment to the Articles of Incorporation, as amended, to increase the authorized number of shares, must be approved by the holders of a majority of outstanding shares of Surgidyne Common Stock and Surgidyne Preferred Stock.

SUMMARY TERM SHEET

This Summary Term Sheet may not contain all of the information that is important to you. For a more complete understanding of the Asset Sale and the other information contained in this Proxy Statement, you should read this entire Proxy Statement carefully, as well as the additional documents to which it refers.

THE SPECIAL MEETING

Date, Place and
Time of the Special

Meeting.....This Proxy Statement is furnished to holders of shares of Surgidyne Common Stock and Surgidyne Preferred Stock for use at the Special Meeting, and any adjournments or postponements thereof. The Special Meeting will be held at 10:00 a.m. (Minneapolis time) on Tuesday, January 22, 2002, at Southgate Plaza, 5001 W. 80th Street, Bloomington, Minnesota. See the "Notice of Special Meeting of Shareholders," accompanying this Proxy Statement, and "The Special Meeting-General."

Record Date,
Quorum and Voting

at the Meeting..The Company has set December 17, 2001, as its Record Date for determining those shareholders who are entitled to notice of and to vote at the Special Meeting. The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Surgidyne Common Stock and Surgidyne Preferred Stock is necessary to constitute a quorum at the meeting. Approval of the Asset Sale and amendments to the Company's Articles of Incorporation, as amended, requires the affirmative vote of the holders of a majority of all outstanding shares of Surgidyne Common Stock and Surgidyne Preferred Stock (on an as-if converted basis), voting as a single class. Each share of Surgidyne Common Stock and Surgidyne Preferred Stock is entitled to one vote. It is expected that all shares of Surgidyne Common Stock and Surgidyne Preferred Stock beneficially owned or controlled by the directors and officers of the Company will be voted in favor of the Asset Sale. See

Edgar Filing: SURGIDYNE INC - Form DEFM14A

"The Special Meeting-Record Date; Shareholders Entitled to Vote; Voting; Quorum."

THE PARTIES

Surgidyne.....Surgidyne, Inc., a Minnesota corporation, is a publicly held corporation. The Surgidyne Common Stock is currently listed on the over-the-counter bulletin board (the "OTCBB") under the symbol "SGDN." Surgidyne designs, develops, manufactures and markets specialty medical and surgical wound drainage products used in hospital operating and emergency rooms. The principal executive office of the Company are located at 9909 South Shore Drive, Minneapolis, Minnesota, and its telephone number is (763) 595-0665. See "Proposal 1: Approval of the Asset Agreement-The Parties" and "Information Concerning The Company."

Oxboro.....Oxboro Medical, Inc., a Minnesota corporation, is a publicly held corporation. The common stock of Oxboro currently trades on the Nasdaq SmallCap Market under the symbol "OMED." Oxboro develops, assembles and markets single-use disposable medical supplies and medical and surgical devices, including, silicone surgical loops, silicone and fabric surgical clamp covers, surgical instrument protection guards, suture aid booties, surgical instrument identification sheet and roll tape, surgical instrument cleaning brushes and various holders and organizers for surgical instruments used in the operating room. Oxboro's wholly-owned subsidiary, Sterion, Inc., manufactures and markets a proprietary line of surgical instrument sterilization containers and related disposable supplies. The principal executive office of Oxboro is located at 13828 Lincoln Street S.E., Ham Lake, Minnesota, and its telephone number is (763) 755-9516. See "Proposal 1: Approval of the Asset Agreement-The Parties"

THE ASSET SALE

Reasons for the Asset Sale.....The Company's sales have steadily declined since peaking in 1992, as the Company has been unsuccessful in its endeavors to make the Company a successful, profitable business entity via growth, merger or acquisition. Specifically, the Company has been unsuccessful in its endeavors to enter into new markets with existing products or to develop and bring new products to market. During the last two years, the Company's accumulated deficit has grown from \$4,672,542 at September 30, 1999 to \$4,971,320 at September 30, 2001. During the same period, total assets and stockholders' equity declined from \$349,831 and \$199,500 at September 30, 1999 to \$204,876 and \$34,946 at September 30, 2001, respectively. At September 30, 2001, the Company had working capital of only \$12,708. The Company does not have sufficient cash to pay its outstanding creditors. In 2001, the Company received notification from two of its creditors that each such creditor intended to take legal action unless paid in full. The Company has taken steps to avoid such legal action and intends to pay each such creditor in full from the proceeds of the Asset Sale. Prior to Oxboro, the Company has been unsuccessful in finding an acceptable merger, business combination or sale option, despite working with an investment bank, as well as other parties in the business community. As such, unless shareholders approve this transaction, the Company believes that it will be forced to curtail or cease operations and seek protection under Chapter 7 of the bankruptcy code.

Edgar Filing: SURGIDYNE INC - Form DEFM14A

See "Proposal 1: Approval of the Asset Agreement-Reasons for the Asset Sale."

The Company believes that the Asset Sale will provide the Company with sufficient cash to pay certain liabilities (accrued expenses and liabilities and royalties, professional fees, employee and general administrative expenses) that will not be assumed by Oxboro and leave the Company with a modest cash balance of approximately \$15,000 to maintain the remaining public shell. In the event that the Company experiences any significant delays in closing the Asset Sale, however, such cash balance may be reduced. As the Company is proposing to sell substantially all of its assets, no operating business will remain after the Asset Sale. The Company's balance sheet following the Asset Sale will be comprised of the estimated cash balance and an equal amount of equity and no other assets or liabilities will remain. Additionally, the Company will not generate any further revenues after the Asset Sale. See "Proposal 1: Approval of the Asset Agreement-Reasons for the Asset Sale."

The Company also believes that the Asset Sale will enable the Company to seek a business combination or other transaction with an opportunity that will be more attractive than the Company's current wound drainage business. The Company hopes to utilize its remaining capital structure to attract a business opportunity that will maximize potential value to shareholders. See "Proposal 1: Approval of the Asset Agreement-Reasons for the Asset Sale."

Background of the

Asset Sale.....In early 1997, Mr. Gary Copperud contacted Mr. Johnson and made an offer to purchase the Company. At this time, Mr. Copperud was not affiliated with Oxboro, but rather was seeking to acquire the Company on his own behalf. Mr. Copperud subsequently became a director of Oxboro in 1998. The offer Mr. Copperud presented was a per share purchase price of \$0.025 for an aggregate purchase price of approximately \$180,000. Due to the Company's financial status and trading price in the public market at that time, the Board of Directors of the Company believed that the value of the Company was higher and, therefore, the offer was too low. Mr. Johnson presented a counter offer to Mr. Copperud of \$0.07 per share, a value between the bid and ask price for the Surgidyne Common Stock as reported by the Minneapolis Star Tribune, which was rejected by Mr. Copperud. Mr. Johnson and Mr. Copperud attempted to continue negotiations but they could not reach a mutually satisfactory price and, therefore, they elected not to proceed with a transaction at that time. "Proposal 1: Approval of the Asset Agreement-Background of the Asset Sale."

Following a number of unsuccessful attempts in locating an acceptable merger, business combination or sale, in June, 2001, Mr. Johnson and Mr. Copperud met again. This time, Mr. Copperud met with Mr. Johnson as a member of the Board of Directors of Oxboro. The meeting between Mr. Johnson and Mr. Copperud focused on the potential acquisition of the Company by Oxboro. Mr. Copperud suggested that Oxboro would purchase the Company to compliment its own product line and, therefore, recommended that Mr. Johnson meet with Mr. Berkley, the Chief Executive Officer of Oxboro. Mr. Johnson and Mr. Berkley met to discuss the framework of the potential transaction and

Edgar Filing: SURGIDYNE INC - Form DEFM14A

agreed to explore the possibility of a transaction with their respective Boards of Directors. Ultimately, following some negotiations, Oxboro presented the Company with a letter of intent whereby Oxboro agreed to pay \$200,000 for the Company's assets. The Company believed, and continues to believe, that such amounts would be paid from Oxboro's current cash balance. "Proposal 1: Approval of the Asset Agreement-Background of the Asset Sale."

After Mr. Johnson's meeting with Mr. Copperud, Mr. Johnson analyzed a number of possible ways that the Company could be valued, including as a multiple of revenue or a multiple of asset book value. Mr. Johnson considered the Company's sales of \$130,064 as of March 31, 2001, and its asset book value of \$279,688 as of the same date. He wanted to justify the highest possible valuation and considered that a range of 1/2 to 1 times revenue or approximately \$250,000 to \$500,000 could be reasonably justified. Mr. Johnson also concluded, based on such analysis, that a multiple of 1 times the asset book value could be justifiable. Despite such analysis, Mr. Johnson also concluded, based on past experience and the current market conditions, that a buyer might rationally offer a lower multiple and that, given the Company's situation, a number close to the low end established in his analysis was at least worthy of additional consideration by the Board. It was always important, however, to insure that the purchase price covered at least substantially the Company's known liabilities.

Mr. Johnson and Mr. Berkley met to discuss the framework of the potential transaction and agreed to explore the possibility of a transaction with their respective Boards of Directors. Ultimately, following some negotiations, Oxboro presented the Company with a letter of intent whereby Oxboro agreed to pay \$200,000 for the Company's assets. The Company believed, and continues to believe, that such amounts would be paid from Oxboro's current cash balance. "Proposal 1: Approval of the Asset Agreement-Background of the Asset Sale."

Board

Consideration...At a special meeting of the Company's Board of Directors on August 13, 2001, Mr. Johnson presented the Oxboro proposal to purchase of the assets of the Company. Mr. Johnson discussed the numerous efforts to find another acceptable purchaser, the letter of intent, his discussions with Oxboro, the unsuccessful efforts of Equity Securities to locate potential purchasers and the current declining sales and cash position of the Company. In analyzing the proposed offer by Oxboro the Board discussed all of the following:

- * the lack of potential for future growth of the Company's products due to a number of factors including lack of funds;
- * the likely inability to raise significant additional capital;
- * the current financial position of the Company, including its poor cash and asset positions and its growing liabilities balance (accounts and notes payable balances which had increased by \$11,419, from December 31, 2000 to June 30, 2001);

Edgar Filing: SURGIDYNE INC - Form DEFM14A

- * the positives and negative aspects of selling just the assets of the Company as opposed to all of the Company;
- * the desire to seek a merger partner with a significant business opportunity that could maximize existing shareholder value; and
- * the failure of the Company to find any better offers or opportunities.

Mr. Johnson discussed with the Board his thoughts on whether the proposed price was within normal parameters, based on his past experience, using various valuation methods including valuation as a multiple of sales or multiple of asset book value. Mr. Johnson discussed with the Board how such analysis compared to the discussions regarding price that Mr. Johnson had previously had with Oxboro. Without giving specific consideration to any method of valuation or giving greater weight to any of the factors considered by the Board and considering the Company's declining cash position, growing accounts and notes payable, and lack of better alternatives, and that the payment would be sufficient to repay at least substantially all of the unassumed debt of the Company, the Board agreed that the price presented was within an acceptable range of prices utilizing revenue or asset book value valuation multiples. The Board therefore authorized Mr. Johnson to proceed with negotiation of a final agreement. The Company's Board indicated its support for the objectives and opportunities to enhance shareholder value and to protect the fiduciary interests of the Company's creditors.

Although the Company did not hire a financial advisor to make a recommendation regarding the fairness of the asset sale due to the low value of the Company and the high cost of such advisors, the Board believes that, given the Company's current financial situation and the inability to find an acceptable alternative for the past five years, the Asset Sale is fair to the shareholders and adequately protects the interests of the Company's creditors. This is especially true in light of the fact that this offer is higher than any other offer received by the Company through its several years of searching for a prospective buyer or merger partner. As such, to enable the Company to proceed with the Asset Sale, the letter of intent was accepted by the Board of Directors. See "Proposal 1: Approval of the Asset Agreement-Board Consideration."

Certain

Relationships...There are certain relationships between the Company and its officers and directors that may be affected by the Asset Sale. In particular, Mr. McNeil is currently owed \$9,898, plus interest, by the Company pursuant to a promissory note, and the following directors, Messrs. Johnson and Schwalm and Dr. Knighton, by virtue of either their status as preferred shareholders or as common shareholders who participated in a private offering in October 1990 which offered royalty rights, are owed \$762.33, \$1,008.66 and \$254.11, respectively, for accrued expenses and royalties. Certain officers and directors, Mr. Johnson and Mr. McNeil, have warrants to purchase 200,000 and 215,000 shares, respectively, of Surgidyne Common Stock at an exercise price of \$0.17 per share and EMBRO Corporation, a corporation owned by two directors of the Company, Mr. Fiegel and Dr. Knighton, has warrants to purchase 65,000 shares of

Edgar Filing: SURGIDYNE INC - Form DEFM14A

Surgidyne Common Stock at an exercise price of \$0.17 per share. These warrants will not be affected by this acquisition. See "Proposal 1: Approval of the Asset Agreement-Certain Relationships."

Mr. McNeil has entered into a Consulting Agreement with Oxboro pursuant to which he will provide new product and business development consulting services contacts and information for an initial term of 180 "billable days" at a rate of \$300 per "billable day." See "Proposal 1: Approval of the Asset Agreement-Certain Relationships."

As consideration for their agreement to stay with the Company until the completion of the Asset Sale, the Company has agreed to pay the three employees of the Company other than Mr. McNeil a one-time bonus payment of \$5,000 for an aggregate total of \$15,000. None of these employees will be employed by the Company following the closing of the Asset Sale, however, the Asset Agreement gives Oxboro the option of interviewing and making an offer in writing of employment to such employees. See "Proposal 1: Approval of the Asset Agreement-Certain Relationships."

Effect of the Asset

Sale.....The Company will receive \$200,000 in cash in exchange for the sale of all of the Company's assets (except for cash and corporate records) and the assumption of substantially all trade payables as well as most other liabilities. The Company believes that such purchase price will be paid out of Oxboro's current cash balance. The Company further believes that this should allow the Company to pay in full certain liabilities (accrued expenses and liabilities and royalties, professional fees, employee and general administrative expenses) that have not been assumed by Oxboro and retain a modest cash balance of approximately \$15,000 in order to maintain the remaining public shell, as the Company currently intends to maintain its status as a reporting company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The use of proceeds from the Asset Sale is summarized below under the caption "Proposal 1: Approval of the Asset Agreement-Effect of the Sale." In the event that the Company experiences any significant delays in closing the Asset Sale, however, such cash balance may be reduced. See "Proposal 1: Approval of the Asset Agreement-Effect of the Asset Sale."

As the Company is proposing to sell substantially all of its assets, no operating business will remain after the Asset Sale. The Company's balance sheet following the Asset Sale will be comprised of the estimated cash balance and an equal amount of equity and no other assets or liabilities will remain. Additionally, the Company will not generate any further revenues after the Asset Sale. See "Proposal 1: Approval of the Asset Agreement-Effect of the Asset Sale."

Reason for the

Name Change.....As part of the Asset Agreement the Company has agreed to change its name to Surg II, Inc. See "Proposal 2: Amendment of Articles to Change the Company Name" and Appendix C.

Reason for the Increase in

Shares.....The Board of Directors of the Company believes it may need to

Edgar Filing: SURGIDYNE INC - Form DEFM14A

sell additional shares of the Company to one or more investors in order to make the Company more attractive to a potential merger partner or to obtain funds necessary to operate the Company on a going forward basis. In addition, the Company assumes that in the event that it is able to find a suitable business partner with which to merger, the Company may need to issue a large number of the Company's authorized but unissued shares or otherwise recapitalize. The authorization of additional shares will enable the Board to issue shares of one or more classes of stock without notice to or approval of the shareholders. Any such issuance could significantly dilute the interests of the current shareholders. Additionally, an increase in the number of authorized shares could be used by the Board as an anti-takeover mechanism. See "Proposal 3: Amendment of Articles to Increase Authorized Shares" and Appendix C.

Recommendation
of the Board of

Directors....The Board of Directors of the Company has approved the Asset Sale, name change and increase in number of shares authorized. Further, the Board of Directors unanimously recommends that the shareholders of the Company vote "FOR" each proposal. See "Proposal 1: Approval of the Asset Agreement-Background of the Asset Sale," "Proposal 1: Approval of the Asset Agreement-Favorable Recommendation of the Company's Board of Directors," "Proposal 2: Amendment of the Articles to Change the Company Name-Favorable Recommendation of the Company's Board of Directors," and "Proposal 3: Amendment of the Articles to Increase Authorized Shares-Favorable Recommendation of the Company's Board of Directors."

Dissenter's

Rights.....Under the MBCA, the shareholders of the Company are entitled to assert dissenters' rights. See "Rights of Dissenting Shareholders."

THE ASSET AGREEMENT

Effective Time of

the Asset Sale..The Asset Sale will become effective at the time to be specified in the Asset Agreement and is expected to close as soon as practicable following a successful vote by the shareholders of the Company. See "The Asset Agreement-General" and Appendix A and Appendix B.

Conditions to the

Asset Sale.....The Asset Sale will be completed only if:

- * it is approved by the holders of a majority of the outstanding shares of Surgidyne Common Stock and Surgidyne Preferred Stock; and
- * no event occurs that would either (i) prevent the consummation of the transactions contemplated by the Asset Agreement, or (ii) cause any of the transactions contemplated by the Asset Agreement to be rescinded following consummation of such transactions.

See "The Asset Agreement-Conditions to Consummation of Asset Sale" and Appendix A.

