

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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FILER

CAPRIUS INC

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SIC: **3845** Electromedical & electrotherapeutic apparatus

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): March 11, 1999

CAPRIUS, INC.

(Exact name of registrant as specified in its charter)

Delaware 0-11914 22-2457487

(State or other jurisdiction (Commission File Number) (IRS Employer
of incorporation) Identification No.)

47 Jonspin Road, Wilmington, Massachusetts 01887

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (978) 657-8876

Item 2. Acquisition or Disposition of Assets.

On March 11, 1999, pursuant to an Interest Transfer Agreement (the "Agreement") by and among Middlesex MRI Center, Inc. ("Middlesex") and MDI Rehab, Inc. ("MDI Rehab"), the sole general partners of MVA Rehabilitation Associates ("MVA"), a wholly-owned subsidiary of Caprius, Inc. (the "Company"), and Medical

Diagnostics and Rehabilitation, LLC ("MDR"), a transaction was concluded whereby Middlesex and MDI Rehab will transfer their partnership interests in MVA over time to MDR. Under the terms of the Agreement, as of March 11, 1999, MDI Rehab transferred all of its 75% interest in MVA to MDR and Middlesex transferred a 24% interest in MVA to MDR, for an aggregate purchase price of \$850,000.00, payable in the following manner: \$25,000.00 on April 1, 1999; 150,000.00 on May 1, 1999; 95,000.00 on June 1, 1999 and 210,000.00 on July 1, 1999, all allocated as follows: 24% to Middlesex and 75% to MDI Rehab, with the balance of the \$850,000 to be contributed to MVA as capital in the following manner: \$50,000.00 on March 15, 1999, \$105,000.00 on April 1, 1999, \$105,000.00 on May 1, 1999 and \$110,000.00 on June 1, 1999. An additional \$50,000.00 will be paid to Middlesex on December 15, 1999, as consideration for its transfer as of that date of its remaining 1% interest in MVA. A copy of the Agreement is attached hereto as Exhibit 2.1.

To secure the above payments, and pursuant to a Pledge Agreement (the "Pledge Agreement") dated as of March 11, 1999 by and among Middlesex, MDI Rehab and MDR, MDR granted Middlesex and MDI Rehab a security interest in its partnership interests in MVA. A copy of the Pledge Agreement is attached hereto as Exhibit 10.1. Pursuant to a Security Agreement (the "Security Agreement") dated as of March 11, 1999, by and among Middlesex, MDI Rehab and MVA, MVA granted to Middlesex and MDI Rehab a continuing security interest in and to its accounts and accounts receivable and all collateral therefor, all deposits, deposit accounts, ledger sheets, files, records and documents including software, all to the extent necessary to the collection of the accounts or accounts receivable (but not including patient or other medical records). A copy of the Security Agreement is attached hereto as Exhibit 10.2.

On March 12, 1999, Caprius issued a press release announcing that it had concluded a transaction for the transfer of its interest in its Rehabilitation Center to a limited liability company. The press release further noted that a decision handed down the week of March 1st by the Massachusetts Supreme Judicial Court cast a potentially detrimental effect on the prospects of rehabilitation centers and a negative impact on the value of the Company's account receivables. This court decision, along with a financial obligation to pay a note for which the Rehabilitation Center was obligated, caused the Company to conclude the transactions effectuated by the Agreement quickly. Reference is made to the press release of the Company dated March 12, 1999, attached hereto as an Exhibit and incorporated herein in its entirety by reference thereto.

This report includes forward-looking statements based on the Company's current expectations and beliefs, as well as a number of assumptions about future events, that are subject to risks and uncertainties that could cause actual results to differ materially from those described in such forward-looking statements. In particular, actual results may differ materially from those described in such forward-looking statements due to a number of factors, including, among other things, the Company's anticipated growth strategies, its leverage and debt service requirements and future capital needs, its intention to introduce new products, the anticipated acceptance of its products,

technological advances, anticipated industry trends and conditions, including regulatory reform and risks, competition and the other important risk factors identified in the documents filed by the Company with the Securities and Exchange Commission.

Item 7. Financial Statements and Exhibits

(b) Pro Forma Financial Information:

The pro forma financial statements required by this item will be filed by an amendment to this Current Report on Form 8-K as soon as practicable but not later than 60 days after the date of this filing.

(c) Exhibits:

The following exhibits are filed as part of this report:

2.1 Interest Transfer Agreement, dated as of March 11, 1999 by and among Middlesex MRI Center, Inc. and MDI Rehab, Inc., and Medical Diagnostics and Rehabilitation, LLC.

Page 14 of the Interest Transfer Agreement contains a list of the Schedules and Exhibits thereto. The Registrant will furnish a copy of any omitted Schedules or Exhibits to the Commission upon request.

10.1 Pledge Agreement, dated as of March 11, 1999 by and among Medical Diagnostics and Rehabilitation, LLC, MDI Rehab, Inc. and Middlesex MRI Center, Inc.

10.2 Security Agreement, dated as of March 11, 1999 by and among MVA Rehabilitation Associates, MDI Rehab, Inc. and Middlesex MRI Center, Inc.

99.1 Press Release, dated March 12, 1999 issued by Caprius, Inc.

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 hereunto duly authorized.

CAPRIUS, INC.

Dated: March 26, 1999

By: /s/ Steven J. James

Name: Steven J. James

Title: Chief Financial Officer

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INTEREST TRANSFER AGREEMENT

THIS INTEREST TRANSFER AGREEMENT is made and entered into by and among MIDDLESEX MRI CENTER, INC., a Massachusetts corporation ("Middlesex MRI") and MDI REHAB, INC., a Massachusetts corporation ("MDI Rehab") (Middlesex MRI and MDI Rehab are sometimes each referred to as a "Partner" and collectively as the "Partners"), as the sole general partners of MVA REHABILITATION ASSOCIATES, a Massachusetts general partnership (the "Partnership"), and the MEDICAL DIAGNOSTICS AND REHABILITATION, LLC, a Delaware limited liability company (the "Transferee").

WHEREAS, the Partners are the sole partners of the Partnership, holding one hundred percent (100%) of the general partnership interests of the Partnership, existing under and evidenced by the Amended and Restated Agreement of Partnership of MVA Rehabilitation Associates dated as of January 31, 1995 (the "Partnership Agreement");

WHEREAS, Middlesex MRI acquired its general partnership interest in the Partnership pursuant to that certain Interest Transfer Agreement, dated as of October 1, 1996, from The MVA Center for Rehabilitation, Inc., and succeeded to all of the rights and obligations of The MVA Center for Rehabilitation, Inc. under and pursuant to the Partnership Agreement;

WHEREAS, Middlesex MRI holds a 25% general partnership interest in the Partnership and desires to sell, transfer and convey to the Transferee (i) on the date hereof, for the consideration set forth herein, all of Middlesex MRI's right, title and interest in and to a 24% general partnership interest in the Partnership (the "MRI Interest"), as such interest is described in the Partnership Agreement, and withdraw from the Partnership Agreement with respect to the transferred MRI Interest, and (ii) on June 1, 1999, for the consideration set forth herein, all of Middlesex MRI's right, title and interest in and to a 1% general partnership interest in the Partnership (the "Assigned Interest"), as such interest is described in the Partnership Agreement, and withdraw from the Partnership Agreement with respect to the Assigned Interest;

WHEREAS, MDI Rehab holds a 75% general partnership interest in the Partnership and desires to sell, transfer and convey to the Transferee, for the consideration set forth herein, all of MDI Rehab's right, title and interest in and to its 75% general partnership interest in the Partnership (the "MDI Interest"), as such interest is described in the Partnership Agreement, and withdraw from the Partnership Agreement; and

WHEREAS, the Transferee desires to acquire the MDI Interest, the MRI Interest and the Assigned Interest, for the consideration set forth herein, and to be admitted to the Partnership as a substitute General Partner in the place

and stead of MDI Rehab with respect to the MDI Interest and in the place and stead of Middlesex MRI with respect to the MRI Interest and the Assigned Interest;

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NOW, THEREFORE, in consideration of the mutual agreements and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Sale of the MRI Interest, the Assigned Interest and the MDI Interest.

