

Edgar Filing: CAPRIUS INC - Form 10QSB

CAPRIUS INC
Form 10QSB
August 14, 2002

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

FORM 10-QSB

(Mark one)

Quarterly Report under Section 13 or 15 (d) of the
Securities Exchange Act of 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2002

Transition Report Pursuant to Section 13 or 15 (d) of
the Securities Exchange Act of 1934

Commission File Number: 0-11914

CAPRIUS, INC.

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

22-2457487

(I.R.S. Employer
Identification No.)

One Parker Plaza, Fort Lee, NJ 07024

(Address of principal executive offices) (Zip Code)

Issuer's telephone number: (201) 592-8838

N/A

(Former name, former address, and former fiscal year,
if changed since last report.)

Indicate by check mark whether the registrant (1) filed all reports
required to be filed under Section 13 or 15(d) of the Exchange Act during the
past 12 months (or for such shorter period that the Registrant was required to
file such reports), and (2) has been subject to such filing requirements for the
past 90 days. Yes X No
--- ---

State the number of shares outstanding of issuer's classes of common
equity, as of the latest practicable date.

Class
Common Stock. Par value \$0.01

Outstanding at June 30, 2002
17,098,862 shares

Edgar Filing: CAPRIUS INC - Form 10QSB

CAPRIUS, INC. AND SUBSIDIARIES

INDEX

	Page No.

PART I - FINANCIAL INFORMATION	
ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Balance Sheets - June 30, 2002 and September 30, 2001	3
Consolidated Statements of Operations - for the three months and nine months ended June 30, 2002 and 2001	4
Consolidated Statement of Stockholders' Equity - for the nine months ended June 30, 2002	5
Consolidated Statements of Cash Flows - for the nine months ended June 30, 2002 and 2001	6
Notes to Consolidated Financial Statements	7
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	9
PART II - OTHER INFORMATION	
ITEM 1. LEGAL PROCEEDINGS	11
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	12
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K	12
SIGNATURES	13

CAPRIUS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
(Unaudited)

Edgar Filing: CAPRIUS INC - Form 10QSB

June 30, 2002

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 149,314
Accounts receivable, net of reserve for bad debts of \$26,000 at June 30, 2002 and September 30, 2001	474,463
Inventories	313,373
Other current assets	2,542
Note receivable	245,000

Total current assets	1,184,692

PROPERTY AND EQUIPMENT:

Medical equipment	341,140
Office furniture and equipment	220,290
Leasehold improvements	950

	562,380
Less: accumulated depreciation	481,487

Net property and equipment	80,893

OTHER ASSETS:

Deferred acquisition costs	106,395
Goodwill, net of accumulated amortization of \$283,341 at June 30, 2002 and \$221,511 at September 30, 2001	866,841
Other intangibles, net of accumulated amortization of \$219,056 at June 30, 2002 and \$164,292 at September 30, 2001	1,241,317
Other	22,794

Total other assets	2,237,347

TOTAL ASSETS

\$3,502,932
=====

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Notes payable, net of unamortized discount of \$5,000 at September 30, 2001	\$ 550,000
Accounts payable	269,876
Accrued expenses	274,388
Accrued compensation	85,560
Current maturities of long-term debt and capital lease obligations	12,107

Total current liabilities	1,191,931

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, net of current maturities

25,702

TOTAL LIABILITIES

1,217,633

COMMITMENTS AND CONTINGENCIES

-

STOCKHOLDERS' EQUITY:

Edgar Filing: CAPRIUS INC - Form 10QSB

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 and September 30, 2001.	
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 and September 30, 2001	171,214
Additional paid-in capital	67,154,517
Accumulated deficit	(67,738,182)
Treasury stock (22,500 common shares, at cost)	(2,250)

