

ASPYRA INC  
Form PRER14C  
November 23, 2009

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

SCHEDULE 14C INFORMATION

Information Statement Pursuant to Section 14(c) of the Securities Exchange Act of 1934 (Amendment No. 2)

Check the appropriate box:

Preliminary Information Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14A-6(e)(2))

Definitive Information Statement

Aspyra, Inc.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

(1) Title of each class of securities to which transaction applies: \_\_\_\_\_

(2) Aggregate number of securities to which transaction applies: \_\_\_\_\_

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11

(Set forth the amount on which the filing fee is calculated and state how it was determined): \_\_\_\_\_

(4) Proposed maximum aggregate value of transaction: \_\_\_\_\_

(5) Total fee paid: \_\_\_\_\_

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2)

and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

Edgar Filing: ASPYRA INC - Form PRER14C

(1) Amount Previously Paid: \_\_\_\_\_

(2) Form, Schedule or Registration Statement No.: \_\_\_\_\_

(3) Filing Party: \_\_\_\_\_

(4) Date Filed: \_\_\_\_\_

---

Aspyra, Inc.  
4360 Park Terrace Drive, Suite 220  
Westlake Village, CA 91361

NOTICE OF ACTION BY WRITTEN CONSENT OF STOCKHOLDERS

NOTICE IS HEREBY GIVEN that the holders of more than a majority of the outstanding common stock of Aspyra, Inc., a California corporation (the “Company”, “Aspyra”, “we”, “us”, or “our”), have approved the following action without a meeting of stockholders in accordance with Section 603 of the California General Corporation Law:

The approval of an amendment to our articles of incorporation to effect a 101-to-1 reverse stock split. The action will become effective on the 20 th day after the definitive Information Statement is mailed to our stockholders.

The enclosed information statement contains information pertaining to the matters acted upon.

Pursuant to rules adopted by the Securities and Exchange Commission, you may access a copy of the information statement at [www.aspyra.com](http://www.aspyra.com).

WE ARE NOT ASKING YOU FOR A PROXY, AND YOU ARE REQUESTED NOT TO SEND US A PROXY

By Order of the Board of Directors  
Rodney Schutt  
Chief Executive Officer

November \_\_ , 2009

ASPYRA, INC.  
4360 Park Terrace Drive, Suite 220  
Westlake Village, CA 91361

## INFORMATION STATEMENT

Action by Written Consent of Stockholders

### GENERAL INFORMATION

WE ARE NOT ASKING YOU FOR A PROXY, AND YOU ARE REQUESTED NOT TO SEND US A PROXY

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the transaction, passed upon the merits or fairness of the transaction, or passed upon the adequacy or accuracy of the disclosure in this information statement. Any representation to the contrary is a criminal offense.

This information statement is being furnished in connection with the action by written consent of stockholders taken without a meeting of a proposal to approve the actions described in this information statement. We are mailing this information statement to our stockholders on or about November , 2009. No action is requested or required on your part.

### SUMMARY TERM SHEET

The following summary term sheet highlights selected information from this information statement and may not contain all of the information that may be important to you. Accordingly, we encourage you to read this entire information statement, its appendices and the documents referred to or incorporated by reference in this information statement. Each item in this summary term sheet includes a caption reference directing you to a more complete description of that item.

#### Action Taken by Stockholder

We obtained stockholder consent to the following action:

- The approval of an amendment to our certificate of incorporation to effect a 101-for-1 reverse split of our common stock. See “Amendment to Articles of Incorporation to Effect 101-to-1 Reverse Stock Split.”

Shares of common stock outstanding on the date that we received stockholder approval (See “Questions and Answers Concerning the Stockholder Action Taken.”)

On October 14, 2009, the date we received the consent of the holders of more than a majority of the outstanding shares, there were 17,201,327 shares of common stock outstanding.

Effect of the Reverse Split on Stockholders (See “Questions and Answers Concerning the Stockholder Action Taken” and “Special Factors – Effects and Tax Consequences of the Reverse Split on our Other Stockholders”)

As a result of the reverse split:

- Each share of common stock will automatically become and be converted into 1/101 (or approximately 0.0099) shares of common stock. This means that each 101 shares of common stock that you own will automatically become and be converted into one share of common stock.
- We will pay cash in lieu of fractional shares based on the last closing price of the common stock on the date prior to the reverse split, which we estimate will be approximately \$0.13 per share (on a pre-reverse split basis, or \$13.13 on a post-reverse split basis), based on the closing price of our common stock on November 19, 2009.
- If you own less than 101 shares of common stock, you will receive cash in lieu of fractional shares, and you will cease to be a stockholder.
- If you hold stock in more than one account and you do not consolidate your accounts, each account will be treated separately. As a result, if you own less than 101 shares in each of several accounts but the total number of shares which you own is more than 101 shares, you will cease to be a stockholder at the effective time of the reverse split and you will receive cash in lieu of all of your fractional shares.
  - If you hold your stock in street name (which is how your stock is held if you keep your stock in your brokerage or nominee account) you will receive cash and/or shares based on the number of shares held in the brokerage or nominee account. The shares, if any, and cash in lieu of fractional shares, will be determined separately for each account you hold in street name.
- The shares and cash in lieu of fractional shares will be separately determined for each brokerage firm who holds our stock either on its own behalf or on behalf of its customers. Each account in each brokerage firm will be treated as a separate account for determining how many shares and how much cash in lieu of fractional shares will be paid.
- We will have fewer than 300 stockholders. As a result we will terminate our registration under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

Action Required by Stockholders (See “Questions and Answers Concerning the Stockholder Action Taken.”)

You are not required to take any action before the reverse split becomes effective. Once the reverse split becomes effective, you will receive a transmittal letter for you to receive any shares and cash in lieu of fractional shares which are due to you as a result of the one-for-101 reverse split. The form of our letter to you is set forth in Appendix B to this information statement.

Funds for Payment of the Cash in Lieu of Fractional Shares (See “Questions and Answers Concerning the Stockholder Action Taken – Who is paying the cost of this information statement and the payments for fractional shares in the reverse split?”)

We estimate that the total cost to us to purchase fractional shares is approximately \$1,100, which we will pay from our own funds.

Accounting Consequences of the Reverse Split (See “Amendment to Articles of Incorporation to Effect 101-to-1 Reverse Stock Split.”)

As a result of the reverse split:

- The number of outstanding shares of common stock will be reduced from 17,201,327 shares, which are outstanding on the date of this information, to approximately 170,227 shares. The exact number of shares outstanding after the reverse split will be determined following the effectiveness of the reverse split.
- The purchase of the fractional shares will be treated as the purchase of treasury stock and will be reflected in the stockholders’ equity section of our balance sheet as a reduction of additional paid-in capital in the amount of our payment in lieu of fractional shares, which is estimated at approximately \$1,100.

Tax Treatment of the Reverse Split (See “Special Factors – Effects and Tax Consequences of the Reverse Split to our Other Stockholders” and “Amendment to Articles of Incorporation to Effect 101-to-1 Reverse Stock Split.”)

The combination and exchange of each 101 shares of the common stock into one share of new common stock should be a tax-free transaction, and the holding period and tax basis of the old common stock will be transferred to the new common stock received in exchange therefore. Provided that the old common stock is held as a capital asset, the cash paid to for fractional shares will be treated as a payment in redemption of the fractional shares and the stockholder will recognize a capital gain or loss, as the case may be, on the difference between your basis in the fractional share and the payment in lieu of the fractional share.

This discussion, which relates to United States residents, should not be considered as tax or investment advice, and the tax consequences of the reverse split may not be the same for all stockholders. You should consult your own tax advisors to know how federal, state, local and foreign tax laws affect you.

Fairness of the Reverse Split (See “Special Factors – Reasons for the Reverse Split,” “Special Factors – Fairness of the Reverse Split” and “Amendment to Articles of Incorporation to Effect 101-to-1 Reverse Stock Split.”)

Our board, in approving the reverse split, believes that the reverse split is fair to us and to our stockholders, regardless of whether they receive cash in lieu of fractional shares or continue as stockholders.

No Appraisal Rights (See “Amendment to Articles of Incorporation to Effect 101-to-1 Reverse Stock Split.”) You will not have any rights of appraisal with respect to the reverse split, which means that you will not have any procedure to follow for you to challenge the valuation placed by us on your common stock in paying cash in lieu of fractional shares.

Effect of the Reverse Split on Officers, Directors and Affiliates (See “Special Factors – Effect of the Reverse Split on our Affiliates” and “Amendment to Articles of Incorporation to Effect 101-to-1 Reverse Stock Split.”)

Rodney Schutt, our chief executive officer and a director, owns 161,538 shares of common stock, representing approximately 0.9% of our outstanding common stock. Following the reverse split, Mr. Schutt will own 1,599 shares of common stock, which will represent approximately 0.9% of our outstanding common stock after the reverse split.

The estate of C. Ian Sym-Smith (a former director of the Company who died in September 2009) owns 1,560,982 shares, representing approximately 9.1% of our outstanding common stock. Following the reverse split, the estate of C. Ian Sym-Smith will own 15,455 shares of common stock, which will represent approximately 9.1% of our outstanding common stock after the reverse split.

