CAPRIUS INC
Form 10-K
June 30, 2010

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

(Mark One) FORM 10-K
T Annual Report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the fiscal year ended September 30, 2009
Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 000-11914

CAPRIUS, INC.
(Exact name of registrant as specified in its charter)

Delaware	22-2457487
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

10 Forest Avenue, Suite 220, Paramus, New Jersey 07652
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code: (201) 342- 0900

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Securities registered pursuant to Section 12(b) of the Exchange Act:
None

Securities registered pursuant to Section 12(g) of the Exchange Act:
Common Stock, par value $0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No T

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes No T

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 No T

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No T

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer	Accelerated filer	Non-accelerated filer	T Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No T

The aggregate market value of registrant's voting and non-voting common equity held by non-affiliates (as defined by Rule 12b-2 of the Exchange Act) computed by reference to the average bid and asked price of such common equity on March 31, 2010 was $71,499.

As of June 10, 2010, the registrant had outstanding 5,431,865 shares of common stock. The registrant also had outstanding 231,387 shares of preferred stock.

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INTRODUCTORY NOTE

This report on Form 10-K constitutes a comprehensive filing covering information that would have been reported not only in this Form 10-K for the fiscal year ended September 30, 2009, but also in a Form 10-K for the fiscal year ended September 30, 2008 and in Forms 10-Q for the fiscal quarters ended December 31, 2008, March 31, 2009 and June 30, 2009. We have been delinquent in the filing of all such reports. It is noted that the filing of this report will not result in us becoming "current" in our reporting requirements under the Securities Exchange Act of 1934.

The financial information included in this report consists of:

- --audited consolidated financial statements for each fiscal year from 2007 through 2009;
- --unaudited condensed consolidated financial statements in a level of detail consistent with Regulation S-X rule 10-01(a) and (b) for each quarter of fiscal 2009; and
- --management discussion and analysis based upon all the annual and quarterly financial information included in this report.

ITEM 1. BUSINESS

Forward Looking Statements

We are including the following cautionary statements in this Annual Report of Form 10-K 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, us. 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. Our expectations, beliefs and projections are expressed in good faith and are believed by us to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties, but there can be no assurance that management's expectation, beliefs or projections will be achieved or accomplished. In addition to other factors and matters discussed elsewhere herein, the following are important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements: technological advances by our competitors, changes in health care reform, including reimbursement programs, changes to regulatory requirements relating to environmental approvals for the treatment of infectious medical waste, ability to raise additional capital for marketing and manufacturing, delays in the manufacture of new and existing products by us or third party contractors, ability to attract and retain customers, challenges to our intellectual property, the loss of any key employees, the outcome of existing litigations and any future claims, delays in obtaining federal, state or local regulatory clearance for new installations and operations, changes in governmental regulations, and the location and the financial viability of the manufacturer in Israel. You are cautioned not to place undue reliance on forward looking statements, which speak only as of the date of this Annual Report. We undertake no obligation to make any revisions to the forward looking statements or reflect events or circumstances after the date of this Annual Report Form 10-K.

General

Caprius, Inc. ("Caprius", the "Company", "we", "us" and "our") is engaged in the infectious medical waste disposal busine through our wholly-owned subsidiary M.C.M. Environmental Technologies, Inc. ("MCM"), which developed, markets and sells the SteriMed and SteriMed Junior compact systems (together, the "SteriMed Systems") that simultaneously shred and chemically disinfect regulated medical waste ("RMW"), utilizing our proprietary, EPA registered,

bio-degradable chemical known as Ster-Cid. The SteriMed Systems are sold in both the domestic and international markets.

Recent Developments

Between June 2008 and September 2009, our business activities were substantially reduced while we were seeking to raise capital and reduce overall operating costs. Substantial amounts of capital are required to fund current operations for the manufacture, marketing and deployment of our SteriMed Systems. In September 2009, we entered into a Loan Facility with Vintage Capital Group LLC ("Vintage"). Since then we have taken steps to repay or settle our outstanding obligations and have started the process to reduce operating costs, restructure and restart our manufacturing by converting it from "company produced" to third-party contract assembled, and resume the marketing of the SteriMed Systems.

The Loan Facility provides for Vintage to make advances to Caprius up to an aggregate of $3.0 million. Interest on the advances accrues at a rate of 14% per annum (subject to a default rate of 17% per annum), and may be repaid in kind. All outstanding amounts under the Loan Facility, including any subsequent funding, are secured by the grant to Vintage of a first priority lien, pledge and security interest in substantially all of the assets of Caprius and its operating subsidiaries, and are guaranteed by those subsidiaries.

