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CAPRIUS INC
Form 8-K
October 15, 2003

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) - SEPTEMBER 30, 2003

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

| | | |
|---|--|---|
| DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION) | 0-11914 (COMMISSION FILE NUMBER) | 22-2457487 (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

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On October 9, 2003, Caprius, Inc., a Delaware corporation ("Registrant"), completed the closing of the sale of Strax Institute, Inc. (the "Strax Business"), its comprehensive breast imaging business, to Eastern Medical Technologies, Inc., a Delaware corporation ("EMT"), pursuant to a Stock Purchase Agreement dated September 30, 2003 (the "Purchase Agreement") among Registrant, EMT and the other parties thereto. The sale was effective as of September 30, 2003. The purchase price was \$400,000, subject to adjustment based upon the amount of the accounts payable and accounts receivable as of the date of closing. 50% of the purchase price, which had been held in escrow, was paid on closing and the balance is payable in installments commencing January 1, 2004 and ending December 31, 2004, evidenced by a note secured by the accounts receivables of Strax Institute, Inc. In addition, Registrant is

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required to provide certain specified transitional services for up to 180 days pursuant to a Management Services Agreement. For further information regarding the transaction, see the Stock Purchase Agreement, the Non-negotiable Promissory Note and the Management Services Agreement which are filed as exhibits to this report and are incorporated herein by reference.

The Strax Business was a multi-modality breast care center performing approximately 20,000 procedures annually comprising of x-ray mammography, ultrasound, stereotactic biopsy and bone densitometry.

In addition, included as part of the Stock Purchase Agreement, Registrant and two of its executive officers are restricted for a period of five years from competing in the mammography and bone densitometry business in the States of Florida and New Jersey.

As part of the Strax transaction, the Registrant and George Aaron settled and terminated the pending BDC Corp. litigation, as disclosed in Registrant's Form 10-QSB for the quarterly period ended June 30, 2003 (refer to Part II, Item 1 for full explanation). The purchaser of Strax is an entity controlled by the same person who is a principal in BDC. The amounts payable in settlement of this litigation are to be offset against the purchase price under the Purchase Agreement. For further information see the Settlement Letter which is filed as an exhibit to the report and is incorporated herein by reference.

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 for the Registrant.

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

Pro forma Condensed Consolidated Balance Sheet
at June 30, 2003 F-1

Pro forma Condensed Consolidated Statements of Operations.

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Year Ended September 30, 2002 F-2
Nine Months Ended June 30, 2003 F-3

The pro forma condensed consolidated balance sheet of Registrant as of June 30, 2003 reflects the financial position of 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, 2003. The pro forma condensed consolidated statements of operations for the fiscal year ended September 30, 2002, and the nine months ended June 30, 2003, assume that the disposition occurred on September 30, 2001, and are based on the operations of Registrant for the year ended September 30, 2002 and the nine months ended June 30, 2003.

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The unaudited pro forma condensed consolidated financial statements have been prepared by 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.

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

c. Exhibits

- 10.1 Stock Purchase Agreement, among Registrant, Strax Institute Inc. and Eastern Medical Technologies, Inc. ("EMT"), dated as of September 30, 2003.
- 10.2 Non-negotiable Promissory Note of EMT to Registrant, dated September 30, 2003.
- 10.3 Security Agreement among EMT, Strax Institute, Inc., and Registrant, dated as of September 30, 2003.
- 10.4 Management Services Agreement between Registrant and Strax Institute Inc., dated as of September 30, 2003.
- 10.5 Settlement Letter among BDC Corp. d/b/a BDC Consulting Corp., Registrant and George Aaron, dated as of September 30, 2003.
- 99.1 Press Release, dated October 9, 2003.

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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 15, 2003

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At June 30, 2003

PRO FORMA FINANCIAL INFORMATION
CAPRIUS, INC. AND SUBSIDIARIES
PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEETS
AT JUNE 30, 2003
(UNAUDITED)