Bradford G. Peters, a former director of the Company, owns 2,269,711 shares, representing approximately 13.2% of our outstanding shares. Following the reverse split, Mr. Peters will own 22,472 shares of common stock, which will represent approximately 13.2% of our outstanding common stock after the reverse split.

James Shawn Chalmers owns 2,289,660 shares, representing approximately 13.3% of our outstanding common stock. Following the reverse split, Mr. Chalmers will own 22,669 shares of common stock, which will represent approximately 13.3% of our outstanding common stock after the reverse split. Mr. Chalmers states that he does not own any Common Stock directly but he is (i) the sole director and President and majority shareholder of J&S Ventures, Inc.; (ii) the sole manager and holder of 75% of the membership interests of Orion Capital Investments, LLC; and (iii) the sole trustee and sole beneficiary of the J. Shawn Chalmers Revocable Trust dated August 13, 1996.

No other officer or director owns any significant number of shares.

In addition to the shares owned by officers and directors, four of our directors hold options to purchase a total of 267,497 shares of common stock at exercise price ranging from \$0.22 per share to \$2.48. As a result of the reverse split, these options will entitle the holders to purchase approximately 2,649 shares of common stock at exercise prices ranging from \$22.22 to \$250.48 per share.

QUESTIONS AND ANSWERS CONCERNING THE STOCKHOLDER ACTION TAKEN

What action was taken by written consent?

We obtained stockholder consent for the approval of an amendment to our articles of incorporation, to effect a 101-to-1 reverse stock split.

How many shares of common stock were outstanding on October 14, 2009?

On October 14, 2009, the date we received the consent of the holders of more than a majority of the outstanding shares, there were 17,201,327 shares of common stock outstanding.

What vote was obtained to approve the amendment to the articles of incorporation described in this information statement?

We obtained the approval of the holders of approximately 65% of our outstanding shares of common stock that were entitled to give such consent. As a result, we have obtained all stockholder approval necessary under the California General Corporation Law for the approval of the amendment to our certificate of incorporation.

What will be the effects of the reverse stock split?

- Each share of common stock will become 1/101 (or approximately 0.0099) share of common stock. As a result, if you own less than 101 shares of common stock, you will cease to be a stockholder.
- We will pay cash for fractional shares.
- We will have fewer than 300 stockholders.
- We will terminate our registration under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Upon the filing of the notice of termination of registration under the Exchange Act, we will no longer be subject to the reporting obligations under the Exchange Act.

For more information on the reverse split, see “Special Factors” and “Amendment to Articles of Incorporation to Effect 101-to-1 Reverse Stock Split”.

If you hold your stock in your brokerage account, who will your shares be treated?

If you hold your stock in a brokerage account or otherwise in a nominee account, the number of shares that you will receive and the cash in lieu of fractional shares will be based on the number of share in your account, as reported to us by your broker. If you advised your broker that the broker is not authorized to provide us with your name, then your broker will not provide us with your name, but will provide us with the number of shares held in each of your accounts.

How will your stock be treated in you hold your common stock in more than one account?

If you hold stock in more than one account or more than one name, each account will be treated separately. For example, if shares are held in the names of Jon Doe, Jonathan Doe and Jon P. Doe, each account will be treated separately. If you have less than 101 shares in each of these accounts, you will receive cash in lieu of fractional shares for all of your accounts. Similarly, if you have accounts at different brokerage firms, each account will be treated separately.



Can you combine your accounts so that all of your shares are in one account?

You can combine your accounts either by yourself or through your brokerage firm.

If you hold shares in brokerage accounts, you should discuss with your broker the method of combining your account. If you hold shares in your own name, you should contact our transfer agent to obtain information as to combining your accounts.

5

---

Can you divide your accounts so that you will receive cash in respect of all of your shares?

We will pay cash in lieu of fractional shares to each stockholder of record and each stockholder who holds shares in a brokerage or nominee account on the effective date of the reverse split. Whether you divide or combine your accounts, each account which is treated as a separate account on the effective date of the reverse split will be treated separately in determining what shares or cash in lieu of fractional shares is due to you.

Who is our transfer agent?

Our transfer agent is American Stock Transfer and Trust Company, LLC, 6201 15th Avenue, Brooklyn, NY 11219, phone: 718-921-8261.

Why did we choose to adopt a reverse stock split?

Our board of directors approved the reverse split in order to enable us to reduce the number of our stockholders and to terminate the registration of our common stock under the Exchange Act. We have a large number of stockholders who own small quantities of our common stock.

On the effective date of the reverse split, each 101 shares of common stock will automatically be combined and changed into one share of common stock, which means that each share will be converted into 1/101 (or approximately 0.0099) shares of common stock. No fractional shares of new common stock will be issued to any stockholder as a result of the reverse split. We will pay the holders of fractional shares the value of their fractional shares, based on the last closing price for our common stock as of the effective date of the reverse split. On November 19, 2009, the last closing price of our common stock was \$0.13.

As a result of the reverse split, we will have fewer than 300 stockholders of record, and we will be able to terminate the registration of our common stock under the Exchange Act. Upon filing a certification and notice of termination of registration under the Exchange Act, we will no longer be required to file the annual, quarterly and current reports which we are presently required to file and we will not be subject to provisions of the Sarbanes-Oxley Act of 2002, including those relating to the attestation by our independent auditor as to our internal controls over financial reporting.

Who is paying the cost of this information statement and the payments for fractional shares in the reverse split ?

We will pay for preparing, printing and mailing this information statement. Our costs are estimated at approximately \$10,000. In addition, we will be paying our stockholders who have fractional shares for the value of their fractional shares, at an estimated cost of \$1,100, based on the closing price of our common stock on November 19, 2009.

How did we determine the amount that we will pay for fractional shares?

The amount that we will pay for fractional shares will be based on the last closing price of our common stock as of the date of the reverse split. As of November 19, 2009, the last closing price of our common stock was \$0.13.

How did we determine the ratio for the reverse split?

The one-for-101 ratio for the reverse split was based on an analysis of our outstanding stock and was intended to result in our common stock being owned by less than 300 stockholders in order that we can terminate our registration under the Exchange Act.

Why do we want to terminate the registration of our common stock?

The decision by our board of directors to approve the reverse split was made after carefully considering our long-term goals and our current operating environment, including our cash requirements. We estimate that we will realize significant cost savings, of approximately \$750,000 annually, resulting from the elimination of reporting obligations under the Exchange Act. We believe that continued reporting pursuant to the Exchange Act does not provide any material benefit to us or our stockholders, while imposing significant costs of compliance. The decision was made at this time due to the Company's current financial condition (as of September 30, 2009, the Company had cash of \$564,862 and a working capital deficit of \$8,367,049 (see "Summary Financial Information")), which has made it imperative for the Company to seek ways to reduce expenses, and the performance of the Company's common stock (as of November 19, 2009, the last closing price of the Company's common stock was \$0.13 (see "Market and Market Price of Our Common Stock")), which has made it increasingly unlikely that the Company will obtain material benefits from being a publicly reporting company. We believe that we and our stockholders are much better served by applying our financial and management resources to our operations.

Following termination of the registration of our common stock under the Exchange Act, will no longer incur external auditor fees, consulting and legal fees related to being a public company, including expenses related to compliance, planning, documentation and testing, in connection with the internal controls provisions of Section 404 of the Sarbanes-Oxley Act of 2002. We may incur annual audit fees as a private company although the costs of such services have yet to be determined. Additionally, such termination will eliminate the Company's obligation to publicly disclose sensitive, competitive business information. In addition to the related direct financial burden from being a public company, the thin trading market in our common stock has not provided the desired level of liquidity to our stockholders nor provided a meaningful incentive for our key employees.

Did we appoint any representative to act on behalf of stockholders who are not affiliates of the Company?

The action described in this information statement was approved by the unanimous consent of the board of directors and the holders of approximately 65% of our common stock. The board did not appoint any person to act as representative for the other stockholders.

Did we consider other alternatives to the reverse split?

Yes. The board considered maintaining the status quo as an alternative to the reverse split. However, due to the significant costs of being a public reporting company, and other considerations described herein, our board believed that maintaining the status quo would be detrimental to all stockholders. We would continue to incur the expenses of being a public company without realizing the benefits of public company status.

Who is paying the cost of this information statement and the payments for fractional shares in the reverse split?

We will pay for preparing, printing and mailing this information statement. Only one information statement will be delivered to multiple stockholders sharing an address, unless contrary instructions are received from one or more of such stockholders. Upon receipt of a written request at the address noted above, we will deliver a single copy of this information statement and future stockholder communication documents to any stockholders sharing an address to which multiple copies are now delivered. We estimate our legal, transfer agent, printing, mailing and related costs associated with this information statement will be approximately \$20,000. In addition, we will be paying our stockholders who have fractional shares for the value of the fractional shares, based on the last closing price of our common stock as of the effective date on the reverse split. We estimate that we will pay out stockholders approximately \$1,100 for their fractional shares. We will pay the costs associated with this information statement as well as the cash in lieu of fractional shares from cash available to us.

When will the reverse split become effective?

This information statement is first being mailed or furnished to our stockholders on or about November , 2009 and the reverse split will become upon the filing of a certificate of amendment to our articles of incorporation on or about the 20th day thereafter.