Edgar Filing: SURGIDYNE INC - Form DEFM14A

Assets Sold and Liabilities

Assumed.....All of the assets of the Company are being sold except the Company's cash on hand and the Company's corporate records. Oxboro will assume almost all liabilities, including all trade and accounts payable and certain other trade and accounts payable to be set forth on the closing payable sheet. The Company believes that the Asset Sale will provide the Company with sufficient cash to pay certain liabilities (accrued expenses and liabilities and royalties, professional fees, employee and general administrative expenses) that will not be assumed by Oxboro and leave the Company with a modest cash balance of approximately \$15,000 to maintain the remaining public shell. In the event that the Company experiences any significant delays in closing the Asset Sale, however, such cash balance may be reduced. As the Company is proposing to sell substantially all of its assets, no operating business will remain after the Asset Sale. The Company's balance sheet following the Asset Sale will be comprised of the estimated cash balance and an equal amount of equity and no other assets or liabilities will remain. Additionally, the Company will not generate any further revenues after the Asset Sale. See "The Asset Agreement-General" and Appendix A.

Indemnification.The Company has agreed to provide to Oxboro indemnification from all damages, losses, costs and expenses that it may suffer as a result of certain items including, any unassumed liabilities, breach of the representations and warranties in the Asset Agreement and third party product claims for products which were in inventory or sold prior to the closing on the Asset Agreement. This indemnification is effective for one year from the date of the closing and for a maximum of \$20,000. See "The Asset Agreement-Indemnification."

Amending or

Waiving Terms...At any time prior to the closing of the Asset Sale, the Company and Oxboro may amend the Asset Agreement to the extent permitted by law before or after the shareholders of the Company vote on the Asset Sale. After the shareholders of the Company approve the Asset Sale, applicable law may require that subsequent amendments be approved by such shareholders. See "The Asset Agreement-Amending or Waiving Terms of the Asset Agreement."

Federal Income Tax

Consequences....The Asset Sale will be treated as a taxable sale of assets by the Company under the Internal Revenue Code of 1986, as amended, but will not result in any federal income tax consequences to shareholders of the Company, other than shareholders exercising dissenters' rights under the MBCA. See "The Asset Agreement-Federal Income Tax Consequences."

Regulatory and Third-Party

Approvals.....It is believed that no regulatory approvals or third-party approvals are or will be required in connection with the Asset Sale. See "The Asset Agreement-Regulatory and Third Party Approvals."

Edgar Filing: SURGIDYNE INC - Form DEFM14A

SUMMARY TERM SHEET	i
THE SPECIAL MEETING	i
THE PARTIES	i
THE ASSET SALE	ii
THE ASSET AGREEMENT	vii
QUESTIONS AND ANSWERS	1
THE SPECIAL MEETING	6
General	6
Matters to Be Considered	6
Record Date; Shareholders Entitled to Vote; Voting; Quorum	6
Solicitation of Proxies	7
Revocation of Proxies	7
PROPOSAL 1: APPROVAL OF THE ASSET AGREEMENT	7
Background of the Asset Sale; Reasons for the Asset Sale	8
Background of the Asset Sale	9
Board Consideration	10
Certain Relationships	11
Effects of the Asset Sale	12
Favorable Recommendation of the Company's Board of Directors	13
Federal Income Tax Consequences	14
THE ASSET AGREEMENT	15
General	15
Representations and Warranties	16
Covenants	16
Conditions to Consummation of Asset Sale	16
Amending or Waiving Terms of the Asset Agreement	16
Indemnification	16
Expenses	17
Regulatory and Third-Party Approvals	17
Exhibits and Schedules	17
RIGHTS OF DISSENTING SHAREHOLDERS	17
INFORMATION CONCERNING THE COMPANY	18
General	18
Products	19
Marketing and Distribution	19
Suppliers	19
Competition	19
Government Regulation	20
Security Ownership of Certain Beneficial Owners and Management	20
Financial Statements	22
PROPOSAL 2: AMENDMENT OF ARTICLES TO CHANGE THE COMPANY NAME	22
Favorable Recommendation of the Company's Board of Directors	22
PROPOSAL 3: AMENDMENT OF ARTICLES TO INCREASE AUTHORIZED SHARES	22
Possible Effects of the Proposed Amendment	23
Favorable Recommendation of the Company's Board of Directors	24
OTHER BUSINESS	24
INCORPORATION BY REFERENCE	24
APPENDIX A: ASSET AGREEMENT	A-1
APPENDIX B: AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT	B-1

Edgar Filing: SURGIDYNE INC - Form DEFM14A

APPENDIX C: ARTICLES OF AMENDMENT	C-1
APPENDIX D: MBCA DISSENTERS' RIGHTS	D-1
APPENDIX E: FORM 10-KSB FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000	E-1
APPENDIX F: INDEPENDENT AUDITOR'S REPORT	F-1
APPENDIX G: FORM 10-QSB FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001	G-1
APPENDIX H: FORM 10-QSB FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001	H-1
APPENDIX I: FORM 10-QSB FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001	I-1

QUESTIONS AND ANSWERS

This Question and Answer section highlights selected information from this Proxy Statement and may not contain all of the information that is important to you. For a more complete understanding of the Asset Sale and the other information contained in this Proxy Statement, you should read this entire Proxy Statement together with the Exhibits.

Where And When Is The Special Meeting?

The Special Meeting will be held at 10:00 a.m. (Minneapolis time), on Tuesday, January 22, 2002, at Southgate Plaza, 5001 W. 80th Street, Suite 590, Bloomington, Minnesota. See "The Special Meeting-General."

What Matters Will Be Voted Upon At The Special Meeting?

Shareholders of the Company are being asked to consider and vote on three proposals: (i) approval of the Asset Agreement, (ii) approval of an amendment to the Company's Articles of Incorporation, as amended, to change the name of the Company to Surg II, Inc., and (iii) approval of an amendment to the Company's Articles of Incorporation, as amended, to increase the authorized capital stock of the Company to Two-Hundred Million (200,000,000) shares. See "The Special Meeting-Matters to Be Considered."

Who Can Vote At The Special Meeting?

Holdings of Surgidyne Common Stock and Surgidyne Preferred Stock at the close of business on the Record Date, December 17, 2001, are entitled to notice of and to vote at the Special Meeting. Each share of Surgidyne Common Stock and each share of Surgidyne Preferred Stock is entitled to one vote. On the Record Date, 9,047,085 shares of Surgidyne Common Stock, including Common Equivalents, were outstanding. See "The Special Meeting-Record Date; Shareholders Entitled to Vote; Voting; Quorum."

Why Should Surgidyne Sell Its Assets To Oxboro?

The Company's sales of wound drainage products used in hospital operating and emergency rooms have steadily declined since peaking in 1992 at approximately \$1.2 million annually, as the Company has been unsuccessful in its endeavors to make the Company a successful, profitable business entity via growth, merger or acquisition. Specifically, the Company has been unsuccessful in its endeavors to enter into new markets with existing products or to develop and bring new products to market. During the last two years, the Company's accumulated deficit has grown from \$4,672,542 at September 30, 1999 to \$4,971,320 at September 30, 2001. During the same period, total assets and

Edgar Filing: SURGIDYNE INC - Form DEFM14A

stockholders' equity declined from \$349,831 and \$199,500 at September 30, 1999 to \$204,876 and \$34,946 at September 30, 2001, respectively. At September 30, 2001, the Company had working capital of only \$12,708. The Company does not have sufficient cash to pay its outstanding creditors. In 2001, the Company received notification from two of its creditors that each such creditor intended to take legal action unless paid in full. The Company has taken steps to avoid such legal action and intends to pay each such creditor in full from the proceeds of the Asset Sale. Prior to Oxboro, the Company has been unsuccessful in finding an acceptable merger, business combination or sale option, despite working with an investment bank, as well as other parties in the business community. As such, unless the shareholders approve the Asset Sale, the Company currently believes that it will be forced to curtail and cease operations and seek protection under Chapter 7 of the bankruptcy code.

The Company has explored a number of options over the last five years including merging with or selling its assets to another person or entity. However, each of these other transactions failed to materialize for reasons such as unacceptably low offer prices for the assets, lack of interest from potential buyers or the possibility that the combined efforts of the parties would be unable to secure the requisite equity capital on a going forward basis. The Board of Directors of the Company believes that the Asset Sale to Oxboro presents the best option to the Company at this point in time. The Board believes the transaction is fair to, and in the best interests of, the shareholders of Surgidyne and also adequately protects the interests of the Company's creditors because the proceeds of the Asset Sale should allow the Company to pay in full certain liabilities (accrued expenses and liabilities and royalties, professional fees, employee and general administrative expenses) not assumed by Oxboro and retain a modest cash balance of approximately \$15,000. In the event that the Company experiences any significant delays in closing the Asset Sale, however, such cash balance may be reduced. Furthermore, the remaining public shell would provide the Board with the potential ability to locate a business combination or other opportunity with better potential than the Company's current wound drainage business, thereby maximizing shareholder value. See "Proposal 1: Approval of the Asset Agreement-Reasons for the Asset Sale" and "Proposal 1: Approval of the Asset Agreement-Background of the Asset Sale."

Who Is Oxboro?

Oxboro Medical, Inc. is a publicly held Minnesota corporation which develops, assembles and markets single-use disposable medical supplies and medical and surgical devices. Oxboro also manufactures and markets a proprietary line of surgical instrument sterilization containers and related disposable supplies through its Sterion, Inc. subsidiary. Oxboro's common stock is currently trading on the Nasdaq SmallCap Market under the symbol "OMED." See "Proposal 1: Approval of the Asset Agreement-The Parties."

What Will Be Received In Exchange For The Surgidyne Assets?

The Company will receive \$200,000 in cash in exchange for the sale of all of the Company's assets (except for cash and corporate records) and the assumption of substantially all trade and other specified payables. The Company believes that such purchase price will be paid out of Oxboro's current cash balance. The Company further believes that this should allow the Company to pay in full certain liabilities (accrued expenses and liabilities and royalties, professional fees, employee and general administrative expenses) that have not been assumed by Oxboro and retain a modest cash balance of approximately \$15,000 to maintain the remaining public shell. The use of proceeds from the Asset Sale is summarized below under the caption "Proposal 1: Approval of the Asset Agreement-Effect of the Sale." In the event that the Company experiences any significant delays in closing the Asset Sale, however, such cash balance may be reduced. See "Proposal 1: Approval of the Asset

Edgar Filing: SURGIDYNE INC - Form DEFM14A

Agreement-Effects of the Asset Sale."

How Was The Purchase Price Determined?

Prior to working with David Berkley, the Chief Executive Officer of Oxboro, to determine a price, Mr. Johnson analyzed a number of possible ways that the Company could be valued, including as a multiple of revenue or a multiple of asset book value. Mr. Johnson considered the Company's sales of \$130,064 as of March 31, 2001, and its asset book value of \$279,688 as of the same date. Mr. Johnson wanted to justify the highest possible valuation and considered that a range of 1/2 to 1 times revenue or approximately \$250,000 to \$500,000 could be reasonably justified. Mr. Johnson also concluded, based on such analysis, that a multiple of 1 times the asset book value could be justifiable. Despite such analysis, Mr. Johnson also concluded, based on past experience and the current market conditions, that a buyer might rationally offer a lower multiple. It was always important, however, to insure that the purchase price covered at least substantially the Company's known liabilities.

The purchase price was ultimately determined through arm's length negotiation between Theodore A. Johnson, the Chairman of the Board of the Company, and David Berkley, the Chief Executive Officer of Oxboro. Mr. Johnson and the Board of Directors of the Company reached agreement on the purchase price considering the Company's current book asset value, the lack of cash to pay the Company's creditors, the decline of the Company's sales, the continuing losses and shortage of working capital of the Company and the lack of any suitable alternatives for the Company. The Company did not hire a financial advisor in connection with the Asset Sale due to the low value of the Company and the high cost of such advisors, however, the Board of Directors believes that the Asset Sale is fair to the shareholders and adequately protects the interests of the Company's creditors, given the Company's current financial situation. See "Proposal 1: Approval of the Asset Agreement-Background of the Asset Sale."

How Will I Be Taxed On The Asset Sale?

There should be no tax to individual shareholders in connection with the sale of the assets. The material tax issues affecting dissenting shareholders are discussed under "Proposal 1: Approval of the Asset Agreement-Federal Income Tax Consequences." Regardless, all shareholders are urged to consult their tax advisors to determine the effect of the Asset Sale under federal tax law (or foreign tax law where applicable), and under their own state and local tax laws.

Are There Any Conditions To The Asset Sale?

Yes. The Asset Sale will be completed only if: it is approved by the holders of a majority of the outstanding shares of Surgidyne Common Stock and Surgidyne Preferred Stock; and no event occurs that would either (i) prevent the consummation of the transactions contemplated by the Asset Agreement, or (ii) cause any of the transactions contemplated by the Asset Agreement to be rescinded following consummation of such transactions. See "The Asset Agreement-Conditions to Consummation of Asset Sale."

What Will Happen To Surgidyne After The Asset Sale?

As the Company is proposing to sell substantially all of its assets, no operating business will remain after the Asset Sale. The Company's balance sheet following the Asset Sale will be comprised of the estimated cash balance and equity and no other assets or liabilities will remain. Additionally, the Company will not generate any further revenues after the Asset Sale. The Board of Directors of the Company intends to actively seek a business combination or some other transaction that has the potential to increase the value to the

Edgar Filing: SURGIDYNE INC - Form DEFM14A

existing shareholders. See "Proposal 1: Approval of the Asset Agreement- Effects of the Asset Sale."

Are Surgidyne Shareholders Entitled To Dissenters' Rights?

Yes, under the MBCA, the shareholders of the Company are entitled to dissenters' rights. The rules governing the exercise of dissenters' rights must be strictly complied with, otherwise the dissenters' rights of a shareholder may be lost. For a description of these rights and how to satisfy the requirements of the MBCA, see "Rights of Dissenting Shareholders" and Appendix D.

Why Change The Name Of The Company?

As part of the Asset Agreement the Company has agreed to amend its Articles of Incorporation, as amended, and change its name to Surg II, Inc. See "Proposal 2: Amendment of Articles to Change the Company Name" and Appendix C.

Why Increase The Number Of Shares Authorized?

The Board of Directors believes that it may need additional authorized shares in order to facilitate a possible business combination and/or possible fundraising needs following the Asset Sale. Approving the authorization of additional shares will, however, enable the Board to issue shares of one or more classes of stock without notice to or approval of the shareholders. Any such issuance could significantly dilute the interests of the current shareholders. Additionally, an increase in the number of authorized shares could be used by the Board as an anti-takeover mechanism. See "Proposal 3: Amendment of Articles to Increase Authorized Shares" and Appendix C.

What Quorum and Vote Are Required?

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Surgidyne Common Stock and Surgidyne Preferred Stock is necessary to constitute a quorum at the Special Meeting. Each Proposal must be approved by the holders of a majority of the shares of Surgidyne Common Stock and Surgidyne Preferred Stock (on an as-if converted basis) outstanding on the Record Date voting as a single class. It is expected that all shares of Surgidyne Common Stock and Surgidyne Preferred Stock beneficially owned or controlled by the directors and officers of the Company will be voted in favor of each of the proposals. See "The Special Meeting-Record Date; Shareholders Entitled to Vote; Voting; Quorum."

How Does the Board of Directors Recommend That I Vote On Each Proposal?

The Board of Directors of the Company believes that the Asset Sale is in the best interests of the Company and its shareholders and unanimously recommends that the shareholders vote "FOR" each of the three proposals. See "Proposal 1: Approval of the Asset Agreement; Favorable Recommendation of the Company's Board of Directors;" "Proposal 2: Amendment of Articles to Change the Company Name; Favorable Recommendation of the Company's Board of Directors;" and "Proposal 3: Amendment of Articles to Increase Authorized Shares; Favorable Recommendation of the Company's Board of Directors."

If I Send In My Proxy Card But Forget To Indicate My Vote, How Will My Shares Be Voted?

If you sign and return your proxy card but do not indicate how to vote your shares at the Special Meeting, the shares represented by your proxy will be voted "FOR" each Proposal.

Edgar Filing: SURGIDYNE INC - Form DEFM14A

What Should I Do Now To Vote At The Special Meeting?

Sign, mark and mail your proxy card indicating your vote on the Asset Sale in the enclosed return envelope as soon as possible, so that your shares of Surgidyne Common Stock can be voted at the Special Meeting. You may also vote by faxing a copy of your proxy card to the Company at (763) 595-0667, prior to the vote at the Special Meeting. In the event that you vote by fax, however, please also provide the Company with an original copy of such proxy card.

May I Change My Vote After I Mail My Proxy Card?

Yes. You may change your vote at any time before your proxy is voted at the Special Meeting. You can do this in three ways:

- * You can send a written statement to Surgidyne stating that you revoke your proxy, which to be effective must be received by Surgidyne prior to the vote at the Special Meeting; or
- * You can send a new proxy card to Surgidyne prior to the vote at the Special Meeting, which to be effective must be dated after your original proxy and received by Surgidyne prior to the vote at the Special Meeting; or
- * You can attend the Special Meeting and vote in person. Your attendance alone will not revoke your proxy. You must attend the Special Meeting and cast your vote at the Special Meeting.

You should send your revocation of a proxy or new proxy card to Mr. Charles McNeil, Executive Vice President, at the address on the cover of this Proxy Statement. See "The Special Meeting-Revocation of Proxies."

Whom Should I Call if I Have Questions?

If you have questions about anything discussed in the Proxy Statement you may call Charles McNeil, Executive Vice President of the Company, at (763) 595-0665.