Total stockholders' equity	2,285,299

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$3,502,932
	=====

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

3

CAPRIUS, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	For the Three Months Ended June 30,	
	2002	2001
	-----	-----
REVENUES:		
Net patient service revenues	\$ 401,228	\$ 393,534
Net product sales	513,436	520,952
	-----	-----
Total revenues	914,664	914,486
	-----	-----
OPERATING EXPENSES:		
Cost of service operations	268,047	273,991
Cost of product sales	148,111	192,553
Selling, general and administrative	561,457	503,915
Research and development	32,779	45,433
Provision for bad debt and collection costs	27,745	2,320
	-----	-----
Total operating expenses	1,038,139	1,018,212
	-----	-----
Operating loss	(123,475)	(103,726)

Edgar Filing: CAPRIUS INC - Form 10QSB

Interest income	1,260	645
Interest expense	(11,796)	(16,162)
	-----	-----
Net loss	\$ (134,011)	\$ (119,243)
	=====	=====
Net loss per basic and diluted common share	\$ (0.01)	\$ (0.01)
	=====	=====
Weighted average number of common shares outstanding, basic and diluted	17,098,862	17,098,862
	=====	=====

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

4

CAPRIUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Nine Months Ended June 30, 2002
(Unaudited)

	Preferred Stock		Common Stock \$0.01 Par Value	
	Number of Shares	Amount	Number of Shares	Amount
BALANCE, SEPTEMBER 30, 2001	27,000	\$ 2,700,000	17,121,362	\$ 171,213,620
Net loss	-	-	-	-
BALANCE, JUNE 30, 2002	27,000	\$ 2,700,000	17,121,362	\$ 171,213,620

Additional Paid-in Capital	Accumulated Deficit	Treasury Stock \$0.01 Par Value	
		Number of Shares	Amount
-----	-----	-----	-----

Edgar Filing: CAPRIUS INC - Form 10QSB

BALANCE, SEPTEMBER 30, 2001	\$ 67,154,517	\$ (67,541,119)	22,500	\$ (2,250)
Net loss	-	(197,063)	-	-

BALANCE, JUNE 30, 2002	\$ 67,154,517	\$ (67,738,182)	22,500	\$ (2,250)
=====				

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

5

CAPRIUS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months 2002

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (197,063)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Amortization of discount on bridge financing	5,000
Depreciation and amortization	189,727
Changes in operating assets and liabilities:	
Accounts receivable, net	104,345
Inventories	83,057
Other current assets	2,782
Accounts payable and accrued expenses	16,944

Net cash provided by (used in) operating activities	204,792

CASH FLOWS FROM INVESTING ACTIVITIES:	
Deferred acquisition costs	(106,395)
Loans to MCM	(245,000)
Purchase of equipment, furniture and leasehold improvements	-

Net cash used in investing activities	(351,395)

CASH FLOWS FROM FINANCING ACTIVITIES:	

Edgar Filing: CAPRIUS INC - Form 10QSB

Proceeds from issuance of common stock	-
Proceeds from issuance of debt and warrants	250,000
Repayment of debt and capital lease obligations	(43,859)

Net cash provided by financing activities	206,141

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	59,538
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	89,776

CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 149,314
	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:	
Cash paid for interest during the period	\$ 39,545
	=====

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

6

CAPRIUS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

NOTE 1 - BASIS OF PRESENTATION

The results of operations of Caprius, Inc. ("Caprius" or the "Company") for the interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year. In the opinion of management, the information contained herein reflects all adjustments necessary to make the results of operations for the interim periods a fair statement of such operations. All such adjustments are of a normal recurring nature.

The accompanying consolidated financial statements do not contain all of the disclosures required by accounting principles generally accepted in the United States of America and should be read in conjunction with the financial statements and related notes included in the Company's annual report on form 10-KSB for the fiscal year ended September 30, 2001.