Where can you get copies of this information statement and any other material that we have filed with the SEC in connection with the reverse split?

We make all of our filings with the SEC, including this information statement and the Schedule 13E-3 relating to the reverse split, on the SEC's EDGAR system. This information is available through the SEC's website at [www.sec.gov](http://www.sec.gov).

We also maintain copies of our filings with the SEC on our corporate website. You can obtain access to these filings at [www.aspyra.com](http://www.aspyra.com).

## SPECIAL FACTORS

### Purposes, Alternatives and Effects of the Reverse Split

The purpose of the reverse split is to reduce the number of record holders of our common stock so that we will have fewer than 300 stockholders of record. Following the reverse split, we will have fewer than 300 stockholders of record and we will be able to terminate our registration under the Exchange Act. As a result of the termination of our registration under the Exchange Act:

- We will not be required to file annual reports, quarterly and current reports which are due after we file the notice of termination of registration. We currently file annual reports on Form 10-K, which include our audited year-end financial statements, quarterly reports on Form 10-Q, which include unaudited quarterly and year-to-date financial statements, and current reports on Form 8-K, which report significant matters. If the reverse split becomes effective before March 31, 2010, we will not be required to file a Form 10-K for the year ended December 31, 2009.
- We will not be required to provide you with an information statement in connection with a meeting of stockholders or with an information statement in connection with action taken without a meeting. We would be required to give you notice of the meeting or notice of action taken without a meeting under the California General Corporation Law, but we would not be required to provide you with the information that is required to be included in a proxy statement or an information statement.
- We would not be subject to provisions of the Sarbanes Oxley Act, which, among other provisions, would require us to obtain attestation by our independent auditors as to our internal controls over financial reporting.
- Our officers, directors and 10% stockholders would not be required to file beneficial ownership reports on Forms 3, 4 and 5.
- Holders who beneficially own 5% or more of our common stock would not be required to file statements of beneficial ownership on Schedules 13D or 13G.

In addition, many brokerage firms may have policies which discourage purchases and sales of stock of companies that are not reporting companies; however, our common stock is already affected by policies at many brokerage firms that discourage transactions in low price stocks.

As an alternative to the reverse split, the board considered maintaining the status quo as. However, due to the significant costs of being a public reporting company, and other considerations described herein, our board believed that maintaining the status quo would be detrimental to all stockholders. We would continue to incur the expenses of being a public company without realizing the benefits of public company status.

Prior to November 16, 2009, our Common Stock traded on the NYSE Amex. On September 24, 2009, the Company received notice from NYSE Amex that the Company does not meet one of NYSE Amex's continued listing standards as set forth in Part 10 of the NYSE Amex LLC Company Guide (the "Company Guide"). The notice received from NYSE Amex stated that the Company is not in compliance with Section 1003(a)(iv) of the Company Guide. The Company was afforded the opportunity to submit a plan of compliance to NYSE Amex by October 26, 2009, addressing how it intends to regain compliance with Section 1003(a)(iv) of the Company Guide by March 24, 2010. Because the Company intends to deregister under the Exchange Act, the Company did not submit such a plan to NYSE Amex. On November 6, 2009, the Company filed a Form 25 with the SEC for the voluntary delisting of its common stock from NYSE Amex. The delisting was effective on November 16, 2009. As of November 16, 2009, our Common Stock is quoted on the Pink Sheets under the symbol APYI. This is likely to have an adverse impact on the

trading and price of our Common Stock.

The ratio of one-for-101 was intended to enable us to be satisfied that, following the reverse split, we would have less than 300 stockholders of records, even if stockholders who hold shares in street name elected to hold their shares in their own names.

#### Reasons for the Reverse Split

Our board of directors considered many factors in unanimously approving the reverse split, including the following:

- The nature and limited extent of the trading in our common stock as well as the market value that the public markets are currently applying to us.
- The direct and indirect costs associated with the preparation and filing of our periodic reports with the SEC, which we estimate at approximately \$750,000 annually.
- The fact that many other typical advantages of being a public company, including enhanced access to capital and the ability to use equity securities to acquire other businesses, are not currently sufficiently available to us, because of both our recent history of losses and the low price and limited trading volume in our stock, to justify such costs.
- The current level of analyst coverage and limited liquidity for our common stock under current and reasonably foreseeable market conditions.

We believe that continued reporting pursuant to the Exchange Act does not provide any material benefit to us or our stockholders, while imposing significant costs of compliance. We believe that we and our stockholders are much better served by applying our financial and management resources to our operations. Following termination of the registration of our common stock under the Exchange Act, we will no longer incur external auditor fees, consulting and legal fees related to being a public company, including expenses related to compliance, planning, documentation and testing, in connection with the internal controls provisions of Section 404 of the Sarbanes-Oxley Act of 2002. We may incur annual audit fees as a private company although the costs of such services have yet to be determined.

Additionally, such termination will eliminate the Company's obligation to publicly disclose sensitive, competitive business information. In addition to the related direct financial burden from being a public company, the thin trading market in our common stock has not provided the desired level of liquidity to our stockholders nor provided a meaningful incentive for our key employees.

In addition to the significant time and cost savings resulting from termination of our registration under the Exchange Act, the board believes that this action will allow our management to focus its attention and resources on building longer-term enterprise value.

The decision was made at this time due to the Company's current financial condition (as of September 30, 2009, the Company had cash of \$564,862 and a working capital deficit of \$8,367,049 (see "Summary Financial Information")), which has made it imperative for the Company to seek ways to reduce expenses, and the performance of the Company's common stock (as of November 19, 2009, the last closing price of the Company's common stock was \$0.13 (see "Market and Market Price of Our Common Stock")), which has made it increasingly unlikely that the Company will obtain material benefits from being a publicly reporting company. Based upon our current plans, we believe that our existing cash reserves will not be sufficient to meet our current obligations and other obligations as they become due and payable. As of September 30, 2009, our average monthly cash usage is \$265,000. Accordingly, we need to obtain additional debt or equity financing through a public or private placement of securities, or obtain a credit facility with a lender. Our ability to meet such obligations will depend on our ability to sell securities, borrow funds, reduce operating costs, or some combination thereof. Due to our recent losses, together with the worldwide economic downturn and the general lack of credit even for companies with strong balance sheets and positive operating results, our difficulties in obtaining financing are increasing. We may not be successful in obtaining necessary financing on acceptable terms, if at all.

The Company has in the past considered, is currently considering, and may consider in the future consider, the sale of all or part of the Company's business. However, all of our past discussions terminated without any agreement and we cannot give any assurance that we would be able to sell all or part of the Company's business.

The reasons for the structure of the transaction are as follows:

- The reverse split will reduce the number of shareholders of record below 300, and thus allow the Company to terminate the registration of the Company's Common Stock under the Exchange Act. The structure of the transaction thus allows the Company to achieve its objective of deregistering its common stock under the Exchange Act.
- The price to be paid for fractional shares will be based on the market price of the common stock, which the board believes is a readily determinable and fair price, as it is indicative of the value of the Company on a going concern basis.
- The one-for-101 ratio for the reverse split was based on an analysis of our outstanding stock and was intended to result in our common stock being owned by less than 300 stockholders in order that we can terminate our registration under the Exchange Act.

Effects of the Reverse Split on our Affiliates

Rodney Schutt, our chief executive officer and a director, owns 161,538 shares of common stock, representing approximately 0.9% of our outstanding common stock. Following the reverse split, Mr. Schutt will own 1,599 shares of common stock, which will represent approximately 0.9% of our outstanding common stock after the reverse split.

The estate of C. Ian Sym-Smith (a former director of the Company who died in September 2009) owns 1,560,982 shares, representing approximately 9.1% of our outstanding common stock. Following the reverse split, the estate of C. Ian Sym-Smith will own 15,455 shares of common stock, which will represent approximately 9.1% of our outstanding common stock after the reverse split.

Bradford G. Peters, a former director of the Company, owns 2,269,711 shares, representing approximately 13.2% of our outstanding shares. Following the reverse split, Mr. Peters will own 22,472 shares of common stock, which will represent approximately 13.2% of our outstanding common stock after the reverse split.

James Shawn Chalmers owns 2,289,660 shares, representing approximately 13.3% of our outstanding common stock. Following the reverse split, Mr. Chalmers will own 22,669 shares of common stock, which will represent approximately 13.3% of our outstanding common stock after the reverse split. . Mr. Chalmers states that he does not own any Common Stock directly but he is (i) the sole director and President and majority shareholder of J&S Ventures, Inc.; (ii) the sole manager and holder of 75% of the membership interests of Orion Capital Investments, LLC; and (iii) the sole trustee and sole beneficiary of the J. Shawn Chalmers Revocable Trust dated August 13, 1996.



No other officer or director owns any significant number of shares.

In addition to the shares owned by officers and directors, four of our directors hold options to purchase a total of 269,997 shares of common stock at exercise price ranging from \$0.22 per share to \$2.48. As a result of the reverse split, these options will entitle the holders to purchase approximately 2,674 shares of common stock at exercise prices ranging from \$22.22 to \$250.48 per share.