THE SPECIAL MEETING

General

This Proxy Statement is being furnished to the shareholders of the Company in connection with the solicitation of proxies by the Board of Directors of the Company for use at the Special Meeting to be held at 10:00 a.m. (Minneapolis time) on Tuesday, January 22, 2002 at Southgate Plaza, 5001 W. 80th Street, Suite 590, Bloomington, Minnesota, and at any adjournment or postponement. This Proxy Statement and the accompanying form of proxy are being mailed to shareholders on or about January 02, 2002.

Matters to Be Considered

At the Special Meeting, the holders of Surgidyne Common Stock and Surgidyne Preferred Stock will consider and vote on the following:

- a) a proposal unanimously recommended by the Board of Directors of the Company to approve and adopt the Asset Agreement.
- b) a proposal unanimously recommended by the Board of Directors of the Company and as required by the Asset Agreement to amend the

Edgar Filing: SURGIDYNE INC - Form DEFM14A

Articles of Incorporation, as amended, to change the name of the Company to Surg II, Inc.

- c) a proposal unanimously recommended by the Board of Directors of the Company to approve and adopt an amendment to the Articles of Incorporation, as amended, of the Company to increase the number of authorized shares of the Company to Two-Hundred Million (200,000,000).

Record Date; Shareholders Entitled to Vote; Voting; Quorum

The Record Date for the determination of the holders of Surgidyne Common Stock and Surgidyne Preferred Stock entitled to notice of and to vote at the Special Meeting has been set for December 17, 2001. As of that date, there were 9,047,085 shares of Surgidyne Common Stock and Common Stock Equivalents outstanding. Each holder of Surgidyne Common Stock and Surgidyne Preferred Stock is entitled to cast one vote per share, exercisable in person or by properly executed proxy, for matters considered at the Special Meeting. Holders of Surgidyne Common Stock and Surgidyne Preferred Stock will vote together as a single class on all matters to be voted upon at the Special Meeting. The presence, in person or by properly executed proxy, of the holders of a majority of the outstanding shares of Surgidyne Common Stock and Surgidyne Preferred Stock is necessary to constitute a quorum at the Special Meeting.

Shareholder approval of each Proposal requires the affirmative vote of the holders of a majority of shares of Common Equivalents. Each proxy returned to the Company will be voted in accordance with the instructions indicated thereon. If no instructions are indicated, the shares will be voted "FOR" each of the proposals. If an executed proxy is returned and the shareholder has abstained from voting on any proposal, the shares represented by such proxy will be considered present at the meeting for the purpose of determining the quorum and for purposes of calculating the vote, but will not be considered to have been voted in favor of such proposal. If an executed proxy is returned by a broker holding shares in "street name" which indicates that the broker does not have discretionary authority as to certain shares to vote on one or more proposal, such shares will be considered present at the meeting for the purpose of determining a quorum but will not be considered to be represented at the meeting for purposes of calculating the vote with respect to such proposal. As such, abstentions, broker non-votes and shares that are not represented in person or by proxy will have the same effect as a vote "AGAINST" the approval of each of the proposals.

APPROVAL OF EACH PROPOSAL REQUIRES THE AFFIRMATIVE VOTE OF THE HOLDERS OF A MAJORITY OF ALL OUTSTANDING SHARES OF SURGIDYNE COMMON STOCK AND SURGIDYNE PREFERRED STOCK.

Solicitation of Proxies

The Company will bear all expenses of the solicitation of proxies in connection with the Proxy Statement, including the cost of preparing and mailing the Proxy Statement. Officers and directors of the Company may solicit proxies by telephone or electronic transmission and will receive no extra compensation for their services.

Revocation of Proxies

A proxy given pursuant to this solicitation may be revoked by the person giving such proxy at any time before the proxy is voted. Proxies may be revoked in one of the three following ways: (a) by providing the Company with a written statement prior to the vote at the Special Meeting which provides that you revoke your proxy; (b) by sending a new proxy card to the Company, which is dated after your original proxy and received prior to the vote at the

Edgar Filing: SURGIDYNE INC - Form DEFM14A

Special Meeting; or (c) by attending the Special Meeting and voting in person, provided, however, that your attendance alone at the Special Meeting will not revoke your proxy.

PROPOSAL 1: APPROVAL OF THE ASSET AGREEMENT

For your convenience, we have summarized the material aspects of the Asset Sale. This summary is not a complete description. We encourage you to refer to the section in this Proxy Statement entitled "The Asset Agreement" and to read Appendix A and Appendix B.

The Parties

Surgidyne, Inc. Surgidyne, incorporated in Minnesota in 1984 as a successor by merger to a corporation of the same name that was incorporated in Georgia in September 1982, is a publicly held corporation. The Surgidyne Common Stock is currently listed on the OTCBB under the symbol "SGDN." Surgidyne designs, develops, manufactures and markets specialty medical and surgical wound drainage products used in hospital operating and emergency rooms. The principal executive office of the Company is located at 9909 South Shore Drive, Minneapolis, Minnesota, and its telephone number is (763) 595-0665. See also "Information Concerning the Company."

Oxboro Medical, Inc. Oxboro, incorporated in Minnesota in 1978, is a publicly held corporation. The common stock of Oxboro is currently traded on the Nasdaq SmallCap Market under the symbol "OMED." Oxboro develops, assembles and markets single-use disposable medical supplies and medical and surgical devices. The principal medical products produced and sold by Oxboro include silicone surgical loops, silicone and fabric surgical clamp covers, surgical instrument protection guards, suture aid booties, surgical instrument identification sheet and roll tape, surgical instrument cleaning brushes and various holders and organizers for surgical instruments used in the operating room. Oxboro's wholly-owned subsidiary, Sterion, Inc., which is located in Jacksonville, Texas, manufactures and markets a proprietary line of surgical instrument sterilization containers and related disposable supplies which are used by hospitals, surgical centers and clinics worldwide. The principal executive office of Oxboro is located at 13828 Lincoln Street S.E., Ham Lake, Minnesota, and its telephone number is (763) 755-9516.

Reasons for the Asset Sale

The Company's sales have steadily declined since peaking in 1992 at approximately \$1.2 million annually. Sales for the nine-months ended September 30, 2001 were \$347,256. Since 1992, the Company has been unsuccessful in its endeavors to make the Company a successful, profitable business entity via growth, merger or acquisition. Specifically, the Company has been unsuccessful in its endeavors to enter into new markets with existing products or to develop and bring new products to market.. As a result, the Board authorized management to seek alternatives for maximizing shareholder value. Alternatives to be explored included the possible merger with another company, the acquisition of a product line or the sale of some or all of the Company's assets.

As early as November 1996 the Company began exploring the possible sale of its business to an entity interested in the wound drainage market. From 1997 to 2001 the Company, with assistance from two different local investment-banking firms, held conversations with at least five other entities regarding possible strategic alliances or combinations. In each case, the Company entered into discussions regarding the possible sale to such other entity or the possibility of combining with such other entity and raising additional equity capital to fund the combined enterprise. The ultimate demise of each

Edgar Filing: SURGIDYNE INC - Form DEFM14A

these efforts, however, was due to the fact that either (i) the potential partner/acquiror became uninterested in acquiring the Company's business, (ii) the Company received an offer to be acquired or (iii) the combined efforts of the parties could not successfully secure the equity capital they would need to pursue the combined opportunity. None of the offers received throughout this five-year process resulted in an offer in an amount equal to or greater than the current Oxboro proposal.

In early 2000 the Company began discussions with two principals of a small Minneapolis investment bank, Maven Securities, pursuant to which the principals were to assist the Company in looking for potential merger or acquisition candidates. During the time these discussions were being held, Maven was acquired by Equity Securities Investments, Inc. ("Equity Securities"), another small Minneapolis investment bank. In June 2000, the Company signed an agreement with Equity Securities whereby Equity Securities agreed to assist the Company in looking for a merger partner. Both the Company and Equity Securities understood that a partner for the Company might include a private company seeking a lower-cost way to utilize the public equity markets without completing an initial public offering. Such agreement was for an initial one-year term ending June 2, 2001, with either party having the ability to terminate such agreement after such one-year term upon thirty days notice. The agreement provided Equity Securities with the right to purchase 480,000 shares of Surgidyne Common Stock from certain members of the Board, Messrs. Johnson and McNeil, and from EMBRO Corporation, a corporation owned by two directors of the Company, Mr. Fiegel and Dr. Knighton, at a purchase price of \$.17 per share. See also "Background of the Asset Sale-Certain Relationships." Additionally, Equity Securities was granted a five-year warrant to purchase up to 600,000 shares at \$.17 per share as full payment for its services. Equity Securities identified several potential merger partners and presented such options to the Company. Each of these prospects was deemed unacceptable to the Company, however, due to a combination of their lack of profitability or revenue prospects, perceived low growth potential and inadequate management. As of the date of this Proxy Statement, neither the Company nor Equity Securities has terminated their agreement, however, no potential partners have been proposed by Equity Securities since April 20, 2001. The Company may use Equity Securities to assist in finding a merger partner following the closing of the Asset Sale.

During the last two years, the Company's accumulated deficit has grown from \$4,672,542 at September 30, 1999 to \$4,971,320 at September 30, 2001. During the same period, total assets and stockholders' equity declined from \$349,831 and \$199,500 at September 30, 1999 to \$204,876 and \$34,946 at September 30, 2001, respectively. At September 30, 2001, the Company had working capital of only \$12,708. As indicated above, the Company's financial position has continued to worsen, with cash declining to \$7,367 as of September 30, 2001. At this point, the Company does not have sufficient cash to pay its outstanding creditors. In 2001, the Company received notification that two of its creditors intended to take legal action unless paid in full. One such creditor is the holder of a promissory note issued by the Company for amounts loaned to the Company to be used as operating capital to fulfill contract orders from a customer/supplier. Approximately \$15,000 is currently owed on such promissory note. Such creditor first notified the Company on June 24, 1998, and again notified the Company on April 14, 1999, that he intended to take legal action unless paid in full. In April, 1999, the Company and such creditor orally agreed that such creditor would be paid all amounts due out of the proceeds from a transaction between the Company and another person or entity. When no such transaction had been consummated, such creditor again notified the Company on May 9, 2001, that he intended to take legal action unless paid in full. In August, 2001, the Company made a payment of \$5,000 to such creditor and entered into an oral agreement whereby the Company agreed to pay such creditor all amount due, plus attorneys' fees, out of the proceeds from the Asset Sale. The second creditor, a former attorney, is currently owed

Edgar Filing: SURGIDYNE INC - Form DEFM14A

approximately \$30,000 on a promissory note for legal services previously rendered. Such creditor first informed the Company in March 2001 of his intention to take legal action unless paid in full. In April, 2001, to satisfy the bankruptcy attorney representing the firm of the Company's former attorney, the Company made a payment of approximately \$5,000 to such bankruptcy attorney and the Company's former attorney assumed the balance of the promissory note. The Company is not currently in default on such note but it does intend to pay such note in full with the proceeds of the Asset Sale. The Board of Directors has unanimously recommended approval of the sale to Oxboro because it is the best offer received to date and inaction is not an option. The Board further believes that unless shareholders approve this transaction, the Company will be forced to curtail or cease operations and seek protection under Chapter 7 of the bankruptcy code.

Background of the Asset Sale

In early 1997, Mr. Gary Copperud contacted and met with Mr. Johnson to inquire as to whether the Company was for sale. At the time of such meeting, Mr. Copperud was an individual investor with an interest in acquiring a small medical products company. Mr. Copperud had no prior relationship with Mr. Johnson or the Company, nor was he affiliated with Oxboro at this time. Mr. Copperud subsequently became a director of Oxboro in 1998. Mr. Copperud made an offer to Mr. Johnson to buy the Company at the purchase price per share of \$.025 or an aggregate amount of approximately \$180,000. At the time, given the Company's financial status and its trading price in the public market, the Company's Board of Directors believed the value of the Company was higher. As such, Mr. Johnson made a counter offer of \$0.07 per share, which represented a value between the bid and ask price for the Surgidyne Common Stock, as reported by the Minneapolis Star Tribune. Such counter-offer was rejected by Mr. Copperud. Although Mr. Johnson and Mr. Copperud attempted to continue negotiations, they ultimately could not reach a mutually satisfactory price for the Company and, therefore, elected not to proceed with a transaction at that time.

Following numerous unsuccessful attempts in locating an acceptable partner with whom the Company could merge or combine or to whom the Company could be sold, on June 8, 2001, Mr. Johnson again met with Mr. Copperud. This time, Mr. Copperud met with Mr. Johnson as a member of the Board of Directors of Oxboro. The meeting between Mr. Johnson and Mr. Copperud focused on the potential acquisition by Oxboro of the assets of the Company. Although the Company and Oxboro had no previous relationship, Mr. Copperud suggested that Oxboro would purchase the assets of the Company to complement its own product line. After further discussion, Mr. Copperud suggested that Mr. Johnson meet with Mr. David Berkeley, the Chief Executive Officer of Oxboro.

After Mr. Johnson's meeting with Mr. Copperud, Mr. Johnson analyzed both a potential multiple of book value or a potential multiple of revenues as two possible ways for justifying the value of the Company. Mr. Johnson considered the Company's sales of \$130,036 for the quarter ended March 31, 2001, and its asset book value of \$279,688 as of the same date. He attempted to find a rational reason to justify the highest possible valuation and considered that a range of 1/2 to 1 times annual revenue (e.g. multiplying March 31, 2001 sales by four to reach approximately \$500,000 and therefore a range of \$250,000 to \$500,000) could be reasonably justified and within the universe of possible valuations. Mr. Johnson also concluded, based on such analysis, that a multiple of 1 times the asset book value (or just over \$250,000) could be justifiable. Such analysis was based on Mr. Johnson's experience in working with companies like the Company for twenty years. Despite such analysis, however, Mr. Johnson also concluded, based on past experience and the current market conditions, that a buyer might rationally offer a lower multiple and that, given the Company's situation, a number close to the low end established in his analysis was at least worthy of additional consideration by the Board. It was always important,

Edgar Filing: SURGIDYNE INC - Form DEFM14A

however, to insure that the purchase price covered at least substantially the Company's known liabilities. Since such time, the book value has decreased 15% (\$204,876 as of September 30, 2001) and the capital markets have generally declined; as a result, Mr. Johnson does not believe the conclusion reached in his analysis has been materially altered.

On July 20, 2001, Mr. Johnson met with Mr. Berkley and Mr. Fred Berg, the Director of Marketing of Oxboro, to discuss the possible sale of the Company's assets to Oxboro. Mr. Johnson, Mr. Berkley and Mr. Berg discussed the framework of a potential transaction and agreed to further explore the possibility of such a transaction with their respective Boards of Directors.

After the meeting, Mr. Berkley sent Mr. Johnson an initial letter of intent that included a purchase price of \$186,332. Following the receipt of such initial letter of intent, Mr. Johnson met with Mr. Copperud to discuss the offer and to express his belief that the proposed purchase price was too low. Mr. Copperud offered to increase the purchase price to \$200,000. As such, following the conversation, a new letter of intent was presented whereby Oxboro agreed to pay \$200,000 for the Company's assets. The Company believed, and continues to believe, that such purchase price will be paid out of Oxboro's current cash balance.

Following the signing of a letter of intent by both companies, the companies proceeded with the preparation of the Asset Agreement. Following approval of the Asset Agreement by the respective Boards of Directors, the parties executed the Asset Agreement on October 4, 2001. The Asset Agreement was subsequently amended to clarify some ambiguous language regarding the assumption of the Company's liabilities and also to provide additional time prior to the closing given ongoing delay in finalizing this proxy solicitation and the completion of related SEC review.

Board Consideration

At a special meeting of the Company's Board of Directors on August 13, 2001, Mr. Johnson presented the Oxboro proposal to purchase of the assets of the Company. Mr. Johnson discussed the numerous efforts to find another acceptable purchaser, the letter of intent, his discussions with Oxboro, the unsuccessful efforts of Equity Securities to locate potential purchasers and the current declining sales and cash position of the Company. In analyzing the proposed offer by Oxboro the Board discussed all of the following:

- (a) the lack of potential for future growth of the Company's products due to a number of factors including lack of funds;
- (b) the likely inability to raise significant additional capital;
- (c) the current financial position of the Company, including its poor cash and asset positions and its growing liabilities balance (accounts and notes payable balances which had increased by \$11,419, from December 31, 2000 to June 30, 2001);
- (d) the Oxboro offer to purchase the Company's assets for \$200,000, which would enable the Company to pay its outstanding debts but would also eliminate the Company's ability to generate revenue, verses waiting for an offer from a party willing to purchase the entire Company;
- (e) the desire to seek a merger partner with a significant business opportunity that could maximize existing shareholder value; and
- (f) the failure of the Company to find any better offers or opportunities. Mr. Johnson discussed with the Board his thoughts on whether the

Edgar Filing: SURGIDYNE INC - Form DEFM14A

proposed price was, based on his past experience, within normal parameters using various valuation methods including valuation as a multiple of sales or multiple of asset book value. Mr. Johnson discussed with the Board how such analysis compared to the discussions regarding price that Mr. Johnson had previously had with Oxboro. Without giving specific consideration to any method of valuation or giving greater weight to any of the factors considered by the Board and considering the Company's declining cash position, growing accounts and notes payable, and lack of better alternatives, and that the payment would be sufficient to repay at least substantially all of the unassumed debt of the Company, the Board agreed that the price presented was within an acceptable range of prices utilizing revenue or asset book value valuation multiples. The Board therefore authorized Mr. Johnson to proceed with negotiation of a final agreement. The Company's Board indicated its support for the objectives and opportunities to enhance shareholder value and to protect the fiduciary interests of the Company's creditors.

