

CAPRIUS INC
Form S-1
January 22, 2008

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As filed with the Securities and Exchange Commission on January 22, 2008

Registration No. 333-_____

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

Delaware	3845	22-2457487
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

One University Plaza, Suite 400
Hackensack, New Jersey 07601
(201) 342-0900

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Jonathan Joels
Treasurer and Chief Financial Officer
One University Plaza, Suite 400
Hackensack, New Jersey 07601
(201) 342-0900

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Bruce A. Rich, Esq.
Thelen Reid Brown Raysman & Steiner LLP
875 Third Avenue
New York, New York 10022
(212) 603-2000

Approximate Date of Commencement of Proposed Sale to the Public: from time to time after the effective date of this Registration Statement as determined by market conditions and other factors.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

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If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title Of Each Class of Securities to be Registered	Amount To Be Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$.01 par value(3)	7,833,400 shs.	\$0.85	\$6,658,390	\$261.68
Common Stock, \$.01 par value(4)	3,133,360 shs.	0.85	2,663,356	104.67
Common Stock, \$.01 par value(4)	400,000 shs.	0.85	340,000	13.36
Total	11,366,760 shs.		\$9,661,746	\$379.71

(1) All shares registered pursuant to this registration statement are to be offered by selling stockholders upon conversion of Series F Convertible Preferred Stock and exercise of warrants. Pursuant to Rule 416 under the Securities Act of 1933, this registration statement also covers such number of additional shares of common stock to prevent dilution resulting from stock splits, stock dividends and similar transactions pursuant to the terms of the Series F Convertible Preferred Stock and the warrants referenced below.

(2) Estimated solely for the purpose of computing amount of the registration fee pursuant to Rule 457(c) promulgated under the Securities Act of 1933, as amended, based on the average of the bid and asked prices on the OTC Bulletin Board on January 17, 2008.

(3) Represents 7,833,400 shares underlying issuance upon conversion of Series F Convertible Preferred Stock. Held by the selling stockholders.

(4) Represents 3,533,360 shares of common stock issuable upon exercise of warrants held by the selling stockholders.

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The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Explanatory Note

The Company has simultaneously filed Pre-Effective Amendment No. 1 on Form S-1 to a Registration Statement initially filed on March 29th, 2007 on Form SB-2 (No. 333-141647) for 9,557,500 shares of its Common Stock underlying the Series E Convertible Preferred Stock and warrants issued in its March 2007 Series E Preferred Stock Placement.

In addition, the Company has registered 2,646,121 shares of its Common Stock underlying shares of its Series C Convertible Preferred Stock and warrants issued in its 2005 Series C Preferred Stock Placement under Post-Effective Amendment No. 3 to Form SB-2 (No. 333-124096), declared effective on November 13, 2007, and 3,176,281 shares of its Common Stock underlying shares of its Series D Convertible Preferred Stock and warrants issued in its 2006 Series D Preferred Stock Placement under Post-Effective Amendment No. 2 to Form SB-2 (No. 333-132489), declared effective on November 13, 2007.

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SUBJECT TO COMPLETION JANUARY 22, 2008

The information in this prospectus is not complete and may be changed. The selling stockholders may not sell these securities until the registration filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and neither we nor the selling stockholders are soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

PROSPECTUS

11,366,760 shares of Common Stock

CAPRIUS, INC.

This prospectus relates to the sale or other disposition by the selling stockholders identified on pages 34 to 36 of this prospectus, or their transferees, of up to 11,366,760 shares of our common stock, which includes (i) 7,833,400 shares issuable upon conversion shares of our Series F Convertible Preferred Stock and (ii) 3,533,360 shares issuable upon exercise of warrants that were granted as part of the placement of the preferred stock. These dispositions may be at fixed prices, at prevailing market prices at the time of sale, at prices related to the prevailing market price, at varying prices determined at the time of sale, or at negotiated prices.

We will receive no proceeds from the sale or other disposition of the shares, or interests therein, by the selling stockholders. However, we will receive proceeds in the amount of \$2,846,688 assuming the cash exercise of all of the warrants held by the selling stockholders, subject to certain of the warrants being exercised under a “cashless exercise” right.