Under the Internal Revenue Code of 1986, as amended, our affiliates would recognize capital gain or loss on the cash issued in lieu of fraction shares, based upon the difference between the proceeds received over the basis of the shares. Since no affiliate would receive more than the last closing price of our common stock as of the effective date of the reverse split (as adjusted for the reverse stock split) (as of November 19, 2009, the last closing price of our common stock was \$0.13, or \$13.13 as adjusted for the reverse split) in lieu of fractional shares, the tax consequences to our affiliates are not material.

#### Effects and Tax Consequences of the Reverse Split on our Other Stockholders

The combination and exchange of each 101 shares of the common stock into one share of new common stock should be a tax-free transaction for federal income tax purposes to United States persons who hold the shares as capital assets, and the holding period and tax basis of the old common stock will be transferred to the new common stock received in exchange therefore, including the fractional shares. The cash paid for fractional shares will be treated as a payment in redemption of the fractional shares and the stockholder will recognize a capital gain or loss, as the case may be, on the difference between the stockholder's basis in the fractional share and the payment in lieu of the fractional share.

Each United States stockholder who owns 101 shares or an integral multiple of 101 shares will receive one share for each 101 shares owned by the stockholder and no cash in lieu of fractional shares. If the shares are held as capital assets, the stockholder's basis would be transferred to the new shares and no tax would be payable as a result of the reverse split.

Each stockholder who owns less than 101 shares or who owns more than 101 shares in different accounts, with each account holding less than 101 shares at the effective date of the reverse split will cease to be a stockholder and will receive cash in lieu of fractional shares. The stockholder will receive a payment of less than the last closing price of our common stock as of the effective date of the reverse split (as of November 19, 2009, the last closing price of our common stock was \$0.13) for each account, depending on the number of shares of common stock held in the account. This payment, assuming the stockholder is a United States person and holds the stock as a capital asset, would be a long or short term capital gain, based on his or her basis in the stock and holding period. If you receive cash in lieu of all of your shares, you will not have the opportunity to participate in and potentially benefit from any future business combination transaction in which we may engage. However, we cannot give any assurance that any such transaction would result in any payment to our stockholders.

Each stockholder who owns 101 or more shares will continue to be a stockholder and will receive both stock and cash in lieu of fractional shares, if any. The stockholder's basis in the shares will be spread over all of the shares, including fractional shares, that are received in the reverse split. The stockholder will receive the whole number of shares issuable as a result of the reverse split and a cash payment of less than the last closing price of our common stock as of the effective date of the reverse split for each account for fractional shares (as adjusted for the reverse split). This payment, assuming the stockholder is a United States person and holds the stock as a capital asset, would be treated as long or short term capital gain treatment, based on his or her basis in the fractional shares stock and stockholder's holding period.

If you continue to remain a stockholder, you will still retain the rights of a minority stockholder under the California General Corporation Law and the directors will continue to have a fiduciary duty toward you as a

stockholder. However, you would not necessarily receive any financial or other information on us, except to the limited extent required by the California General Corporation Law. We believe that the elimination of the expenses resulting from the reverse split and the consequent termination of our registration under the Exchange Act will improve our financial condition and results of operations, and thus improve our chances of completing a sale of the Company. As a result, if you continue as a stockholder, you would have the opportunity to participate in any acquisition transaction. However, we cannot assure you that you would realize any benefit from such a transaction.

The discussion relating to taxes is limited to federal income tax consequences to United States persons who hold the common stock as a capital asset and should not be considered as tax or investment advice. The tax consequences of the reverse split may not be the same for all stockholders. You should consult your own tax advisors to know how federal, state, local and foreign tax laws affect you.

## Fairness of the Reverse Split

The Company believes that the reverse split is fair, both substantively and procedurally, to the stockholders. The amendment to our articles of incorporation was unanimously approved by all of our directors, most of whom are independent, do not have a significant equity interest in the Company and would not receive any significant benefit from the reverse split. In determining that the reverse split is fair to the stockholders, the directors considered the factors described under “Special Factors – Reasons for the Reverse Split.”

In approving the reverse split, our directors also considered the following other factors in order that the reverse split is fair to the minority stockholders:

- The price paid for fractional shares will be based on the last closing price of the common stock as of the effective date of the reverse split. The Company believes the market price of the common stock, rather than the book value, is fair to stockholders, because the market value is indicative of the value of the Company on a going concern basis, whereas book value is indicative of historical cost. As of September 30, 2009, the book value per share of the Company’s common stock was approximately \$0.24, based on stockholders’ equity of \$4,199,246 and 17,201,327 shares of common stock outstanding as of September 30, 2009.
- The reverse split provides stockholders who own less than 101 shares with liquidity in a stock which has a limited trading market.
- Stockholders who hold 101 or more shares retain an interest in us. If these stockholders desire to obtain cash for their shares, they have the ability to divide their stockholdings among different accounts so that all accounts can be cashed out.

In addition, we believe that the elimination of the expenses resulting from the reverse split and the consequent termination of our registration under the Exchange Act will improve our financial condition and results of operations, and thus improve our chances of completing a sale of the Company. As a result, stockholders who continue to own shares of the Company would have the opportunity to participate in any acquisition transaction. However, we cannot assure you that stockholders would realize any benefit from such a transaction.

The amendment to our articles of incorporation has been approved by the holders of more than 65% of our outstanding common stock. We are not seeking approval by a majority of unaffiliated stockholders.

Neither our board nor our independent directors has retained an unaffiliated representative to act solely on behalf of unaffiliated security holders for purpose of negotiating the terms of the reverse split. We believe that it was not necessary to retain an unaffiliated representative to negotiate the terms of the reverse split because:

- The price at which fractional interests will be bought will be based on the market price of the common stock.
  - There is a limited trading market in our common stock.
  - A majority of our directors are independent and will receive no benefit as a result of the reverse split.
- The amendment to our articles of incorporation which effects the reverse split was unanimously approved by our directors.
- Under the California General Corporation Law, the holders of a majority of our shares of common has the right to take action without the consent of other stockholders.

During the past two years, we have not received any firm offers relating to the merger or consolidation of us with or into another company, the sale or other transfer of all or any substantial part of our assets or a purchase of our securities that would enable the holder to exercise control of us.

We did not receive any report, opinion or appraisal from a third party in connection with the reverse split.

As an alternative to the reverse split, the board considered maintaining the status quo. However, due to the significant costs of being a public reporting company, and other considerations described herein, our board believed that maintaining the status quo would be detrimental to all stockholders. We would continue to incur the expenses of being a public company without realizing the benefits of public company status.

In view of the foregoing, our board believes that the reverse split is substantively and procedurally fair to all unaffiliated stockholders, including those who will be cashed out and those who will continue to own shares of our common stock.

#### AMENDMENT TO ARTICLES OF INCORPORATION TO EFFECT 101-TO-1 REVERSE STOCK SPLIT

Our board of directors and the holders of a majority of our outstanding shares of common stock have approved an amendment to our articles of incorporation to effect a 101-to-1 reverse stock split. The reverse split will become effective upon the filing of the amendment to the articles of incorporation with the Secretary of State of the State of California. We will file the amendment to our articles of incorporation to effect the reverse stock split approximately (but not less than) 20 days after this Information Statement is mailed to stockholders.

The amendment to the articles of incorporation will effect a 101-to-1 reverse split in our common stock, no par value ("Common Stock"). As a result of the reverse split, each 101 shares of Common Stock (the "Old Shares") will become and be converted into one share of Common Stock (the "New Shares"). We will pay cash for fractional shares. As a result, any shareholder who owns less than 101 shares will cease to be a shareholder.

Our certificate of incorporation presently authorizes the issuance of 75,000,000 shares of common stock, no par value ("Common Stock"), and 500,000 shares of preferred stock, no par value ("Preferred Stock"). As of the date of this information statement, 17,201,327 shares of Common Stock and no shares of Preferred Stock are outstanding. The number of authorized shares of Common Stock and Preferred Stock and the par value of our Common Stock and Preferred Stock will not be affected by the amendment to our articles of incorporation.

No fractional shares of common stock will be issued in the reverse split. We will pay cash in lieu of fractional shares based on the last closing price of our common stock as of the effective date of the reverse split.

By effecting the reverse split and paying cash for fractional shares, we will reduce the number of record owners of our Common Stock so that we will have fewer than 300 stockholders of record. When we have fewer than 300 record owners of our Common Stock we will be able to terminate our registration under the Exchange Act. As a result of the termination of our registration under the Exchange Act:

- We will not be required to file annual reports, quarterly and current reports which are due after we file the notice of termination of registration. We currently file annual reports on Form 10-K, which include our audited year-end financial statements, quarterly reports on Form 10-Q, which include unaudited quarterly and year-to-date financial statements, and current reports on Form 8-K, which report significant matters. If the reverse split becomes effective prior to March 31, 2010, we will not be required to file a Form 10-K for the year ended December 31, 2009.
- We will not be required to provide you with a proxy statement in connection with a meeting of stockholders or with an information statement in connection with action taken without a meeting. We will be required to give you notice of the meeting or notice of action taken without a meeting under the California General Corporation Law, but we will not be required to provide you with the information that is required to be included in a proxy statement or an information statement.
- We would not be subject to provisions of the Sarbanes Oxley Act, which, among other provisions, would require us to obtain attestation by our independent auditors as to our internal controls over financial reporting.
- Our officers, directors and 10% stockholders will not be required to file beneficial ownership reports on Forms 3, 4 and 5.
- Holders of 5% of our stock would not be required to file statements of beneficial ownership on Schedules 13D or 13G.