Although the Company did not hire a financial advisor to make a recommendation regarding the fairness of the asset sale due to the low value of the Company and the high cost of such advisors, the Board believes that, given the Company's current financial situation and the inability to find an acceptable alternative for the past five years, the Asset Sale is fair to the shareholders and adequately protects the interests of the Company's creditors. This is especially true in light of the fact that this offer is higher than any other offer received by the Company through its several years of searching for a prospective buyer or merger partner. As such, to enable the Company to proceed with the Asset Sale, the letter of intent was accepted by the Board of Directors.

Certain Relationships

In addition to the information set forth above, shareholders should be aware of certain relationships between the Company and its officers and directors that may be affected by the completion of this transaction. Mr. McNeil is currently owed \$9,898, plus interest by the Company pursuant to promissory note. The Company plans to repay such amount out of the proceeds from the Asset Sale.

The Company currently owes \$36,468 in accrued expenses and royalties to certain existing shareholders. Mr. Johnson and Dr. Knighton are 2 of the 26 preferred shareholders who are owed an aggregate of \$20,328.70 because they were entitled to a percentage of profits from two years in the late 1990's when the Company was profitable. In the event that the Company is again profitable, the preferred shareholders would continue to receive a percentage of profits until the aggregate amount owed to such shareholders equals \$60,000. Once the preferred shareholders are owed an aggregate of \$60,000, such right to receive a percentage of profits will terminate. In addition, Mr. Schwalm is 1 of 15 common shareholders who are contractually entitled to an aggregate of \$16,138.60 in royalties, based on sales of certain of the Company's products made by a strategic partner in the early 1990's. These contractual royalty rights were available to any person who participated in a certain private offering of the Company's common stock in 1990. Such rights are not transferable, either with such shares of common stock purchased in the private offering or otherwise, and no similar rights have subsequently been offered by the Company. These rights have terminated and no additional royalties will accrue.

The amounts owed to Mr. Johnson, Dr. Knighton and Mr. Schwalm, which are expected to be paid out of the proceeds of the Asset Sale, are as set forth in the table below:

Name	Amount
------	--------

Edgar Filing: SURGIDYNE INC - Form DEFM14A

Theodore Johnson	\$762.33
David Knighton, M.D.	\$254.11
Arthur Schwalm	\$1,008.66

Certain officers and directors, Mr. Johnson and Mr. McNeil, have warrants to purchase 200,000 and 215,000 shares, respectively, of Surgidyne Common Stock at an exercise price of \$0.17 per share. Additionally, EMBRO Corporation, a corporation owned by two directors of the Company, Mr. Fiegel and Dr. Knighton, has warrants to purchase 65,000 shares of Surgidyne Common Stock at an exercise price of \$0.17. These warrants will not be affected by this acquisition.

Mr. McNeil, the Executive Vice President of the Company, has entered into a Consulting Agreement with Oxboro pursuant to which he will provide new product and business development consulting services contacts and information for an initial term of 180 "billable days." This initial term will subsequently extend unless terminated and Mr. McNeil will be compensated at a rate of \$300 per "billable day." The Consulting Agreement contemplates that Mr. McNeil will work approximately three "billable days" per calendar week. A "billable day" is defined in the Consulting Agreement as a day worked, whether or not consecutive, each day being at least six (6) hours in length. In addition, depending on the timing of the closing, Mr. McNeil would be entitled to some portion of the "Employee Expenses (Accrued Payroll and Vacation)" which is detailed in the table set forth under "Effects of the Asset Sale below." As of December 20, 2001 this amount is \$3,588.26.

As consideration for their agreement to stay with the Company until the completion of the Asset Sale, the Company has agreed to pay the three employees of the Company other than Mr. McNeil, Mr. James Lannan, Ms. Marilee Doua and Ms. Lillie McJimsey, a one-time bonus payment of \$5,000 for an aggregate total of \$15,000. None of these employees will be employed by the Company following the closing of the Asset Sale, however, Section 3.1 of the Asset Agreement gives Oxboro the option of interviewing and making an offer in writing of employment to Mr. Lannan, Ms. Doua and Ms. McJimsey.

In making it's decision to approve the transaction. the Board of Directors of the Company did not consider the affect of the transaction on the warrants held by officers, Mr. McNeil's consulting agreement or the Note held by Mr. McNeil, but did give some consideration to the Company's potential ability to pay a bonus to its employees.

Effects of the Asset Sale

The Company will receive \$200,000 in cash in exchange for the sale of all of the Company's assets (except for cash and corporate records) and the assumption of substantially all trade payables as well as most other liabilities. The Company believes that such purchase price will be paid out of Oxboro's current cash balance. The Company further believes that this should allow the Company to pay in full certain liabilities that will not have been assumed by Oxboro and to retain a modest cash modest cash balance of approximately \$15,000 in order to maintain the remaining public shell, as the Company currently intends to maintain its status as a reporting company under the Exchange Act. Certain liabilities that will not be assumed by Oxboro include: accrued expenses, liabilities and royalties; professional fees; employee and general administrative expenses; and certain regulatory certification expenses to be paid to TNO (a European certifying body) that relate to the certification to use the CE mark on certain wound drainage products that have approved for manufacture and sale into European countries and that will be sold to Oxboro as part of the Asset Sale. In the event that the Company experiences any significant delays in closing the Asset Sale, however, such cash balance may be reduced. As the Company is proposing to sell substantially all of its assets, no operating business will remain after

Edgar Filing: SURGIDYNE INC - Form DEFM14A

the Asset Sale. The Company's balance sheet following the Asset Sale will be comprised of the estimated cash balance and equity and no other assets or liabilities will remain. Additionally, the Company will not generate any further revenues after the Asset Sale. The use of the proceeds from the Asset Sale is summarized below (please see also "Certain Relationships"):

	Amount
Accrued Expenses and Royalties	\$36,468
Note Holders (Estimated as of December 31, 2001)	\$55,564
Employee Bonuses	\$15,000
Account Payable (Excluded from those Assumed by Oxboro)	\$25,440
Estimated Transaction Expenses (Legal and Accounting)	\$28,000
Special Meeting Expenses (Printing, Mailing and Transfer Agent)	\$ 6,000
Employee Expenses (Accrued Payroll and Vacation)	\$ 8,275
Equipment Expenses	\$ 6,900
Regulatory Certification Expenses	\$ 3,275

The Board of Directors of the Company has been actively seeking another operating business for the Company to acquire, invest in or merge with, and will continue to do so after the Asset Sale is completed. The Company has not identified any specific potential partner at this time the Company has discussed its plans with only three people with ties to companies which may be candidates, though to date these discussions have been short and mere explorations of interest. The Company cannot estimate at this time what form such transaction might take or what consideration might be requested by possible future potential partners. Further, there can be no assurances that the Company will be able to complete a transaction with another operating business. Further, even if a transaction is completed, there can be no assurances that the market price of the Company's stock will improve.
Favorable Recommendation of the Company's Board of Directors

The Board of Directors of the Company after consideration of the Company's financial position and lack of alternatives, believes that the terms and conditions of the Asset Sale are fair from a financial point of view to the shareholders of the Company and, further, that the Asset Sale is in the best interests of the Company and its shareholders as it may create an opportunity by which the Company may obtain needed capital and locate a more attractive business opportunity. The Board of Directors has not requested or obtained a third party evaluation of the fairness of the transaction.

THE BOARD OF DIRECTORS OF THE COMPANY HAS APPROVED THE ASSET AGREEMENT AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PROPOSAL TO APPROVE AND ADOPT THE ASSET AGREEMENT. The members of the Board of Directors of the Company intend to vote all shares of Surgidyne Common Stock and Surgidyne Preferred Stock under their control in favor of such proposal.

Federal Income Tax Consequences

If a shareholder does not exercise dissenters' rights, there is no federal income tax impact on the shareholder. The Company, however, expects to recognize a gain or loss on the Asset Sale, generally on an asset-by-asset basis. This gain will be equal to the cash the Company receives, plus the liabilities Oxboro assumes, less the basis the Company has in the assets. The Company expects that at least a portion of the gains with respect to the sale of the assets will be absorbed by net operating loss ("NOL") carryforwards and capital loss carryforwards available to the Company, except to the extent that the Company is subject to the alternative minimum tax ("AMT"). NOL carryforwards may be used only to offset 90% of income that is subject to the AMT.

Edgar Filing: SURGIDYNE INC - Form DEFM14A

If a shareholder exercises dissenters' rights, the shareholder will realize a gain or loss. The Company has summarized the federal income tax consequences of exercising dissenters' rights under currently existing provisions of the Code, the Treasury Regulations under the Code, applicable judicial decisions and administrative rulings, all of which are subject to change. Due to the complexity of the Code, the following discussion is limited to the material federal income tax aspects of the Asset Sale for a shareholder who properly exercises his or her dissenters' rights under the MBCA, who is a citizen or resident of the United States and who, on the date of disposition of the holder's shares of Surgidyne Common Stock, holds the shares as a capital asset. The general tax principles discussed below are subject to retroactive changes that may result from subsequent amendments to the Code. The following discussion does not address the material federal income tax aspects of the Asset Sale for any dissenting shareholder who is not a citizen or resident of the United States. The following discussion does not address potential foreign, state, local and other tax consequences, nor does it address the effect on taxpayers subject to special treatment under the federal income tax laws (such as life insurance companies, tax-exempt organizations, S corporations, trusts and taxpayers subject to the alternative minimum tax). In addition, the following discussion may not apply to dissenting shareholders who acquired their shares upon the exercise of employee stock options or otherwise as compensation, or to dissenting shareholders who acquired their Surgidyne Common Stock upon conversion of Surgidyne Preferred Stock. All shareholders are urged to consult their own tax advisors regarding the federal, foreign, state and local tax consequences of the disposition of their shares in the Asset Sale.

If a shareholder's stock interest in the Company is completely terminated upon exercise of the dissenters' rights (taking into account the constructive ownership rules), the redemption will qualify as a sale or exchange (rather than as a dividend). Even if the shareholder's stock interest in the corporation is not completely terminated upon exercise of dissenters' rights (taking into account the constructive ownership rules), the redemption will qualify as a sale or exchange (rather than as a dividend) if the redemption (a) results in a substantially disproportionate reduction in the shareholder's equity in the Company (as provided in Section 302 of the Code), or (b) is not essentially equivalent to a dividend.

Accordingly, the federal income tax consequences to the Company's shareholders who exercise dissenters' rights will generally be as follows:

- (a) Assuming that the shares of Surgidyne Common Stock exchanged by a dissenting shareholder for cash in connection with the Asset Sale are capital assets in the hands of the dissenting shareholder at the effective time (and the exchange is a sale or exchange under Section 302 of the Code rather than as a dividend), such dissenting shareholder may recognize a capital gain or loss by reason of the consummation of the Asset Sale.
- (b) The capital gain or loss, if any, will be long-term with respect to shares of Surgidyne Common Stock held for more than twelve months as of the effective time, and short-term with respect to such shares held for twelve months or less.
- (c) The amount of capital gain or loss to be recognized by each dissenting shareholder will be measured by the difference between the amount of cash received by such dissenting shareholder in connection with the exercise of dissenters' rights and such dissenting shareholder's adjusted tax basis in the Surgidyne Common Stock at the effective time.
- (d) An individual's long-term capital gain is subject to federal

Edgar Filing: SURGIDYNE INC - Form DEFM14A

income tax at a maximum rate of 20%, while any capital loss can be offset only against other capital gains plus \$3,000 of other income in any tax year (\$1,500 in the case of a married individual filing a separate return). Capital losses in excess of these limits can be carried forward to future years.

- (e) A corporation's long-term capital gain is subject to federal income tax at a maximum rate of 35%, while any capital loss can be offset only against other capital gains in any tax year, subject to the carryback and carryforward rules of the Code. Cash payments made pursuant to the Asset Sale will be reported to the extent required by the Code to dissenting shareholders and the Internal Revenue Service. Such amounts will ordinarily not be subject to withholding of U.S. federal income tax. However, backup withholding of such tax at a rate of 31% may apply to certain dissenting shareholders by reason of the events specified in Section 3406 of the Code and the Treasury Regulations promulgated thereunder, which include failure of a dissenting shareholder to supply the Company or its agent with such dissenting shareholder's taxpayer identification number. Accordingly, Company dissenting shareholders (or other payees) may be asked to provide the dissenting shareholder's taxpayer identification number (social security number in the case of an individual, or employer identification number in the case of other dissenting shareholders of the Company) on a Form W-9 and to certify that such number is correct. Withholding may also apply to Company dissenting shareholders who are otherwise exempt from such withholding, such as a foreign person, if such person fails to properly document its status as an exempt recipient. If requested by the Company, each dissenting shareholder of the Company, and, if applicable, each other payee, should complete and sign a Form W-9 to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is proved in a manner satisfactory to the Company.

The federal income tax consequences set forth above are for general information only. Each holder of shares of Surgidyne Common Stock and Surgidyne Preferred Stock is urged to consult his or her own tax advisor to determine the particular tax consequences to such shareholder of the transaction (including the applicability and effect of foreign, state, local and other tax laws).

THE ASSET AGREEMENT

For your convenience, we are providing a summary of the material provisions of the Asset Agreement. This summary is not a complete description. We encourage you to read the Asset Purchase Agreement in its entirety, attached hereto as Appendix A, and Amendment No. 1 to the Asset Purchase Agreement, attached hereto as Appendix B.

General

Upon consummation of the Asset Sale, the Company will sell all of its assets, except cash on hand and the Company's corporate records, to Oxboro. Oxboro will assume almost all liabilities, including all trade and accounts payable and certain other trade and accounts payable to be set forth on the closing payable sheet. The Asset Sale will become effective at the time to be specified in the Asset Agreement and is expected to close as soon as practicable following a successful vote by the shareholders of the Company.

Representations and Warranties

Edgar Filing: SURGIDYNE INC - Form DEFM14A

The Asset Agreement contains various customary representations and warranties of each of the Company and Oxboro relating to, among other things, the following matters (which representations and warranties are subject, in certain cases, to specified exceptions): (a) organization, corporate powers and qualification to do business; and (b) due authorization, execution, delivery and performance of the Asset Agreement.

Covenants

Pursuant to the Asset Agreement and prior to the effective time, the Company has agreed, except as expressly contemplated by the Asset Agreement or as otherwise consented, that it: (a) will carry on its businesses in the usual, regular and ordinary course; (b) will not dispose of or encumber any of its properties or assets; and (c) will not take, agree to take or knowingly permit to be taken any action or do or knowingly permit to be done anything in the conduct of its business that would be contrary to or in breach of the terms or provisions of the Asset Agreement or would cause any of the representations or warranties contained therein to be or become untrue in any material respect.

The Company and Oxboro have further agreed to not issue any press release or other information to the press or any third parties with respect to the Asset Agreement or the transactions contemplated thereby without the prior written consent of each other.

Conditions to Consummation of Asset Sale

Pursuant to the Asset Agreement, the respective obligations of the Company and Oxboro to effect the Asset Sale are subject to the fulfillment at or prior to the effective time of various conditions, including the following: (a) the Asset Agreement shall have been approved and adopted by the affirmative vote of the shareholders of the Company in accordance with applicable law; (b) no suit or other legal proceeding shall have been commenced seeking to restrict or prohibit the transactions contemplated by the Asset Agreement; (c) the representations and warranties of the Company and Oxboro, respectively, contained in the Asset Agreement shall be true and correct in all material respects at and as of the effective time as if made at and as of such time, except as affected by the transactions contemplated by the Asset Agreement; and (d) the Company and Oxboro shall each have performed in all material respects the obligations under the Asset Agreement required to be performed by it at or prior to the effective time.

Amending or Waiving Terms of the Asset Agreement

At any time prior to the closing of the Asset Sale, the Company and Oxboro may amend the Asset Agreement to the extent permitted by law before or after the shareholders of the Company vote on the Asset Sale. After the shareholders of the Company approve the Asset Sale, applicable law may require that subsequent amendments be approved by such shareholders.

Indemnification

The Company and Oxboro have each agreed to, and shall immediately upon demand, defend, indemnify and hold harmless the other from, against, and in respect of any liabilities, penalties, interests, costs, expenses or other damages or deficiencies incurred as a result of any misrepresentation, breach of warranty or nonfulfillment of any agreement or covenant under the Asset Agreement. More particularly, the Company has agreed to provide to Oxboro indemnification from all damages, losses, costs and expenses that it may suffer as a result of certain items including, but not limited to, any unassumed liabilities, breach of the representations and warranties in the Asset Agreement and third party product claims for products that were in inventory or sold prior to the

Edgar Filing: SURGIDYNE INC - Form DEFM14A

closing. No claims for indemnification may be brought by Oxboro in an aggregate amount that exceeds \$20,000. All claims by Oxboro must be brought on or before the first anniversary of the closing of the transaction.

Expenses

Under the Asset Agreement, all costs and expenses incurred in connection with the Asset Agreement and the transactions contemplated thereby are to be paid by the party incurring such costs and expenses.

Regulatory and Third-Party Approvals

Each of the Company and Oxboro believe that no regulatory approvals or third-party approvals are or will be required in connection with the Asset Sale or the Asset Agreement.