As part of the Loan Facility, we entered into an Investment Monitoring Agreement with Vintage providing for an Operating Committee initially composed of our Chief Executive Officer and Chief Financial Officer as well as two persons to be selected by Vintage. The Operating Committee was established to review budgets, strategic planning, financial performance and similar matters and has the right to make recommendations to our Board of Directors.

In January 2010, as a post-closing obligation under the Loan Facility, we issued a warrant to Vintage (the "Vintage Warrant") to purchase 40% of our common stock, $.01 par value ("Common Stock"), on a fully diluted basis at an exercise price of $0.01 per share for a term of seven years. Based upon our present capitalization, the Vintage Warrant would be exercisable into 25,602,333 shares of Common Stock. In addition, Vintage received certain rights to register under the Securities Act of 1933, as amended, the shares underlying the Vintage Warrant, pursuant to a Registration Rights Agreement. Further, we granted Vintage certain preemptive rights and observer rights for meetings of our Board of Directors pursuant to an Equity Rights Agreement.

As a condition to the Loan Facility, holders of more than a majority of the outstanding shares of each class of our outstanding preferred stock waived the anti-dilution provisions covering the shares of preferred stock with respect to the issuance of the Vintage Warrant and the underlying shares of Common Stock, and holders of more than a majority of our outstanding voting securities consented to approval of an increase in the number of authorized shares of our Common Stock.

On December 15, 2009, we increased our authorized shares of Common Stock to 250,000,000 shares from 50,000,000 shares, upon the filing of a Certificate of Amendment to the Certificate of Incorporation with the Secretary of State of Delaware. The number of authorized shares of preferred stock was not changed.

In November 2009, the Office of the Chief Scientist ("OCS") in Israel approved the request of our Israeli Subsidiary MCM Environmental Technologies Ltd. to transfer its technology rights to MCM upon repayment to the OCS of approximately $240,000 representing the balance of an OCS grant, and the royalty obligation was terminated. The OCS grant had been to assist MCM Environmental Technologies LTD in the development of certain technology related to our SteriMed System.

In October 2009, as part of the settlement of an outstanding litigation matter, we acquired the balance of the outstanding capital stock of MCM, resulting in MCM becoming a wholly-owned subsidiary of Caprius.

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In June 2009, we had entered into short term Bridge Loans pursuant to Unsecured Promissory Notes (the "Notes") to borrow up to a sum of $150,000 subject to interest at 14%. The Noteholders were to be granted 30 warrants for each $1.00 invested to purchase an aggregate of up to 4,500,000 shares of Common Stock at an exercise price of $0.10 per share for a period of five years. During June and August 2009, we received an aggregate of $100,000 in bridge loans, and issued to the noteholders warrants to purchase an aggregate of 3,000,000 shares of Common Stock. These Notes in aggregate principal of $100,000, plus accrued interest remain outstanding.

In February 2009, we entered into a short term bridge loan for a sum of $50,000 subject to 12% interest. This short term loan together with accrued interest was repaid in September 2009 from the Vintage Loan Facility.

In December 2007, we closed a $4.7 million Series F Convertible Preferred Stock placement, prior to payment of financing fees and expenses of approximately $300,000. The placement consisted of 78,334 shares of Series F Convertible Preferred Stock at $60 per share and warrants to purchase an aggregate of 3,133,360 shares of Common Stock at an exercise price of $0.80 per share for a period of five years. The net proceeds were used for general working capital purposes, primarily manufacturing and marketing.

PRODUCTS

The MCM SteriMed Systems

We developed and market worldwide the SteriMed and SteriMed Junior compact units. However, as noted, due to our inability to obtain needed working capital, the level of the development and marketing activities was substantially reduced. In September 2008, as part of our overall strategy to reduce operating costs the Company elected to close its manufacturing and assembly facility in Moledet, Israel, and began the process of outsourcing these responsibilities to a third-party contract assembly supplier located in Israel. This process also involved the relocation of the Company's current work in process and inventory, and our workforce to the contract assembly facility. As a result of the September 2009 Loan Facility with Vintage Capital Group LLC ("Vintage"), we have recently established an interim manufacturing relationship with a contract assembly partner. Under the terms of the Loan Facility, the Company is obligated establish a manufacturing source based in the United States, or such other location as is mutually agreed to by Vintage and the Company.