In addition, many brokerage firms may have policies which discourage purchases and sales of stock of companies that are not reporting companies.

We presently have 75,000,000 authorized shares of Common Stock, of which 17,201,327 shares are outstanding, 8,653,078 shares are reserved for issuance upon exercise of outstanding debentures, 6,797,233 shares are reserved for issuance upon exercise of outstanding warrants, and 1,865,000 shares are reserved for issuance under outstanding options.

The reverse stock split will not change the number of authorized shares of the Company's common stock under the Company's articles of incorporation. Because the number of issued and outstanding shares of Common Stock will decrease, the number of shares of Common Stock remaining available for issuance will increase. The Company does not currently have any plans, proposal or arrangement to issue any of its authorized but unissued shares of Common Stock.

By increasing the number of authorized but unissued shares of Common Stock, the reverse split could, under certain circumstances, have an anti-takeover effect, although this is not the intent of the board of directors. For example, it may be possible for the board of directors to delay or impede a takeover or transfer of control of the Company by causing such additional authorized but unissued shares to be issued to holders who might side with the board of directors in opposing a takeover bid that the board of directors determines is not in the best interests of the Company or its stockholders. The reverse split therefore may have the effect of discouraging unsolicited takeover attempts. By potentially discouraging initiation of any such unsolicited takeover attempts the reverse split may limit the opportunity for the Company's stockholders to dispose of their shares at the higher price generally available in takeover attempts or that may be available under a merger proposal. The reverse split may have the effect of permitting the Company's current management, including the current board of directors, to retain its position, and place it in a better position to resist changes that stockholders may wish to make if they are dissatisfied with the conduct of the Company's business. However, the board of directors is not aware of any unsolicited attempt to take control of the Company and the board of directors has not approved the reverse split with the intent that it be utilized as a type of anti-takeover device. The Company's articles of incorporation and by-laws do not have any anti-takeover provisions.

The reverse split will become effective upon the filing with the California Secretary of State of an amendment to our articles of incorporation which states that, upon the filing of the articles of amendment, each share of common stock then issued and outstanding would automatically become and be converted into 1/101 share of common stock, which is approximately 0.0099 shares. Each option or warrant to purchase one share of common stock will become an option to purchase 1/101 shares of common stock at an exercise price equal to 101 times the exercise price in effect immediately prior to the reverse split. The number of shares of common stock underlying convertible debentures will decrease by a factor of 101 and the conversion of the convertible debentures will increase by a factor by 101.

As a result of the reverse split:

- We will have approximately 170,227 shares of Common Stock outstanding;
- Approximately 18,465 shares of Common Stock will be issuable upon exercise of outstanding options with exercise prices ranging from \$22.22 to \$250.48.
- Approximately 85,674 shares of Common Stock will be issuable upon conversion of outstanding convertible debentures, including approximately 53,735 shares issuable at a conversion price of \$55.55 and approximately 31,939 shares issuable at a conversion price of \$31.31.
- Approximately 67,299 shares of Common Stock will be issuable upon exercise of outstanding warrants, including approximately 23,144 warrants with an exercise price of \$55.55 and 44,155 warrants with an exercise price of \$31.31.

The reverse split will decrease the number of shares of Common Stock outstanding and presumably increase the per share market price for the Common Stock. However, we cannot predict what effect, if any, the reverse split will have on the market for or the price of our Common Stock. Because we will cease to be a reporting company, brokers may be reluctant to process trades in our stock. Stocks that are not listed on a stock exchange or market or trade for less than \$5.00 may be subject to restrictions pursuant to the internal rules of many brokerage houses. These restrictions tend to adversely impact a stock's marketability and, consequently, the stock's price. Since our stock price is presently very low, it is possible that some of these restrictions may already affect our stock.

Moreover, many leading brokerage firms are reluctant to recommend lower-priced securities, especially those that are issued by companies that are not reporting companies and have low stock prices and practices currently tend to discourage individual brokers within firms from dealing in lower-priced stocks.

Based on the reduced number of record holders of our common stock our board of directors has elected to terminate our registration under the Exchange Act following the effectiveness of the reverse split. We estimate the anticipated cost savings resulting from the elimination of reporting obligations will be approximately \$750,000 annually. We believe that continued reporting pursuant to the Exchange Act does not provide any material benefit to us or our stockholders, while imposing significant costs of compliance. We believe we and our stockholders are better served to the extent that we can apply our financial and management resources to our operations.

#### Principal Effects of the Reverse Split

As described above, the total number of shares of common stock that are outstanding and are issuable upon conversion of convertible debentures and exercise of options and warrants will be reduced by 100/101 (or approximately 99.01%).

We will obtain a new CUSIP number and we expect to obtain a new stock symbol for the new common stock effective at the time of the reverse split. Following the effectiveness of the reverse split, we will provide each record holder of common stock with information to enable such holder to obtain new stock certificates.

Prior to November 16, 2009, our Common Stock traded on the NYSE Amex. On September 24, 2009, the Company received notice from NYSE Amex that the Company does not meet one of NYSE Amex's continued listing standards as set forth in Part 10 of the NYSE Amex LLC Company Guide (the "Company Guide"). The notice received from NYSE Amex stated that the Company is not in compliance with Section 1003(a)(iv) of the Company Guide. The Company was afforded the opportunity to submit a plan of compliance to NYSE Amex by October 26, 2009, addressing how it intends to regain compliance with Section 1003(a)(iv) of the Company Guide by March 24, 2010. Because the Company intends to deregister under the Exchange Act, the Company did not submit such a plan to NYSE Amex. On November 6, 2009, the Company filed a Form 25 with the SEC for the voluntary delisting of its common stock from NYSE Amex. The delisting was effective on November 16, 2009. As of November 16, 2009, our Common Stock is quoted on the Pink Sheets under the symbol APYI. This is likely to have an adverse impact on the trading and price of our Common Stock.

The certificate of amendment to our articles of incorporation, in the form of Appendix A hereto, will be filed with the Secretary of State of California and the reverse split will become effective as of the close of business on the date of such filing.

Our stockholders will not have any right of appraisal or any other right with respect to the reverse split and the deregistration of our common stock under the Exchange Act other than the right to receive cash for fractional shares as described in this information statement.

#### Market and Market Price for Our Common Stock

As noted above, prior to November 16, 2009, our Common Stock traded on the NYSE Amex under the symbol APY. On November 6, 2009, the Company filed a Form 25 with the SEC for the voluntary delisting of its common stock from NYSE Amex. The delisting was effective on November 16, 2009. As of November 16, 2009, our Common Stock is quoted on the Pink Sheets under the symbol APYI. The following table sets forth for the periods indicated, the range of the high and low sale prices for the common shares. The prices do not include retail markups, markdowns, or commissions.

	High	Low
Fiscal 2007 ending December 31		
Fir First Quarter	\$ 2.45	\$ 1.60
Sec Second Quarter	2.45	1.64
Thi Third Quarter	2.35	1.60
Fou Fourth Quarter	2.61	1.50
Fiscal 2008 ending December 31		
Firs First Quarter	1.79	0.34
Sec Second Quarter	0.90	0.32
Thir Third Quarter	0.82	0.18
Fou Fourth Quarter	0.71	0.01
Ffff		
Firs Fiscal 2009 ending December 31		
F f First Quarter	2.98	0.15
S S Second Quarter	0.45	0.21
Thir Third Quarter	0.30	0.16
Fou Fourth Quarter (as of November 19, 2009)	0.28	0.08

On November 19, 2009, the last reported sales price of our common stock was \$0.13 per share.



We did not declare or pay any cash dividends in 2009, 2008 or 2007, and we do not anticipate paying cash dividends in the foreseeable future.

### Exchange of Certificate and Elimination of Fractional Share Interests

On the effective date of the reverse split, each Old Share will automatically be combined and changed into 1/101 New Share. No additional action on our part or on the part of any stockholder will be required in order to effect the reverse split. Stockholders will be requested to exchange their certificates representing Old Shares held prior to the reverse split for new certificates representing New Shares issued as a result of the reverse split. Stockholders will be furnished the necessary materials and instructions to enable them to effect such exchange promptly after the effective date. Certificates representing Old Shares subsequently presented for transfer will not be transferred on our books and records, but we will effect the conversion of the Old Shares into New Shares. Stockholders should not submit any certificates until requested to do so.

As discussed above, no fractional New Shares stock will be issued to any stockholder. Accordingly, if you would otherwise be entitled to receive fractional New Shares, you will be paid for your fractional shares based on the last closing price of our common stock as of the effective date of the reverse split. In order to receive any fractional shares to which you may be entitled, you must present your stock certificate for exchange. If you fail to deliver your stock certificate, the cash payable in respect of your fractional shares will be held until you deliver your stock certificate. However, if you have not delivered your stock certificate prior to the date on which we pay unclaimed cash to a public official pursuant to relevant abandoned property laws, in which event you will have to comply with the provisions of the abandoned property laws in order to receive your cash. We will not pay any interest on amounts due in lieu of fractional shares.

