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CAPRIUS INC
Form 8-K
October 24, 2002

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED) - OCTOBER 9, 2002

CAPRIUS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

| | | |
|---|-----------------------------|---|
| DELAWARE | 0-11914 | 22-2457487 |
| (STATE OR OTHER JURISDICTION OF INCORPORATION) | (COMMISSION FILE NUMBER) | (I.R.S. EMPLOYER IDENTIFICATION NO.) |

ONE PARKER PLAZA, FORT LEE, NEW JERSEY 07024
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES) (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE - (201) 592-8838

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ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On October 9, 2002, Opus Diagnostics, Inc. ("Opus"), a Delaware corporation and wholly-owned subsidiary of Caprius, Inc., a Delaware corporation ("Registrant"), sold the assets of its therapeutic drug monitoring business (the "TDM Business") to Seradyn, Inc., a Delaware corporation ("Seradyn"), pursuant to a Purchase and Sale Agreement (the "Purchase Agreement") among Opus, Registrant and Seradyn. The purchase price was \$6,000,000, subject to adjustment on a dollar-for-dollar basis to the extent the net asset value of the purchased assets as shown on a post-closing pro forma asset statement is greater than \$420,000 or less than \$380,000. \$600,000 of the purchase price was deposited into an escrow account to be held for indemnity claims, of which \$300,000 would be

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released after one year and the balance after two years, assuming no indemnification claims are asserted by Seradyn. In addition, Opus is required to provide certain specified transition services to Seradyn in connection with the purchased assets. The Purchase Agreement is filed as Exhibit 10.1 hereto and is incorporated herein by reference.

Opus' TDM Business was engaged in the development, distribution and sale of diagnostic assays, controls and calibrators. Opus had sold its products in kit form. Seradyn had been a contract manufacturer of the Opus TDM Business kits. Pursuant to a Consulting Agreement, Opus will consult with Seradyn on the ongoing projects for a \$50,000 annual fee for a two year period. The purchased assets included three diagnostic assays still in development. Pursuant to a Royalty Agreement, Opus will receive royalty payments upon the commercialization of any of these assays based upon varying percentages of net sales.

Registrant, Opus and its three executive officers entered into Noncompete Agreements with Seradyn restricting them for five years from competing in the TDM Business.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

The following financial statements and exhibits are filed herewith:

- (a) Financial Statements of business acquired.

Not applicable

- (b) Pro forma financial information.

The following unaudited pro forma condensed consolidated financial statements are filed with this report:

Pro forma Condensed Consolidated Balance Sheet
at June 30, 2002 F-1

Pro forma Condensed Consolidated Statements of Operations
Year Ended September 30, 2001 F-2
Nine Months Ended June 30, 2002 F-3

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The pro forma condensed consolidated balance sheet of the Registrant as of June 30, 2002, reflects the financial position of the Registrant after giving effect to the disposition of the assets and assumption of the liabilities discussed in Item 2 and assumes the disposition took place on June 30, 2002. The pro forma condensed consolidated statements of operations for the fiscal year ended September 30, 2001, and the nine months ended June 30, 2002, assume that the disposition occurred on October 1, 2000, and are based on the operations of the Registrant for the year ended September 30, 2001 and the nine months ended June 30, 2002.

The unaudited pro forma condensed consolidated financial statements have been prepared by the Registrant based upon assumptions deemed proper by it. The unaudited pro forma condensed consolidated financial statements are not necessarily indicative of the future financial position or results of operations or actual results that would have occurred had the transaction been in effect as of the dates presented.

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The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the Registrant's historical financial statements and related notes.

(c) Exhibits.

- 10.1 Purchase and Sale Agreement, among Opus, Registrant and Seradyn, dated as of October 9, 2002.
- 10.2 Royalty Agreement between Opus and Seradyn dated as of October 9, 2002.
- 10.3 Noncompete Agreement between Opus and Seradyn dated as of October 9, 2002.
- 10.4 Consulting Agreement between Seradyn and Opus, dated as of October 9, 2002.
- 99.1 Press Release, dated October 9, 2002.

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SIGNATURE

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

CAPRIUS, INC.

By: /s/ George Aaron

Name: George Aaron

Title: President

Dated: October 24, 2002

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EXHIBIT INDEX

| EXHIBIT | DESCRIPTION |
|---------|--|
| ----- | ----- |
| 10.1 | Purchase and Sale Agreement among Opus, Registrant and Seradyn, dated as of October 9, 2002. |
| 10.2 | Royalty Agreement between Opus and Seradyn dated as of October 9, 2002. |
| 10.3 | Noncompete Agreement between Opus and Seradyn dated as of October 9, 2002. |

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- 10.4 Services Agreement between Opus and Seradyn dated as of October 9, 2002.
- 99.1 Press Release, dated October 9, 2002.

