

ASPYRA INC  
Form 10-Q  
November 20, 2009

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from                      to

Commission file number 001-13268

ASPYRA, INC.

(Exact name of Registrant as specified in its charter)

California  
(State or other jurisdiction of  
incorporation or organization)

95-3353465  
(I.R.S. Employer  
Identification Number)

4360 Park Terrace Drive, Suite 220, Westlake Village, California 91361  
(Address of principal executive offices)

(818) 880-6700

Registrant's telephone number, including area code

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

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

Large accelerated filer   
Non-accelerated filer   
(Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company

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

As of November 19, 2009, there were 17,201,327 shares of the registrant's only class of common stock outstanding.

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ASPYRA, INC.

QUARTERLY REPORT ON FORM 10-Q

September 30, 2009

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## ASPYRA, INC.

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2009 (Unaudited)	December 31, 2008
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 564,862	\$ 779,630
Receivables, net	1,147,534	806,996
Inventory	9,865	27,358
Prepaid expenses and other assets	258,826	225,971
<b>TOTAL CURRENT ASSETS</b>	<b>1,981,087</b>	<b>1,839,955</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>335,880</b>	<b>498,395</b>
<b>OTHER ASSETS</b>	<b>385,101</b>	<b>182,698</b>
<b>INVENTORY OF COMPONENT PARTS, net</b>	<b>—</b>	<b>27,693</b>
<b>CAPITALIZED SOFTWARE COSTS, net of accumulated amortization of \$1,259,529 and \$798,919</b>	<b>2,682,570</b>	<b>2,851,327</b>
<b>INTANGIBLES, net</b>	<b>2,556,115</b>	<b>3,072,490</b>
<b>GOODWILL</b>	<b>6,692,000</b>	<b>6,692,000</b>
	<b>\$ 14,632,753</b>	<b>\$ 15,164,558</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Notes payable	\$ 4,363,021	\$ 794,965
Accounts payable	732,611	710,157
Accrued liabilities:		
Vacation pay	375,244	357,798
Accrued compensation	384,232	333,712
Accrued interest	498,574	226,635
Deferred rent	43,736	75,511
Customer deposits	442,392	373,928
Other	415,625	254,928
Deferred service contract income	2,022,222	1,914,979
Deferred revenue on system sales	920,242	521,520
Capital lease — current portion	150,237	150,237
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,348,136</b>	<b>5,714,370</b>
<b>CAPITAL LEASE, LESS CURRENT PORTION</b>	<b>85,371</b>	<b>198,048</b>
<b>NOTES PAYABLE</b>	<b>—</b>	<b>2,460,000</b>
<b>TOTAL LIABILITIES</b>	<b>10,433,507</b>	<b>8,372,418</b>
<b>SHAREHOLDERS' EQUITY:</b>		
Common shares, no par value; 75,000,000 shares authorized; 17,201,327 (including 4,602,639 shares to be issued) and	23,494,346	22,761,951

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12,437,150 shares issued and outstanding		
Additional paid-in-capital	4,061,994	2,587,065
Accumulated deficit	(23,345,528 )	(18,556,512 )
Accumulated other comprehensive loss	(11,566 )	(364 )
TOTAL SHAREHOLDERS' EQUITY	4,199,246	6,792,140
	\$ 14,632,753	\$ 15,164,558

See Notes to Condensed Consolidated Financial Statements.

## ASPYRA, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Three Months Ended September 30,	
	2009	2008
NET SYSTEM SALES AND SERVICE REVENUE:		
System sales	\$ 256,789	\$ 469,961
Service revenue	1,550,710	1,705,792
	1,807,499	2,175,753
COSTS OF PRODUCTS AND SERVICES SOLD:		
System sales	528,343	465,837
Service revenue	599,378	593,141
	1,127,721	1,058,978
Gross profit	679,778	1,116,775
OPERATING EXPENSES		
Selling, general and administrative	1,410,268	1,397,834
Research and development	286,178	393,569
Total operating expenses	1,696,446	1,791,403
OPERATING LOSS	(1,016,668 )	(674,628 )
INTEREST AND OTHER INCOME	878	179,104
INTEREST EXPENSE	(479,905 )	(223,710 )
Loss before provision for income taxes	(1,495,695 )	(719,234 )
PROVISION FOR INCOME TAXES	—	(228 )
NET LOSS	\$ (1,401,695 )	\$ (719,462 )
DEEMED DIVIDEND ON EXERCISE OF WARRANTS	(225,295 )	—
NET LOSS APPLICABLE TO COMMON SHAREHOLDERS	\$ (1,720,990 )	\$ (719,462 )
LOSS PER SHARE:		
Basic	\$ (.11 )	\$ (.06 )
Diluted	(.11 )	(.06 )
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:		

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Basic	16,204,089	12,437,150
Diluted	16,204,089	12,437,150

See Notes to Condensed Consolidated Financial Statements.

## ASPYRA, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	Nine Months Ended September 30,	
	2009	2008
<b>NET SYSTEM SALES AND SERVICE REVENUE:</b>		
System sales	\$ 938,306	\$ 1,550,744
Service revenue	4,940,103	5,106,381
	5,878,409	6,657,125
<b>COSTS OF PRODUCTS AND SERVICES SOLD:</b>		
System sales	1,619,432	1,676,073
Service revenue	1,723,453	1,854,107
	3,342,885	3,530,180
Gross profit	2,535,524	3,126,945
<b>OPERATING EXPENSES</b>		
Selling, general and administrative	4,494,039	4,551,421
Research and development	1,327,095	1,371,292
Total operating expenses	5,821,134	5,922,713
OPERATING LOSS	(3,285,610 )	(2,795,768 )
INTEREST AND OTHER INCOME	4,727	199,011
INTEREST EXPENSE	(1,282,838 )	(517,160 )
Loss before provision for income taxes	(4,563,721 )	(3,113,917 )
PROVISION FOR INCOME TAXES	—	(228 )
NET LOSS	\$ (4,563,721 )	\$ (3,114,145 )
DEEMED DIVIDEND ON EXERCISE OF WARRANTS	(225,295 )	—
NET LOSS APPLICABLE TO COMMON SHAREHOLDERS	\$ (4,789,016 )	\$ (3,114,145 )
<b>LOSS PER SHARE:</b>		
Basic	\$ (.35 )	\$ (.25 )
Diluted	(.35 )	(.25 )
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING:</b>		



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Basic	13,695,786	12,437,150
Diluted	13,695,786	12,437,150