(a) MRI Interest. Simultaneously herewith, and in exchange for the consideration set forth in Section 2 hereof, Middlesex MRI hereby sells, transfers and conveys to the Transferee all of Middlesex MRI's right, title and interest in and to the MRI Interest and all of Middlesex MRI's rights under the Partnership Agreement with respect to the MRI Interest, including, without limitation, (i) all rights of Middlesex MRI to receive monies and other property or assets due and to become due to Middlesex MRI under or pursuant to the Partnership Agreement, (ii) all claims of Middlesex MRI for damages arising out of or for breach of or default under the Partnership Agreement, (iii) all rights of Middlesex MRI to receive proceeds or benefit of any indemnity, warranty, or other payments with respect to the Partnership Agreement, and (iv) all rights of Middlesex MRI to perform thereunder and to compel performance and otherwise exercise all remedies thereunder. The Transferee hereby accepts from Middlesex MRI the MRI Interest and agrees to become a substitute General Partner of the Partnership in the place and stead of Middlesex MRI with respect to the MRI Interest.

(b) The Assigned Interest. Effective as of June 1, 1999, and in exchange for the consideration set forth in Section 2 hereof, Middlesex MRI hereby agrees to sell, transfer and convey to the Transferee all of Middlesex MRI's right, title and interest in and to the Assigned Interest and all of Middlesex MRI's rights under the Partnership Agreement with respect to the Assigned Interest, including, without limitation, (i) all rights of Middlesex MRI to receive monies and other property or assets due and to become due to Middlesex MRI under or pursuant to the Partnership Agreement, (ii) all claims of Middlesex MRI for damages arising out of or for breach of or default under the Partnership Agreement, (iii) all rights of Middlesex MRI to receive proceeds or benefit of any indemnity, warranty, or other payments with respect to the Partnership Agreement, and (iv) all rights of Middlesex MRI to perform thereunder and to compel performance and otherwise exercise all remedies thereunder. Effective as of June 1, 1999, the Transferee hereby accepts from Middlesex MRI the Assigned Interest and agrees to become a substitute General Partner of the Partnership in the

place and stead of Middlesex MRI with respect to the Assigned Interest. Notwithstanding anything to the contrary contained in this Agreement, in the event the Transferee makes all of the payments pursuant to Section 2 hereof on a date prior to June 1, 1999, the Assigned Interest shall be transferred to the Transferee effective as of the date of the last payment.

(c) MDI Interest. Simultaneously herewith, and in exchange for the consideration set forth in Section 2 hereof, MDI Rehab hereby sells, transfers and conveys to the Transferee all of MDI Rehab's right, title and interest in and to the MDI Interest and all of MDI Rehab's rights under the Partnership Agreement with respect to the MDI Interest, including, without limitation, (i) all rights of MDI Rehab to receive monies and other property or assets due and to become due to MDI Rehab under or pursuant to the

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Partnership Agreement, (ii) all claims of MDI Rehab for damages arising out of or for breach of or default under the Partnership Agreement, (iii) all rights of MDI Rehab to receive proceeds or benefit of any indemnity, warranty, or other payments with respect to the Partnership Agreement, and (iv) all rights of MDI Rehab to perform thereunder and to compel performance and otherwise exercise all remedies thereunder. The Transferee hereby accepts from MDI Rehab the MDI Interest and agrees to become a substitute General Partner of the Partnership in the place and stead of MDI Rehab with respect to the MDI Interest.

2. Consideration.

(a) MRI Interest and MDI Interest. The purchase price for the MRI Interest and the MDI Interest shall be equal to the sum of the following deferred payments payable to Middlesex MRI and MDI Rehab by wire transfer or by certified or bank cashier's check in the amounts and on the dates set forth below (together with the deferred payments described in Section 2(c) hereof, the "Deferred Payments"):

Payment Amount -----	Payment Due Date -----
\$25,000.00	April 1, 1999
\$150,000.00	May 1, 1999
\$95,000.00	June 1, 1999
\$210,000.00	July 1, 1999

The Deferred Payments shall be allocated to the Partners in the following proportions: 24% to Middlesex MRI and 75% to MDI Rehab.

(b) The Assigned Interest. The purchase price for the Assigned Interest shall be equal to \$50,000 payable to Middlesex MRI on December 15, 1999 by wire transfer or by certified or bank cashier's check.

(c) Payments to the Partnership. As additional consideration for the MRI Interest and the MDI Interest, the following Deferred Payments shall be contributed to the capital of the Partnership by the Transferee, in cash, in the amounts and on the dates set forth below:

Payment Amount -----	Payment Due Date -----
\$50,000.00	March 15, 1999
\$105,000.00	April 1, 1999
\$105,000.00	May 1, 1999

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\$110,000.00	June 1, 1999
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The Transferee acknowledges and agrees that the Deferred Payments described in this Section 2(c) shall be contributed to the capital of the Partnership by the Transferee notwithstanding anything to the contrary contained in the Partnership Agreement, and that Middlesex MRI shall be under no obligation to make any proportionate contributions to the capital of the Partnership. The Transferee further agrees that, immediately upon contribution to the Partnership of the Deferred Payments described in this Section 2(c), it shall cause the Partnership to pay each such Deferred Payment to The MVA Center for Rehabilitation, Inc. (the "MVA Center") pursuant to that certain Agreement for Judgment entered into between the Partnership and the MVA Center on or about March 8, 1999, in connection with civil action No. 98-5183-B, filed in the Massachusetts Superior Court Department of The Trial Court. The Transferee shall give notice to Middlesex MRI upon making payment of each such payment to the MVA Center mandated hereunder, and shall provide evidence thereof upon reasonable request therefor by Middlesex MRI.

(d) Terms of Payment. Payment of all deferred payments by the Transferee pursuant to this Section 2 shall be made on or before the due date set forth herein for such payment, with the understanding that time shall be of the essence with respect to each such payment. Notwithstanding the preceding sentence, the Transferee shall have a ten (10) day grace period

to make the payment due on July 1, 1999 (i.e., until July 10, 1999), without any requirement of notice or demand.

(e) Default. Any failure by the Transferee to make payment of any deferred payment required under this Section 2, any failure by the Transferee to cause the Partnership to make any required payment by the Partnership to MVA Center pursuant to the Agreement for Judgment, or any breach of this Interest Transfer Agreement by any party hereto shall be deemed an event of default hereunder ("Default") and each of the Transferee, Middlesex MRI and MDI Rehab shall have all of the rights accorded to such party under this Interest Transfer Agreement and by law to enforce the terms of this Agreement. Upon Default by the Transferee in the due and punctual payment of any payment due hereunder (and upon the happening of any such other event described in any of the security documents described below in Section 3), all of the payments to be made by the Transferee under Section 2 hereof shall, at the option of either Partner, become immediately due and payable, without presentment, protest, notice or demand. In the event of any Default, the party that prevails in any enforcement action, whether by litigation or by settlement, shall be reimbursed by the opposing party or parties for its (or their) legal fees and disbursements incurred in connection with such enforcement action.

3. Security for Deferred Payments.

(a) Pledge of Partnership Interest. The obligation of the Transferee to pay the Deferred Payments shall be secured by a first priority security interest in and to the MDI Interest and the MRI Interest in the Partnership. The Transferee hereby grants to MDI Rehab a first priority security interest in and to the MDI Interest, including, without limitation, any rights to distributions in liquidation or otherwise, with respect to such MDI

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Interest, for the purpose of securing all of the obligations of the Transferee to MDI Rehab under this Agreement. The Transferee hereby represents and warrants to MDI Rehab that it has good and marketable title to the MDI Interest and that the MDI Interest is free and clear of all liens, claims, and encumbrances whatsoever, except for the first priority security interest therein described herein. MDI Rehab shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as enacted and in effect in the Commonwealth of Massachusetts (the "UCC"). The Transferee agrees to execute and deliver to MDI Rehab such UCC financing statements and such other documents and instruments (including, without limitation, a pledge agreement from the Transferee with respect to the security interest granted hereby) and to take such further actions as may be reasonably requested by MDI Rehab in order to perfect and maintain the

first priority security interest granted hereby. Similarly, the Transferee hereby grants to Middlesex MRI a first priority security interest in and to the MRI Interest, including, without limitation, any rights to distributions in liquidation or otherwise, with respect to such MRI Interest, for the purpose of securing all of the obligations of the Transferee to Middlesex MRI under this Agreement. The Transferee hereby represents and warrants to Middlesex MRI that it has good and marketable title to the MRI Interest and that the MRI Interest is free and clear of all liens, claims, and encumbrances whatsoever, except for the first priority security interest therein described herein. Middlesex MRI shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as enacted and in effect in the Commonwealth of Massachusetts (the "UCC"). The Transferee agrees to execute and deliver to Middlesex MRI such UCC financing statements and such other documents and instruments (including, without limitation, a pledge agreement from the Transferee with respect to the security interest granted hereby) and to take such further actions as may be reasonably requested by Middlesex MRI in order to perfect and maintain the first priority security interest granted hereby.

(b) Security Interest in Accounts Receivable. The obligation of the Transferee to pay the Deferred Payments shall also be secured by a third priority security interest in the accounts receivable of the Partnership. This security interest shall be junior in priority only to those in favor of The MVA Center for Rehabilitation, Inc. and the Springfield Institution for Savings (the "Bank"); provided, however, that the Transferee represents and warrants to and agrees with MDI Rehab and Middlesex MRI that the indebtedness secured by the security interest granted to the Bank shall not, at any time, exceed \$555,000, and that the proceeds from the loan by the Bank to the Transferee shall be used by the Transferee only to pay one or more of the Deferred Payments set forth in Section 2 hereof. The Partners and the Transferee agree to cause the Partnership to grant MDI Rehab and Middlesex MRI a third priority security interest in the accounts receivable of the Partnership, and to execute and deliver to MDI Rehab and Middlesex MRI such UCC financing statements and such other documents and instruments (including, without limitation, a security agreement from the Partnership with respect to the security interest granted hereby) and to take such further actions as may be reasonably requested by MDI Rehab and Middlesex MRI in order to perfect and maintain the third priority security interest granted hereby. To the extent required in order to permit such third priority

security interest, the Partners and the Transferee waive the provisions of Section 1.6 of the Partnership Agreement.

4. Admission as a Substitute Partner. The Transferee is hereby admitted to the Partnership as a substitute General Partner having in the aggregate the same rights and Percentage Interests as MDI Rehab and Middlesex MRI with respect to the MDI Interest and the MRI Interest, and effective as of June 1, 1999 with respect to the Assigned Interest. The Transferee hereby agrees to be bound by the terms and conditions of the Partnership Agreement.

5. Withdrawal. MDI Rehab hereby withdraws from the Partnership and is no longer a Partner thereof. Middlesex MRI hereby withdraws from the Partnership with respect to the MRI Interest and is no longer a Partner in the Partnership with respect to the MRI Interest. The parties agree that, effective as of June 1, 1999, Middlesex MRI will withdraw from the Partnership with respect to the Assigned Interest.

6. Effect of Withdrawal and Substitution. As of the effective date hereof, that portion of the Capital Account of MDI Rehab and Middlesex MRI allocable to the MDI Interest and to the MRI Interest, respectively, will be transferred to the Transferee. From and after the effective date hereof, the portion of the Profits or Losses of the Partnership and the portion of all other items of income, gain, loss, deduction, or credit allocable to the MDI Interest and to the MRI Interest on or after such date shall be credited or charged, as the case may be, to the Transferee and not to MDI Rehab and Middlesex MRI. The Transferee shall be entitled to all distributions or payments in respect to the MDI Interest and to the MRI Interest made on or after the effective date hereof, regardless of the source of those distributions or payments or when the same were earned or received by the Partnership. As of June 1, 1999, that portion of the Capital Account of Middlesex MRI allocable to the Assigned Interest shall be transferred to the Transferee.

7. Representations and Warranties of the Partners. As an inducement to the Transferee to enter into this Agreement, the Partners jointly and severally represent and warrant to and agree with the Transferee as follows:

(a) Organization and Good Standing. The Partnership is a Massachusetts general partnership, duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts, and is qualified to do business and in good standing in all jurisdictions in which the ownership of assets or the nature and conduct of its business requires such qualification, except where such failure to qualify is not material. The Partnership has all requisite power to own its property and to carry on its business as presently conducted, and the Partnership has complete and unrestricted power and authority to perform this Agreement.

(b) Ownership of Interests. As of the date hereof, MDI Rehab owns of record and beneficially the MDI Interest, Middlesex MRI owns of record and beneficially the MRI Interest, and Middlesex MRI owns of record and beneficially the Assigned Interest. MDI Rehab has good title to the MDI Interest, free and clear of all encumbrances, liens, claims, restrictions, or security interests of any nature whatsoever, and Middlesex MRI has

good title to the MRI Interest and the Assigned Interest, free and clear of all encumbrances, liens, claims, restrictions, or security interests of any nature whatsoever.

(c) Absence of Outstanding Rights to Interests or Other Securities of the Partnership. There are not authorized or outstanding any subscriptions, options, warrants, rights or other agreements or instruments pursuant to which any person has or may have the right to acquire from the Partnership or from any of the Partners any partnership interests or other securities of the Partnership.

(d) Binding Agreement. The Partners represent and warrant that this Agreement has been duly authorized, and constitutes the valid and binding obligation of the Partners, enforceable in accordance with its terms, except as enforcement thereof may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium, or similar laws affecting rights of creditors generally.

(e) Authority Relative to this Agreement. The execution and delivery of this Agreement and the consummation of the transactions provided for herein do not violate any provision of the Partnership Agreement of the Partnership (except as may be waived herein) and, except as set forth on Schedule 7(e) hereto, will not conflict with or effect a breach, violation, default, or cause an event of default under any mortgage, lease, agreement, obligation, instrument, order, judgment or decree to which the Partnership or its Partners are a party or by which any of them or their respective assets or properties may be bound, and does not, and will not, violate or constitute a default under any statute, rule, regulation, order, or ordinance of any governmental, judicial or arbitrating body applicable to any of them.

8. Transferee's Warranties and Representations. Transferee represents and warrants to and agrees with the Partners as follows:

(a) Organization and Good Standing. The Transferee is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. Transferee has all requisite power to own its property and to conduct its business and Transferee has complete and unrestricted power and authority to perform this Agreement and the transactions contemplated hereby.

(b) Binding Agreement. This Agreement constitutes the valid and binding obligation of the Transferee enforceable in accordance with its terms and the execution, delivery and performance of this Agreement, and such other agreements, documents and instruments, and the transactions contemplated hereby by the Transferee have been or will be duly and validly authorized

by the Transferee's members and managers, as applicable.

(c) Authority Relative to this Agreement. The Transferee has the power to enter into this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement, and the consummation of the transactions contemplated hereunder, have been duly authorized by the Transferee's members and managers, as applicable, and do not and will not violate any provisions of the limited liability company

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operating agreement of the Transferee and do not and will not cause an event of default under any mortgage, lease, agreement, obligation, instrument, order, judgment or decree to which it is a party. This Agreement constitutes the legal, valid and binding obligation of the Transferee enforceable in accordance with its terms, except as enforcement hereof may be limited by any applicable bankruptcy, reorganization, insolvency, moratorium, or similar laws affecting rights of creditors generally.

(d) Investment Representations. The Transferee is purchasing the MDI Interest and the MRI Interest for its own account for investment only, and not with a view to, or for sale in connection with, and distribution of the MDI Interest or the MRI Interest in violation of the Securities Act of 1933, as amended ("Securities Act"), any rule or regulation under the Securities Act, or any applicable state securities laws. The Transferee has had such opportunity as it has deemed adequate and has access to information as it has deemed necessary about the business and affairs of the Partnership to evaluate the merits and risks of its investment in the Partnership.