NOTE 2 - THE COMPANY

Caprius, Inc. was founded in 1983 and through June 1999 essentially operated in the business of medical imaging systems as well as healthcare imaging and rehabilitation services. On June 28, 1999, the Company acquired Opus Diagnostics Inc. ("Opus") and began manufacturing and selling medical diagnostic

Edgar Filing: CAPRIUS INC - Form 10QSB

assays. The Company continues to own and operate a comprehensive breast-imaging center located in Lauderhill, Florida.

The Opus Merger was consummated coincident with the closing of an Asset Purchase Agreement (the "Oxis Purchase Agreement") between Opus and Oxis Health Products Inc. ("Oxis") at which time George Aaron and Jonathan Joels became executive officers, directors, and principal stockholders of the Company. The purchase price consisted of \$500,000 in cash, a secured promissory note (the "Oxis Note") in the principal amount of \$586,389 which was repaid as of December 8, 1999, and a warrant granting Oxis the right to acquire 617,898 shares of the Company's Common Stock. Additionally, pursuant to a Services Agreement, Oxis had manufactured the products of the TDM Business of Opus through December 31, 2000. After December 31, 2000, the Company transferred its production to third party manufacturers.

Opus currently produces and sells 14 diagnostic assays, their calibrators and controls for therapeutic drug monitoring which are used on the Abbott TDx(R) and TDxFLx(R) instruments. Therapeutic drug monitoring ("TDM") is used to assess medication efficacy and safety of a given therapeutic drug in human bodily fluids, usually blood. The monitoring allows physicians to individualize therapeutic regimens for optimal patient relief. The test kits are used for in vitro testing; i.e. the tests are performed outside of the body.

Effective July 4, 2002, Opus entered into an Exclusive License Agreement with Dainippon Pharmaceuticals Co., Ltd. ("Dainippon") of Osaka, Japan, whereby Opus will develop a diagnostic test to monitor blood levels of Zonisamide, an anti-epileptic drug, on a worldwide basis excluding Japan. Zonisamide, a drug developed by Dainippon, has been available in Japan since 1989 under the trade name of Excegran(R). Since April 2000, Elan Pharmaceuticals, Dainippon's exclusive licensee for Zonisamide in the U.S. and Europe, have marketed Zonisamide under the trademark of Zonegran(R) which is indicated as adjunctive therapy in the treatment of partial seizures in adults with epilepsy.

Pursuant to the Development and License Agreement of October 15, 2000 between Opus and Novartis Pharma AG. ("Novartis"), Opus continues their work to develop a diagnostic assay to monitor Novartis' new drug candidate, Certican(TM). This drug is presently in the Phase III clinical trial process, as required by the FDA. When cleared by the FDA, it is anticipated Certican(TM)

7

will be used initially to treat renal transplant patients. Under the Agreement with Novartis, Opus will market the assay internationally. There are approximately 25,000 renal transplants annually that take place in the U.S. alone with approximately the same number outside the U.S.

The diagnostic tests that Opus will develop to measure both of these drugs are expected to be used regularly to monitor blood levels of the drugs, guiding physicians as to correct dosage and patient compliance.

In June 2002, the Company signed a Letter of Intent to enter into an agreement whereby it has the right to acquire 51% of the outstanding stock on a fully diluted basis of MCM Environmental Technologies Inc. ("MCM"), a private U.S. Company engaged in the medical infectious waste disposal business. Concurrent with the signing of the Letter of Intent, Caprius provided MCM with a loan totaling \$245,000. Should a definitive agreement be consummated, the loan will convert into MCM equity. Subject to Board approval and execution of a definitive agreement, including customary conditions and the satisfactory outcome of due diligence by the Company, the transaction is expected to close by

Edgar Filing: CAPRIUS INC - Form 10QSB

the end of August.