| | Historical | Pro Forma Adjustmen Strax (a) | Oth |
|---|--------------|----------------------------------|-----|
| ASSETS | | | |
| CURRENT ASSETS: | | | |
| Cash and cash equivalents (including \$303,660 of restricted funds held in escrow at June 30, 2003) | \$ 1,660,502 | \$ 32,894 | \$ |
| Accounts receivable, net of reserve for bad debts of \$19,000 at June 30, 2003 | 397,624 | 228,335 | |
| Inventories | 532,300 | - | |
| Note receivable short term | - | - | |
| Other current assets | 122,745 | 19,612 | |
| Total current assets | 2,713,171 | 280,841 | |
| PROPERTY AND EQUIPMENT: | | | |
| Medical equipment | 314,318 | 314,318 | |
| Office furniture and equipment | 517,641 | 196,594 | |
| Leasehold improvements | 18,373 | 950 | |
| | 850,332 | 511,862 | |
| Less: accumulated depreciation | 634,598 | 480,761 | |
| Net property and equipment | 215,734 | 31,101 | |
| OTHER ASSETS: | | | |
| Note receivable long term | - | - | |
| Deferred financing costs | 18,340 | - | |
| Goodwill, net of accumulated amortization | 737,010 | - | |
| Other intangibles, net of accumulated amortization | 960,000 | - | |
| Other | 322,794 | - | |
| Total other assets | 2,038,144 | - | |
| TOTAL ASSETS | \$ 4,967,049 | \$ 311,942 | \$ |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| CURRENT LIABILITIES: | | | |
| Accounts payable | \$ 1,258,335 | \$ 62,522 | |
| Accrued expenses | 696,988 | - | |
| Accrued compensation | 201,947 | 57,608 | |
| Current maturities of long-term debt and capital lease obligations | 15,156 | 15,156 | |

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| | | | |
|--|--------------|------------|----|
| Total current liabilities | 2,172,426 | 135,286 | |
| LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, net of current maturities | 19,269 | 19,269 | |
| TOTAL LIABILITIES | 2,191,695 | 154,555 | |
| MINORITY INTEREST IN MCM | 116,435 | - | |
| 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, 2003 | | | |
| Liquidation preference \$2,700,000 | 2,700,000 | - | |
| Common stock, \$.01 par value | | | |
| Authorized - 50,000,000 shares | | | |
| Issued - 20,419,062 shares at June 30, 2003 | 204,191 | - | |
| Additional paid-in capital | 67,579,258 | - | |
| Accumulated deficit | (67,822,280) | 157,387 | |
| Treasury stock (22,500 common shares, at cost) | (2,250) | - | |
| Total stockholders' equity | 2,658,919 | 157,387 | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 4,967,049 | \$ 311,942 | \$ |

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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, 2002
(Unaudited)

| | Historical | Pro Forma Adjustment Strax (a) | Oth |
|------------------------------|--------------|-----------------------------------|-----|
| REVENUES: | | | |
| Net patient service revenues | \$ 1,549,794 | \$ 1,549,794 | \$ |
| Total revenues | 1,549,794 | 1,549,794 | |
| OPERATING EXPENSES: | | | |

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| | | | |
|--|--------------|--------------|---------|
| Cost of operations | 1,169,491 | 1,169,491 | |
| Selling, general and administrative | 498,030 | 498,030 | 1,5 |
| Goodwill impairment | 67,356 | 67,356 | |
| Provision for bad debt and collection costs | 66,638 | 66,638 | |
| | ----- | ----- | |
| Total operating expenses | 1,801,515 | 1,801,515 | 1,5 |
| | ----- | ----- | |
| Operating loss | (251,721) | (251,721) | (1,5 |
| Interest expense | (10,619) | (10,619) | |
| | ----- | ----- | |
| Loss from continuing operations | \$ (262,340) | \$ (262,340) | \$ (1,5 |
| | ===== | ===== | ===== |
| Net loss per basic and diluted common share: | | | |
| Continuing operations | \$ (0.02) | \$ - | \$ |
| | ===== | ===== | ===== |
| Weighted average number of common shares outstanding, basic and diluted | 17,171,140 | - | |
| | ===== | ===== | ===== |

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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, 2003
(Unaudited)

| | Historical | Pro Forma Ad Strax (a) |
|---|--------------|---------------------------|
| | ----- | ----- |
| REVENUES: | | |
| Net patient service revenues | \$ 1,162,896 | \$ 1,162,896 |
| Product sales and rental revenues | 440,018 | - |
| Consulting income | 37,500 | - |
| | ----- | ----- |
| Total revenues | 1,640,414 | 1,162,896 |
| | ----- | ----- |
| OPERATING EXPENSES: | | |
| Cost of patient service revenues | 643,200 | 643,200 |
| Cost of product sales and rental revenue | 381,645 | - |
| Research and development | 135,051 | - |
| Selling, general and administrative | 3,856,429 | 559,941 |
| Provision for bad debt and collection costs | 36,262 | 36,262 |
| | ----- | ----- |

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| | | |
|--|----------------|-------------|
| Total operating expenses | 5,052,587 | 1,239,403 |
| Operating loss | (3,412,173) | (76,507) |
| Interest expense | (7,353) | (5,439) |
| Loss from continuing operations | \$ (3,419,526) | \$ (81,946) |
| Net loss per basic and diluted common share | | |
| Continuing operations | \$ (0.17) | \$ - |
| Weighted average number of common shares outstanding, basic and diluted | 20,396,562 | - |

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