Exhibits and Schedules

The exhibits and schedules to the Asset Agreement have not been included in Attachment A. Shareholders and other persons interested in obtaining copies of such exhibits and schedules may request the same by writing to Mr. Charles McNeil, Executive Vice President, Surgidyne, Inc., 9909 South Shore Drive, Minneapolis, Minnesota, 55441. Shareholders and other persons who request a copy of the exhibits and schedules to the Asset Agreement will be asked to pay the cost of photocopying and mailing such exhibits and schedules.

RIGHTS OF DISSENTING SHAREHOLDERS

Under the MBCA, the shareholders of the Company are entitled to dissenters' rights with respect to the Asset Sale. The following is a summary of your rights if you dissent. The summary is not a complete description and, because the rules for preserving and asserting dissenters' rights are very technical and strictly enforced, it is very important that you read Sections 302A.471 and 302A.473 of the MBCA (the "Minnesota Dissenters' Rights Statute"), which are attached hereto as Appendix D.

Under the MBCA, you have the right to dissent from the Asset Sale and, subject to certain conditions provided for under the MBCA, to receive payment for the fair value of your shares of stock of the Company immediately prior to the Asset Sale. If the shareholders approve of the Asset Agreement, shareholders will be bound by the terms of the Asset Agreement unless they dissent by complying with all of the requirements of the Minnesota Dissenters' Rights Statute. To demand such payment, you should carefully review the Minnesota Dissenters' Rights Statute, and in particular the procedural steps. IF YOU FAIL TO COMPLY PRECISELY WITH THESE PROCEDURAL REQUIREMENTS YOU WILL LOSE YOUR RIGHT TO DISSENT.

If you wish to dissent, you must deliver to the Company, prior to the vote on the Asset Agreement, a written notice of intent to demand payment for your shares if the Asset Sale is effectuated. Such notice should be sent to Surgidyne, Inc., Attn: Chuck McNeil, Executive Vice President, 9909 South Shore Drive, Minneapolis, Minnesota, 55441. In addition, you must not vote to approve the Asset Agreement. If you fail to deliver the notice on time or vote to approve the Asset Agreement, you will not have any dissenters' rights. If you return a signed proxy but do not specify a vote "AGAINST" approval of the Asset Agreement or a direction to abstain, the proxy will be voted "FOR" approval of the Asset Agreement, which will have the effect of waiving your dissenters' rights.

If the Asset Agreement is approved at the Special Meeting, the Company will deliver a written dissenters' notice to all of its shareholders who gave

Edgar Filing: SURGIDYNE INC - Form DEFM14A

timely notice of intent to demand payment and who did not vote in favor of the Asset Agreement. The Company's notice will:

- * state where the payment demand and certificates of certificated shares must be sent in order to obtain payment and the date by which they must be received;
- * inform shareholders of uncertificated shares to what extent transfer of the shares will be restricted after the payment demand is received;
- * supply a form for demanding payment and requiring the dissenting shareholder to certify the date on which such shareholder acquired his or her shares of stock of the Company; and
- * be accompanied by a copy of the Minnesota Dissenters' Rights Statute.

In order to receive fair value for your shares of stock of the Company, you must demand payment within thirty days following the date of the Company's notice, deposit your shares and provide the other information required by such notice. The Company may restrict the transfer of shares from the date of the demand for payment until the Asset Sale is completed; however, you retain all other rights of a shareholder of the Company until those rights are canceled by the Asset Sale.

Upon the completion of the Asset Sale, or upon receipt of the payment demand (whichever is later), we must pay each dissenter who complies with the Minnesota Dissenters' Rights Statute the amount we estimate to be the fair value of the dissenter's shares of stock of the Company plus accrued interest, except that the Company may withhold remittance from any person who was not a shareholder on the date the Asset Sale was first announced to the public or who is dissenting on behalf of a person who was not a beneficial owner on that date. The payment must be accompanied by certain financial information concerning the Company, a statement of our estimate of the fair value of the shares, an explanation of the method used to reach the estimate, a brief description of the procedure to demand supplemental payment, and a copy of the Minnesota Dissenters' Rights Statute.

If you believe the amount remitted by us is less than fair value for the shares of stock of the Company plus interest, you may notify the Company in writing of your estimate of the fair value of the shares and the amount of interest, and may demand additional payment, by following the procedures set forth in the Minnesota Dissenters' Rights Statute.

INFORMATION CONCERNING THE COMPANY

General

The Company, a Minnesota corporation, designs, develops, manufactures and markets specialty medical and surgical wound drainage products. The Company was incorporated in Minnesota in March 1984 and is the successor by merger to a corporation of the same name that was incorporated in Georgia in September 1982. The Company's executive offices are located at 9909 South Shore Drive, Minneapolis, Minnesota, 55441 and the Company's telephone number is (763) 595-0665.

Products

The Company's current product lines are comprised of VariDyne microelectronic A.C./D.C. battery powered suction systems with disposable

Edgar Filing: SURGIDYNE INC - Form DEFM14A

drainage/collection products for postoperative and other suction drainage applications, disposable SABER and S-VAC 100 bulb evacuators for postoperative closed wound suction drainage along with other related disposable products. The Company also sells some of its disposable wound drainage components on an original equipment manufacturer (OEM) basis. Additionally, the Company provides contract assembly and packaging services for disposable medical and related products.

Marketing and Distribution

The Company's basic products are sold through a network of independent dealers, with eight domestic dealers and four international dealers. The Company sells directly to hospital accounts in the United States in areas without dealer representation. Internationally, the Company's products are sold through four dealers located in Canada, Puerto Rico, the United Kingdom and Italy. The Company does not employ an outside sales force and is largely dependent upon its dealers for sales and service to hospital accounts.

The Company's business is not seasonal in nature. The Company typically does not provide extended payment terms to customers and has had satisfactory collections of accounts receivable. Sales are usually made on a net 30-day basis. Sales orders from the exclusive dealer in Italy are done by irrevocable letter of credit in U.S. dollars or are prepaid by bank wire transfer.

Suppliers

The Company purchases all components for its products from outside suppliers and has some components manufactured to its specification. The Company is dependent upon such suppliers for a readily available supply of necessary components. The Company has single sources of supply for some of its critical components. Management has determined that developing and maintaining additional sources for all critical components is not cost effective. The Company has no written agreements with its suppliers, other than purchase orders.

Competition

The hospital market for disposable suction drainage products is highly price competitive. One company, Stryker Corporation, an orthopedic product company, markets battery powered suction drainage systems, including both wound and orthopedic drainage and auto transfusion products. A number of other companies market disposable closed suction wound drainage products including Allegiance Healthcare, Zimmer, Inc., Johnson and Johnson and C.R. Bard. The Company's products are designed to provide significant enhancements to existing products in its specific market niches.

The Company's VariDyne system is the only battery powered system with variable and controllable vacuum up to 350mm Hg and is the only system with a closed infection control system for emptying. Such a system protects healthcare providers from cross contamination resulting from infectious pathogens in wound exudates.

The Company's patented Saber TM System features its unique bulb evacuator, with an integral anti-reflux valve that mates to its 3C Collection Unit for optimal infection control while providing simultaneous emptying and reactivation.

Government Regulation

The Company's products are classified as Class I and II medical devices under the Medical Device Amendment to the Federal Food, Drug, and Cosmetic Act

Edgar Filing: SURGIDYNE INC - Form DEFM14A

(the "Act"). As such they are subject to regulation by the United States Food and Drug Administration ("FDA"), which has the power to approve medical devices before sales, remove medical devices from the marketplace if found to be unsafe or ineffective, and control plant conditions to assure product quality. No government approval, other than FDA pre-market approval, is required for sale and use of the Company's products in the United States and Puerto Rico. The Company has FDA 510(k) exemption for all marketed products, including VariDyne Vacuum Controllers and collection systems, SABER and S-VAC 100 Bulb Evacuators. The VariDyne Vacuum Controller Models 140 and 350, used in conjunction with the CSA approved Model 2007 battery charger, have been approved by the Canadian Standards Association.

The Company's products required the CE mark for European markets as of June 14, 1998. The Company received CE mark certification July 22, 1998 for products marketed to dealers in Europe.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of Surgidyne Common Stock and Surgidyne Preferred Stock as of November 7, 2001 by (a) each person known by the Company to be the beneficial owner of more than 5% of outstanding Surgidyne Common Stock or Surgidyne Preferred Stock, (b) each director, and (c) all executive officers and directors as a group.

Name	Surgidyne Common Stock		Surgidyne Preferred Stock	
	Beneficially Owned	Percent of Class	Beneficially Owned	Percent of Class
Charity, Inc. 6187 Heather Circle Fridley, MN 55432	1,126,016(1)	16.0%	400,000	25.0%
Theodore A. Johnson 825 Southgate Plaza 5001 West 80th Street Bloomington, MN 55437	722,875(2)	7.5%	60,000	3.8%
Charles B. McNeil 3115 Maplewood Road Wayzata, MN 55391	632,839(3)	6.0%	--	--
Arthur W. Schwalm 9909 South Shore Drive Plymouth, MN 55441	356,640	5.1%	--	--
David R. Knighton, M.D. 2460 South Highway 100 St. Louis Park, MN 55416	200,000(4)	4.1%	20,000	1.3%
Vance D. Fiegel 2460 South Highway 100 St. Louis Park, MN 55416	--(5)	0.7%	--	--
William F. Gearhart 9909 South Shore Drive Plymouth, MN 55441	--	--	--	--
David B. Kaysen 9909 South Shore Drive Plymouth, MN 55441	--	--	--	--

Edgar Filing: SURGIDYNE INC - Form DEFM14A

Samuel M. Joy 828 Ridge Place Mendota Heights, MN 55118	--	--	140,000	8.8%
Dr. Demetre Nicoloff c/o National City Bank 75 South Fifth Street Minneapolis, MN 55402	--	--	120,000	7.5%
Eugene T. and Joan L. Plitt S76 West 12816 Cambridge Court Muskego, WI 53150	--	--	100,000	6.3%
John M. Metcalfe 6565 Word Parkway Melbourne Village, FL 32904	--	--	80,000	5.0%
Dr. Melvin P. Bubrick 5712 Long Brake Trail Edina, MN 55345	--	--	80,000 (7)	5.0%
All Directors and Officers of SURGIDYNE as a group (7 persons)	1,912,354 (6)	24.2%	80,000	5.0%

(1) Includes 400,000 shares of Surgidyne Preferred Stock. Mr. Virgil Brenny is the administrator of Charity, Inc. and, therefore, he holds the voting and investment power of these shares.

(2) Includes 200,000 shares issuable pursuant to warrants that are currently exercisable and 60,000 shares of Surgidyne Preferred Stock.

(3) Includes 215,000 shares issuable pursuant to warrants that are currently exercisable.

(4) Represents 65,000 shares issuable to EMBRO Corporation pursuant to warrants which are currently exercisable and 135,000 shares of Surgidyne Common Stock held by EMBRO Corporation, of which Dr. Knighton is an 80% shareholder, and 20,000 shares of Surgidyne Preferred Stock.

(5) Does not include any of the shares held by EMBRO Corporation of which Mr. Fiegel is a 20% shareholder.

(6) Includes 480,000 shares issuable pursuant to warrants that are currently exercisable and 80,000 shares of Surgidyne Preferred Stock. Also includes 135,000 shares held by EMBRO Corporation, of which Dr. Knighton is an 80% shareholder.

(7) Includes 40,000 shares held in trust in the names of Dr. Bubrick's children.

Financial Statements

The Company's audited financial statements as of December 31, 2000 and December 31, 1999 are included in the Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2000, copy of which is attached hereto as Appendix E. A signed copy of the Independent Auditor's Report that accompanies the Annual Report on Form 10-KSB for the fiscal year ended December 31, 2000 is attached hereto as Appendix F. The Company's unaudited financial statements for the three-month periods ended March 31, 2001 and

Edgar Filing: SURGIDYNE INC - Form DEFM14A

March 31, 2000 are included in the Company's Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2001, a copy of which is attached hereto as Appendix G. The Company's unaudited financial statements for the six-month periods ended June 30, 2001 and June 30, 2001 are included in the Company's Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2001, a copy of which is attached hereto as Appendix H. The Company's unaudited financial statements for the nine-month periods ended September 30, 2001 and September 30, 2001 are included in the Company's Quarterly Report on Form 10-QSB for the quarterly period ended September 30, 2001, a copy of which is attached hereto as Appendix I.

PROPOSAL 2: AMENDMENT OF ARTICLES TO CHANGE THE COMPANY NAME

The Company is also asking shareholders to approve an amendment to the Company's Articles of Incorporation, as amended, to change the name of the Company to Surg II, Inc. The Asset Agreement requires the Company to change its name immediately following the closing date for the Asset Sale. Therefore, upon consummation of the Asset Sale, and assuming approval of this proposal, the Company will amend its articles to changes its name to Surg II, Inc. IN THE EVENT THAT THE ASSET SALE IS NOT APPROVED, OR THE TRANSACTION DOES NOT CLOSE , THE BOARD WILL NOT FILE THE AMENDMENT TO THE ARTICLES OF INCORPORATION, AS AMENDED.

Favorable Recommendation of the Company's Board of Directors

The Board of Directors of the Company believes that the amendment of the articles to change the name of the Company is in the best interests of Surgidyne and its shareholders. THE BOARD OF DIRECTORS OF THE COMPANY HAS APPROVED THE AMENDMENT TO THE ARTICLES OF INCORPORATION, AS AMENDED, AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PROPOSAL. The members of the Board of Directors of the Company intend to vote all shares of stock of the Company under their control in favor of such proposal.

PROPOSAL 3: AMENDMENT OF ARTICLES TO INCREASE AUTHORIZED SHARES

The Company is also asking the shareholders to approve an amendment to the Company's Articles of Incorporation, as amended, to increase the number of authorized shares to be issued from Twenty Million (20,000,000) to Two-Hundred Million (200,000,000) shares. As of November 7, 2001, there were 7,447,085 shares of Surgidyne Common Stock issued and outstanding, an additional 1,145,000 shares of Surgidyne Common Stock reserved for issuance pursuant to outstanding warrants with weighted average exercise price of approximately \$0.17 and an additional 1,600,000 shares of Surgidyne Common Stock reserved for issuance pursuant to outstanding shares of Surgidyne Preferred Stock. Additionally, as of November 7, 2001, all 1,600,000 shares of designated Surgidyne Preferred Stock were issued and outstanding. As such, as of November 7, 2001, there were 9,807,915 authorized but unissued and undesignated shares available to be issued by the Company. Such shares are subject to future designation of rights and preferences (including dividends or interest rates, conversion prices, voting rights, redemption prices, maturity dates and similar matters) in the discretion of the Company's Board of Directors. Following the approval of this amendment to the Company's Articles of Incorporation, as amended, there would be 189,807,915 authorized but unissued and undesignated shares available to be issued by the Company.

Upon advice of Equity Securities and other persons with knowledge of financing and acquisitions, the Company's Board believes this increase will provide it with the potential flexibility that may be necessary to facilitate possible future financing and/or business combination transactions. The Company does not have any current plans or proposals to use any specific portion of the additional shares that would be authorized upon adoption of the

Edgar Filing: SURGIDYNE INC - Form DEFM14A

amendment. However, the Company does hope to find a private company to merge with in order to provide the Company's shareholders with some potential value for their shares. The Company would likely consider a variety of factors in considering any potential transaction. Such factors would include the business and revenue potential of the any proposed target company, the experience and skills of its management, the size of the market for such company's products, its historical financial performance and its anticipated future growth prospects. In the event the Company is able to locate a business with which to combine, the Company would likely have to issue significant additional shares (of one or more classes) to such entity or to its shareholders and could also be required to affect a significant recapitalization of the Company's outstanding shares in order to successfully complete such a transaction. It is likely that current stockholders would experience significant and immediate dilution as a result of any such efforts.

Possible Effects of the Proposed Amendment

If the amendment to the Company's Articles of Incorporation, as amended, to increase the number of authorized shares is approved, the Board would have sole discretion to authorize the issuance of additional shares of one or many classes of stock from time to time for any corporate purpose without further action by the shareholders, except as required under Minnesota or any other applicable laws or regulations. Securities issued by the Board could have rights and preferences superior to existing shareholders, however, all of the stock, by operation of Minnesota law, will be undesignated and default to common shares unless and until future designation by the Board of Directors of the Company. The Board does not have any current plans to issue any securities with rights superior to existing shareholders. Current holders of Surgidyne Common Stock have no preemptive or similar rights to purchase any new issue of shares of Surgidyne Common Stock in order to maintain their proportionate ownership interests in the Company. As such, the issuance of any additional shares would likely dilute the voting power of the outstanding shares of Surgidyne Common Stock and reduce the portion of the dividend and liquidation proceeds payable to the holders of the outstanding shares of Surgidyne Common Stock.

While the amendment to the Company's Articles of Incorporation, as amended, to increase the number of authorized shares may be deemed to have some potential anti-takeover effects, the Board is not currently aware of any pending or potential offer or proposal for the acquisition of the Company or its stock and the Company does not have any current plans to issue such stock as preferred stock. In fact, as provided above, following the closing of the Asset Sale, the Company hopes to find a private company to merge with in order to provide the Company's shareholders with some value for their shares. Further, the amendment to the Company's Articles of Incorporation, as amended, to increase the number of authorized shares is not prompted by any specific take-over or acquisition effort or threat.