Our common stock is traded on the over-the-counter electronic bulletin board. Our trading symbol is CAPS. On January 17, 2008, the last bid price as reported was \$0.85 per share.

The selling stockholders, and any participating broker-dealers may be deemed to be “underwriters” within the meaning of the Securities Act of 1933, and any commissions or discounts given to any such broker-dealer may be regarded as underwriting commissions or discounts under the Securities Act. The selling stockholders have informed us that they do not have any agreement or understanding, directly or indirectly, with any person to distribute their common stock.

Brokers or dealers effecting transaction in the shares should confirm the registration of these securities under the securities laws of the states in which transactions occur or the existence of our exemption from registration.

An investment in shares of our common stock involves a high degree of risk. We urge you to carefully consider the Risk Factors beginning on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

January __, 2008

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information that you should consider before investing in the common stock. You should carefully read the entire prospectus, including “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements, before making an investment decision.

THE COMPANY

Background

Caprius, Inc. is engaged in the infectious medical waste disposal business. In the first quarter of Fiscal 2003, we acquired a majority interest in 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 disinfect regulated medical waste (“RMW”). The SteriMed Systems are sold and leased in both the domestic and international markets.

Our principal business office is located at One University Plaza, Suite 400, Hackensack, New Jersey 07601, and our telephone number at that address is (201) 342-0900. The Company also has business operations located in Israel. Our internet website is www.caprius.com. The information contained on our website is not incorporated by reference in this prospectus and should not be considered a part of this prospectus.

In this prospectus, “Caprius,” the “Company,” “we,” “us” and “our” refer to Caprius, Inc. and, unless the context otherwise indicates, our subsidiary MCM.

History

We were founded in 1983 and until June 1999 essentially operated in the business of developing specialized medical imaging systems, as well as operating a comprehensive breast imaging center. In June 1999, we ceased the operations of developing the imaging systems and acquired Opus Diagnostics, Inc. and began manufacturing and selling medical diagnostic assays constituting the therapeutic drug monitoring (“TDM”) Business. In October 2002, we sold the TDM business to Seradyn, Inc. The imaging center was sold in September 2003.

Acquisition of M.C.M. Environmental Technologies, Inc.

In December 2002, we closed the acquisition of our initial investment of 57.53% of the capital stock of MCM for a purchase price of \$2.4 million. MCM wholly-owns MCM Environmental Technologies Ltd., an Israeli corporation, which initially developed the SteriMed Systems. Upon closing, our designees were elected to three of the five seats on MCM’s Board of Directors, with George Aaron, our chairman, and Jonathan Joels, our CFO, filling two seats. Additionally, as part of the acquisition, certain debt of MCM to its existing stockholders and to certain third-parties was converted to equity in MCM or restructured. Pursuant to our Letter of Intent with MCM, we had provided MCM with loans totaling \$565,000, which loans were repaid upon closing by a reduction in the cash portion of the purchase price. The Stockholders Agreement among us and the other MCM stockholders contained certain provisions relating to performance adjustments for the twenty-four month period post-closing. As a consequence, our ownership interest in MCM increased by 5% in the fiscal year ended September 30, 2004 and by an additional 5% in the fiscal year ended September 30, 2005. Furthermore, our MCM equity ownership increased with the conversion of various loans we made to MCM and our meeting cash calls made by MCM during the fiscal year ended September 30, 2005. As of September 30, 2005, our interest in MCM increased to 96.66%. Our interest remains unchanged through January 21, 2008.

SteriMed Systems

We developed and market worldwide the SteriMed and SteriMed Junior compact units. These units 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 15 minute cycle. The units, comparable in size to a washer-dryer, simultaneously shred, grind, mix

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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.

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. 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 4 gallons (15 liters) per cycle.

Ster-Cid® is our proprietary disinfectant solution required for use with both units of 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. 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 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.