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PRO FORMA FINANCIAL INFORMATION
CAPRIUS, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS
AT JUNE 30, 2002
(UNAUDITED)

| | Historical | Pro Fo Opus (a) |
|--|--------------|--------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 149,314 | \$ - |
| Accounts receivable, net of reserve for bad debts | 474,463 | 316,984 |
| Inventories | 313,373 | 313,373 |
| Other current assets | 2,542 | - |
| Note receivable | 245,000 | - |
| Total current assets | 1,184,692 | 630,357 |
| PROPERTY AND EQUIPMENT: | | |
| Medical equipment | 341,140 | - |
| Office furniture and equipment | 220,290 | 26,821 |
| Leasehold improvements | 950 | - |
| | 562,380 | 26,821 |
| Less: accumulated depreciation | 481,487 | 15,818 |
| Net property and equipment | 80,893 | 11,003 |
| OTHER ASSETS: | | |
| Deferred acquisition costs | 106,395 | - |
| Goodwill, net of accumulated amortization | 866,841 | 790,500 |
| Other intangibles, net of accumulated amortization | 1,241,317 | 1,241,317 |
| Other | 22,794 | - |
| Total other assets | 2,237,347 | 2,031,817 |
| TOTAL ASSETS | \$ 3,502,932 | \$ 2,673,177 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Notes payable | \$ 550,000 | \$ - |
| Accounts payable | 269,876 | 33,238 |

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| | | |
|--|--------------|--------------|
| Accrued expenses | 274,388 | 43,000 |
| Accrued compensation | 85,560 | - |
| Current maturities of long-term debt and capital lease obligations | 12,107 | - |
| Total current liabilities | 1,191,931 | 76,238 |
| LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, net of current maturities | 25,702 | - |
| TOTAL LIABILITIES | 1,217,633 | 76,238 |
| COMMITMENTS AND CONTINGENCIES | | |
| STOCKHOLDERS' EQUITY: | | |
| Preferred stock, \$.01 par value | | |
| Authorized - 1,000,000 shares | | |
| Issued and outstanding - Series A, none; Series B, convertible, 27,000 shares at June 30, 2002 | | |
| Liquidation preference \$2,700,000 | 2,700,000 | - |
| Common stock, \$.01 par value | | |
| Authorized - 50,000,000 shares | | |
| Issued - 17,121,362 shares at June 30, 2002 | 171,214 | - |
| Additional paid-in capital | 67,154,517 | - |
| Accumulated deficit | (67,738,182) | 2,596,939 |
| Treasury stock (22,500 common shares, at cost) | (2,250) | - |
| Total stockholders' equity | 2,285,299 | 2,596,939 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 3,502,932 | \$ 2,673,177 |

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PRO FORMA FINANCIAL INFORMATION
CAPRIUS, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2001
(UNAUDITED)

| | Historical | Pro Forma Opus (a) | |
|------------------------------|--------------|--------------------|-------|
| | ----- | ----- | ----- |
| REVENUES: | | | |
| Net patient service revenues | \$ 1,502,602 | \$ - | \$ |
| Net product sales | 2,043,488 | 2,043,488 | |
| Total revenues | 3,546,090 | 2,043,488 | |
| OPERATING EXPENSES: | | | |
| Cost of service operations | 1,077,230 | - | |

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| | | | |
|--|--------------|------------|-------|
| Cost of product sales | 714,734 | 714,734 | |
| Selling, general and administrative | 1,821,624 | 145,730 | (b) |
| Goodwill impairment | 500,000 | - | |
| Research and development | 186,894 | 186,894 | |
| Provision for bad debt and collection costs | 23,523 | - | |
| | ----- | ----- | |
| Total operating expenses | 4,324,005 | 1,047,358 | |
| | ----- | ----- | |
| Operating income (loss) | (777,915) | 996,130 | |
| Interest income | 4,436 | - | |
| Interest expense | (45,108) | - | |
| | ----- | ----- | |
| Net income (loss) | \$ (818,587) | \$ 996,130 | \$ |
| | ===== | ===== | ===== |
| Net loss per basic and diluted common share | \$ (0.05) | \$ - | \$ |
| | ===== | ===== | ===== |
| Weighted average number of common shares outstanding, basic and diluted | 17,054,092 | - | |
| | ===== | ===== | ===== |

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PRO FORMA FINANCIAL INFORMATION
CAPRIUS, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED JUNE 30, 2002
(UNAUDITED)

| | Historical | Pro Forma Ad Opus (a) | |
|---|--------------|--------------------------|-------|
| | ----- | ----- | ----- |
| REVENUES: | | | |
| Net patient service revenues | \$ 1,231,066 | \$ - | \$ |
| Net product sales | 1,590,880 | 1,590,880 | |
| | ----- | ----- | |
| Total revenues | 2,821,946 | 1,590,880 | |
| | ----- | ----- | |
| OPERATING EXPENSES: | | | |
| Cost of service operations | 855,515 | - | |
| Cost of product sales | 423,555 | 423,555 | |
| Selling, general and administrative | 1,533,118 | 122,649 | (b) |
| Research and development | 118,826 | 118,826 | |
| Provision for bad debt and collection costs | 50,396 | - | |
| | ----- | ----- | |
| Total operating expenses | 2,981,410 | 665,030 | |
| | ----- | ----- | |
| Operating income (loss) | (159,464) | 925,850 | |
| Interest income | 1,947 | - | |
| Interest expense | (39,546) | - | |
| | ----- | ----- | |

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| | | | |
|--|--------------|------------|-------|
| Net income (loss) | \$ (197,063) | \$ 925,850 | \$ |
| | ===== | ===== | ===== |
| Net loss per basic and diluted common share | \$ (0.01) | \$ - | \$ |
| | ===== | ===== | ===== |
| Weighted average number of common shares outstanding, basic and diluted | 17,098,862 | - | |
| | ===== | ===== | ===== |

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