NOTE 3 - DEBT FINANCING

During the three months ended June 30, 2002, the Company obtained a short-term loan in the principal amount of \$250,000, with interest at prime plus 3% per annum and due on September 30, 2003 (the "Company Loan"). Officers and employees of the Company as well as related family members provided more than a majority of the principal amount of the Company Loan. For each \$1.00 principal amount loaned, the lender is to receive a warrant to purchase one share of the Company's Common Stock, exercisable after 6 months at \$0.09 per share for a period of five years. The fair market value of the warrant on the date of grant was not recorded as it was immaterial to the Consolidated Financial Statements. In the event that the Company pursues the investment in MCM in accordance with the Letter of Intent with MCM (see Note 2 to the Notes to the Consolidated Financial Statements herein), then the Company Loan will automatically convert into equity of the Company on the same terms as any new equity raised for the investment. The proceeds of the Company Loan were used to fund a loan to MCM of up to \$250,000, of which \$245,000 had been advanced as of June 30, 2002.

NOTE 4 - INDUSTRY SEGMENTS

The Company operations are classified into two business segments: imaging services (previously categorized as Imaging and Rehabilitation Services) and the therapeutic drug monitoring assay business (the "TDM Business").

The following table shows sales, net loss and other unaudited financial information by industry segment:

	IMAGING SERVICES -----	TDM BUSINESS -----	CONSOLIDATED -----
Three Months ended June 30, 2002			

Revenues	\$ 401,228	\$ 513,436	\$ 914,664
Net loss	\$ (32,098)	\$ (101,913)	\$ (134,011)
Three months ended June 30, 2001			

Revenues	\$ 393,534	\$ 520,952	\$ 914,486
Net loss	\$ (64,539)	\$ (54,704)	\$ (119,243)

8

Nine months ended June 30, 2002

Revenues	\$1,231,066	\$ 1,590,880	\$ 2,821,946
Net loss	\$ (57,379)	\$ (139,684)	\$ (197,063)
Identifiable assets	\$ 334,106	\$ 3,168,826	\$ 3,502,932

Nine months ended June 30, 2001

Edgar Filing: CAPRIUS INC - Form 10QSB

Revenues	\$1,151,511	\$ 1,447,287	\$ 2,598,798
Net loss	\$ (68,353)	\$ (177,479)	\$ (245,832)
Identifiable assets	\$ 977,508	\$ 3,072,026	\$ 4,049,534

NOTE 5 - LITIGATION

In June 2002, a former executive officer and director of the Company commenced two legal proceedings against the Company and George Aaron and Jonathan Joels, executive officers, directors and principal stockholders of the Company. The two complaints (refer to Part II, Item 1 for further explanation) allege that the individual defendants made alleged misrepresentations to the plaintiff upon their acquisition of a controlling interest in the Company in 1999 and thereafter made other alleged misrepresentations and took other actions as to the plaintiff to the supposed detriment of the plaintiff and the Company. One action was brought in state court in New Jersey and the other was brought as a derivative action in federal court in New Jersey. The counts in the complaints are for breach of contract, breach of fiduciary duty and misrepresentation. No amount of damages was specified in either action. The defendants plan to vigorously contest the allegations in the complaints.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The results of operations for the three months and nine months ended June 30, 2002 and 2001 are not necessarily indicative of results for future periods. The following discussion should be read in conjunction with the attached notes thereto, and with the audited consolidated financial statements and notes thereto for the fiscal year ended September 30, 2001.

THREE MONTHS ENDED JUNE 30, 2002 COMPARED TO THREE MONTHS ENDED JUNE 30, 2001

Included in revenues for three months ended June 30, 2002 are \$513,436 of net product sales revenues for Opus' therapeutic drug monitoring assays versus \$520,952 for the three months ended June 30, 2001. The cost of product sales for the Opus business for the three months ended June 30, 2002 was \$148,111 versus \$192,553 for the three months ended June 30, 2001. The cost of product sales decreased during the three months ending June 30, 2002 versus the three months ending June 30, 2001 as a result of the Company's lower manufacturing costs.