9. Waivers and Consents.

(a) The Partners hereby consent to the withdrawal of MDI Rehab with respect to the MDI Interest and to the withdrawal of Middlesex MRI with respect to the MRI Interest, and to the admission of the Transferee as a substitute General Partner with respect to the MDI Interest and the MRI Interest. The parties hereby further consent to the withdrawal of Middlesex MRI, effective June 1, 1999, with respect to the Assigned Interest.

(b) The Partners hereby consent to the transfer to the Transferee of the MDI Interest, the MRI Interest and the Assigned Interest, and the Partners hereby waive the requirement under Section 7.2(b) of the Partnership Agreement that each be offered the right of first refusal to purchase all, but not less than all, of the MDI Interest, the MRI Interest and the Assigned Interest, as appropriate, prior to the transfer of said interests pursuant hereto.

(c) The Partners hereby confirm that each of them and the Transferee has executed all documents and instruments required by Section 7.2(a)(i) of the Partnership Agreement.

(d) The Transferee hereby assumes all of the monetary obligations of MDI Rehab and Middlesex MRI with respect to the MDI Interest and the MRI Interest, respectively, pursuant to Section 7.2(a)(i) of the Partnership Agreement and with respect to the Assigned Interest, effective as of June 1, 1999.

(e) The parties hereby waive payment to the Partnership of all reasonable costs and expenses incurred by the Partnership in connection with the transfer by MDI Rehab and Middlesex MRI of the MDI Interest and the MRI Interest and the Assigned Interest, respectively, as required by Section 7.2(a)(ii) of the Partnership Agreement.

10. Continuation of Partnership. The parties agree that the sale, transfer and conveyance of the MDI Interest and the MRI Interest will not dissolve the Partnership and the business of the Partnership will continue.

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11. Clionsky Release. Simultaneously with the execution hereof, Mitchell Clionsky, M.D. ("Dr. Clionsky") agrees to execute a release of the Partners and the Partnership from all liability under and pursuant to that certain employment agreement entered into between the Partnership and Dr. Clionsky, dated August 21, 1998 (the "Release") in the form of Exhibit A attached hereto.

12. Caprius Release. On the date on which the Transferee has paid to each of MDI Rehab and Middlesex MRI all of the payments payable to such Partners pursuant to Section 2 hereof, the Partners agree to cause Caprius, Inc. to release the Partnership from the indebtedness owed by the Partnership to Caprius, Inc. as of the date hereof.

13. Indemnifications by the Transferee. The Transferee hereby agrees to indemnify and hold harmless the Partnership, the Partners, and any of their respective officers, directors, employees, or agents from any loss suffered by the Partnership or from any claims, expenses, judgments and/or amounts paid in settlement, reasonably incurred by them, arising out of any claim against any of them by Eric T. Shebar, M.D., individually, or on behalf of or by The MVA Center for Rehabilitation, Inc. because of the sale, transfer and conveyance to the Transferee of the MDI Interest and the MRI Interest. In addition, the Transferee hereby agrees to indemnify and hold harmless the Partners, and any of their respective officers, directors, employees, or agents from any claims, expenses, judgments and/or amounts paid in settlement, reasonably incurred by them, arising out of any claim against any of them for liabilities of the Partnership

incurred prior to the date hereof; provided, however, this indemnification shall not extend to any liabilities for which the Partners have agreed to indemnify the Transferee by the terms of this Interest Transfer Agreement.

14. Indemnification by the Partners. The Partners hereby jointly and severally agree to indemnify and hold harmless the Partnership and the Transferee from any claims, expenses, judgments and/or amounts paid in settlement, reasonably incurred by them, arising out of any claim (other than malpractice claims) against any of them relating to the operation of the business of the Partnership at its former location in Malden, Massachusetts.

15. Assignment of Contract Rights and Liabilities; Indemnification. The Partnership hereby transfers to the Partners, jointly and severally, all rights of the Partnership under and pursuant to that certain non-competition agreement entered into between the Partnership and Eric T. Shebar, M.D. of Longmeadow, Massachusetts ("Dr. Shebar") dated _____, _____ ("Non-Competition Agreement"), and all rights of the Partnership under and pursuant to that certain key employment agreement entered into between the Partnership and Dr. Shebar, dated as of March 21, 1997 ("Employment Agreement"). The parties hereto hereby acknowledge and consent to such transfer of contract rights. Upon the reasonable request of the Partners, the Partnership shall, at the sole cost and expense of the Partners, cooperate with and assist the Partners in their efforts, if any, to enforce the Non-Competition Agreement and the Employment Agreement. The parties further acknowledge and agree that the Partners shall remain liable for any payments due Dr. Shebar under either the Non-Competition Agreement or the Employment Agreement, and the Partners hereby jointly and severally agree to indemnify and hold harmless the Partnership and the Transferee from any claims, expenses, judgments and/or amounts paid in settlement, reasonably incurred by them, arising out of any claim against either of them by Dr. Shebar for payment under or pursuant to the Non-Competition Agreement or the Employment Agreement. The Partners further agree that, in the event either or both of them shall recover, whether by judgment or settlement, any monies (the "Recovered Amount") from the

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enforcement of their rights under or pursuant to the Non-Competition Agreement or the Employment Agreement, the Transferee shall be paid 10% of the Net Recovered Amount, which amount shall be paid to the Transferee as soon as practicable after receipt of such monies by either or both Partners. For purposes hereof, "Net Recovered Amount" shall be equal to the Recovered Amount, less all legal fees, costs and expenses incurred in connection with obtaining the Recovered Amount.

16. Distributions from the Partnership; Sale or Transfer. Until payment in full of all payments due under Section 2 hereof, no distributions shall be made from the Partnership of either Net Cash From Operations or Net Cash From Sales

or Refinancings without the unanimous consent of Middlesex MRI and the Transferee, except to the extent necessary to pay income taxes attributable to the ownership by the partners of their respective Partnership interests in the Partnership. In addition, until payment in full of all payments due under Section 2 hereof, Dr. Clionsky shall not assign, transfer or convey the beneficial ownership of a majority of the membership interests in the Transferee and neither the Partnership nor its assets shall be sold, merged or consolidated with or into any other entity.

17. Additional Capital Contributions. Sections 2.3 and 2.4 of the Partnership Agreement are hereby deleted in their entirety, so that no partner shall be obligated to make any additional capital contributions to the Partnership without its consent, except as otherwise required by this Interest Transfer Agreement or by law.

18. Brokerage. Each party represents and warrants to the other that it has not engaged the services of any broker or finder hereunder in connection with the transactions provided for in this Interest Transfer and Amendment and agrees to indemnify and hold the other party harmless against any claims for brokers' or finders' fees or compensation in connection with the transaction herein provided for by any person, firm or corporation claiming a right to same because of having been engaged by or having served such party.

19. Amendment of Exhibit. Exhibit A of the Partnership Agreement is hereby amended to reflect the Transferee as a Partner and his possession of an 99% Partnership interest in the Partnership. Exhibit A of the Partnership Agreement is hereby further amended to reflect Middlesex MRI as a Partner and its possession of a 1% Partnership interest in the Partnership.

20. Except as hereby amended, the Partnership Agreement is hereby ratified, confirmed and approved.

21. Miscellaneous Provisions.

(a) Assignability. The rights of the Transferee under this Interest Transfer Agreement may not be assigned by the Transferee without the prior written consent of the Partners.

(b) Benefit. The terms of this Interest Transfer Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, executors, administrators, successors and assigns.

(c) Modification and Waiver. No supplement, modification, waiver, or termination of this Interest Transfer Agreement or any provision hereof shall be binding

unless executed in writing by all parties hereto. No waiver of any of the provisions of this Assignment shall constitute a waiver of any other provision (whether or not similar); nor shall such waiver constitute a continuing waiver unless otherwise expressly provided.

(d) Notice. All necessary notices, payments, demands and requests shall be in writing and shall be deemed duly given if mailed by certified mail, postage prepaid, return receipt requested, and addressed as follows:

IF TO THE PARTNERS: MIDDLESEX MRI CENTER INC.
46 Jonspin Road
Wilmington, MA 01887

MDI REHAB, INC.
46 Jonspin Road
Wilmington, MA 01887

WITH A COPY TO: Posternak, Blankstein & Lund, L.L.P.
100 Charles River Plaza
Boston, MA 02114

Attn: Gerald J. Billow, Esquire

O THE TRANSFEREE: MEDICAL DIAGNOSTIC AND
REHABILITATION, LLC
300 Stafford Street, Suite 360
Springfield, MA 01104

WITH A COPY TO: Gogel, Phillips & Garcia, LLP
13 Ventura Drive
North Dartmouth, MA 02747
Attn: Kenneth J. Gogel, Esquire

Any party may change its address for notice by giving notice of change of address in the manner set forth above.

(e) Headings. The headings of the Sections of this Interest Transfer Agreement are for convenience of reference only and do not form a part hereof and in no way modify, interpret or construe the meanings of the parties.

(f) Entire Agreement. This Interest Transfer Agreement sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings with respect hereto.

(g) Governing Law. This Interest Transfer Agreement shall be governed and construed and enforced in accordance with the laws of the Commonwealth of Massachusetts.

(h) Further Assurances. The Partners and the Transferee agree that they will, without further consideration, from time to time hereafter, and at their own expense, execute and deliver such other documents, and take such other action, as may reasonably be requested in order to more effectively consummate the transactions contemplated hereby, and confirm and assure to the Transferee title to the MDI Interest, the MRI Interest and the Assigned Interest being transferred or to be transferred hereunder. The representations and warranties hereunder shall survive the date hereof and the provisions of this paragraph (h) shall also survive the date hereof.

(i) Counterparts. This Interest Transfer Agreement may be signed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(j) Certain Interpretative Matters. All pronouns used herein shall include the neuter, masculine, or feminine. Each term appearing in this Interest Transfer Agreement with initial capitalization and not defined herein shall have the meaning ascribed to it in the Partnership Agreement.

[REMAINDER OF PAGE INTENTIONALLY OMITTED]

IN WITNESS WHEREOF, the parties have executed this Agreement under seal as of the 11th day of March, 1999.

MIDDLESEX MRI CENTER, INC.

By: /s/ Jack Nelson

Name: Jack Nelson

Title: Pres.

MDI REHAB, INC.

By: /s/ Jack Nelson

Name: Jack Nelson
Title: Pres.

MEDICAL DIAGNOSTIC AND
REHABILITATION, LLC

By: /s/ Mitchell J. Clionsky, Ph.D.

Mitchell J. Clionsky, Ph.D.
Title: Manager

The Partnership hereby joins in the foregoing Interest Transfer Agreement with respect to Section 15 thereof in order to be bound thereby.

MVA REHABILITATION ASSOCIATES

BY MIDDLESEX MRI CENTER, INC., a partner

By: /s/ Jack Nelson

Name: Jack Nelson
Title: Pres.

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List of Schedules and Exhibits

Schedule 7(e). Authority Relative to this Agreement

Exhibit A. Release by Mitchell Clionsky in favor of Middlesex MRI Center, Inc. and MDI Rehab, Inc.

PLEDGE AGREEMENT

This Pledge Agreement dated as of March 11, 1999 is between Medical Diagnostics and Rehabilitation, LLC, a Delaware limited liability company ("Debtor"), MDI Rehab, Inc., a Massachusetts corporation ("MDI"), and Middlesex MRI Center, Inc., a Massachusetts corporation (together with MDI, the "Secured Parties"). Any capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Transfer Agreement (as defined herein).

WHEREAS, the Debtor has acquired certain partnership interests (the "Partnership Interests") in MVA Rehabilitation Associates, a Massachusetts general partnership (the "Partnership"), from the Secured Parties as set forth in an Interest Transfer Agreement entered into of even date herewith (the "Transfer Agreement") in exchange for the consideration set forth therein;

WHEREAS, the Debtor is required to make specified Deferred Payments (as defined in the Transfer Agreement) as partial consideration for the Partnership Interests pursuant to the Transfer Agreement (the "Obligations"); and

WHEREAS, the Debtor has agreed to provide additional security to the Secured Parties to secure the Obligations.

NOW, THEREFORE, for \$1.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Pledge of Collateral. As security for the due and punctual performance of the Obligations, the Debtor hereby assigns, pledges, and grants to the Secured Parties and agrees that the Secured Parties shall have a security interest in, the following collateral (the "Collateral"): (i) the Partnership Interests and (ii) all of the Debtor's rights and interests in and to the Partnership and any successor entity with respect to the Partnerships Interests and all of the Debtor's rights and interests in and under the partnership agreement of the Partnership, as it may be amended from time to time (the "Partnership Agreement"), including without limitation the net profits and net losses of the Partnership with respect to the Partnership Interests and any distributions of any nature whatsoever by the Partnership and proceeds of any of the above, all on the terms and conditions set forth in the Partnership Agreement.

2. Release of Collateral. The Secured Parties shall release their security interest hereunder and release all of

their rights hereunder to the Collateral after the discharge in full of the Obligations.

3. Rights of the Debtor. Until such time as a Default has occurred under and as defined in the Transfer Agreement, Debtor shall be entitled to exercise all voting and consensual powers pertaining to the Partnership Interests, and shall be entitled to receive all distributions made with respect to the Partnership Interests free and clear of this pledge.

4. Representations as to the Partnership Interests. Debtor represents and covenants that all pledged Partnership Interests are owned by Debtor and that none of the Partnership Interests pledged by Debtor are, or at any time will be, subject to any lien, pledge, charge, encumbrance, security interest, adverse claim or purchase right or option on the part of any third person expect for the interest of the Secured Parties hereunder.

5. Rights of the Secured Parties. If a breach of the Transfer Agreement by the Debtor has occurred and is continuing, MRI may thereafter, for the benefit of the Secured Parties, without notice, exercise all rights, privileges or options pertaining to the Collateral as if it was the absolute owner thereof, upon such terms and conditions as it may determine, all without liability, except to account for the property actually received by it.

6. Remedies. (a) Upon the occurrence and continuance of a Default under the Transfer Agreement by the Debtor, MRI may, for the benefit of the Secured Parties, exercise all the rights of a secured party under the Massachusetts Uniform Commercial Code in addition to the rights provided herein. Without limiting the foregoing, MRI may, for the benefit of the Secured Parties, without demand, (i) have the Collateral, or any part thereof, transferred to its own name or the name of its nominee or (ii) sell, assign or deliver the Collateral at public or private sale upon such terms and conditions as MRI may deem advisable. Whenever notice of any sale or disposition of Collateral is required by law, such notice shall be deemed reasonable if given at least ten (10) days before the date of any public sale or ten (10) days before the date after which any private sale or other disposition shall take place.

(b) MRI shall apply the net proceeds of any Collateral, after deducting all costs incurred therein, including reasonable legal fees, to the payment, in whole or in part, of the Obligations of the Debtor under the Transfer Agreement, in such order as the Secured Parties may mutually elect. The surplus, if any, shall be paid to the Debtor.

7. Costs of Enforcement. Debtor will pay all of the costs and expenses, including reasonable counsel fees, of enforcing the security interest contained herein.

8. Liability. The Secured Parties shall not be liable or responsible for any act or omission except for their own gross negligence or willful misconduct.

9. Further Assurances. Debtor agrees that at any time and from time to time upon the written request of one or both Secured Parties, it will execute and deliver such further documents and do such further acts and things as one or both of the Secured Parties may reasonably request in order to effect the purposes of this Agreement.

10. Severability. In the event that any provision of this Agreement shall be held to be invalid in any circumstances, such invalidity shall not affect any other provisions or circumstances.

11. Entire Agreement; Waivers; Remedies Cumulative. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and may not be amended except in a writing signed by all of the parties. No failure or delay in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law.

12. Binding Effect; Applicable Law. This Agreement and all obligations of the Debtor hereunder shall be binding upon the legal representatives, administrators, successors and assigns of the Debtor and shall, together with the rights and remedies of the Secured Parties hereunder, inure to the benefit of the Secured Parties and their legal representatives, administrators, successors and assigns; provided that Debtor may not assign its obligations hereunder without the prior written consent of the Secured Parties. This Agreement shall be governed by and construed in accordance with the Laws of Massachusetts.

Debtor:

Secured Parties:

MEDICAL DIAGNOSTICS
AND REHABILITATION, LLC

MDI REHAB, INC.

By: /s/ Mitchell J. Clionsky, Ph.D.

By: /s/ Jack Nelson

Name: Mitchell J. Clionsky, Ph.D.
Title: Manager

Name: Jack Nelson
Title: Pres.

MIDDLESEX MRI CENTER,
INC.

By: /s/ Jack Nelson

Name: Jack Nelson

Title: Pres.

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The undersigned hereby consents to
this Pledge Agreement:

MVA REHABILITATION
ASSOCIATES

By MIDDLESEX MRI CENTER, INC.

By: /s/ Jack Nelson

Name: Jack Nelson

Title: Pres.

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SECURITY AGREEMENT

MVA Rehabilitation Associates, a Massachusetts general partnership ("Debtor"), subject to the terms and conditions hereof, hereby grants to MDI Rehab, Inc. ("MDI") and Middlesex MRI Center, Inc. (together with MDI, the "Secured Parties"), a continuing security interest in and to:

All Accounts and Accounts Receivable, and all collateral therefor, all deposits, deposit accounts, all ledger sheets, files, records, documents and instruments including software, all to the extent necessary to the collection of such Accounts or Accounts Receivable, provided, however, that the Collateral shall not include any patient or other medical records.

The foregoing property, whether now owned or hereafter acquired (all of which property, together with any other property in which the Secured Parties may in the future be granted a security interest pursuant hereto, is hereafter collectively referred to as the "Collateral") (capitalized terms shall have the meanings given them in the Massachusetts Uniform Commercial Code).

The Collateral is pledged, assigned, mortgaged and transferred, and a security interest therein is granted, to the Secured Parties as security for the payment and performance of all Deferred Payments (as defined in the Interest Transfer Agreement referred to herein) by Medical Diagnostics and Rehabilitation, LLC ("MDR") to the Secured Parties as set forth in paragraph 2 of that certain Interest Transfer Agreement among the parties hereto of even date herewith (the "Obligations").

1. Subordination and Other Liens. The Secured Parties agree and acknowledge that their security interest hereunder is subordinate and subject to prior security interests in the accounts receivables of Debtor held by (i) The MVA Center for Rehabilitation, Inc. pursuant to an Agreement for Judgment entered in connection with that certain civil action No. 98-5183-B, filed in the Massachusetts Superior Court Department of The Trial Court, and (ii) the Springfield Institution for Savings (the "Bank"), provided, however, that the indebtedness secured by the Bank shall not, at any time, exceed \$555,000 (the security interests described in subparagraphs (i) and (ii) shall be referred to herein as the "Permitted Liens").

The Secured Parties acknowledge that nothing contained herein shall prohibit or restrict Debtor from granting (i) security interests junior to those granted the Secured Parties herein or (ii) purchase money security interests in new assets acquired by the Debtor.

2. Debtor's Representations and Warranties. Debtor represents and warrants that:

(a) Debtor is a general partnership duly organized and validly existing under the laws of the Commonwealth of Massachusetts.

(b) Debtor's exact legal name is as set forth in this Agreement and Debtor will not undertake or commit to undertake any act which will result in a change of Debtor's legal name, without giving the Secured Parties at least thirty (30) days prior written notice of the same.

(c) The execution, delivery and performance of this Agreement, and any other document executed in connection herewith, are within the Debtor's powers, have been duly authorized, are not in contravention of law or the terms of the Debtor's partnership agreement, or of any contract, lease, indenture, agreement, undertaking, order, judgment or decree, to which the Debtor is a party or by which it or any of its properties may be bound, and does not and will not, violate or constitute a default under any statute, rule, regulation, order or ordinance of any governmental, judicial or arbitrating body.

(d) Debtor has the full power and authority to grant the security interest granted hereunder. The execution, delivery and performance of this Agreement and any other document executed in connection herewith are within Debtor's powers, having been respectively duly authorized, and are not in contravention of law or the term of the Debtor's partnership agreement or in violation of any indenture, agreement or undertaking to which the Debtor is a party or by which Debtor or its properties is or may be bound.

(e) Debtor has, on the date hereof, good, clear and marketable title to all of the Collateral, free and clear of all liens, encumbrances and agreements of every kind, nature and description, except for the Permitted Liens described in paragraph 1 hereto.

(f) Debtor shall conduct its business in material compliance with all laws, ordinances, codes and regulations and requirements of the Commonwealth of Massachusetts and any political subdivision thereof, and the Federal government and any political subdivision thereof concerning and applicable to the licensing or operation of medical clinics.

(g) All representations, warranties and covenants set forth above shall survive the making of this Agreement.

3. General Agreements of Debtor. Debtor covenants and agrees that from the date hereof until full payment of the Obligations, unless the Secured Parties otherwise consent in writing Debtor shall:

(a) Pay and discharge when due all taxes, general and special, charges and

assessments, and other governmental obligations, which may have been or shall be levied, charged or

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assessed on or against Debtor, except when in dispute, and file all appropriate tax returns (subject to any permitted extensions).

(b) Pay to the Secured Parties, on demand, any and all reasonable expenses including but not limited to reasonable attorney's, appraiser's or accountant's fees, incurred or expended by the Secured Parties in the collection of the Obligations hereunder upon any default (after any applicable notice and cure periods); Debtor specifically authorizes MDI to pay all such fees and expenses and add same to the amount otherwise due on the Obligations.

(c) Make, procure, execute and deliver all writings and assurances and take such actions as MDI may at any time reasonably require to protect, assure, or enforce the Secured Parties' interest, rights and remedies, created by, provided in or emanating from this Agreement, including without limitation of the foregoing, Uniform Commercial Code Financing Statements and Continuation Statements, and will pay for the cost of filing same. Debtor hereby does irrevocably appoint MDI its true and lawful attorney-in-fact, and in its name, place and stead, to execute and deliver all such Uniform Commercial Code Financing Statements and Continuation Statements as MDI deems reasonably necessary to accomplish the purposes of this paragraph, but only if Debtor does not comply with MDI's written request within sixty (60) days.

(d) At all times keep accurate and complete records of the Collateral, and the Secured Parties, or any of their agents, shall have the right to call at Debtor's place or places of business upon reasonable notice to Debtor, and during normal business hours, to inspect, audit, check, and make extracts from any copies of the books, records, journals, orders, receipts, correspondence which relate to the Collateral.

(e) Maintain its existence, provided that, if MDR becomes the sole partner of the Partnership, all agreements and covenants of the Debtor shall be binding upon MDR) and conduct its business in material compliance with all laws, ordinances, codes and regulations and requirements of the Commonwealth of Massachusetts and any political subdivision thereof, and the federal government and any political subdivision thereof, concerning and applicable to the licensing or operation of medical practices, to the extent applicable to the Debtor.

(f) Pay all real and personal property taxes, assessments and charges and all franchises, income, unemployment, old age benefits, withholding, sales and other taxes assessed against it, or payable by it at such times and in such manner as to prevent any penalty from accruing or any lien or charge from

attaching to its property.

(g) Provide the Secured Parties with annual financial statements within ninety (90) days of fiscal year end, quarterly financial statements within sixty (60) days of the end of a fiscal

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quarter, and monthly financial statements within sixty (60) days of month end, all internally prepared and in accordance with generally accepted principals of accounting consistently applied, for Debtor certified by the chief financial officer of Debtor. In addition, the Secured Parties shall be provided with access to the work papers of Debtor after the completion of each annual audit.

(h) Reimburse the appropriate Secured Party on demand (i) if such Secured Party has, after two days written notice prior to any such advance, advanced funds for the payment of any insurance premiums for policies required to be maintained in force by Debtor or (ii) if such Secured Party has discharged any taxes levied, placed or assessed on the Collateral, provided that such Secured Party shall only be reimbursed if the non-payment of any such tax might result in a lien on any of the Collateral and has provided Debtor not less than 30 days' written notice prior to any such payment (provided further that, if non-payment might result in a lien or claim against such Secured Party, then such notice shall not be required).

(i) Provide immediate written notice to the Secured Parties of (i) any change in the address or name of Debtor; (ii) any event causing material loss or diminution in the value of, or any material adverse change in or to, the Collateral; (iii) any change in the location of any material portion of the Collateral; (iv) any material adverse change in any fact or circumstance warranted or represented by the Debtor in this Agreement or any other written agreement with either of the Secured Parties; or (v) the occurrence of any default pursuant to Section 6 of this Agreement.

(j) Pay on a timely basis all licensing fees or assessments for property of Debtor subject to license unless any such license fee is in good faith disputed or if Debtor is terminating the license, and pay all taxes, fees or assessments relating to the Collateral and file all returns and pay or make provision for the payment of all taxes.

4. Debtor's Negative Covenants. Debtor will not at any time, without the consent of one or both of the Secured Parties:

(a) (Mergers, Consolidations or Sales) (i) merge or consolidate with or into any corporation or convey a controlling ownership interest in the Debtor or its constituent partners; (ii) enter into any joint venture or partnership with any person, firm or corporation; (iii) convey, lease or sell all or any material

portion of its property or assets or business to any other person, firm or corporation, except for the sale of inventory in the ordinary course of its business; or (iv) convey, lease or sell any of its assets to any person, firm or corporation for less than the fair market value thereof.

(b) (Disposition of Accounts) Sell, assign, or otherwise dispose of any Accounts, with or without recourse, except to the Secured Parties.

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5. MDI as Debtor's Attorney. Debtor hereby irrevocably appoints MDI the true and lawful attorney for Debtor with full power of substitution, in the name of the Secured Parties or in the name of Debtor or otherwise, for the sole benefit of the Secured Parties but at the sole expense of Debtor, in the event of default hereunder, with respect to any account included in the Collateral:

(a) to demand, collect, receive payment of, receipt for, settle, compromise or adjust, and give discharges and releases in respect of the accounts or any of them;

(b) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the accounts or any of them and to enforce any other rights in respect thereof or in respect of the goods which have given rise thereto;

(c) to defend any suit, action, or proceeding brought against Debtor in respect of any account or the goods which have given rise thereto;

(d) to settle, compromise or adjust any suit, action or proceeding described in clause (b) or (c) above and, in connection therewith, to give such discharges or releases as MDI may deem appropriate;

(e) to endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing or securing the accounts or any of them;

(f) generally to sell, assign, transfer, pledge, make any agreement in respect of or otherwise deal with any account receivable or the goods which have given rise thereto as fully and completely as though MDI were absolute owner thereof for all purposes; and

(g) to receive and open mail and all other communications addressed to Debtor and to change the post office address of Debtor to such other address as MDI may deem appropriate.

The powers conferred on the Secured Parties by this Agreement are solely to protect the interest of the Secured Parties and shall not impose any duty upon

the Secured Parties to exercise any such power, and if the Secured Parties shall exercise any such power, it shall be accountable only for amounts that it actually receives as a result thereof; and shall not be responsible to Debtor except for willful misconduct or gross negligence.

6. Events of Default, Acceleration. Any or all Obligations shall, at the option of one or both of the Secured Parties, become immediately due and payable, without presentment, protest, notice or demand, upon the occurrence of any of the following events of default:

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(a) if any payment of a Deferred Payment (as defined in the Interest Transfer Agreement) shall not be fully paid after the same shall fall due, subject to any applicable notice and grace periods; or,

(b) if default exists in the due observance of any covenants or agreements of Debtor contained herein or in any other agreements with the Secured Parties including without limitation the Interest Transfer Agreement and is not remedied within thirty (30) days after either Secured Party shall have delivered to Debtor a written notice requesting that such default be remedied; or,

(c) if Debtor becomes insolvent as evidenced by an inability to pay its debts as they mature; or,

(d) if Debtor becomes bankrupt, provided that with respect to an involuntary bankruptcy, the bankruptcy is not released or discharged within ninety (90) days of its filing; or,

(e) if Debtor makes an assignment for the benefit of its creditors; or,

(f) if Debtor consents to the appointment of a trustee or receiver of all or a substantial part of its properties or such appointment is made without its consent, and not vacated within thirty (30) days; or,

(g) if any warranty, statement or representation by Debtor contained herein proves materially incorrect as of the date given and is not corrected within sixty (60) days after one or both Secured Parties shall have delivered to Debtor a written notice requesting such correction; or,

(h) the acceleration of the maturity of the indebtedness of Debtor to any other secured creditor of Debtor (excepting only any holder of purchase money security interests to the extent of such interests) under any indenture, agreement, judicial order, decree, or undertaking, and after five (5) days the acceleration is not rescinded or the accelerated obligation satisfied in full; provided, however, that if the acceleration of the maturity of the indebtedness of Debtor to any other secured creditor of Debtor is cured within 15 days of the

acceleration, the Secured Parties will rescind the acceleration hereunder; or,

(i) failure of the Debtor to furnish financial information or to permit the inspection of books and records, all as required hereunder, continuing for more than sixty (60) days after written notice.

7. Rights and Remedies on Default.

(a) Debtor does hereby irrevocably appoint MDI its true and lawful attorney-in-fact and in its name, place and stead, if Debtor is then in default under any of its obligations to the Secured

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Parties, after any applicable grace periods and opportunity to cure, to enter into a lock-box agreement with a bank of MDI's choice, which will provide that all accounts of the Debtor shall be paid to the lock-box bank and that MDI shall have the right to elect to control the distribution of all funds received by the lock-box bank. At all times after MDI shall have elected to control the distribution of such funds, MDI shall account to the Debtor for all funds withdrawn from the lock box and the lock box bank shall provide reports to the Debtor of all funds coming into and out of the lock box, all not less often than monthly, and MDI shall also provide copies of deposits and the checkbook register on a weekly basis.

(b) Upon the occurrence of any such event of default, and at any time thereafter, the Secured Parties shall have the rights and remedies of a secured party under the Uniform Commercial Code in addition to the rights and remedies provided herein. In addition, Debtor agrees to assist the Secured Parties to provide necessary information to payors or other third parties to assist Secured Parties in receiving payment on the Accounts Receivable of Debtor if the Secured Parties cannot access certain records due to limits of applicable law.

(c) At any time after an event of default (subject to all applicable rights to cure and grace periods), and after compliance with any notice requirements under this Agreement, if any, and at the expense of the Debtor, MDI, in its name or in the name of its nominee or of the Debtor, subject to Section 7(a), may but shall not be obligated to:

(i) collect by legal proceedings or otherwise all payments and interest due thereon, and other sums now or hereafter payable upon or on account of said Collateral;

(ii) make any compromise or settlement it deems desirable or proper with reference to the Collateral;

(iii) discharge taxes, liens or any other encumbrances placed on the

Collateral;

(iv) insure, process, preserve and maintain the Collateral;

(v) notify any other person of its rights under this Agreement;

(vi) renew, extend, or accelerate any Obligation or any part thereof;
and

(vii) release or substitute any party to any of the Obligations.

(d) Upon default (subject to all applicable rights to cure and grace periods), MDI, at its option, may declare any or all

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of the Obligations immediately due and payable and, subject to Section 7(a), shall have all of the rights and remedies of a secured party as provided in the Uniform Commercial Code, including but not limited to the right to notify account debtors (including without limitation patients, third party payors and counsel) at Debtor's expense that the Collateral has been assigned to the Secured Parties and that payments shall be made directly to MDI or its nominee and upon request of MDI, Debtor will so notify such account debtors that their accounts must be paid to MDI or its nominee. Debtor will immediately upon receipt of all remittances deliver the same in kind to MDI. MDI shall have full power to collect, compromise, endorse, sell or otherwise deal with the Collateral or proceeds thereof in its own name or in the name of Debtor and Debtor hereby irrevocably appoints MDI its attorney-in-fact for this purpose.

Pursuant to the foregoing paragraph, MDI as Debtor's attorney-in-fact may endorse the name of Debtor upon any assignments, notes, checks, drafts, money orders, or other instruments of payment or Collateral that may come into possession of the Secured Parties; may sign and endorse the name of Debtor upon any negotiable instrument, invoice, freight or express bill, bill of lading, storage or warehouse receipts, drafts, assignments, verifications and notices in connection with accounts, and any instruments or documents relating thereto or to Debtor's rights therein; may give notice to the United States Post Office to effect changes of address to allow delivery of mail addressed to the Debtor to be accepted by the MDI or its nominee; or any other activity consistent with its rights as a Secured Party in order to take possession of such account receivable monies and with full power to do all things necessary regarding said account receivables as Debtor might or could do.

(e) All rights and remedies of the Secured Parties, whether provided for in this Agreement or in other instruments or documents covered by law, are cumulative and not alternative and may be enforced successively or concurrently.

The Secured Parties shall not be deemed to have waived any of its rights unless such waiver be in writing and signed by the Secured Parties. No delay or omission on the part of the Secured Parties in exercising any right shall operate as a waiver of such right or any other right. A waiver on one occasion shall not be construed as a bar to or a waiver of any right or remedy on any future occasion.

8. Agreements of Secured Parties.

(a) The Secured Parties agree and acknowledge that they may have access to information which is confidential or proprietary to Debtor, including without limitation Debtor's financial statements and operating procedures. The Secured Parties agree to receive and maintain all such confidential or proprietary information in strictest confidence using at least the same degree of care they take in protecting their own confidential or proprietary

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information and, except as necessary for the enforcement of its rights hereunder, will not use such confidential or proprietary information for their own benefit nor disclose it to third parties without the written consent of Debtor, except that the Secured Parties may disclose any of such information (i) to their legal, financial and accounting advisors, provided that such advisors are advised of the confidential nature of such information and (ii) as may be required by law. The Secured Parties will have no obligations hereunder with respect to information which is publicly available at the time of disclosure or becomes publicly available after disclosure through no act of the Secured Parties.

(b) The Secured Parties agree, upon payment in full of all Obligations, to promptly execute and deliver Uniform Commercial Code Termination Statements as are reasonably requested by Debtor. The Secured Parties hereby do irrevocably appoint Debtor their true and lawful attorney-in-fact, and in their name, place and stead, to execute and deliver all such Uniform Commercial Code Termination Statements as Debtor deems necessary to accomplish the purposes of this paragraph, but only if the Secured Parties do not comply with Debtor's written request within sixty (60) days.

12. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered or mailed by certified or registered mail, return receipt requested or by overnight delivery service such as Federal Express, to the following addresses or such other addresses, notice of which may be given from time to time to all parties hereto:

IF TO DEBTOR:

MVA Rehabilitation Associates
300 Stafford Street, Suite 360

Springfield, MA 01104

AND: Gogel, Phillips & Garcia, LLP
13 Ventura Drive
North Dartmouth, MA 02747
Attn: Kenneth J. Gogel, Esquire

IF TO THE SECURED PARTIES: MDI Rehab, Inc.
46 Jonspin Road
Wilmington, MA 01887

Middlesex MRI Center Inc.
46 Jonspin Road
Wilmington, MA 01887

AND: Posternak, Blankstein & Lund, L.L.P.
100 Charles River Plaza
Boston, MA 02114
Attention: Gerald J. Billow, Esq.

13. General.

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(a) Any condition or restriction hereinabove imposed with respect to Debtor may be waived, modified or suspended by one or both of the Secured Parties, but only on the prior action in writing of such Secured Party or Secured Parties and only as so expressed in such writing and not otherwise.

(b) This Agreement and every representation, warranty, covenant, promise and other term herein contained shall survive until all Obligations of the Debtor have been paid in full.

(c) All terms used herein are used as defined in the Uniform Commercial Code unless otherwise defined.

(d) This Agreement is made and executed in and is to be construed under the laws of the Commonwealth of Massachusetts.

(e) The captions for the paragraphs contained in this Agreement have been inserted for convenience only and form no part of this Agreement, and shall not be deemed to affect the meaning or construction or any of the covenants, agreements, conditions or terms thereof.

(f) This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns.

(g) Debtor expressly agrees to waive its right to a hearing, judicial or otherwise, prior to repossession of the property, and, upon seventy-two (72) hours written notice, to voluntarily relinquish possession of said property at the request of one or both of the Secured Parties in the event of default hereunder or under any of the other Obligations (subject to any applicable right to cure and grace periods), notwithstanding any claims Debtor may have against the Secured Parties with respect to such property or for any other cause.

(h) In the event any provision of this Agreement or any document executed in connection with this Agreement shall be invalid or void for any reason, such invalid or void provisions shall not affect the whole of this Agreement or any document executed with reference thereto, and the balance of the provisions thereof shall remain in full force and effect and enforced to the fullest extent and in the broadest application permitted by law.

(i) This Agreement may be signed in any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

(j) Any terms used in the singular or plural, and masculine, feminine or neuter form shall be singular or plural, and masculine, feminine or neuter as the proper reading of this Agreement may require.

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IN WITNESS WHEREOF, the said parties have hereunto executed this Agreement under seal as of March 11, 1999.

MVA REHABILITATION ASSOCIATES

By Medical Diagnostics and
Rehabilitation, LLC

By: /s/ Mitchell Clionsky

Name: Mitchell Clionsky, Ph.D.
Title: Manager

By Middlesex MRI Center, Inc.,
general partner

By: /s/ Jack Nelson

Name: Jack Nelson
Title: Pres.

MDI REHAB, INC.

By: /s/ Jack Nelson

Name: Jack Nelson
Title: Pres.

MIDDLESEX MRI CENTER, INC.

By: /s/ Jack Nelson

Name: Jack Nelson
Title: Pres.

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[GRAPHIC OMITTED]

FOR IMMEDIATE RELEASE

Contact: Beverly Tkaczenko @ 800.476.0569

CAPRIUS SELLS ITS INTEREST IN REHABILITATION CENTER

Wilmington, MA - March 12, 1999 - Caprius, Inc. (Nasdaq: CAPR) announced today that it has concluded a transaction for the transfer of its interest in its Rehabilitation Center to a limited liability company headed by Dr. Mitchell Clionsky, the current Chief Operating Officer of the Center. Under the terms of the agreement, the Company's interest will be transferred over time as payments totaling \$900,000 are made. \$850,000 of this sum shall be paid on or before July 1, 1999. In addition, the acquiring group shall assume certain liabilities totaling approximately \$400,000 and will be entitled to 10% of any financial recovery obtained from a pending lawsuit by the Company against the principal of the former owner of the center.

A decision handed down late last week by the Massachusetts Supreme Judicial Court, Dominguez versus Liberty Mutual Insurance Company, cast a potentially detrimental effect on the rehabilitation centers' prospects and a negative impact on the value of the account receivables. The Court decision affects rehabilitation services supplied to motor vehicle accident victims where no fault insurance laws apply, as in Massachusetts. The uncertainty generated by this decision coupled with a financial obligation to pay a note for which the center was obligated militated towards a swift conclusion of the transaction.

The transfer price of \$900,000 will be used in part to pay a balance of approximately \$360,000 to the former owner of the Center, which is the remaining amount due from the Company's acquisition of its interest in the Rehabilitation Center.

The Company further announced that a hearing has been scheduled in late April by Nasdaq to review the Company's plans and prospects to avoid delisting.

Safe Harbor Statement:

The statements made in this press release that are not historical fact are "forward-looking statements" which are based upon current expectations that include a number of risks and uncertainties. Factors that could cause actual results to differ materially from the forward-looking statements include meeting ordinary and customary closing conditions, delays in product development, lack of market acceptance of technology, technological innovations of competitors and changes in health care regulations, including reimbursement

programs.

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CAPRIUS, INC.

Wilmington, MA

Fort Lee, New Jersey

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