The SteriMed Systems simultaneously shred and disinfect RMW, reducing its volume up to 90%, and rendering it harmless for disposal as ordinary waste. The SteriMed Systems are patented, environmentally-friendly, on-site disinfecting and destruction units that can process regulated clinical waste, including sharps, dialysis filters, pads, bandages, plastic tubing and even glass, in a cycle lasting approximately 15 minutes. The units, comparable in size to a residential washer-dryer, simultaneously shred, grind, mix and disinfect the waste with the proprietary Ster-Cid® solution. After treatment, the material may be discarded as conventional solid waste, in accordance with appropriate regulatory requirements. Our technology enables healthcare providers to reduce their operating costs, while reducing the environmental impact associated with waste treatment and disposal by reduced carbon, water, and landfill footprints.

The SteriMed Systems enable generators of RMW, such as clinics and hospitals, to significantly reduce cost for treatment and disposal of RMW, eliminate the potential liability associated with the regulated "cradle to grave" tracking system involved in the transport of RMW, and treat in-house RMW on-site in an effective, safe and easy manner. As the technology for disinfection is chemical-based, within the definitions used in the industry, it is considered as an alternative treatment technology.

The SteriMed Systems are comprised of two different sized units and the required Ster-Cid® disinfectant solution, that can be utilized with both units. The larger SteriMed can treat up to 18.5 gallons (70 liters) of medical waste per

cycle. The smaller version, the SteriMed Junior, can treat up to 4 gallons (15 liters) per cycle.

Ster-Cid® is our proprietary disinfectant solution used in the SteriMed Systems. Ster-Cid® is biodegradable and is registered with the U.S. Environmental Protection Agency ("U.S. EPA") in accordance with the Federal Insecticide, Fungicide, Rodenticide Act of 1972 ("FIFRA"). During the SteriMed disinfecting cycle, the concentration of Ster-Cid® is approximately 0.5% of the total volume of liquids. The Ster-Cid® disinfectant in conjunction with the SteriMed Systems has been tested in independent laboratories. Results show that disinfection levels specified in the U.S. EPA guidance document, "Report on State and Territorial Association on Alternate Treatment Technologies" ("STAATT"), are met. Additionally, our technology also meets the very stringent requirements of several overseas markets, including but not limited to the U.K. Environment Agency ("EA") for Mobile Plant for the treatment of clinical waste, performed under accepted testing protocols. Furthermore, it is accepted by the waste water treatment authorities to discharge the SteriMed effluent containing a low concentration of the disinfectant into the sewer system. STAATT is a worldwide organization involved in setting criteria for efficacy of alternative medical waste treatment technologies.

Both SteriMed units are safe and easy to operate requiring only a half day of operator training. Once the cycle commences, the system is locked, and water and Ster-Cid® are automatically released into the treatment chamber. The shredding, grinding and mixing of the waste is then initiated exposing all surfaces of the medical waste to the chemical solution during a processing cycle which takes approximately 15 minutes. At the end of each cycle, the disinfected waste is ready for disposal as regular solid waste.

Governmental Regulations

Background of the Regulated Medical Waste Industry in the United States

In 1988, the Federal Government passed the Medical Waste Tracking Act ("MWTA"). MWTA defined medical waste and the types of medical waste that were to be regulated. In addition to defining categories of medical waste, the law mandated that generators of RMW be responsible for and adhere to strict guidelines and procedures when disposing of RMW. The mandates included a "cradle to grave" responsibility for any RMW produced by a facility, the necessity to track the disposal of RMW and defined standards for segregating, packaging, labeling and transporting of RMW.

The MWTA led to the development of individual state laws regulating how RMW is to be disposed of. As a result of these laws, it became necessary for medical waste generating facilities to institute new procedures and processes for transporting medical waste from the facility to an offsite treatment and disposal center, or obtain their own on-site system for treatment and disposal acceptable to the regulators. By 1999, Health Care Without Harm, a coalition of 440 member organizations, estimated that 250,000 tons of RMW was produced annually in the United States of America or worldwide.

The other major impact on the RMW market was the adoption of the Clean Air Amendments of 1997. This Act dramatically reduced or eliminated the type of emissions that are permitted from the incineration of RMW. Due to this, those generators of RMW, which were incinerating their waste, were forced into costly upgrades of their incinerators or to find other methods of disposal. The number of hospital incinerators decreased from 6,200 in 1988 to 115 in 2003 (Mackinac Chapter, Sierra Club Newsletter Aug-Oct 2003).