Net patient service revenues at Strax totaled \$401,228 for the three months ended June 30, 2002 versus \$393,534 for the three months ended June 30, 2001. This increase resulted from higher patient billings. The cost of service operations totaling \$268,047 for the three months ending June 30, 2002 approximated those of the corresponding prior period ending June 30, 2001 which totaled \$273,991.

Selling, general and administrative expenses totaled \$561,457 for the three months ended June 30, 2002 versus \$503,915 for the three months ended

Edgar Filing: CAPRIUS INC - Form 10QSB

June 30, 2001. The increase in expenses is a result of higher professional fees as well as the costs associated with the Stockholders Meeting for which there was no equivalent cost in the prior year.

Research and development expenses totaled \$32,779 for the three months ended June 30, 2002 versus \$45,433 for the three months ended June 30, 2001. The costs related to the Company's on-going projects for the development of new therapeutic drug monitoring tests reflect lower costs during the third quarter of 2002.

NINE MONTHS ENDED JUNE 30, 2002 COMPARED TO NINE MONTHS ENDED JUNE 30, 2001

Net product sales revenues totaled \$1,590,880 for the nine months ended June 30, 2002 versus \$1,447,287 for the nine months ended June 30, 2001. The increase in net sales revenues for the nine months ending June 30, 2002 versus the nine months ending June 30, 2001 resulted from an increase in overseas sales and higher sales of the Company's innovative products. The cost of product sales for the Opus business for the nine months ended June 30, 2002 was \$423,555 versus \$ 503,065 for the nine months ended June 30, 2001 reflects lower manufacturing costs.

Net patient service revenues totaled \$1,231,066 for the nine months ended June 30, 2002, versus \$1,151,511 for the nine months ended June 30, 2001. This increase resulted from higher patient billings. Cost of service operations totaled \$855,515 for the nine months ended June 30, 2002 versus \$ 811,182 for the nine months ended June 30, 2001. The increase in cost of service operations was consistent with the increase in billings.

Selling, general and administrative expenses totaled \$1,533,118 for the nine months ended June 30, 2002 versus \$1,361,368 for the nine months ended June 30, 2001. The increase in expenses is a result of higher professional fees as well as the costs associated with the Stockholders Meeting for which there was no equivalent cost in the prior year.

Research and development expenses totaled \$118,826 for the nine months ended June 30, 2002 versus \$127,527 for the nine months ended June 30, 2001.

LIQUIDITY AND CAPITAL RESOURCES

During the three months ended June 30, 2002, the Company obtained the Company Loan in the principal amount of \$250,000, with interest at prime plus 3% per annum and due on September 30, 2003 (see Note 3 to the Notes to the Consolidated Financial Statements herein). In the event that the Company pursues the investment in MCM in accordance with the Letter of Intent with MCM (see Note 2 to the Notes to the Consolidated Financial Statements herein), then the Company Loan will automatically convert into equity of the Company on the same terms as any new equity raised for the investment. The proceeds of the Company Loan were used to fund a loan to MCM (the "MCM Loan") of up to \$250,000, of which \$245,000 had been advanced as of June 30, 2002. The MCM Loan is secured by MCM's intellectual properties, bears interest at the rate of prime plus 2% per annum, and is due on June 10, 2003, subject to conversion to equity of MCM upon the consummation of the Company's investment in MCM.

During February and March 2001, the Company completed a short term bridge loan of \$300,000 through the issuance of loan notes due on February 28, 2002 together with warrants, the proceeds of which were used principally for working capital and purchase of raw materials previously owned by Oxis, the previous manufacturer and owner of the Opus products. The \$300,000 bridge loan notes are

secured by the assets of Strax and were due for repayment on February 28, 2002. The bridge loan holders agreed to extend the repayment date to September 30, 2002 and will continue to receive interest at the rate of 11%.

The Company continues in its efforts to secure the sale of the Strax Institute.