In the United States, the initial focus of marketing the SteriMed Systems has been to dialysis clinics. We have also begun initial installations in other new sectors such as surgical centers, laboratories, plasmapheresis centers, and hospitals. Other 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 distributors are trained by us to enable them to take on the responsibility for the installation and maintenance that are required for the SteriMed Systems.

RECENT DEVELOPMENTS

On December 6, 2007, we closed a private placement of 78,334 shares of Series F Convertible Preferred Stock (“Series F Preferred Stock”) and warrants to ten investors for gross proceeds of \$4,700,000. Each share of the Series F Preferred Stock, which has a stated value of \$60. per share, is convertible into 100 shares of our common stock, or the equivalent of \$0.60 per common share, or an aggregate of 7,833,400 shares of common stock. The holders have the right to convert their shares at any time, while we have the right to require mandatory conversion only if after the effective date of a Securities Act registration statement covering the underlying shares of common stock (i) the closing bid price of the common stock for 15 trading days in any 20 consecutive trading day period exceeds \$1.20 per share and (ii) the average daily trading volume during such 20 trading day period exceeds 30,000 shares a day. An annual dividend accrues at the rate of \$3.24 per share. The liquidation and dividend rights of the holders of the Series F

Preferred Stock rank pari passu with those of the holders of our Series E Preferred Stock and Series D Preferred Stock. The warrants are for the purchase of 3,133,360 shares of common stock at an exercise price of \$0.80 per share, exercisable for five years, with the right of cashless exercise. We do not have the right to call the warrants. Both the Series F Preferred Stock and the warrants contain anti-dilution provisions, including price dilution upon certain issuances by us of shares of common stock or granting rights to purchase our common stock at prices less than the applicable conversion price or exercise price. At the time we agreed to the pricing of this placement, the market price of our common stock was \$0.75 per share. Private placements, especially for low priced securities, are usually placed at discounts from the current market prices. The pricing of the Series E Preferred Stock and the exercise price of the warrants were negotiated based upon their relationships to the then market price. At closing, the total market value of the common stock underlying the Series F Preferred Stock and the warrants was \$8,225,070 (prior to us receiving \$2,506,688

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upon cash exercise of the warrants). As part of this placement, we entered into Registration Rights Agreements with the investors whereby we are obligated to register their underlying shares of common stock, otherwise we are subject to pay certain specified liquidated damages. The registration statement of which this prospectus is a part has been filed pursuant to such Agreements, see “Selling Stockholders.”

PRIOR PRIVATE PLACEMENTS

On March 1, 2007, we closed a private placement of 10,000 shares of Series E Convertible Preferred Stock (“Series E Preferred Stock”) and warrants to six investors for gross proceeds of \$2,500,000. Each share of the Series E Preferred Stock, which has a stated value of \$250 per share, is convertible into 625 shares of our common stock, or the equivalent of \$0.40 per share, or an aggregate of 3,125,000 shares of common stock. The holders have the right to convert their shares at any time, while we have the right to require mandatory conversion only if after the effective date of the registration statement covering such shares (i) the closing bid price of the common stock for 15 trading days in any 20 consecutive trading day period exceeds \$0.80 per share and (ii) the average daily trading volume during such 20 trading day period exceeds 30,000 per share. As of October 1, 2007, an annual dividend accrues at the rate of \$13.50 per share. The liquidation and dividend rights of the holders of the Series E Preferred Stock rank pari passu with those of the holders of our Series D Preferred Stock and Series F Preferred Stock. The warrants are for the purchase of 3,125,000 shares of common stock at an exercise price of \$0.50 per share, exercisable for five years, with the right of cashless exercise. We do not have the right to call the warrants. The anti-dilution rights of the holders of the Series E Preferred Stock and related warrants are similar to those of the holders of the Series F Preferred Stock and related warrants, respectively. During the negotiation of the terms of this placement, the market price of our common stock increased from \$0.45 per share to \$0.60 per share at the time of the pricing. At closing, the total market value of the common stock underlying the Series E Preferred Stock and the related warrants was \$5,625,000 (prior to us receiving \$1,562,500 upon cash exercise of the warrants). As part of this placement, we entered into Registration Rights Agreements with the investors whereby we are obligated to register their underlying shares of common stock, otherwise we are subject to pay certain specified liquidated damages. We have filed a separate registration statement pursuant to such Agreements.