A recent market-driven factor, impacting the rate of adoption of alternative technologies for onsite medical waste treatment technologies are the healthcare industry's environmental sustainability initiatives such as LEED (Leadership in Energy and Environmental Design) certification for not only their facility, but more recently for the operations and maintenance activities as well. Our technology is an enabling technology for healthcare facilities who are seeking to improved the environmental design of its facility's operations and maintenance through reduced carbon, water, and solid waste footprints associated with the treatment and disposal of its RMW waste stream.

Additionally, as part of the post-911 era, the Center for Disease Control and Prevention, more commonly known as the CDC, has advised all healthcare facilities to adopt a disaster preparedness plan, which should include how medical waste will be stored and treated during a national healthcare emergency. National emergency preparedness, as defined by the CDC, requires a coordinated effort involving every level of government as well as the private sector, non-governmental organizations, and individual citizens. CDC's work in preparedness supports the Department of Homeland Security, which has overall authority for emergency response activities as laid out in the National Response Framework. Our technology is an enabling technology for healthcare facilities who are seeking to develop a disaster preparedness initiative that includes their ability to be self-sufficient in treating their medical waste during a national or healthcare emergency, as opposed to reliance upon an unrelated third party supplier who may be unable to provide transportation and logistics for medical waste as a result of a national emergency such as earthquake, hurricanes, floods, or pandemics.

Most generators of RMW use waste management firms to transport, treat and dispose of their waste. Due to legislative and other market factors, the costs for this type of service have been increasing at a dramatic pace. At the same time, many medical waste generators are coming under increasing pressure to reduce expenses as a result of the decreasing percentage of reimbursement from Medicare and other third party providers. Additionally, the added liability of RMW generators as a result of the "cradle to grave" manifest requirement has made it more attractive to use on-site medical waste disinfection methods that do not require manifest systems as the resultant waste is disinfected. The combination of these pressures is forcing medical waste generators to seek innovative methods for their waste disposal. MCM has identified and is working with specific segments and niches within the RMW market on which it feels it might capitalize. The specifics of these will be discussed in the Marketing section.

Background of the Regulated Medical Waste Industry Outside of the United States

The industrialized countries of the European Union and Japan are implementing medical waste laws that are or will be similar to U.S. regulations. In 1994, the European Commission implemented a directive where member states had to adhere to the provisions of the United Nations Economic Commission for Europe ("UNECE") European Agreement on the International Carriage of Dangerous Goods by Road. This requires that clinical or medical waste would be packed, marked, labeled and documented according to defined specifications including provisions of weight. Regulations and cost factors have prompted European RMW generators to seek alternative medical waste disposal options. MCM recognizes an excellent opportunity for SteriMed sales in Europe, and is working with regulators, potential joint venture partners and distributors.

During the 2008 and 2009 periods, the Company successfully attained approval for its technology in the United Kingdom whereby the EA granted us a Mobile Treatment License for the treatment of clinical waste utilizing the SteriMed technology. MCM recognizes this approval as an opportunity for SteriMed sales in Europe, due to the overall size of the UK market, the relatively high cost of clinical waste treatment in this market as compared to the US market, and the fact that many of the European Union countries, have adopted the technical guidelines of the UK in establishing their own local approval requirements; thereby enabling SteriMed technology to be more readily adopted throughout Europe at a faster pace.

Throughout the less industrialized and third world countries, the disposal of hospital waste is coming under increasing scrutiny and regulations. Many countries are in the process of updating and enforcing regulations regarding the disposal of RMW. MCM has been establishing relationships worldwide directly or through distributors in many of these countries. Additional information will be addressed in the Marketing section.

Regulations and Regulatory Compliance for Alternative Medical Waste Treatment Technologies in the United States

The use of our technology in the United States is subject to the following regulatory approvals; (1) State and Federal EPA registration of the chemical antimicrobial disinfectant use in our process, (2) State Approval as an Alternative Treatment Technology for RMW, which is typically jointly managed by the individual State's Department of Health and its State Department of Environmental Protection, and (3) the local municipalities waste water treatment discharge ordinances.

Our use of the Ster-Cid® antimicrobial disinfectant in the SteriMed Systems is registered by the U.S. EPA under FIFRA. The EPA regulates pesticides under the statutory authority of the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA). The registration requirements for antimicrobial pesticides such as Ster-Cid, differs somewhat from those of other pesticides. For example, EPA requires special tests to ensure efficacy of public health pesticides when the pests are invisible disease-causing microbes, rather than insects or rodents that may be harboring disease organisms. Similarly, determining human and ecological risks from exposure to antimicrobial pesticides requires different types of measurements and models than those needed for pesticides largely applied to crops and other plants. In view of these and other differences, EPA decided that its regulations governing pesticide registration requirements should also incorporate special antimicrobial sections, for which Ster-Cid must achieve.

The Ster-Cid® disinfectant, and is registered under FIFRA Number 71814. FIFRA gives the federal government control over the distribution, sale and use of pesticides. All pesticides used in the U.S. must be registered (licensed) by the U.S. EPA under FIFRA. Registration of pesticides is to seek assurance that they will be properly labeled, and if used in accordance with label specifications, will not cause unreasonable harm people or to the environment.

The SteriMed Systems are regulated at the state level by the individual states' Environmental, Conservation, Natural Resources, or Health Department. Each state has its own specific approval requirements for alternative treatment technologies. Generally, most states require an application for registration or approval be submitted along with back up information, including but not limited to operating manuals, service manuals, and procedures. Additionally, many states require contingency and safety plans be submitted, and that efficacy testing be performed. MCM has demonstrated through efficacy testing that it can inactivate the 4Log10 concentration of Bacillus atrophaeus (formerly Bacillus subtilis) spores and a 6Log10 concentration of Geobacillus stearothermophillus. This meets or exceeds most state regulatory requirements.

The SteriMed has been approved for marketing in 46 states and the SteriMed Junior in 42 states. The Ster-Cid® disinfectant has been registered in 50 states. We are currently seeking approvals for marketing in the remaining states.

Local and county level authorities generally require that discharge permits be obtained from waste water treatment authorities by all facilities that discharge a substantial amount of liquids or specifically regulated substances into the sewer system. The SteriMed Systems process effluent has been characterized and found to be within the lower range of the general discharge limits set forth by the National Pollutant Discharge Elimination System (NPDES) Permitting Program, which are used to establish waste water treatment authorities' discharge limits.

Local and county approvals allow the SteriMed Systems effluent to be discharged into a municipal sewer and the treated disinfected shredded waste to be disposed of in a municipal landfill.

The process used by the SteriMed Systems, unlike many other waste medical disposal technologies, is not subject to the Clean Air Act Amendments of 1990 because there is no incineration or generation of toxic fumes in the process. It is also not subject to the Hazardous Materials Transportation Authorization Act of 1994 as there is no transportation of hazardous waste involved.

Regulations and Regulatory Compliance for Alternative Medical Waste Treatment Technologies outside of the United States

CE Mark compliancy is a requirement for equipment sold in the European Union ("EU"). The SteriMed Systems are CE Mark compliant as well as ISO Certified, 9001:2000 and 14001:2004. In order to meet the specific regulatory requirements of the individual members of the EU, MCM will undertake further efficacy testing where necessary in order to demonstrate that the SteriMed Systems conform to all the standards in the specific EU member country. Outside of the EU, we are required to review and meet whatever the specific standards a country may

impose. In countries where we have distributors, they are required to obtain the necessary regulatory approvals on our behalf at their expense. The Company and/or its distributors have received approval to market its SteriMed Systems in the Mexico, the United Kingdom, Israel, Russia, Japan, Australia, Serbia, and Hungary.

Our cost of complying with U.S. (including state and local) and foreign environmental law relates to the costs in obtaining and maintaining required licenses or permits. We estimate these costs were approximately $110,000 in fiscal 2008, the period in which the Company continued to invest to obtain the UK EA regulatory approval, and were approximately $25,000 in fiscal 2009.

Competition

In an attempt to seize the opportunity afforded by the regulatory changes and pricing pressures in the healthcare industry, we are seeking to position our products as viable alternatives to the traditional medical waste disposal methods. The SteriMed Systems seek to offer medical waste generators a true on-site option that is less risky, less expensive, and more environmentally friendly than the alternatives. The main competitive advantages of the SteriMed Systems are:

Safety

a) No need to pack containers of medical waste
b) No need to transport infectious waste through facilities with patients
c) No need to ship infectious medical waste on public roads
d) Environmentally sound approach for disinfection – uses biodegradable chemicals; does not release smoke, odor, steam or other emissions to the air; removes the need for incineration
e) Quiet system - noise level during cycle is approx. 64.1dB (A), regarded below levels of noise safety concerns by most government regulations

Labor

a) Reduce the exposure to infectious medical waste by limiting the time an employee handles, stores and packs the waste
b) No need to administer and track waste that is shipped from the facility
c) Ease of use
d) Employees can continue to perform their regular functions while the SteriMed Systems treatment cycle is operational

Convenience

a) Rapid deployment through our system designs that enable “same day” installation and start up at a client’s site
b) Easily installed requiring only electricity, water and sewage outlet which are usually which are usually readily available. No special ventilation or lighting required
c) Fast cycle process times (approximately 15 minutes) that enables even our smallest system to generate a rapid throughput capability
d) Limited training required for operators due to the fully automated systems based upon a one-touch start method
e) Due to their compact size, units can be strategically placed in a health care facility close to the waste generation sites
f) Due to its compact size, the SteriMed System is also appropriate for mobile facilities such as cruise ships and naval vessels.

Cost Saving

a) One of the lowest capital costs for comprehensive onsite medical waste systems
b) Reduced labor time as packaging for off-site transportation is eliminated
c) No additional packaging or transportation costs to incineration site
d) Our business model allows for the SteriMed Systems to be leased to U.S. facilities generating the infectious clinical waste. This model obviates the need for capital investment by users, and should also reduce previous operating expenses in disposing of medical waste.

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e) Cellemetry monitoring system which allows for real time monitoring of the SteriMed Systems through wireless communication with technical support personnel, thus enabling same or next day support to our valued customers.
f) Ability to fix costs for a given period of time, avoiding future price increases and surcharges, while allowing for additional capacity at a low variable cost.
g) Energy efficient systems that consume just pennies per cycle in electricity and water.

Environmental Benefit
a) Reduced fresh water footprint as compared to steam based alternative treatment technology (i.e. Auto Clave).
b) Elimination of carbon footprint associated with burning of fossil fuels required for transportation of the waste for traditional offsite waste treatment.
c) Reduce solid waste landfill footprint as the waste is volume reduced by as much as 90% of its original amounts though shredding and granulation technology used in the SteriMed.
d) Reduced carbon footprint associated with the use of a room temperature process, which reduces the carbon footprint associated with generating high levels of electricity for the production of steam for other treatment technologies, such as steam-based autoclaves.
e) Use of an environmentally friendly disinfectant which is biodegradable and as such does not require any neutralization of treatment prior to discharge into the domestic waste water treatment works.

Compliant with Domestic and International Regulations
a) Enable infectious medical waste generating facilities to replace existing systems while meeting federal, state and local environmental as well as health regulations.
b) Proprietary, environmentally safe, approximately 90% biodegradable chemical for disinfection which has been cleared for use in many foreign countries and which is registered in all states.

These features are intended to make the use of the SteriMed Systems a very attractive solution to health care organizations, especially those that are forced to reconsider their current medical waste management programs. This is primarily due to federal and state regulations or the ongoing pressures to reduce their ever increasing operating costs.

Marketing

In the United States, the initial focus of marketing the SteriMed Systems has been to dialysis clinics. We have sought entry in other new sectors, such as surgical centers, laboratories, plasmapheresis centers, and hospitals. Additional potential markets include blood banks, cruise ships and military medical facilities.

Internationally, we continue to market our SteriMed Systems both directly and indirectly through distributors. Our practice has been to train the distributors in the overseas market to enable them to take on the responsibility for the installation and maintenance that are required for the SteriMed Systems in these foreign markets.

Marketing Strategy

We have designed and are implementing a marketing program based upon our SteriMed Systems and their cost saving ability. Our overall marketing campaigns are also focused on the value statement “…..Is Green…….Saves Green……”; a stat that defines our business as one which helps our clients simultaneously achieve their goals of sustainability through environmental responsibility, and improved financial performance through the reduction in operating costs associated with waste treatment and disposal.

Our marketing strategy is driven by a sales program with a four pronged approach consisting of the following channels for product distribution: (1) direct selling to end users of our products in the commercial market, (2) direct selling to end users of our products in the government and defense industry, (3) sales to US based and foreign distributors of our products, (4) and agent-based representatives. The implementation of the marketing strategy is dependent upon the amount of capital resources available to devote to this effort. As a result of funding provided by the Loan Facility with Vintage Capital Group LLC ("Vintage"), we have recently been able to continue our marketing efforts in the United Stated, Israel, and Russia, as well as entering into a new business relationship in Mexico.

Direct Selling to End Users in the Commercial Market