In the event the Company proceeds with the MCM transaction, the Company intends to raise the balance of the required funds through issuance of equity in Caprius. In addition, the Company may also attempt to secure loans for the new business. In view of the current market conditions and the Company's low stock price, the Company has found it difficult at this time to obtain additional equity funding from outside sources. However, the Company will continue its efforts to seek additional funds through funding options, including banking facilities, government-funded grants and private equity offerings in order to provide capital for future expansion. There can be no assurance that such funding initiatives will be successful, and in light of the current low market price any equity placement would result in substantial dilution to current stockholders. Consequently, the Company's viability could be threatened. In addition, the Company has incurred substantial losses in recent years. Accordingly, the auditors' report on the 2001 financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern.

Net cash provided by operations for the nine months ended June 30, 2002 was \$204,792. Net cash used in investing activities for the nine months ended June 30, 2002 was \$351,395.

FORWARD LOOKING STATEMENTS

The Company is including the following cautionary statement in this Quarterly Report of Form 10-QSB to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. Certain statements contained herein are forward-looking statements and accordingly involve risks and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's expectation, beliefs or projections will result or be achieved or accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements: technological advances by the Company's competitors, changes in health care reform, including reimbursement programs, capital needs to fund any delays or extensions of development programs, delays in new product development, delays in obtaining regulatory clearance for new products, changes in governmental regulations, and availability of capital on terms satisfactory to the Company. The Company disclaims any obligation to update any forward-looking statements to reflect events or circumstances after the date hereof.

Edgar Filing: CAPRIUS INC - Form 10QSB

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 25, 2002, Jack Nelson, a former executive officer and director of the Company, filed two legal proceedings involving the Company, and George Aaron and Jonathan Joels, current executive officers and directors of the Company. The first proceeding was instituted in the Superior Court of New Jersey, Bergen County, by Nelson against the Company, Aaron and Joels alleging breach of contract of a June 1999 Consulting Agreement entered into simultaneously with the Company's June 1999 merger of Opus Diagnostics, misrepresentations by Aaron and Joels in connection with the merger transaction and vicarious liability by the Company based upon the actions of Aaron and Joels, and seeking an unspecified amount of damages. The second proceeding was instituted in the United States District Court, District of New Jersey, purportedly as a

11

derivative action by Nelson on behalf of the Company, against Aaron and Joels, seeking an unspecified amount of damages and alleging that certain actions by them in connection with the merger transaction and also as officers of the Company were violative of the federal Racketeer Influenced and Corrupt Organizations Act (RICO), and also constituted breaches of their fiduciary duties as officers and directors.

The defendants have not yet answered nor moved with respect to either complaint. They have until September 10, 2002 to answer. The defendants plan to vigorously contest the allegations in the complaints.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On June 26, 2002, the Company held a Special in lieu of Annual Meeting of Stockholders (the "Meeting"). The stockholders voted upon a slate of directors and the ratification of the adoption of the 2002 Stock Option Plan (the "Option Plan"). The following sets forth the votes cast by stockholders on the two items:

Election of Directors	Vote For	Withheld
	-----	-----
George Aaron	13,324,433	55,162
Jonathan Joels	13,324,744	55,301
Shrikant Mehta	13,324,773	55,272
Sanjay Mody	13,324,744	55,301
Sol Triebwasser	13,324,733	55,272
Ratification of the Option Plan		
For	9,177,313	
Against	107,994	
Broker No Vote	4,075,768	
Abstain	18,970	

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Edgar Filing: CAPRIUS INC - Form 10QSB

10.1 Promissory Note dated June 10, 2002 from MCM Environmental Technologies, Inc. to the Company in the principal amount of \$250,000.

99. Section 906 Certification

(b) Reports on Form 8-K

None

12

SIGNATURES

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.

(Registrant)

Date: August 14, 2002

/s/George Aaron

George Aaron
President & Chief Executive Officer

Date: August 14, 2002

/s/Jonathan Joels

Jonathan Joels
Chief Financial Officer

13