In February 2006, we received gross proceeds of \$3.0 million upon issuance of Series D Convertible Preferred Stock and warrants for the purchase of 850,751 shares of common stock at exercise prices ranging from \$0.90 to \$2.00 per share. The currently outstanding Series D Convertible Preferred Stock is convertible into 3,785,699 shares of common stock, after giving effect to anti-dilution adjustments thereon and prior conversions into 470,000 shares of common stock.

In February 2005, we received gross proceeds of \$4.5 million upon issuance of Series C Convertible Preferred Stock and warrants for the purchase of 2,569,357 shares of common stock at exercise prices ranging from \$0.93 to \$5.60 per share, after giving effect to anti-dilution adjustments thereon. In April 2005, all of the Series C Preferred Stock was converted into common stock.

THE OFFERING

Securities Covered Hereby	11,366,760 shares, which includes (i) 7,833,400 shares underlying Series F Convertible Preferred Stock and (ii) 3,533,360 shares subject to warrants, including warrants for 400,000 shares of common stock granted to the placement agent.
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Common Stock Outstanding Prior to the Offering	3,849,662 shares
Common Stock to be Outstanding after the Offering	15,216,422 shares, assuming the selling stockholders convert the portion of their Series F Convertible Preferred Stock included herein and exercise all their warrants, and no conversion of other series of outstanding preferred stock nor exercise of the other outstanding warrants and options.

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Use of Proceeds	We will receive no proceeds from the sale or other disposition of the shares of common stock covered hereby by the selling stockholders. However, we will receive \$2,846,688 if all of the warrants for underlying shares included in this prospectus are exercised for cash. We will use these proceeds for general corporate purposes.
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OTC Electronic Bulletin Board Symbol	“CAPS”
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RISK FACTORS

See “RISK FACTORS” for a discussion of the above factors and certain additional factors that should be considered in evaluating an investment in the common stock.

SUMMARY FINANCIAL AND OPERATING INFORMATION

The following selected financial information is derived from the Consolidated Financial Statements appearing elsewhere in this prospectus and should be read in conjunction with the Consolidated Financial Statements, including the notes thereto, appearing elsewhere in this prospectus.

	Year Ended September 30,	
Summary of Operations	2007	2006
Total revenues	\$ 2,664,404	\$ 1,235,469
Net loss	(3,249,673)	(3,396,041)
Net loss per common share (basic and diluted)	\$ (0.87)	\$ (1.02)
Weighted average common shares outstanding, basic and diluted	3,716,252	3,321,673

Statement of Financial Position	As of September 30, 2007	As of September 30, 2006
Cash and cash equivalents	\$ 634,657	\$ 1,068,954
Total assets	2,884,695	2,777,020
Working capital	1,153,116	1,653,302
Long-term debt	-	-
Stockholders' equity	1,582,199	2,159,491

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RISK FACTORS

The shares of our common stock being offered for resale by the selling stockholders are highly speculative in nature, involve a high degree of risk and should be purchased only by persons who can afford to lose the entire amount invested in the common stock. Before purchasing any of the shares of common stock, you should carefully consider the following factors relating to our business and prospects. If any of the following risks actually occurs, our business, financial condition or operating results could be materially adversely affected. In such case, the trading price of our common stock could decline and you may lose all or part of your investment. The risks and uncertainties described below are not the only risks facing us.

Business Risks

We Have a History of Losses

To date, we have been unable to generate revenue sufficient to be profitable. We had a net loss of approximately \$3.2 million or \$(0.87) per share on revenues of \$2.7 million, for the fiscal year ended September 30, 2007, compared to a net loss of approximately \$3.4 million or \$(1.02) per share on revenues of \$1.2 million, for the fiscal year ended September 30, 2006. We can expect to incur losses for the immediate foreseeable future. There can be no assurance that we will achieve the level of revenues needed to be profitable in the future or, if profitability is achieved, that it will be sustained. Due to these losses, we have a continuing need for additional capital.