Favorable Recommendation of the Company's Board of Directors

The Board of Directors of the Company believes that the amendment of the articles to increase the number of authorized is in the best interests of the Company and its shareholders because it may create an opportunity by which the Company may obtain needed capital and find a more attractive business opportunity. THE BOARD OF DIRECTORS OF THE COMPANY HAS APPROVED THE AMENDMENT TO THE ARTICLES OF INCORPORATION, AS AMENDED, AND UNANIMOUSLY RECOMMENDS THAT YOU VOTE IN FAVOR OF THE PROPOSAL. The members of the Board of Directors of the Company intend to vote all shares of stock of the Company under their control in favor of such proposal

OTHER BUSINESS

Edgar Filing: SURGIDYNE INC - Form DEFM14A

As of the date of this Proxy Statement, the Company knows of no other business that may properly come before the Special Meeting. If any other matters do in fact properly come before the meeting, however, the persons named on the enclosed form of proxy will vote the proxies received in response to this solicitation in accordance with their best judgment on such matters.

INCORPORATION BY REFERENCE

The following documents, copies of which are attached to this Proxy Statement as Appendix E, Appendix F, Appendix G, Appendix H and Appendix I, respectively, are being delivered to the shareholders of the Company together with this Proxy Statement and are hereby incorporated by reference into this Proxy Statement:

- * The Company's Annual Report on Form 10-KSB for the fiscal year ended December 31, 2000.
- * A signed copy of the Independent Auditor's Report that accompanies the Annual Report on Form 10-KSB for the fiscal year ended December 31, 2000.
- * The Company's Quarterly Report on Form 10-QSB for the quarterly period ended March 31, 2001.
- * The Company's Quarterly Report on Form 10-QSB for the quarterly period ended June 30, 2001.
- * The Company's Quarterly Report on Form 10-QSB for the quarterly period ended September 30, 2001.

Appendix A

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (the "Agreement") is entered into as of this 4th day of October, 2001 (the "Effective Date") by and between Oxboro Medical, Inc. ("Buyer") and Surgidyne, Inc. ("Seller").

RECITALS:

A. Seller conducts a business (the "Business") which manufactures, sells and distributes surgical drainage and/or fluid containment systems as described on Exhibit A (the "Products").

B. Buyer desires to purchase and assume from Seller, and Seller desires to sell and transfer to Buyer certain of the assets and liabilities of Seller relating to the Business, upon the terms and subject to the conditions set forth herein;

AGREEMENTS:

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises herein contained and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1.

Edgar Filing: SURGIDYNE INC - Form DEFM14A

PURCHASE OF ASSETS; NO ASSUMPTION OF LIABILITIES

1.1. Purchase of Assets. Subject to the terms and conditions of this Agreement, Seller agrees on the Closing Date (as defined in this Agreement) to assign, sell, transfer, convey, and deliver to Buyer, and Buyer agrees on the Closing Date to purchase from Seller, all of the assets and personal property of Seller (excepting only the assets specifically identified as "Excluded Assets" in Section 1.2 below) related to or used in the operation of the Business, wherever the same may be located (collectively referred to as the "Purchased Assets") as follows:

- a. All furniture, equipment, machinery and tooling ("Equipment") described in Exhibit 1.1(a) hereto;
- b. All intangible personal property, business records, telephone numbers, and customer lists and goodwill (together with all documents, records, files, computer tapes or discs, or other media on or in which the same may be evidenced or documented) ("Intangible Property"), including without limitation the following:
 - (i) The corporate name of Seller and all assumed names under which it conducts the Business;
 - (ii) All tradenames, trademarks or service mark registrations and applications, common law trademarks, copyrights and copyright registrations and applications ("Trademarks") as identified on Exhibit 1.1(b) (ii) hereto and all goodwill associated therewith;
 - (iii) All domestic and foreign letters patent, patent applications, and patent and know-how licenses ("Patents") as listed on Exhibit 1.1(b) (iii) hereto; and
 - (iv) All technology, know-how, trade secrets, manufacturing processes, formulae, drawings, designs and computer programs related to or used or useful in the Business, and all documentary evidence thereof ("Technology") as listed on Exhibit 1.1(b) (iv) hereto;
 - (v) All website and domain names, including without limitation the domain name www.surgidyne.com;
 - (vi) All of Seller's business records and files, relating to the Business and Purchased Assets, including, without limitation, customer lists and records, sales information, supplier records, cost and pricing information, and other records and copies of such records on whatever media such records or copies are maintained (the "Business Records"); provided however that Seller may keep a copy of such records as may be necessary for purpose of government or similar record keeping requirements.
- c. All inventory, materials, supplies and work-in-progress as of the Closing Date ("Inventory");
- d. All accounts receivable reflected on the Seller's books as of the Closing Date ("Receivables");
- e. All licenses and permits, to the extent transferable ("Licenses and Permits") as set forth in Exhibit 1.1(e) hereto;

Edgar Filing: SURGIDYNE INC - Form DEFM14A

- f. All rights of Seller under contracts, agreements, commitments and other arrangements relating to the Business to which Seller is a party or is otherwise bound (the "Contracts"), listed on Exhibit 1.1(f) hereto, including, without limitation, all contracts:
- (i) which restricts in any manner Seller's right to compete with anyone in any part of the world or restricts Seller's right to sell to or purchase from anyone;
 - (ii) for the payment or receipt of license fees or royalties to or from any person or entity;
 - (iii) of brokerage, agency, representation, distribution, or franchise;
 - (iv) for the advertisement, display or promotion of any of the Products of the Seller;
 - (v) for service, consulting or management affecting any of the Assets or the Business;
 - (vi) which is a guaranty, performance, bid or completion bond, or surety or indemnification contract;
 - (vii) which requires the making of a charitable contribution; or
 - (viii) which provides for the receipt or expenditure by Buyer in excess of \$15,000 at any time following the Closing Date.
 - (ix) which the requirements for performance extend beyond one (1) year from the date of this Agreement.

Notwithstanding the listing of contracts on Exhibit 1.1(f), only those specifically designated thereon as a contract to be assumed by Buyer shall be considered an Assumed Contract (collectively, the "Assumed Contracts").

1.2. Excluded Assets. Notwithstanding anything herein to the contrary, Buyer does not purchase, and Seller does not sell, any of the following assets ("Excluded Assets"):

- a. All cash or cash equivalents on hand or on deposit at any bank as of the Closing Date.
- b. Any interest in real property.
- c. All claims or causes of action which seller may have relating to Excluded Assets or relating to Excluded Liabilities.
- d. Seller's corporate minute book, stock records, and similar records, including financial records and tax returns.
- e. All of Seller's rights in Contracts which are not Assumed Contracts.
- f. All assets in any of Seller's Employee Plans.
- g. Seller's rights under this Agreement.

Edgar Filing: SURGIDYNE INC - Form DEFM14A

- 1.3. Assumption of Liabilities. On the Closing Date, Buyer hereby assumes the following obligations and liabilities (the "Assumed Liabilities"):
- a. All obligations arising from and after the Closing Date under any contracts specifically identified in Schedule 1.1(f) as the Assumed Contracts (provided that Buyer does not assume, and Seller shall pay, all past-due obligations thereunder).
 - b. All trade accounts payable or other accounts payable of the Seller which have been due for 120 days, but only in the amounts (i) set forth on Exhibit 1.3(b) or (ii) set forth on Closing Payables Sheet.
 - c. Any liabilities of Seller specifically identified on Exhibit 1.3(c) hereto, but only in the amounts set forth on Exhibit 1.3(c).
- 1.4. Exclusion of Liabilities. Except for the foregoing Assumed Contracts and the Assumed Liabilities, Buyer shall not assume any liabilities, obligations or undertakings of Seller of any kind or nature whatsoever, whether fixed or contingent, known or unknown, determined or determinable, due or not yet due ("Excluded Liabilities"). Without limiting the generality of the foregoing sentence, the Excluded Liabilities include:
- a. Liabilities or obligations arising out of an event that occurred, Products sold or services performed by Seller, or Seller's ownership of its assets or the operation of the Business on or prior to, the Closing Date; provided, however, that Buyer shall be responsible for delivering Products which were sold prior to the Closing Date and for which Seller has accepted and entered the order as of the Closing Date.
 - b. Liabilities and obligations of Seller for accrued audit fees, accrued commissions, accrued payroll (including associated employer taxes or employee withholdings), accrued insurance premiums, and garnishments payable of the Business incurred by Seller
 - c. Liabilities or obligations for foreign, federal, state, county, local or other governmental taxes of Seller relating to the operation of the Business or the ownership of the Assets on or prior to the Closing Date;
 - d. Liabilities or obligations related to or arising out of any Employee Plan, workers' compensation claim or any other liabilities to employees or former employees of Seller;
 - e. Liabilities or obligations arising out of any litigation or administrative or arbitration proceeding to which Seller is a party or any claims by or against Seller arising from events or facts existing on or prior to the Closing Date;
 - f. Liabilities or obligations resulting from any breach by Seller on or prior to the Closing Date of any contract or agreement to which the Seller is party or by which the Seller is bound, including, without limitation, any Assumed Contract;
 - g. Liabilities or obligations resulting from any violation by Seller, the Shareholders, or any employee, director or agent of Seller, or any predecessor for which Seller may be liable, of any applicable foreign, federal, state, county, local or other governmental laws, decrees, ordinances or regulations, or any

Edgar Filing: SURGIDYNE INC - Form DEFM14A

permit, license, consent, certificate, approval or authorization issued pursuant to such laws, decrees, ordinances or regulations, including, without limitation, those applicable to discrimination in employment, employment practices, wage and hour, retirement, labor relations, occupational safety, health, trade practices, environmental matters, competition, pricing, product warranties, product liability and product advertising;

- h. Liabilities or obligations to any investment banker, broker, finder or other intermediary which has been retained by or is authorized to act on behalf of Seller who may be entitled to or may claim any fee or commission from Buyer in connection with the transactions contemplated by this Agreement.
- i. Liabilities or obligations (whether interest, principal, fees, penalties or otherwise) of Seller (i) for borrowed money; (ii) evidenced by bonds, debentures, notes or other similar instruments, (iii) to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) and any of the foregoing guaranteed by Seller.
- j. Liabilities or obligations relating to the Seller's Series A Preferred Stock, whether arising before, on or after the Closing Date.
- k. Seller's obligations under this Agreement.

1.5. Sales and Use Tax. Buyer shall be responsible for payment of any sales or use tax assessable with respect to the transactions herein.

ARTICLE 2.

PURCHASE PRICE AND PAYMENT OF PURCHASE PRICE

2.1 Purchase Price. The purchase price (the "Purchase Price") for the Purchased Assets and the performance by Seller of its obligations under this Agreement shall be Two Hundred Thousand Dollars (\$200,000), payable to the Seller in full in immediately available funds on the Closing Date.

2.2 Allocation of Purchase Price. The Purchase Price shall be allocated among the Purchased Assets as set forth in Exhibit 2.2. The parties agree to report this transaction for federal tax purposes in accordance with the allocations set forth in Exhibit 2.2.

ARTICLE 3

EMPLOYEE MATTERS

3.1 Employees. During the period after the date of this Agreement, but before the Closing Date, Buyer will have the option of interviewing and making an offer in writing of employment at will to those employees listed on Exhibit 3.1 hereto (each, a "Selected Employee"). While Seller will cooperate with Buyer to assist Buyer to hire and retain the services of all Selected Employees, Buyer acknowledges and agrees that the Selected Employee has the final decision whether to transfer with the Business and the failure of one or more Selected Employee(s) to accept an offer of employment from Buyer shall not be deemed to be a breach of this Agreement.

3.2 Benefits. Each Selected Employee will be covered under the Employee Plans of Buyer available to other employees of Buyer who are employed in similar categories of employment. Buyer shall offer each Selected Employee the opportunity, as of the Closing Date, to participate in all of Buyer's Employee

Edgar Filing: SURGIDYNE INC - Form DEFM14A

Plans for which each such Selected Employee would be eligible under the guidelines for such plans. Before the Closing Date, Buyer shall provide to the Selected Employees summaries of the material terms and conditions of and guidelines for Buyer's Employee Plans (including, but not limited to, medical and dental insurance plans, life insurance plan, pension plan, savings plan, short-term and long-term disability plans, employee stock ownership plan, vacation plan and severance or termination plan).

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in Exhibit 4 hereto, Seller makes the following representations and warranties to Buyer with the intention that Buyer may rely upon the same, and acknowledges that the same shall be true as of the Closing Date (as if made at the Closing) and shall survive the Closing of this transaction.

4.1 Organization. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Minnesota, has all requisite corporate power and authority, corporate and otherwise, to own its properties and assets and conduct the Business, as it is currently conducted. Seller does not have any subsidiary and Seller is not a shareholder, partner or joint venturer with any other person or legal entity. Seller has not failed to qualify as a foreign corporation in any other state or states where such failure may have a material adverse effect on the Business.

4.2 Corporate Authority. The Seller has all requisite power and authority to enter into and perform this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated in this Agreement have been duly authorized by all requisite action of Seller's Board of Directors and shareholders. This Agreement has been executed and delivered by a duly authorized officer of Seller and is a valid and binding agreement of the Seller, enforceable against them in accordance with its terms.

4.3 Financial Statements.

- a. Financial Statements. Seller has furnished Buyer a true and complete copy of its audited balance sheets and statements of income for its fiscal years ended December 31, 1998, 1999, 2000, and has furnished unaudited update thereof as of and for the period ending June 30, 2001 (collectively the "Financial Statements", all of which are attached as Schedule 4.3(a) hereto). The audited Financial Statements have been prepared in conformance with generally accepted accounting principles and procedures applied on a basis consistent with prior periods and will fairly present in all material respects the financial condition of Seller as of the represented dates thereof and the results of Seller's operations for the periods covered thereby. For purposes of this Agreement, the Financial Statements shall be deemed to include any notes thereto.
- b. No Adverse Changes. Since June 30, 2001, there has not occurred or arisen (whether or not in the ordinary course of business, except subsection (iii) below): (i) any material adverse change in the in the Business, Purchased Assets, relationships with customers or suppliers, backlogs, sales, income, profit margins, assets, liabilities or financial condition of Seller, (ii) any change in Seller's accounting methods or practices, (iii) any sale or transfer of any asset or any amendment of any agreement of Seller whether or not in

Edgar Filing: SURGIDYNE INC - Form DEFM14A

the ordinary course of business, (iv) any loss of or damage to the Purchased Assets due to abuse, misuse, fire, damage, destruction or other casualty, whether or not covered by insurance, affecting any of the Purchased Assets or any portion of the Business (v) any labor trouble, (vi) to Seller's knowledge any reasonably foreseeable increase in operating costs of the Business not commensurate with increased production, (vii) any material warranty or liability claims or losses, or (viii) any other event or condition known to Seller to have occurred or to exist which, singly or in the aggregate, materially and adversely affect the Purchased Assets or the Business.

- c. Undisclosed Liabilities. Except as set forth on Schedule 4.3(c), Seller has no liabilities (whether known or unknown, accrued, absolute, contingent or otherwise) for which Seller would be liable in any single instance for more than \$1000 or in the aggregate more than \$5000, that exist or arise out of any transaction or state of facts existing on or prior to the Closing Date other than as and to the extent reflected or reserved against in the Financial Statements (none of which is a liability for borrowed money (other than under current credit facilities), breach of contract, breach of warranty, tort, infringement or lawsuit).

4.4 Tax Reports, Returns and Payment. Seller has timely filed (subject to extension) all federal and applicable state, local, and foreign tax or assessment reports and returns of every kind required to be filed by Seller with relation to the Business, including, without limitation, income tax, sales and use tax, real estate tax, personal property tax and unemployment tax, and has duly paid all taxes and other charges (including interest and penalties) due to or claimed to be due by any taxing authorities. True and correct copies of the reports and returns filed by Seller during the last three tax years have been made available to Buyer. Where required, timely estimated payments or installment payments of tax liabilities have been made to all governmental agencies in amounts sufficient to avoid underpayment penalties or late payment penalties applicable thereto. During the three (3) years preceding the Closing Date, such income tax returns have not been subjected to any examination or audit by governmental authorities.

4.5 Title to Assets. Other than the Excluded Assets and the employees of the Business, the Purchased Assets constitute all property owned by Seller which is necessary for the conduct of the Business as now conducted. Seller is the sole owner of the Purchased Assets, except for the leased, licensed or lent Equipment identified on Exhibit 1.1(a), and holds good and marketable title thereto free and clear of all liens, charges, encumbrances or third party claims or interests of any kind whatsoever.

4.6 Tangible Personal Property. All personal property included in the Purchased Assets is in substantially the same operating condition as existed on June 30, 2001, ordinary wear and tear excepted. Seller hereby assigns to Buyer as of the Closing Date any and all warranties covering such property existing as of the Closing Date.

4.7 Inventory. The Inventory reflected on Seller's books and records has been valued at the lower of cost or market in accordance with generally accepted accounting principles applied on a basis consistent with Seller's past practices. In the twelve (12) months prior to the Closing Date, there has not been a material change in the level of Seller's Inventory other than changes in the ordinary course of business consistent with Seller's past practices. All raw material and work-in-progress Inventory included in the Purchased Assets is of a quality and quantity usable in the ordinary course of business.

Edgar Filing: SURGIDYNE INC - Form DEFM14A

4.8 Trademarks. Seller has filed the trademarks registrations for the Trademarks listed on Exhibit 1.1(b)(ii). Exhibit 1.1(b)(ii) sets forth all Trademarks owned, used by, accruing to the benefit of or necessary or useful to the operation of the Business by Seller. The Trademarks and other names are not licensed to or licensed from any other person or entity. Seller has not received any notice or claim that Seller's title to or use of the Trademarks is impaired, encumbered or invalid or is unenforceable by it. To the best of Seller's knowledge, Seller's use of any Trademark does not infringe upon any intellectual property rights held by any other person or entity. There is no claim or action pending or threatened with respect to the Trademarks. There has been no infringement or improper use of any Trademark by any third party.