In the event any certificate representing Old Shares is not presented for exchange upon our request, any dividends or other distributions that may be declared after the effective date of the reverse split with respect to the New Shares represented by such certificate will be withheld by us until the certificate for the Old Shares has been properly presented for exchange, at which time all such withheld dividends which have not yet been paid to a public official pursuant to relevant abandoned property laws will be paid to the holder thereof or his designee, without interest.

### Possible Transactions Following Termination of Registration under the Exchange Act

We have in the past and are currently engaged in discussions with other companies with respect to the sale of all or part of our business. These discussions have not resulted in any agreement. We continue to solicit inquiries from companies in our industry that are evaluating the possibility of acquiring all or part of our business. We will negotiate in good faith with respect to proposals that the board of directors believes are in our best interest. There is no assurance any agreement for the sale of all or part of our business will be reached.

### Federal Income Tax Consequences of the Reverse Stock Split

The combination and change of each 101 Old Shares into one New Share should be a tax-free transaction, and the holding period and tax basis of the Old Shares will be transferred to the New Shares received in exchange therefore. Provided that the Old Shares are held as a capital asset, the cash paid for fractional shares will be treated as a payment in redemption of the fractional shares and the stockholder will recognize a capital gain or loss, as the base may be, on the difference between the stockholder's basis in the fractional share and the payment in lieu of the fractional share.

This discussion should not be considered as tax or investment advice, and the tax consequences of the reverse split may not be the same for all stockholders. Stockholders should consult their own tax advisors to know their individual federal, state, local and foreign tax consequences.

## No Appraisal Rights

An appraisal right is a right granted by the laws of the state of a corporation's incorporation which provide dissenting stockholders who follow a procedure set forth in the statute to seek to obtain value for their shares. A reverse split is not a transaction which gives stockholders any rights of appraisal. As a result, you will not have any rights of appraisal with respect to the reverse split, or any other right with respect to the reverse split and the deregistration of our common stock under the Exchange Act other than the right to receive cash for fractional shares as described in this information statement.

## Accounting Consequences of the Reverse Stock Split

As a result of the reverse split:

- The number of outstanding shares of common stock will be reduced from 17,201,327 shares, which are outstanding on the date of this information, to approximately 170,227 shares. The exact number of shares outstanding after the reverse split will be determined following the effectiveness of the reverse split.
- The purchase of the fractional shares will be treated as the purchase of treasury stock and will be reflected in the stockholders' equity section of our balance sheet as a reduction of additional paid-in capital in the amount of our payment in lieu of fractional shares, which is estimated at approximately \$1,100.

The par value of the Common Stock will remain unchanged at no par value after the reverse stock split. Also, the capital account of the Company will remain unchanged, and the Company does not anticipate that any other accounting consequences will arise as a result of the reverse stock split.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth certain selected consolidated financial information derived from our unaudited financial statements for the nine months ended September 30, 2009 and 2008, which are included in our Form 10-Q quarterly report for the nine months ended September 30, 2009, and our financial statements for the years ended December 31, 2008 and 2007, which are included in our Form 10-K annual report for the year ended December 31, 2008. Our Form 10-Q quarterly report for the nine months ended September 30, 2009 and our Form 10-K annual report for the year ended December 31, 2008, accompany this information statement and the financial statements, including the notes thereto, are incorporated by reference into this information statement.

The summary financial information does not include the ratio of earnings to fixed charges since we did not have earnings in any period.

Pro forma financial information is not presented since the reverse split will not have any effect on our financial condition or the results of our operations.

Our book value per share, as of September 30, 2009, is approximately \$0.34, based on stockholders' equity of \$4,293,245 and 12,598,688 shares of common stock outstanding as of September 30, 2009.

## Statement of Operations Information

	Three Months Ended September 30, 2009		Three Months Ended September 30, 2008		Nine Months Ended September 30, 2009		Nine Months Ended September 30, 2008	
Revenues:								
System sales	14.2	%	21.6	%	16.0	%	23.3	%
Service revenues	85.8		78.4		84.0		76.7	
Total revenues	100.0		100.0		100.0		100.0	
Cost of products and services sold:								
System sales	29.2		21.4		27.6		25.2	
Service revenues	33.2		27.3		29.3		27.8	
Total cost of products and services	62.4		48.7		56.9		53.0	
Gross profit	37.6		51.3		43.1		47.0	
Operating expenses:								
Selling, general and administrative	78.0		64.2		76.4		68.4	
Research and development	15.8		18.1		22.6		20.6	
Total operating expenses	93.8		82.3		99.0		89.0	
Operating loss	(56.2	)	(31.0	)	(55.9	)	(42.0	)
Loss before provision for income taxes	(82.7	)	(33.1	)	(77.6	)	(46.8	)
Provision for income taxes	—		—		—		—	
Net loss	(82.7	)	(33.1	)	(77.6	)	(46.8	)
Deemed Dividend	(12.5	)	—		(3.8	)	—	
Net loss applicable to common shareholders	(95.2	)	(33.1	)	(81.4	)	(46.8	)



Edgar Filing: ASPYRA INC - Form PRER14C

	Fiscal Year Ended December 31, 2008	Fiscal Year Ended December 31, 2007
Revenues:		
System sales	20.6%	31.5
Service revenues	79.4	68.5
Total revenues	100.0	100.0
Cost of products and services sold:		
System sales	25.3	24.9
Service revenues	28.8	27.7
Total cost of products and services	54.1	52.6
Gross profit	45.9	47.4
Operating expenses:		
Selling, general and administrative	72.9	65.4
Impairment of goodwill	6.8	—
Research and development	21.4	22.9
Total operating expenses	101.1	88.3
Operating loss	(55.2)	(40.9)
Loss before provision for income taxes	(60.8)	(41.0)
Provision for income taxes	0.1	—
Net loss	(60.9)	(41.0)
Deemed dividend	—	(7.7)
Net loss applicable to common shareholders	(60.9)	(48.7)

Balance Sheet Information

	September 30, 2009	December 31, 2008	December 31, 2007
Working capital (deficiency)	\$ (8,367,049 )	\$ (3,874,415 )	\$ (4,007,912 )
Total assets	14,632,753	15,164,558	16,770,507
Total current liabilities	10,348,136	5,714,370	5,908,457
Long-term liabilities	85,371	2,658,048	348,285
Stockholders' equity	4,199,246	6,792,140	10,513,765

## BENEFICIAL OWNERSHIP OF SECURITIES AND SECURITY OWNERSHIP OF MANAGEMENT

The following table provides information about shares of common stock beneficially owned as of November 19, 2009 by:

each of our directors, executive officers and our executive officers and directors as a group; and each person owning of record or known by us, based on information provided to us by the persons named below, to own beneficially at least 5% of our common stock;

Name and Position (15)	Shares of Common Stock Beneficially Owned	Percentage
Rodney Schutt Chief Executive Officer and Director	161,538 (1)	*
Lawrence S. Schmid Director	39,166 (2)	*
Robert S. Fogerson, Jr. Director	35,666 (3)	*
Norman R. Cohen Director	14,166 (4)	*
James Zierick Chairman	231,666 (5)	1.33%
Jeffrey Tumbleson Director	16,665 (6)	*
All officers and directors as a group (six individuals)	498,867	2.86%
Estate of C. Ian Sym-Smith (7)	2,433,966 (8)	13.47%
Bradford G. Peters (9)	2,647,513 (10)	15.06%
Bicknell Family Holding Co. LLC (11)	1,909,135 (12)	9.99%
Potomac Capital Management (13)	946,000	5.50%
James Shawn Chalmers (14)	2,289,660	13.31%

\* less than 1%.

(1) Does not include 700,000 shares issuable under currently non-exercisable options held by Mr. Schutt.

(2) Includes 14,166 shares of common stock issuable under currently exercisable stock options and options that may be exercisable within 60 days of November 19, 2009 held by Mr. Schmid, but excludes 25,834 shares of common stock issuable under currently non-exercisable stock options held by Mr. Schmid. Mr. Schmid's address is c/o Strategic Directions International, Inc., 6242 Westchester Parkway, Suite 100, Los Angeles, CA 90045.

(3) Includes 14,166 shares of Common Stock issuable under currently exercisable stock options and options that may be exercisable within 60 days of November 19, 2009 held by Mr. Fogerson but excludes 25,834 shares of common stock issuable under currently non-exercisable stock options held by Mr. Fogerson. Mr. Fogerson's address is 2111 Austrian Pine Lane, Minnetonka, MN 55305.

(4) Includes 14,166 shares of common stock issuable under currently exercisable stock options and options that may be exercisable within 60 days of November 19, 2009 held by Mr. Cohen but excludes 25,834 shares of common stock issuable under currently non-exercisable stock options held by Mr. Cohen.

(5) Includes 231,166 shares of common stock issuable under currently exercisable stock options and options that may be exercisable within 60 days of November 19, 2009 held by Mr. Zierick but excludes 23,334 shares of Common Stock issuable under currently non-exercisable stock options held by Mr. Zierick. (7) C. Ian Sym-Smith was a director of the Company from November 2005 until his death on September 18, 2009. Edd H. Hyde is the executor of the estate of Mr. Sym-Smith and has voting and dispositive powers over the shares of the Company owned by the estate.