Risk of Need for Additional Financing

We raised gross proceeds of \$4.7 million in a placement of Series F Convertible Preferred Stock in the first quarter of fiscal 2008, gross proceeds of \$2.5 million in a placement of Series E Preferred Stock in the second quarter of fiscal 2007, gross proceeds of \$3.0 million in a placement of Series D Convertible Preferred Stock in the second quarter of fiscal 2006, and gross proceeds of \$4.5 million in a placement of Series C Preferred Stock in the second quarter of 2005. The net cash proceeds from the Series F equity financing provided the funds necessary to satisfy specific outstanding obligations and accrued expenses outstanding at the time of the financing and increase our marketing effort both in the US and overseas markets. These funds also will enable us to build up our inventory to fulfill our current backlog of orders and future demand arising from our increased marketing efforts. With our growing market penetration in the U.S., we will need to expand our customer service and technical support capabilities to meet the needs of our clients. Similarly, in overseas markets, resources will continue to be required to obtain regulatory approvals in markets where we believe there exists great opportunities for our business. Our working capital is currently projected to meet the needs of our business plan for the current fiscal year. In the past, we have experienced significant losses and negative cash flows from operations. If these trends continue in the future, it could adversely affect our financial condition. For the years ended September 30, 2007 and September 30, 2006, we experienced net losses of approximately \$3.25 million and \$3.4 million from operations, respectively. Further, we have incurred negative cash flows from operations of approximately \$2.8 million and \$2.9 million for the years ended September 30, 2007 and 2006, respectively. These results have had a negative impact on our financial condition. There can be no assurance that our business will become profitable in the future or that additional losses and negative cash flows from operations will not be incurred. If these trends continue in the future, it could have a material adverse effect on our financial condition

Our Lack of Operating History Makes Evaluation of our Business Difficult.

The MCM business has yet to realize the acceptance in the market place that we had anticipated, so there is no meaningful historical financial or other information available upon which you can base your evaluation of this business and its prospects. We acquired the MCM business in December 2002 and have generated insubstantial

revenues to date from it.

We are still in the process of attempting to attract and convince customers to switch from their current method of dealing with the disposal of their medical waste to a new technology and to adjust their current in-house system to adapt to our SteriMed Systems. In addition, some potential customers may have existing arrangements or commitments to their current waste hauler or processor. As a consequence, the revenue and income potential of our business is unproven. Further, we cannot estimate with any degree of certainty the expenses for operating the business. If we are incorrect in our estimates, it could be detrimental to our business.

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We Expect our Manufacturing and Marketing Development Work for our MCM Business to Continue for Some Time, and our Manufacturing and Marketing may not Succeed or may be Significantly Delayed.

At present, the SteriMed is manufactured at our own facility in Israel. The SteriMed Junior is currently manufactured by a third-party manufacturer in Israel. While we expect our manufacturing and product development work to continue in Israel, due to the limited capacity as well as the high costs of transportation from Israel, we continue to seek sub-assembly manufacturers to enable us to reduce the cost of the SteriMed Junior as well as alternative locations for the manufacture of our SteriMed Junior. As we receive interest from these manufacturers, we will then undertake a detailed analysis to ensure that they are sufficiently qualified to manufacture our unit and that their costs are acceptable to us. If we fail to effectively manufacture or cause the manufacture of or fail to develop a market to increase the manufacturing needs for our SteriMed Systems, we will likely be unable to recover the losses we will have incurred in attempting to produce and market these products and technologies and may be unable to make sales or ever become profitable.

Dependence on Our Third-Party Component Suppliers

We are dependent on third-party suppliers for the components of our SteriMed and SteriMed Junior Systems and also for the Ster-Cid® disinfectant. At present there are no supply contracts in place and our requirements are fulfilled against purchase orders. There can be no assurances that we will have adequate supplies of materials. Although we believe that the required components are readily available and can be provided by other suppliers, delays may be incurred in establishing relationships or in waiting for quality control assurance with other manufacturers for substitute components.