4.9 Patents. Exhibit 1.1(b)(iii) sets forth all Patents owned, used by, accruing to the benefit of or necessary or useful to the operation of the Business by Seller. The Patents are not licensed to or licensed from any other person or entity. Seller has not received any notice or claim that Seller's title to or use of the Patents is impaired, encumbered or invalid or is unenforceable by it. To the best of Seller's knowledge, Seller's use of any Patent does not infringe upon any intellectual property rights held by any other person or entity and there is no claim or action pending or threatened with respect to the Patents. There has been no infringement or improper use of any Patent by any third party.

4.10 Licenses and Permits. To the best of Seller's knowledge, Seller possesses all necessary permits, licenses and approvals, governmental or otherwise, without which it could not conduct the Business in its present form and at its present location, all of which are listed on Exhibit 1.1(e). All of the Licenses and Permits are valid and in good standing and Seller has not received any notice that the Licenses and Permits will lapse or be terminated by action of any governmental authority or otherwise. Except as set forth on Exhibit 1.1(e), to the best of Seller's knowledge, all of the Licenses and Permits are freely assignable and transferable to Buyer at the Closing and will continue to be in full force and effect after such transfer.

4.11 Agreements, Contracts and Commitments.

- a. Employee Plans. There is no liability that will be imposed upon Buyer with respect to any Employee Plan. "Employee Plan" means any pension, retirement, disability, medical, dental, or other health insurance plan, life insurance or other death benefit plan, profit sharing, deferred compensation, stock option, bonus or other incentive plan, vacation benefit plan, severance plan, or other employee benefit plan or arrangements including, without limitation, any "pension plan" as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and any "welfare plan" as defined in Section 3(1) of ERISA, whether or not any of the foregoing is funded, (i) to which Seller is a party or by which Seller is bound; or (ii) with respect to which Seller has made any payments or contributions since January 1, 1998, or may otherwise have any liability (including any such plan or other arrangement formerly maintained by Seller).
- b. Union and Employment Contracts and Other Employment Matters.
 - (i) Seller is not a party to any collective bargaining agreement or any other written employment agreement, nor is Seller a party to any other contract or understanding (oral or written) that contains any severance pay liabilities or obligations, except for accrued, unused vacation pay or accrued and unused sick

Edgar Filing: SURGIDYNE INC - Form DEFM14A

leave pay.

- (ii) During the last three (3) years Seller has experienced no work stoppages, walkouts or strikes or attempts by its employees to organize a union.
 - (iii) Except as disclosed in Schedule 4.12(b)(iii) hereto, there have been no employee or ex-employee lawsuits or claims, or any claims of unfair labor practices or the like, in the past three (3) years.
 - d. Breach. Seller has performed in all material respects all obligations required to be performed by Seller to date under each Assumed Contract; and neither Seller nor, to the knowledge of Seller, any other party is in default under any Assumed Contract. No event has occurred which after the giving of notice or the lapse of time or otherwise would constitute a default under, or result in a breach of by Seller of any Assumed Contract.
 - e. Copies of Contracts; Terms and Binding Effect. Exhibit 1.1(f) contains an accurate and complete list of all Contracts. True, complete and correct copies of all Assumed Contracts have been delivered to Buyer or are attached to the Schedules where required by this Agreement; there are no amendments to or modifications of, or agreements of the parties relating to, any such Assumed Contracts which have not been delivered to Buyer; and each such Assumed Contract is considered valid and binding on Seller to it in accordance with its respective terms (except as such enforceability may be limited by the effect of bankruptcy, insolvency or similar laws affecting creditor rights generally or by general principles of equity).
- 4.12 Insurance. Seller maintains the insurance identified in Schedule 4.12.
- 4.13 Litigation and Related Matters.
- a. Except as set forth on Schedule 4.13, there are no claims (including, without limitation, workers' compensation claims), action, suits, inquiries, investigations, or proceedings pending or threatened or imminent, relating to the Seller, the Purchased Assets, any portion of the Business, any of the Assumed Liabilities or the transactions contemplated by this Agreement, and, to the best knowledge of Seller, there is no basis for any such claim, action or proceeding. Seller has complied in all material respects with all statutes, laws and regulations, orders, rules, regulations and requirements ("Laws") applicable to it, the Business, or the Purchased Assets, including Laws relating to environmental matters and Laws promulgated by governmental or other authorities, relating to the Purchased Assets and the operation of the Business. Without limiting the generality of the foregoing, Seller has not used or stored hazardous, toxic or contaminating wastes or substances on any real property or discharged or released any such substances upon any real property, including, but not limited to, underground injection of such substances, in violation of any environmental Laws for which Seller would be liable in any single instance for more than \$1000 or in the aggregate more than \$5000.
 - b. Seller is not subject to any material existing judgment, order, decree, or other action affecting the operation of the Business

Edgar Filing: SURGIDYNE INC - Form DEFM14A

or the Purchased Assets or which would prevent, impede, or make illegal the consummation of the transactions contemplated in this Agreement, or which would have a material adverse effect on Seller or on the Business or any of the Purchased Assets.

- c. No legal actions have been commenced against Seller with respect to the Business or the Purchased Assets within the three (3) years prior to the Closing Date.

4.14 Customers. Except as provided in Schedule 4.14, no single customer of Seller accounted for more than ten percent (10%) of Seller's revenues in the Business during the fiscal year ending prior to the date of this Agreement. Seller has received no written notice that any customer intends to cease doing business with Seller or materially alter the amount of business or terms upon which it does with Seller.

4.15 Products. To the best of Seller's knowledge, all Products sold by Seller conform in all material respects to all applicable laws, ordinances, regulations, trade and industry standards, contract specifications and descriptive material or advertisements associated with the Products. Schedule 4.15 discloses all written claims received by Seller within the last three years based upon alleged breach of product warranty, strict liability in tort, or any other allegation of liability arising from Seller's sale of goods, including Products (hereafter collectively referred to as "Product Liability Claims").

4.16 Conflicts; Required Consents. Except as provided in Schedule 4.16, neither the execution and delivery of this Agreement by Seller nor compliance by Seller with the terms and provisions of this Agreement will (a) conflict with or result in a breach of (i) any of the terms, conditions or provisions of the Articles of Incorporation, Bylaws or other governing instruments of Seller, (ii) any judgment, order, decree or ruling to which the Seller is a party, (iii) any injunction of any court or governmental authority to which either of them is subject, or (iv) any Assumed Contract; or (b) require the affirmative consent or approval of any third party other than the approval of Seller's shareholders.

4.17 Binding Obligation. This Agreement constitutes the legal, valid and binding obligation of Seller in accordance with the terms hereof. Seller is not subject to any charter, mortgage, lien, lease, agreement, contract, instrument, law, rule, regulation, order, judgment or decree, or any other restriction of any kind or character, which would prevent the consummation of the transactions contemplated in this Agreement.

4.18 Maintenance of Business. Since June 30, 2001, Seller has conducted the Business only in the usual and ordinary manner, including:

- a. timely payment and discharge of all bills and monetary obligations and timely and proper performance of all of its obligations and commitments under all Assumed Contracts;
- b. preservation and maintenance of its Business assets, including customer, vendor and employee relationships consistent with past practices;
- c. processing or shipment of any customer orders in a manner consistent with ordinary business practices.

Further, since June 30, 2001, Seller has not:

- d. to its knowledge, created or suffered to exist any Encumbrances with respect to any of the Purchased Assets which has not been discharged;

Edgar Filing: SURGIDYNE INC - Form DEFM14A

- e. sold or transferred any assets of a type similar to the Purchased Assets, except for sales of inventory in the ordinary course of its business;
- f. made any change in the conduct or nature of the Business;
- g. changed any method of accounting; or
- h. waived any rights that are the subject of this Agreement.

4.19 Receivables. A schedule of all of Seller's receivables is attached hereto as Schedule 4.19. Except for any reserves shown on Schedule 4.19, to the best of Seller's knowledge, all of the receivables are collectible within 90 days of the date hereof.

4.20 Absence of Certain Business Practices. Neither Seller nor any officer, employee or agent of Seller, nor any other person acting on its behalf, has directly or indirectly, within the past five years given or agreed to give any gift or similar benefit to any customer, supplier, governmental employee or other person who is or may be in a position to help or hinder the Business (or assist Seller in connection with any actual or proposed transaction) which (i) would subject Seller to any damage or penalty in any civil, criminal or governmental litigation or proceeding, or (ii) if not continued in the future, would materially adversely affect the Assets of the Business, or the prospects of the Business or which would subject Seller to suit or penalty in any private or governmental litigation or proceeding.

4.21 Disclosure. No material representation or warranty in this Agreement or in any certificate, schedule, statement or other document furnished or to be furnished pursuant hereto or in connection with the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact required to be stated herein or therein or necessary to make the statements herein or therein not misleading.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer makes the following representations and warranties to Seller with the intention that Seller may rely upon the same, and acknowledges that the same shall be true as of the Closing Date (as if made at the Closing) and shall survive the Closing of this transaction.

5.1 Organization. Buyer is a corporation, duly organized, validly existing in good standing under the laws of the State of Minnesota, and has all requisite corporate power and authority, corporate and otherwise, to own its properties and conduct the business in which it is presently engaged.

5.2 Corporate Authority. Buyer has all requisite power and authority to enter into and perform this Agreement. The execution and delivery of this Agreement and the consummation of the transactions contemplated in this Agreement have been duly authorized by all requisite action of Buyer's Board of Directors and shareholders. This Agreement has been executed and delivered by a duly authorized officer of Buyer and is a valid and binding agreement of the Buyer, enforceable against them in accordance with its terms.

5.3 Breaches of Contracts; Required Consents. Neither the execution and delivery of this Agreement by Buyer, nor compliance by Buyer with the terms and provisions of this Agreement, will (a) conflict with or result in a breach of: (i) any of the terms, conditions or provisions of the Articles of

Edgar Filing: SURGIDYNE INC - Form DEFM14A

Incorporation, Bylaws or other governing instruments of Buyer, (ii) any judgment, order, decree or ruling to which the Buyer is a party, (iii) any injunction of any court or governmental authority to which it is subject, or (iv) any agreement, contract or commitment listed on any Exhibit hereto and which is material to the financial condition of Buyer; or (b) require the affirmative consent or approval of any third party.

5.4 Binding Obligation. This Agreement constitutes the legal, valid and binding obligation of Buyer in accordance with the terms hereof. Buyer is not subject to any charter, mortgage, lien, lease, agreement, contract, instrument, law, rule, regulation, order, judgment or decree, or any other restriction of any kind or character, which would prevent the consummation of the transactions contemplated in this Agreement.

5.5 Disclosure. No material representation or warranty in this Agreement or in any certificate, schedule, statement or other document furnished or to be furnished pursuant hereto or in connection with the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit to state any material fact required to be stated herein or therein or necessary to make the statements herein or therein not misleading.

ARTICLE 6 CONDITIONS PRECEDENT TO CLOSING

6.1 Conditions Precedent to Obligations of Seller. The obligations of Seller under this Agreement are subject to fulfillment prior to or at the Closing of each of the following conditions, unless waived in writing by Seller:

- a. Representations and Warranties. Each of the representations and warranties made by Buyer in this Agreement or in any instrument, schedule, certificate or writing delivered by Buyer pursuant to this Agreement, shall be true and correct when made and shall be true and correct at and as of the Closing Date as though such representation and warranties were made or given on and as of the Closing Date. Buyer shall have performed or complied with all obligations and covenants required by this Agreement to be performed or complied with by Buyer by the Closing Date. Seller shall have received a certificate signed by the appropriate officer of Buyer to the foregoing effect.
- b. Absence of Certain Legal Proceedings. No suit or other legal proceeding shall have been commenced seeking to restrict or prohibit the transactions contemplated by this Agreement.
- c. Other Matters. Buyer shall have delivered the documents required under Section 7.3.
- d. Preservation of Business. Seller shall use commercially reasonable efforts to preserve intact its business organization and goodwill, keep available the services of its respective officers and employees and maintain satisfactory relationships with those persons having business relationships with it.
- e. Opinion of Counsel. Seller shall have received a legal opinion of Lindquist & Vennum, P.L.L.P, counsel to Buyer, dated the Closing Date, that all action required to be taken under Buyer's Articles of Incorporation, Bylaws or otherwise, by any of Buyer's Board of Directors or shareholders, has been duly and validly taken to authorize the execution, delivery and performance of this Agreement and the transactions contemplated

Edgar Filing: SURGIDYNE INC - Form DEFM14A

thereby

6.2 Conditions Precedent to Obligations of Buyer. The obligations of Buyer under this Agreement are subject to fulfillment prior to or at Closing of each of the following conditions, unless waived in writing by Buyer:

- a. Representations and Warranties. Each of the representations and warranties made by Seller in this Agreement, or in any instrument, schedule, certificate or writing delivered by Seller pursuant to this Agreement, shall be true and correct when made and as of the Closing Date. Seller shall have performed or complied with all obligations and covenants required by this Agreement to be performed or complied with by Seller by the Closing Date. Buyer shall have received a certificate signed by the appropriate officer of Seller to the foregoing effect.
- b. Approvals; Absence of Certain Legal Proceedings. All required approvals or consents shall have been obtained by Seller and no suit or other legal proceeding shall have been commenced seeking to restrict or prohibit the transactions contemplated by this Agreement.
- c. Corporate Authorization. All action required by law, Seller's Articles of Incorporation, Bylaws or otherwise to be taken by the Boards of Directors and shareholders of Seller to authorize the execution, delivery and performance of this Agreement and the transactions contemplated thereby shall have been duly and validly taken.
- d. Opinion of Counsel. Buyer shall have received a legal opinion of Gray, Plant, Mooty, Mooty & Bennett, P.A., counsel to Seller, dated the Closing Date, that all action required to be taken under Seller's Articles of Incorporation, Bylaws or otherwise, by any of the Seller's Board of Directors or shareholders, has been duly and validly taken to authorize the execution, delivery and performance of this Agreement and the transactions contemplated thereby.
- e. Other Matters. Seller shall have delivered the documents required under Section 7.2.

ARTICLE 7 CLOSING

7.1 Closing. The closing of the transaction contemplated by this Agreement ("Closing") shall be held at the offices of Lindquist & Vennum P.L.L.P., 4200 IDS Center, Minneapolis, MN 55402 no later than 9:00 a.m. on November 30, 2001, but effective at the close of business on such date (the "Closing Date"); provided, Buyer may set a Closing Date earlier than November 30, 2001, upon five (5) days' written notice to Seller. Such date of Closing shall be referred to herein as the "Closing Date."

7.2 Seller's Deliveries. Seller agrees to execute and/or deliver the following documents to Buyer at the Closing:

- a. All certificates, schedules, exhibits, and attachments in completed form and specifying the information required by the provisions of this Agreement.
- b. A certificate of the Secretary of Seller certifying as to (i) a copy of resolutions of the Seller's Board of Directors which

Edgar Filing: SURGIDYNE INC - Form DEFM14A

authorize the execution, delivery and performance of this Agreement as having been duly adopted and as being in full force and effect on the Closing Date, (ii) a copy of resolutions of the shareholders of Seller which authorize this Agreement and the transactions contemplated herein as having been duly adopted and as being in full force and effect on the Closing Date, (iii) a copy of the Seller's Articles of Incorporation as certified by the Secretary of State of Minnesota in effect as of the Closing Date, and (iv) a true and correct copy of the Seller's Bylaws in effect as of the Closing Date.

- c. A certificate of good standing of Seller certified by the Secretary of State of Minnesota as of no more than two (2) days prior to the Closing Date.
- d. A Bill of Sale, a Trademark Assignment and instruments of assignment and transfer for the sale of the Purchased Assets.
- f. Amendment to Seller's Articles of Incorporation changing Seller's name, in form complete and adequate for filing.
- g. All necessary consents under the Assumed Contracts.
- h. A copy of the Consulting Agreement between Buyer and Charles B. McNeil, in the form of Exhibit A.
- i. A schedule of those accounts payable or trade payables incurred in the ordinary course and consistent with past practice, from the date hereof to the Closing Date (the "Closing Payables Sheet") as agreed to by Buyer and only in the amounts set forth on the Closing Payables Sheet.
- j. A certificate (the "Closing Receivables Certificate") by an officer of Seller, dated as of the Closing Date, certifying that, except for any reserves shown thereon and to the best of Seller's knowledge, all of the Receivables are collectible within 90 days of the Closing Date.
- k. Such other documents as Buyer may reasonably request for the purpose of assigning, transferring, granting, conveying, and confirming to Buyer or reducing to its possession, any and all assets, property and rights to be assigned, conveyed, or transferred pursuant to the terms of this Agreement.

7.3 Buyer's Deliveries. Buyer agrees to execute and/or deliver the following to Seller at the Closing:

- a. The Purchase Price.
- b. Consulting Agreement with Charles B. McNeil in the form of Exhibit A.
- c. A certificate of the Secretary of Buyer certifying as to (i) a copy of resolutions of the Buyer's Board of Directors which authorize the execution, delivery and performance of this Agreement as having been duly adopted and as being in full force and effect on the Closing Date, (ii) a copy of the Buyer's Articles of Incorporation as certified by the Secretary of State of Minnesota in effect as of the Closing Date, and (iii) a true and correct copy of the Buyer's Bylaws in effect as of the Closing Date.

Edgar Filing: SURGIDYNE INC - Form DEFM14A

- d. Such other documents as Seller reasonably may request to carry out the transactions contemplated under this Agreement.

ARTICLE 8 POST CLOSING OBLIGATIONS

8.1 Further Documents and Assurances. At any time and from time to time after the Closing Date, each party shall, upon request of another party, execute, acknowledge and deliver all such further and other assurances and documents, including such documents as may be necessary or appropriate to perfect title in the Intellectual Property in Buyer, and will take such action consistent with the terms of this Agreement, as may be reasonably requested to carry out the transactions contemplated herein and to permit each party to enjoy its rights and benefits hereunder. If requested by Buyer, Seller further agrees to prosecute or otherwise enforce in their own respective names for the benefit of Buyer, any claim, right or benefit transferred by this Agreement that may require prosecution or enforcement in Seller's name.

8.2 Payment of Debts and Liabilities. Seller shall pay all of its liabilities and debts which have arisen on or prior to the Closing Date, except for the Assumed Liabilities and amounts which Seller contests in good faith and to which it maintains an adequate reserve.

8.3 Insurance. For a period of one year, Seller shall maintain its current product liability insurance for the benefit of Buyer as an additional insured to provide for coverage of losses or liability relating to Products sold prior to the Closing Date and Products sold after the Closing Date which were finished goods Inventory as of the Closing Date.

ARTICLE 9 INDEMNIFICATION

9.1 Survival of Representations, Warranties and Agreements. The representations, warranties and agreements contained in this Agreement or in any certificate delivered pursuant to this Agreement shall survive the Closing Date and remain in full force and effect after the Closing Date for a period of one (1) year.

9.2 Indemnification by Seller. For a period of one (1) year and subject to Section 9.6, Seller shall indemnify and hold Buyer harmless at all times from and after the date of this Agreement, against and in respect of all damages, losses, costs and expenses (including reasonable attorney fees) which Buyer may suffer or incur in connection with any of the following:

- a. Any claim, demand, action or proceeding asserted by a creditor of Seller or respecting any liabilities of Seller that are included in the Excluded Liabilities.
- b. The material breach of any of the representations, warranties or covenants of Seller in this Agreement.
- c. Any and all claims by third parties arising out of Seller's conduct of the Business or use or ownership of any assets, including Purchased Assets, on or prior to the Closing Date.
- d. Third party product liability claims filed within twelve months following the Closing Date concerning products manufactured by Seller which are finished goods included in the Inventory on the Closing Date and sold in the Business after

Edgar Filing: SURGIDYNE INC - Form DEFM14A

the Closing Date.

- e. Any reasonable costs and expenses associated with defending against any of the foregoing claims, liabilities, obligations, costs, damages, losses and expenses.

9.3 Indemnification by Buyer. Buyer shall indemnify and hold Seller harmless at all times from and after the date of this Agreement, against and in respect of all damages, losses, costs and expenses (including reasonable attorney fees) which Seller may suffer or incur in connection with any of the following:

- a. Any claim, demand, action or proceeding asserted by any third party respecting any liabilities that are included in the Assumed Liabilities.
- b. All claims by third parties arising out of the conduct of the Business or use or ownership of any of the Purchased Assets from and after the Closing (including, without limitation, any product liability claims concerning Products which are sold by Buyer from and after the Closing Date, unless covered by Section 9.1(d)).
- c. The breach of any of the representations, warranties or covenants of Buyer in this Agreement.
- d. Any costs and expenses associated with defending against any of the foregoing claims, liabilities, obligations, costs, damages, losses and expenses.

9.4 Cooperation; Notice. In the event a party hereto (the "Indemnifying Party") is indemnifying the other party hereto (the "Indemnified Party"), the Indemnified Party agrees to provide the Indemnifying Party such cooperation, information or assistance as the Indemnifying Party may reasonably request. The Indemnified Party shall give notice to the Indemnifying Party of each matter, claim, demand, fact or other circumstances upon which a claim for indemnification ("Claim") under this Article 9 is based. Such notice shall contain, with respect to each Claim, such facts and information as are then reasonably available, and the specific basis for indemnification hereunder.

9.5 Defense of Claims. The Indemnifying Party shall have the right to assume defense of and to settle any Claim asserted by a third party against the Indemnified Party with counsel reasonably acceptable to the Indemnified Party so long as the Indemnifying Party is diligently defending such Claim; provided that the Indemnified Party may, at its expense, participate in such proceeding. The Indemnifying Party shall not settle any Claim without the consent of the Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed), unless such settlement requires no admission of liability on the part of the Indemnified Party and no assumption of any obligation or monetary payment for which the Indemnified Party has not been fully indemnified and protected against. The Indemnified Party may not settle any Claim for which it may seek indemnification from an Indemnifying Party without the Indemnifying Party's consent, such consent not to be unreasonably withheld, conditioned or delayed.

9.6 Limitation; Insurance Offset. Notwithstanding anything in Section 9.2 or 9.3, in no event shall Buyer have or assert any claim against Seller, and in no event shall Seller be liable to Buyer for any damages, losses, costs and expenses (including reasonable attorney fees) in an amount in excess of \$20,000. Further, any losses calculated for purposes of Sections 9.2 or 9.3 shall take into account any offsetting proceeds from insurance paid because of

Edgar Filing: SURGIDYNE INC - Form DEFM14A

such losses to an Indemnified Party, provided that (a) the insurance proceeds are paid to the Indemnified Party without dispute or challenge by the insurer and (b) the Indemnified Party shall have no obligation to contest any determination by any insurer.

ARTICLE 10 GENERAL

10.1 Public Announcements. None of the parties to this Agreement shall issue or make any press release or other public statements with respect to this Agreement or the transactions described herein to employees, customers, distributors, suppliers or other persons except and unless such release, statement or announcement has been jointly approved by the parties (which approval shall not be unreasonably withheld or delayed), except as may be required by applicable law (including, but not limited to the Securities Exchange Act of 1934) or by obligations pursuant to any listing agreement with any securities market or any securities market regulations. If any party is so required to issue or make a press release, public statement or other announcement, such party shall inform the other party prior to issuing or making any such press release, public statement or announcement and shall reasonably consult with the other party regarding the content thereof if practicable.

10.2 Counterparts. This Agreement may be executed in counterparts and by different parties on different counterparts with the same effect as if the signatures thereto were on the same instrument. This Agreement shall be effective and binding upon all parties to this Agreement at such time as all parties have executed a counterpart of this Agreement.

10.3 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been given, when received, if personally delivered, and, three days after deposited, if placed in the U.S. mails for delivery by registered or certified mail, return receipt requested, postage prepaid, addressed to the address of the respective party as stated under such party's signature space on this Agreement. Addresses may be changed by written notice given pursuant to this Section.

10.4 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their successors or assigns.

10.5 Expenses. Except as otherwise provided herein, each party hereto shall each bear and pay for its own costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereby, including, without limitation, all fees and disbursements of lawyers, accountants, financial consultants, brokers or finders incurred through the Closing Date.

10.6 Headings and Construction. The descriptive headings of the several Articles and Sections of this Agreement and of the several Exhibits to this Agreement are inserted for convenience only and do not constitute a part of this Agreement. This Agreement shall not be construed against either party since each party has negotiated its provisions and contributed to its drafting.

10.7 Entire Agreement; Modification and Waiver. This Agreement, together with the Exhibits and the related written agreements specifically referred to herein, represents the only agreement among the parties concerning the subject matter hereof and supersedes all prior agreements, whether written or oral, relating thereto. No purported amendment, modification or waiver of any provision hereof shall be binding unless set forth in a written document signed by all parties (in the case of amendments or modifications) or by the party to

Edgar Filing: SURGIDYNE INC - Form DEFM14A

be charged thereby (in the case of waivers). Any waiver shall be limited to the provision hereof and the circumstance or event specifically made subject thereto and shall not be deemed a waiver of any other term hereof or of the same circumstance or event upon any recurrence thereof.

10.8 Jurisdiction. The parties agree that the forum for any controversy arising under this Agreement shall be exclusively in the State of Minnesota.

10.9 Governing Law. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of Minnesota (without giving effect to principles of conflict of law thereof).

10.10 Attorneys Fees. Subject to Section 9.6, in an action to enforce a party's rights hereunder, the prevailing party shall be entitled to recover its cost and expenses (including attorneys' fees, whether or not suit is brought) from the other party.

10.11 Benefit. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties to this Agreement or their respective successors or assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

10.12 Mediation.

- a. Any dispute, controversy or claim arising out of this agreement, or the interpretation, application, breach, termination or validity thereof, including any claim of inducement by fraud or otherwise, shall, before submission to arbitration in accordance with the following Section of this Agreement, first be mediated through non-binding mediation in accordance with the Model Procedures for the Mediation of Business Disputes promulgated by the Center for Public Resources ("CPR") then in effect, except where those rules conflict with these provisions, in which case these provisions control. The mediation shall be conducted in Minneapolis, Minnesota and shall be attended by a senior executive with authority to resolve the dispute from each of the operating companies that are parties.
- b. The mediator shall be an attorney specializing in business litigation who has at least 15 years of experience as a lawyer with a law firm or corporation of over 10 lawyers or was a judge of a court of general jurisdiction and who shall be appointed from the list of neutrals maintained by CPR.
- c. The parties shall promptly confer in an effort to select a mediator by mutual agreement. In the absence of such an agreement, the mediator shall be selected from a list generated by CPR with each party having the right to exercise challenges for cause and two peremptory challenges within 72 hours of receiving the CPR list.
- d. The mediator shall confer with the parties to design procedures to conclude the mediation within no more than 45 days after initiation. Under no circumstances shall the commencement of arbitration under Section 11.13 below be delayed more than 45 days by the mediation process specified herein.
- e. Each party agrees to toll all applicable statutes of limitation during the mediation process and not to use the period or pendency of the mediation to disadvantage the other party

Edgar Filing: SURGIDYNE INC - Form DEFM14A

procedurally or otherwise. No statements made by either side during the mediation may be used by the other during any subsequent arbitration.

- f. Each party has the right to pursue provisional relief from any court, such as attachment, preliminary injunction, replevin, etc., to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration, even though mediation has not been commenced or completed.

10.13 Arbitration of Disputes.

- a. Any dispute, claim or controversy arising from or related in any way to this Agreement or the interpretation, application, breach, termination or validity thereof, including any claim of inducement of this Agreement by fraud or otherwise, will be submitted for resolution to arbitration pursuant to the commercial arbitration rules then pertaining of the CPR, except where those rules conflict with these provisions, in which case these provisions control. The arbitration will be held in Minneapolis, Minnesota.
- b. The panel shall consist of one arbitrator chosen from the CPR Panels of Distinguished Neutrals who is a lawyer specializing in business litigation with at least 15 years experience with a law firm or corporation of over 10 lawyers or was a judge of a court of general jurisdiction.
- c. The parties agree to cooperate (1) to obtain selection of the arbitrator within 30 days of initiation of the arbitration, (2) to meet with the arbitrator within 30 days of selection and (3) to agree at that meeting or before upon procedures for discovery and as to the conduct of the hearing which will result in the hearing being concluded within no more than 9 months after selection of the arbitrator and in the award being rendered within 60 days of the conclusion of the hearings, or of any post-hearing briefing, which briefing will be completed by both sides with 20 days after the conclusion of the hearings. In the event no such agreement is reached, the CPR will select an arbitrator, allowing appropriate strikes for reasons of conflict or other cause and three peremptory challenges for each side. The arbitrator shall set a date for the hearing, commit to the rendering of the award within 60 days of the conclusion of the evidence at the hearing, or of any post-hearing briefing (which briefing will be completed by both sides in no more than 20 days after the conclusion of the hearings), and provide for discovery according to these time limits, giving recognition to the understanding of the parties hereto that they contemplate reasonable discovery, including document demands and depositions, but that such discovery be limited so that the time limits specified herein may be met without undue difficulty. In no event will the arbitrator allow either side to obtain more than a total of 40 hours of deposition testimony from all witnesses, including both fact and expert witnesses. To that end each of the parties hereto agrees to pursue no more than the following discovery in the aggregate from all parties and non-parties to the action: a total of no more than 20 requests for documents (including subparts) set forth in no more than two separately served document demands; a total of no more than 20 interrogatories (including subparts) set forth in no more than two separately served sets of interrogatories. In the event multiple hearing

Edgar Filing: SURGIDYNE INC - Form DEFM14A

days are required, they will be scheduled consecutively to the greatest extent possible.

- d. The arbitrator shall render its award following the substantive law of Minnesota. The arbitrator shall render an opinion setting forth findings of fact and conclusions of law with the reasons therefor stated. A transcript of the evidence adduced at the hearing shall be made and shall, upon request, be made available to either party.
- e. To the extent possible, the arbitration hearings and award will be maintained in confidence.
- f. The United States District Court for the District of Minnesota may enter judgment upon any award. In the event the panel's award exceeds \$5 million in monetary Damages or includes or consists of equitable relief, then the court shall vacate, modify or correct any award where the arbitrators' findings of fact are clearly erroneous, and/or where the arbitrators' conclusions of law are erroneous; in other words, it will undertake the same review as if it were a federal appellate court reviewing a district court's findings of fact and conclusions of law rendered after a bench trial. An award for less than \$5 million in Damages and not including equitable relief may be vacated, modified or corrected only upon the grounds specified in the Federal Arbitration Act. The parties consent to the jurisdiction of the above-specified Court for the enforcement of these provisions, the entry of judgment on any award, and the vacatur, modification and correction of any award as above specified. In the event such Court lacks jurisdiction, then any court having jurisdiction of this matter may enter judgment upon any award and provide the same relief, and undertake the same review, as specified herein.
- g. Each party has the right before or during the arbitration to seek and obtain from the appropriate court provisional remedies such as attachment, preliminary injunction, replevin, etc. to avoid irreparable harm, maintain the status quo, or preserve the subject matter of the arbitration.
- h. EACH PARTY HERETO WAIVES ITS RIGHT TO TRIAL OF ANY ISSUE BY JURY.
- i. EACH PARTY HERETO WAIVES ANY CLAIM TO PUNITIVE OR EXEMPLARY DAMAGES FROM THE OTHER.
- j. EACH PARTY HERETO WAIVES ANY CLAIM OF CONSEQUENTIAL DAMAGES FROM THE OTHER.

[Signatures to Asset Purchase Agreement on next page]

Each of the parties hereto has caused this Asset Purchase Agreement to be executed in the manner appropriate to each, all as of the day and year first above written.

OXBORO MEDICAL, INC.

By: /s/David Berkley
David Berkley, President

Edgar Filing: SURGIDYNE INC - Form DEFM14A

SURGIDYNE, INC.

By: /s/ Theodore A. Johnson
Theodore A. Johnson, Chairman of the Board

Appendix B

AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT

THIS AMENDMENT NO. 1 TO ASSET PURCHASE AGREEMENT, is dated as of November 29, 2001, by and between Surgidyne, Inc., a Minnesota corporation ("Seller") and Oxboro Medical, Inc., a Minnesota corporation (the "Company").

WITNESSETH

WHEREAS, Seller and the Company have entered into an Asset Purchase Agreement, dated as of October 4, 2001 (the "Agreement"); and

WHEREAS, the parties to the Agreement wish to amend the Agreement to change the date for closing of the transactions contemplated by the Agreement and to make a clarification regarding accounts payable.

NOW, THEREFORE, in connection with and in consideration of the premises and the mutual agreements and covenants hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and intending to be legally bound hereby, Seller, Acquisition and the Company hereby agree as follows:

1. Capitalized terms used but not otherwise defined herein shall have the same meanings as in the Agreement.
2. Section 7.1 is hereby amended to read in its entirety:
 - 7.1 Closing. The closing of the transaction contemplated by this Agreement ("Closing") shall be held at the offices of Lindquist & Vennum P.L.L.P., 4200 IDS Center, Minneapolis, MN 55402 at 9:00 a.m. on January 15, 2002 or at such other time or place as the parties may mutually agree, but effective at the close of business on such date (the "Closing Date"). Seller specifically acknowledges that time is of the essence in the Closing of this Agreement.
3. Section 1.3(b) is hereby amended to read in its entirety:
 - b. All (i) current trade accounts payable and (ii) other accounts payable of Seller which have been due in excess of 120 days in the amounts set forth on Exhibit 1.3(b) or on the Closing Payables Sheet.
4. Except as modified herein, all of the terms and conditions of the Agreement remain unchanged and in full force and effect and are hereby ratified as of the date hereof by the parties hereto. In the event of a conflict in the terms of the Agreement and this Amendment No. 1, the terms of this Amendment No. 1 shall control.
5. This Amendment No. 1 to the Agreement may be executed in counterpart

Edgar Filing: SURGIDYNE INC - Form DEFM14A

signature pages, each of which shall be deemed an original, and all such counterparts constitute but one instrument.

6. Any provision of the Agreement may be further amended or waived, but only if in writing and signed by each party to this Amendment No. 1 to the Agreement, in the case of an amendment, or in the case of waiver, in writing and signed by the party against whom the waiver is to be effective.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment No. 1 to the Agreement as of the day and year first above written.

OXBORO MEDICAL, INC.

By: /s/ J. David Berkley
Name: J. David Berkley
Title: President

SURGIDYNE, INC.

By: /s/ Theodore Johnson
Name: Theodore Johnson
Title: Chairman of the Board