(6) Includes 16,665 shares of common stock issuable under currently exercisable stock options and options that may be exercisable within 60 days of November 19, 2009 held by Mr. Tumbleson but excludes 53,335 shares of common stock issuable under currently non-exercisable stock options held by Mr. Tumbleson. Mr. Tumbleson's address is 2107 Ipswitch Ct, Thompson's Station, TN 37179.

(7) C. Ian Sym-Smith was a director of the Company from November 2005 until his death on September 18, 2009. Edd H. Hyde is the executor of the estate of Mr. Sym-Smith and has voting and dispositive powers over the shares of the Company owned by the estate.

(8) Includes 14,166 shares of Common Stock issuable under stock options that may be exercisable within 60 days of November 19, 2009, but excludes 25,834 shares of Common Stock issuable under currently non-exercisable stock options held by the estate of Mr. Sym-Smith. Also includes 423,753 shares of Common Stock issuable upon conversion of convertible debentures held by the estate of Mr. Sym-Smith and 433,065 shares of Common Stock issuable upon exercise of warrants held by the estate of Mr. Sym-Smith.

(9) Bradford G. Peters was a director of the Company from November 2005 to January 2008.

(10) Includes 14,166 shares of Common Stock issuable under stock options that may be exercisable within 60 days of November 19, 2009, but excludes 25,834 shares of Common Stock issuable under currently non-exercisable stock options held by Mr. Peters. Also includes 363,636 shares of Common Stock issuable upon conversion of convertible debentures held by Mr. Peters. Mr. Peters's address is 21 Grove Lane, Greenwich, CT 06831.

(11) Martin C. Bicknell is the manager of Bicknell Family Holding Co., LLC and in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, may be deemed a control person, with voting and investment power (directly or with others), of the securities of the Company owned by Bicknell Family Holding Co., LLC. Mr. Bicknell disclaims beneficial ownership of these securities. Bicknell Family Holding Co., LLC's address is 7400 College Blvd., Suite 205, Overland Park, Kansas 66210.

(12) The holder owns convertible notes convertible into an aggregate of 3,563,050 shares of Common Stock and warrants to purchase an aggregate of 4,582,404 shares of Common Stock. The notes and warrants owned by the holder provide that they cannot be converted or exercised, as applicable, to the extent such conversion or exercise, as applicable, would result in the holder and its affiliates beneficially owning more than 9.99% of our outstanding common stock on the date of such conversion or exercise, as applicable. The number and percentage of common stock deemed beneficially owned is limited accordingly.

(13) Potomac Capital Management LLC's address is 825 Third Avenue, 33rd Floor, New York, NY 10022. Based on information contained in Schedule 13G/A filed with the SEC on May 6, 2009 by Potomac Capital Management LLC, Potomac Capital Management Inc. and Paul J. Solit as joint filers. Paul J. Solit is the Managing Member of Potomac Capital Management LLC and President of Potomac Capital Management Inc. All of the joint filers state that they have shared voting and shared dispositive power over 946,000 shares. The joint filers state that they own an aggregate of 946,000 shares of Common Stock.

(14) Mr. James Shawn Chalmers' address is 705 South 10th Street, Blue Springs, Missouri 64015. Mr. Chalmers states that he does not own any Common Stock directly but he is (i) the sole director and President and majority shareholder of J&S Ventures, Inc.; (ii) the sole manager and holder of 75% of the membership interests of Orion



Capital Investments, LLC; and (iii) the sole trustee and sole beneficiary of the J. Shawn Chalmers Revocable Trust dated August 13, 1996.

(15) The address and phone number of each person, and of all other officers and directors of the Company set forth under "Management" below, unless otherwise indicated, is c/o Aspyra, Inc., 4360 Park Terrace Drive, Suite 220, Westlake Village, phone number 818-880-6700.

Except as otherwise indicated each person has the sole power to vote and dispose of all shares of common stock listed opposite his name. Each person is deemed to own beneficially shares of common stock which are issuable upon exercise of warrants or upon conversion of convertible securities if they are exercisable or convertible within 60 days of November 19, 2009. None of the persons named in the table own any options or convertible securities.

## MANAGEMENT

Set forth below is information regarding our current directors and executive officers.

Rodney W. Schutt	44	Chief Executive Officer and Director
Anahita Villafane	39	Chief Financial Officer and Secretary
Ademola Lawal	33	Chief Operating Officer
James Zierick	52	Chairman
Lawrence S. Schmid	67	Director
Robert S. Fogerson, Jr.	56	Director
Norman R. Cohen	72	Director
Jeffrey Tumbleson	41	Director

Rodney W. Schutt has served as Chief Executive Officer and as a director of Aspyra since November 2008. Prior to becoming the Chief Executive Officer at Aspyra, Mr. Schutt served, between July 2007 and July 2008, as the Chief Operating Officer for Luminetx, a provider of bioscience technologies based in Memphis, TN. Prior to his position with Luminetx, between August 2004 and May 2007, Mr. Schutt served as Vice President of Business Development and Global Commercial Operations for Smith and Nephew Orthopaedics, a public medical device company, and prior to this held various positions at GE Healthcare. Mr. Schutt holds a B.A. degree in Business Administration from Marion College.

Anahita Villafane has served as the Chief Financial Officer of Aspyra since June 2005 and secretary since November 2005. Ms. Villafane also served as Aspyra's controller and Chief Accounting Officer from April 2000 to June 2005. Prior to April 2000, Ms. Villafane was an audit manager with BDO Seidman, LLP since 1996. Ms. Villafane received a B.S. in Accounting from California State University at Northridge, and is a Certified Public Accountant.

Ademola Lawal has served as the Chief Operating Officer of Aspyra since April 2009. Mr. Lawal also served as Aspyra's Vice President of Strategy and Business Development from June 2008 to April 2009. Prior to Aspyra, he spent six years at GE Healthcare where he was a Director of Service. Mr. Lawal earned his Six Sigma Black Belt certification at GE Healthcare. Prior to GE, he was at KPMG Consulting where he conducted various reorganization, valuation and benchmarking projects. Mr. Lawal holds an MBA from Harvard Business School and a Bachelor of Science from the University of Virginia with concentration in Accounting and Management Information Systems. He is a Certified Public Accountant.

James Zierick has served as director of Aspyra since September 2007. Since January 2009, Mr. Zierick has been President and Chief Executive Officer of Nirvanix, a company in the storage delivery business. Mr. Zierick was Aspyra's interim Chief Executive Officer from February 2008 to November 2008. In 2007, Mr. Zierick served as Chief Executive Officer of Logicalapps, a provider of embedded controls software for enterprise applications. From 2004 to 2006, Mr. Zierick was Executive Vice President of Worldwide Field Operations for Peregrine Systems, where he led 350 person sales, alliance, customer support and professional services organization. From 1989 to 2003, Mr. Zierick was a partner with McKinsey & Company, where he helped lead the company's Southern California technology and operational effectiveness practices. Mr. Zierick earned a M.B.A. from Dartmouth College, Amos Tuck School of Business, a B.S. in Engineering from Dartmouth College, Thayer School of Engineering, and a B.A. in Engineering Sciences from Dartmouth College.

Lawrence S. Schmid has served as a director of Aspyra since November 1991. Since November 1990, Mr. Schmid has served as the President and Chief Executive Officer of Strategic Directions International, Inc., a management consulting firm specializing in technology companies. Mr. Schmid received a BSME from General Motors Institute and a M.B.A. from the Graduate School of Management at the University of California Los Angeles.

Robert S. Fogerson, Jr. has served as a director of Aspyra since May 1992. Since January 1998, Mr. Fogerson has served as the general manager of ViroMED Labcorp, a laboratory providing clinical testing services. Mr. Fogerson had previously served in various capacities at PharmChem Laboratories since 1975. Mr. Fogerson received a B.A. from Stanford University.

Norman R. Cohen has served as a director of Aspyra since October 2003. Mr. Cohen is a retired attorney. Prior to his retirement in June 2003, Mr. Cohen had been in private practice for more than 40 years, primarily in the areas of corporate and securities law. Mr. Cohen received a B.S. in Economics from the Wharton School of the University of Pennsylvania and an LL.B from the Law School of the University of Pennsylvania.

Jeffrey Tumbleson has served as a director of Aspyra since January 2008. Since December 2004, Mr. Tumbleson has served as Vice President of Information Technology of Outpatient Imaging Affiliates, LLC, a company which partners with local healthcare providers to develop, own and operate outpatient diagnostic imaging and positron emission tomography centers. From November 2002 to December 2004, Mr. Tumbleson was owner and President of JT Consulting, a consulting company providing information technology related services for the healthcare industry. From January 2001 to November 2002, Mr. Tumbleson was Chief Information Officer and Vice President of Spheris Inc., a provider of clinical documentation technology and services to health systems, hospitals and group practices throughout the United States. Mr. Tumbleson received a B.A. and a B.S. from the University of Kansas.

FINANCIAL STATEMENTS

As noted above, our annual report on Form 10-K for the year ended December 31, 2008, and our quarterly report on Form 10-Q for the three months ended September 30, 2009, are incorporated by reference into this information statement. Copies of these reports, without exhibits, are being mailed with this information statement. Stockholders are referred to these reports for financial and other information about us.

ADDITIONAL AVAILABLE INFORMATION

We are subject to the information and reporting requirements of the Securities Exchange Act of 1934 and in accordance with such act we file periodic reports, documents and other information with the Securities and Exchange Commission relating to our business, financial statements and other matters. Such reports and other information may be inspected and are available for copying at the public reference facilities of the Securities and Exchange Commission at 100 F Street, N.E., Washington D.C. 20549. or may be accessed at [www.sec.gov](http://www.sec.gov) ..

By Order of the Board of Directors  
Rodney Schutt  
Chief Executive Officer

November , 2009

Appendix A

CERTIFICATE OF AMENDMENT

OF

ARTICLES OF INCORPORATION

OF

ASPYRA, INC.

Rodney Schutt and Anahita Villafane hereby certify that:

FIRST: They are the Chief Executive Officer and Secretary, respectively, of Aspyra, Inc., a California corporation (the "Corporation").

SECOND: The Articles of Incorporation shall be amended as follows:

Upon the filing of this certificate of amendment, the corporation shall effect a one-for-101 reverse split whereby each share of common stock, no par value per share shall, without any action on the part of the holder, become and be converted into 1/101 shares of common stock, no par value per share. In connection with the reverse split, no fractional shares shall be issued. In lieu of fractional shares, each holder who would otherwise be entitled to receive fractional shares of new common stock, will, upon surrender of the certificates representing shares of old common stock, receive cash in lieu of such fractional shares.

THIRD: The foregoing amendment of the Articles of Incorporation has been duly approved by the Board of Directors.

FOURTH: The foregoing amendment of the Articles of Incorporation has been duly approved by the required vote of the shareholders in accordance with Section 902 of the California General Corporation Law. The total number of outstanding shares of Common Stock of the Corporation, as of the record date for such shareholder vote, is 17,201,327. The number of shares voting in favor of the amendment equaled or exceeded the vote required. The percentage vote required was more than 50% of the total number of outstanding shares of Common Stock.

The undersigned further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of their own knowledge.

Dated: , 2009

By: /s/ Rodney W. Schutt  
Rodney W. Schutt  
Chief Executive Officer

By: /s/ Anahita Villafane  
Anahita Villafane  
Secretary

Appendix B

Form of Transmittal Letter

ASPYRA, INC.

Dear Aspyra, Inc. Stockholder:

A reverse stock split of the common stock of Aspyra, Inc. (“Aspyra”) occurred effective as of the close of business on \_\_\_\_\_. Pursuant to this reverse stock split, each one hundred one (101) shares of common stock of Aspyra issued and outstanding as of the date following the reverse stock split was converted into one (1) share of Aspyra common stock. As a result of the reverse stock split, holders of certificates representing pre-split shares of Aspyra common stock have the right to receive, upon surrender of their certificates representing such pre-split shares of Aspyra common stock, new certificates representing post-split shares of Aspyra common stock at the ratio of one (1) share of post-split Aspyra common stock for every one hundred one (101) shares of pre-split Aspyra common stock. Thus, you will receive 1/101 post-split shares for each share of pre-split Aspyra common stock.

Fractional shares of post-split Aspyra common stock will not be issued as a result of the reverse stock split; instead, holders of pre-split shares of Aspyra common stock who otherwise would have been entitled to receive a fractional share as a result of the reverse stock split will receive an amount in cash equal to \$\_\_\_\_\_ per post-split share for such fractional interests upon the surrender to American Stock Transfer and Trust Company, the Exchange Agent, of certificates representing such shares.

All Aspyra Stockholders must complete, date, sign and return the enclosed Letter of Transmittal to American Stock Transfer and Trust Company, along with all of your certificates representing pre-split shares of Aspyra common stock. We suggest that you mail the shares in a traceable manner (e.g. registered mail, overnight courier, etc.) Any person holding more than one certificate representing pre-split shares of Aspyra common stock must surrender all such certificates registered in such person’s name in order to receive payment for fractional interests and/or a new certificate representing the number of shares of post-split Aspyra common stock to which such person is entitled.

Only upon receipt of your properly completed Letter of Transmittal and your certificate(s) representing pre-split shares of Aspyra common stock will American Stock Transfer and Trust Company forward you your new certificates and/or payment. Additionally, holders of pre-split certificates who are entitled to receive post-split shares of Aspyra common stock will not become a shareholder of record until the pre-split certificates are sent to American Stock Transfer and Trust Company with a properly completed Letter of Transmittal. Please read and follow all instructions on the Letter of Transmittal, and direct any questions you might have to American Stock Transfer and Trust Company at (718) 921-8261.

By order of the Board of Directors

Anahita Villafane  
Secretary

Appendix C Form of Letter Transmittal

LETTER OF TRANSMITTAL  
To Accompany Certificates Formerly Representing  
Shares of Common Stock of

Aspyra, Inc.  
(Reverse Split Ratio 1:101)

DESCRIPTION OF SURRENDERED CERTIFICATES

Names(s) and Address(es) of Registered Owner(s)  
(Please fill in, if blank, exactly as name(s) appear(s)  
on certificate(s))

Certificate(s) Surrendered  
(Attach additional list if necessary)

Certificate Number(s)	Total Number of Shares Represented By Certificate(s)
_____	_____
_____	_____
_____	_____
_____	_____
Total number of shares:	_____

[ ] If any certificate(s) representing shares of stock that you own have been lost or destroyed, check this box and see Instruction 9. Please fill out the remainder of this Letter of Transmittal and indicate here the number of shares of stock represented by the lost or destroyed certificates. \_\_\_\_\_ (Number of Shares)

SPECIAL  
PAYMENT/ISSUANCE INSTRUCTIONS  
(See Instructions 1, 4, and 5)

To be completed ONLY if the check and/or new shares for surrendered Certificates is to be issued in the name of someone other than the undersigned.

Issue certificate to:  
Name:  
(Please Print)  
Address:

(Include Zip Code)

(Tax Identification or Social Security No.)

SPECIAL DELIVERY INSTRUCTIONS  
(See Instructions 1, 4 and 5)

To be completed ONLY if the check and/or new shares for surrendered Certificates is to be sent to someone other than the undersigned or to the undersigned at an address other than that shown above.

Deliver certificate to:  
Name:  
(Please Print)  
Address:

(Include Zip Code)

IMPORTANT — STOCKHOLDERS SIGN HERE  
(U.S. Holders Also Please Complete Substitute Form W-9 Below)  
(Non-U.S. Holders Please Obtain and Complete Form W-8BEN or Other Form W-8)

(Must be signed by former registered holder(s) exactly as name(s) appear(s) on stock certificate(s) or on a security position listing or by person(s) authorized to become registered holder(s) as evidenced by certificates and documents transmitted herewith. If signature is by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, please set forth full title and see Instruction 4.)



Name(s): \_\_\_\_\_

Area Code and Telephone Number: \_\_\_\_\_

Dated: \_\_\_\_\_, 2009

GUARANTEE OF SIGNATURE(S)

(See Instructions 1 and 4)

Complete ONLY if required by Instruction 1.

FOR USE BY FINANCIAL INSTITUTION ONLY.

PLACE MEDALLION GUARANTEE IN SPACE BELOW.

Firm: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

TO BE COMPLETED BY ALL SURRENDERING U.S. HOLDERS

(See Instruction 6)

PAYER: CONTINENTAL STOCK TRANSFER & TRUST COMPANY

SUBSTITUTE

Name:

Form W-9

Department of the Treasury

Internal Revenue Service

Request for Taxpayer

Identification Number (TIN)

And Certification

Address:

Check appropriate box:

Individual/Sole Proprietor

Corporation

Partnership

Other (specify)

Exempt from

Backup Withholding

Part I . Please provide yourSSN:

taxpayer identification number inOR

the space at right. If awaitingEIN:

TIN, write "Applied For" in space

at right and complete the

Certificate of Awaiting Taxpayer

Identification Number below.

Part II . For Payees exempt from backup withholding, see the enclosed  
“Guidelines for Certification of Taxpayer Identification Number on  
Substitute Form W-9” and complete as instructed therein.

Part III. Certification

Under penalties of perjury, I certify that:

(1)The number shown on this form is my correct Taxpayer  
Identification Number (or, as indicated, I am waiting for a number to be  
issued to me):

(2)I am not subject to backup withholding because: (a) I am exempt  
from backup withholding, or (b) I have not been notified by the IRS that  
I am subject to backup withholding as a result of a failure to report all  
interests or dividends, or (c) the IRS has notified me that I am no longer  
subject to backup withholding; and

(3)I am a U.S. person (including a U.S. resident alien).

Certification Instructions— You must cross out item (2) above if you have  
been notified by the IRS that you are subject to backup withholding  
because you have failed to report all interest or dividends on your tax  
return. However, if after being notified by the IRS that you were subject  
to backup withholding you received another notification from the IRS

that you are no longer subject to backup withholding, do not cross out item (2).

Signature:

Date:

200

You must complete the following certificate if you wrote "applied for" in part I of this substitute form W-9

**CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER**

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that, notwithstanding the information I provided in Part III of the Substitute Form W-9 (and the fact that I have completed this Certificate of Awaiting Taxpayer Identification Number), all reportable payments made to me hereafter will be subject to backup withholding tax until I provide a properly certified taxpayer identification number within 60 days of the date of this Substitute Form W-9.

Signature:

Date: