

APRECIA INC  
Form 10QSB  
May 15, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED:

For the Quarterly Period Ended March 31, 2008

**APRECIA, INC.**

(Name of Small Business Issuer in Its Charter)

**Delaware**

(State or Other Jurisdiction of Incorporation  
or Organization)

**20-4378866**

(I.R.S. Employer Identification No.)

**1177 High Ridge Road, Stamford, CT**

(Address of Principal Executive Offices)

**06905**

(Zip Code)

**(203) 321-1285**

(Issuer's Telephone Number, Including Area Code)

Check whether the Registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, during the past 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of March 31, 2008, the Issuer had 16,761,597 shares of common stock, \$0.0001 par value, issued and outstanding.

Transitional Small Business Disclosure Format. Yes ☐ No ☒

---

**APRECIA, INC.**

**FORM 10-QSB**

**TABLE OF CONTENTS**

**PAGE**

<b>PART I</b>	<b>FINANCIAL INFORMATION</b>	
ITEM 1	Financial Statements	1
ITEM 2	Management's Discussion and Analysis and Results of Operations	4
ITEM 3	Controls and Procedures	11
<b>PART II</b>	<b>OTHER INFORMATION</b>	
ITEM 1	Legal Proceedings	12
ITEM 2	Unregistered Sales of Equity Securities and Use of Proceeds.	12
ITEM 3	Defaults Upon Senior Securities	12
ITEM 4	Submission of Matters to a Vote of Security Holders.	12
ITEM 5	Other Information	12
ITEM 6	Exhibits	12
<b>SIGNATURES</b>		15
<b>CERTIFICATIONS</b>		

**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**INDEX TO CONDENSED FINANCIAL STATEMENTS  
AND FINANCIAL STATEMENT SCHEDULES**

Balance Sheet as of March 31, 2008 and June 30, 2007	F-1
--	-----

Condensed Statements of Operations for the Three Months and Nine Months Ended March 31, 2008 and 2007, and for the Period December 15, 2005 (Inception) to March 31, 2008	F-2
--	-----

Condensed Statements of Cash Flows for the Three Months and Nine Months Ended March 31, 2008 and 2007, and for the Period December 15, 2005 (Inception) to March 31, 2008	F-3
--	-----

Notes to Financial Statements	F-4
-------------------------------	-----

**APRECIA, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONDENSED BALANCE SHEET**

(Unaudited)  
March 31, 2008

June 30, 2007

**ASSETS**

**Current Assets:**

Cash and Cash Equivalents	\$	832	\$	60,624
Total Current Assets		832		60,624
Property and Equipment, Net		1,192		1,908
Deferred Finance Costs, Net		-		93,812
Total Assets	\$	2,024	\$	156,344

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current Liabilities:**

7% Convertible Debentures	\$	500,000	\$	500,000
Convertible Notes Payable, Net of Unamortized Discount of \$-0- and \$37,654		201,960		164,306
Loan Payable - Related Party		39,000		-
Accrued Expenses		45,545		146,252
Accrued Liquidated Damages		106,667		106,667
Accrued Interest		126,077		62,737
Total Current Liabilities		1,019,249		979,962
Commitments and Contingencies		-		-

**Stockholders' Deficiency:**

Preferred Stock, \$.0001 par value; 10,000,000 shares authorized, none issued and outstanding	-	-
Common Stock, \$.0001 par value; 250,000,000 shares authorized, 16,761,597 issued and outstanding	1,676	1,676
Additional Paid-In Capital	288,821	153,822

<b>Deferred Finance Costs, Net</b>	<b>-</b>	<b>(6,026)</b>
<b>Deficit Accumulated During the Development Stage</b>	<b>(1,307,722)</b>	<b>(973,090)</b>
<b>Total Stockholders' Deficiency</b>	<b>(1,017,225)</b>	<b>(823,618)</b>
<b>Total Liabilities and Stockholders' Deficiency</b>	<b>\$ 2,024</b>	<b>\$ 156,344</b>

The accompanying notes are an integral part of these financial statements.

F-1

---

**APRECIA, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONDENSED STATEMENT OF OPERATIONS**  
**(Unaudited)**

					For the Period December 15, 2005 (Inception) to March 31, 2008
	For the Nine Months Ended March 31, 2008	For the Three Months Ended March 31, 2008	For the Nine Months Ended March 31, 2007	For the Three Months Ended March 31, 2007	
<b>Net Revenues</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Costs and Expenses:</b>					
<b>Officer's Compensation</b>	45,000	-	135,000	45,000	285,000
<b>Software Development</b>	42,000	-	124,553	42,553	256,985
<b>Other General and Administrative Expenses</b>	46,800	12,578	74,079	33,335	243,359
<b>Total Costs and Expenses</b>	133,800	12,578	333,632	120,888	785,344
<b>Loss from Operations</b>	(133,800)	(12,578)	(333,632)	(120,888)	(785,344)
<b>Other Expenses:</b>					
<b>Amortization of Deferred Finance Costs</b>	(99,837)	(17,986)	-	-	(240,113)
<b>Amortization of Deferred Debt Discount</b>	(37,654)	-	-	-	(60,246)
<b>Interest Expense</b>	(63,341)	(23,140)	(103,275)	(35,775)	(126,077)
<b>Liquidated Damages</b>	-	-	(90,000)	(30,000)	(106,667)
<b>Total Other Expenses</b>	(200,832)	(41,126)	(193,275)	(65,775)	(533,103)
<b>Net Loss</b>	\$ (334,632)	\$ (53,704)	\$ (526,907)	\$ (186,663)	\$ (1,318,447)
<b>Weighted Average Common Shares Outstanding - Basic and Diluted</b>	16,761,597	16,761,597	16,551,391	16,761,597	
<b>Net Loss Per Common Share - Basic and Diluted</b>	\$ (0.02)	\$ (0.00)	\$ (0.03)	(0.01)	

The accompanying notes are an integral part of these financial statements.



**APRECIA, INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**(Unaudited)**

	<u>For the Nine</u> <u>Months Ended</u> <u>March 31, 2008</u>	<u>For the Nine</u> <u>Months Ended</u> <u>March 31, 2007</u>	<u>For the Period</u> <u>December 15,</u> <u>2005 (Inception)</u> <u>to March</u> <u>31, 2008</u>
<b>Cash Flows from Operating Activities:</b>			
Net Loss	\$ (334,632)	\$ (526,907)	\$ (1,307,722)
Adjustments to Reconcile Net Loss to Net Cash (Used) in Operating Activities:			
Amortization of Debt Discount	37,654	-	60,246
Amortization of Deferred Finance Costs	99,838	69,375	240,114
Depreciation Expense	716	716	1,670
Common Stock Issued for Software Development		-	970
Changes in Assets and Liabilities:			
Increase (Decrease) in Accrued Expenses	34,292	68,495	180,544
Increase in Accrued Interest	63,340	33,899	126,077
Increase in Liquidating Damages	-	90,000	106,667
Net Cash (Used) in Operating Activities	(98,792)	(264,422)	(591,434)
<b>Cash Flows from Investing Activities:</b>			
Purchase of Equipment	-	(2,862)	(2,862)
Net Cash (Used) in Investing Activities	-	(2,862)	(2,862)
<b>Cash Flows from Financing Activities:</b>			
Decrease in Stock Subscription Receivable	-	-	451
Proceeds from Issuance of Convertible Debentures	-	-	500,000
Proceeds from Issuance of Notes Payable	-	-	170,000
Proceeds of Loan Payable - Related Party	39,000	-	39,000
Proceeds from Collection of Subscriptions Receivable	-	354	
Payments of Finance Costs	-	-	(215,513)
Proceeds from Issuance of Common Stock	-	56,189	106,190
Expense of Sale of Common Stock	-	-	(5,000)
Net Cash Provided by Financial Activities	39,000	56,543	595,128
Increase (Decrease) in Cash	(59,792)	(210,741)	832
Cash - Beginning of Period	60,624	224,279	-
Cash - End of Period	832	13,538	832



**Supplemental Cash Flow Information:****Cash Paid for Interest**

Cash paid for Income Taxes					\$	250
----------------------------	--	--	--	--	----	-----

**Supplemental Non-Cash Financing Activities:**

Subscription Receivable on Sale of Common Stock	\$	-	\$	-	\$	451
---	----	---	----	---	----	-----

**Common Stock Warrants Issued as Deferred Finance Costs**

	\$	-	\$	-	\$	9,641
--	----	---	----	---	----	-------

**Debt Discount Attributable to Common Stock Warrants on Notes Payable**

	\$	-	\$	-	\$	43,246
--	----	---	----	---	----	--------

**Note Payable Issued as Payment of Deferred Finance Costs**

	\$	-	\$	-	\$	14,960
--	----	---	----	---	----	--------

The accompanying notes are an integral part of these financial statements.

F-3

APRECIA, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

**NOTE 1 - Organization and Basis of Presentation**

Aprecia, Inc. (the "Company"), was incorporated on December 15, 2005 under the laws of the State of Delaware. The Company has selected June 30 as its fiscal year end.

The Company has not yet generated revenues from planned principal operations and is considered a development stage company as defined in Statement of Financial Accounting Standards ("SFAS") No. 7. The Company originally had planned on becoming involved in the business of identifying money laundering in various sporting venues. It has since dropped such plans and is now seeking other business opportunities but has not yet identified any such opportunity. There is no assurance, however, that the Company will achieve its objectives or goals.

In the opinion of the Company's management, the accompanying unaudited condensed financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. These financial statements are condensed and therefore do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

Results of operations for interim periods are not necessarily indicative of the results of operations for a full year.

Certain items in these condensed financial statements have been reclassified to conform to the current period presentation.

**NOTE 2 - Going Concern**

The Company incurred net losses of \$334,632 for the nine months ended March 31, 2008 and \$1,318,447 for the period December 15, 2005 (inception) to March 31, 2008. In addition, the Company has a working capital deficiency of \$1,018,417 and a stockholders' deficiency of \$1,017,225 at March 31, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that sufficient funds required during the next year or thereafter will be generated from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company's existing stockholders.

The accompanying financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

The Company is attempting to address its lack of liquidity by raising additional funds, either in the form of debt or equity or some combination thereof. In addition, the Company is seeking other business opportunities but has not yet identified any such opportunity. There can be no assurances that the Company will be able to raise the additional funds it requires.

F-4

---

APRECIA, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 3 - Convertible Debentures

The Company entered into a Securities Purchase Agreement dated as of March 10, 2006, with four investors relating to the issuance and sale, in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended (the "1933 Act"), of 7% Convertible Debentures in the principal amount of \$500,000. Accrued interest on the convertible debentures as of March 31, 2008 was \$71,944. The debentures are collateralized by all of the now owned and hereafter acquired rights, title and interest of the Company's assets.

The debentures matured on March 10, 2008 and are currently in default. The debentures are convertible at the option of the holder into the Company's common stock at the rate of \$.12 per share. Expenses incurred in connection with the private offering of the debentures were \$185,000. Such expenses are carried as deferred finance costs and are being amortized over the term of the debt.

Since a registration statement covering the underlying common stock was not filed within 90 days, the Company is required to pay liquidated damages of 2% of the principal amount of \$500,000 per month plus interest at the rate of 18% if the Company fails to pay the liquidated damages within seven days. Accordingly, the Company has accrued \$106,667 in liquidated damages and \$26,050 interest on the liquidated damages as of March 31, 2008.

NOTE 4 - Notes Payable

In May 2007 the Company sold \$187,000 principal of 7% secured promissory notes (the "Notes") and 500,000 Class A Common Stock purchase warrants (the "Warrants") (collectively, the "Securities") for an aggregate purchase price of \$170,000. The Notes were due September 2007 and are secured by the Company's assets. The Warrants have an exercise price of \$.18 per share and a term of five years. In connection with the sale of the Securities, the Company issued as broker's fees: (i) 83,111 common stock purchase warrants (\$.18 exercise price, five year term) and (ii) a promissory note in the amount of \$14,963. In addition, the Company incurred legal fees of approximately \$30,500 in connection with the sale of the Securities. These costs are being amortized over the life of the related debt. The debentures are collateralized by all of the now owned and hereafter acquired rights, title and interest of the Company's assets. The Company is currently accruing interest at the default rate of 18% per annum. Total accrued interest as of March 31, 2008 is \$27,371.

NOTE 5 - Loan Payable - Related Party

In November 2007 and February 2008 a stockholder loaned the Company a total of \$39,000. The loan bears interest at 6% per annum and is due November 2008. Interest accrued and owed on this loan amounted to \$713.

APRECIA, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONDENSED FINANCIAL STATEMENTS  
(Unaudited)

NOTE 6 - Common Stock

In March 2006, the Company sold 4,510,000 shares of common stock valued at \$451 to the founders of the Company.

In March 2006, the Company issued 9,700,000 shares of common stock valued at \$970 for software development costs.

In March 2006, the Company sold 2,083,333 shares of common stock to a private investor for \$50,000, and paid cash commissions of \$5,000.

In October 2006, the Company completed a private placement of 468,264 shares of its common stock for gross proceeds of \$56,190.

NOTE 7 - Preferred Stock

The Company's Board of Directors may, without further action by the Company's stockholders, from time to time, direct the issuance of any authorized but unissued or unreserved shares of Preferred Stock in series and at the time of issuance, determine the rights, preferences and limitations of each series. The holders of the Preferred Stock may be entitled to receive a preference payment in the event of any liquidation, dissolution or winding-up of the Company before any payment is made to the holders of the Common Stock. Furthermore, the Board of Directors could issue Preferred Stock with voting and other rights that could adversely affect the voting power of the holders of the Common Stock.

NOTE 8 - Related Party Transactions

In September 2007 the Company agreed to provide its CEO with a full release from all non-compete and non-solicitation clauses in their agreements, either written and oral, and either explicit and implied, in exchange for full settlement of any outstanding debts owed to the CEO that are unpaid. Accordingly, \$135,000 (the amount of indebtedness) was credited to additional paid-in capital in connection with such release. In addition, the Company granted the CEO a non-exclusive, worldwide, royalty-free right and license to use the Monitor Plus software source code, and all derivative works thereof, in return for agreement to render reasonable assistance in the winding down of the Company's original business plans.

NOTE 9 - Commitments and Contingencies

Legal Proceedings

From time to time, the Company is named in legal actions in the normal course of business. In the opinion of management, the outcome of these matters, if any, will not have a material impact on the financial condition or results of operations of the Company.

## Item 2. Management's Discussion and Analysis or Plan of Operation

Some of the statements under "business", "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this Quarterly Report on Form 10-QSB constitute forward-looking statements. These statements relate to future events or our strategy, future operations, future financial position, future revenues, projected costs, prospects, and the plans and objectives of management and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed, implied or inferred by these forward-looking statements. Such factors include, among other things, those listed under "Risk Factors" and elsewhere in this Annual Report. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expects," "plans," "intends," "anticipates," "estimates," "predicts," "potential" or "continue" or the negative of such terms and other comparable terminology.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we do not know whether we can achieve positive future results, levels of activity, performance, or goals. Actual events or results may differ materially. We undertake no obligation to update any of the forward-looking statements after the date of this Annual Report to conform those statements to reflect the occurrence of unanticipated events, except as required by applicable law.

### General

Aprecia Inc., ("we", "Aprecia", or the "Company") was formed to become a leading edge provider of applied artificial intelligence solutions for thoroughbred and lottery applications. We developed MonitorPlus, an analysis tool designed to help the thoroughbred racing and lottery industry by providing alerts when potential wagering fraud or money laundering is detected. We have marketed our products through a partner/distributor primarily to regulatory bodies. Our success was largely dependent on the market acceptance of MonitorPlus, efficient utilization of our infrastructure, successful ongoing development of advanced process technologies and generation of sufficient return on research and development investments. Because of our inability to satisfy these objectives, we have substantially curtailed our operations and there is substantial doubt about our ability to continue as a going concern. As a result, we have explored strategic and financial alternatives, including a sale of the Company. However, at this time, there is no assurance that we will be successful in our efforts to sell Aprecia or obtain additional financing to fund our operations.

### Going Concern

The Company incurred net losses of \$53,704 for the three months ended March 31, 2008, \$334,632 for the nine months ended March 31, 2008, and \$1,318,447 for the period December 15, 2005 (inception) to March 31, 2008. In addition, the Company has a working capital deficiency of \$1,018,417 and a stockholders' deficiency of \$1,017,225 at March 31, 2008. These factors raise substantial doubt about the Company's ability to continue as a going concern.

There can be no assurance that sufficient funds required for us to sustain operations will be generated from operations or that funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Furthermore, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significant dilutive effect on the Company's existing stockholders.

The accompanying financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should we be unable to continue as a going concern.

We are attempting to address our lack of liquidity by raising additional funds, either in the form of debt or equity or some combination thereof. There can be no assurances that we will be able to raise the additional funds we requires.

Our Management continues to meet operating deficits primarily through short-term borrowings and is attempting to utilize other debt and dilutive and non-dilutive equity financing alternatives to sustain operations. Whether such financing will be available as needed and the ultimate form of such financing is uncertain and the effects of this uncertainty could ultimately lead to bankruptcy.

Accordingly, as of the date of this Report, we are attempting to sell the Company; however, we can offer no assurances that we will be successful, or, if we are successful, what the terms of such sale will be.

### **Revenue**

We have not generated revenues from planned principal operations and we are considered a development stage company as defined in Statement of Financial ("SFAS") No. 7. We originally had planned on becoming involved in the business of identifying money laundering in various sporting venues, but have since dropped such plans and are now seeking to sell the Company or obtain additional financings. However, there is no assurance that we will achieve either goal.

### **Net Loss**

Our net loss was \$53,704 for the three months ended March 31, 2008 compared to \$186,663 for the three months ended March 31, 2007. Our net loss was \$334,632 for the nine months ended March 31, 2008 compared to \$526,907 for the nine months ended March 31, 2007. Our net loss for the period December 15, 2005 (inception) to March 31, 2008 was \$1,318,447.

### **Costs and Expenses**

Costs and expenses were \$42,578 for the three months ended March 31, 2008 compared to \$120,888 for the three months ended March 31, 2007. Costs and expenses were \$133,800 for the nine months ended March 31, 2008 compared to \$333,632 for the nine months ended March 31, 2007. Costs and expenses during these periods consisted primarily of officer's compensation and software development. Costs and expenses for the period December 15, 2005 (inception) to March 31, 2008 was \$785,344.

### **Off-Balance Sheet Arrangements**

We do not have any off balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, revenues, results of operations, liquidity or capital expenditures.

### **Research and Development**

Research and Development ("R&D") expenses vary. We deem development of a product complete once the product has been thoroughly reviewed and tested for performance and reliability. R&D expenses can vary significantly depending on the timing of product qualifications as costs incurred in production prior to qualification are charged to R&D.





## **Income Taxes**

The Company has paid only minimum state taxes to date. The Company has unused federal and state tax net operating loss carry-forwards of approximately \$1,000,000 as of March 31, 2008. Substantially all of the net operating loss carry-forwards expire in 2021.

## **Financing Activities**

In March 2006, we entered into a Securities Purchase Agreement dated as of March 10, 2006, with four investors relating to the issuance and sale, in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended (the “1933 Act”), of 7% Convertible Debentures in the principal amount of \$500,000 (the “March 2006 Convertible Debentures”). Accrued interest on the March 2006 Convertible Debentures as of March 31, 2008 was \$71,944. The March 2006 Convertible Debentures are collateralized by all of the now owned and hereafter acquired rights, title and interest of the Company’s assets. The March 2006 Convertible Debentures mature 24 months from the closing. The March 2006 Convertible Debentures are convertible at the option of the holder into our common stock at the rate of \$0.12 per share. Expenses incurred in connection with the private offering of the March 2006 Convertible Debentures were \$185,000. Such expenses are carried as deferred finance costs and are being amortized over the term of the debt. The March 2006 Convertible Debentures matured on March 10, 2008 and are currently in default.

In May 2007, we sold \$187,000 principal of 7% secured promissory notes (the “Notes”) and 500,000 Class A Common Stock purchase warrants (the “Warrants”) (collectively, the “Securities”) for an aggregate purchase price of \$170,000. The Notes were due September 2007 and are secured by the Company’s assets. The Warrants have an exercise price of \$0.18 per share and a term of five years. In connection with the sale of the Securities, we issued as broker’s fees: (i) 83,111 common stock purchase warrants (\$0.18 exercise price, five year term) and (ii) a promissory note in the amount of \$14,963. In addition, we incurred legal fees of approximately \$30,500 in connection with the sale of the Securities. Accrued interest on the Notes as of March 31, 2008 was \$27,371. The Company is currently accruing interest at the default rate of 18% per annum.

In November 2007 and February 2008, a stockholder loaned the Company a total of \$39,000. Such loan bears interest at the rate of 6% per annum and is due November 2008. Interest accrued and owed on this loan amounts to \$713.

Access to capital markets has historically been important to us. Depending on market conditions, we may issue registered or unregistered securities to raise capital to fund a portion of our operations. However, as of the date of this Report, we are attempting to sell the Company but can offer no assurances that we will be successful, or, if we are successful, what the terms of such sale will be.

## **Employees**

As of March 31, 2008, we had no full-time employees and one part-time employee, our President, CEO and Interim CFO, Isidore Sobkowski. No employees are presently represented by any labor unions. Our relations with Mr. Sobkowski are good.

## **Related Party Transactions**

In September 2007, we agreed to provide our CEO, Mr. Sobkowski, with a full release from all non-compete and non-solicitation clauses in his agreements, either written and oral, and either explicit and implied, in exchange for full settlement of any outstanding debts owed to him that are unpaid. In addition, we granted the CEO a non-exclusive, worldwide, royalty-free right and license to use the MonitorPlus software source code, and all derivative works thereof, in return for agreement to render reasonable assistance in the winding-down of the Company’s original business plans.

That winding-down continues as of the date of this Report.

## Recently Issued Accounting Standards

In February 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115." Under SFAS No. 159, the Company may elect to measure many financial instruments and certain other items at fair value on an instrument by instrument basis subject to certain restrictions. The Company may adopt SFAS No. 159 at the beginning of 2008. The impact of the adoption of SFAS No. 159 will be dependent on the extent to which the Company elects to measure eligible items at fair value.

In September 2006, the SEC staff issued Staff Accounting Bulletin ("SAB") No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements." The Company is required to adopt SAB No. 108 by the end of 2007 and does not expect the adoption to have significant impact on the Company's financial position or results of operations.

Also in September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)." Under SFAS No. 158, the Company is required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of 2007. The Company does not expect the adoption of SFAS No. 158 to have a significant impact on its financial position or results of operations.

Also in September 2006, the FASB issued SFAS No. 157, "Fair Value Measurement." SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. The Company is required to adopt SFAS No. 157 effective at the beginning of 2009.

In June 2006, the FASB issued Interpretation NO. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109." FIN 48 contains a two step approach to recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicated it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company is required to adopt FIN 48 effective at the beginning of 2008. The Company is evaluating the impact this statement will have on its consolidated financial statements.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments." SFAS No. 155 permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. As of March 1, 2007, the Company did not have any hybrid financial instruments subject to the fair value election under SFAS No. 155. The Company is required to adopt SFAS No. 155 effective at the beginning of 2008.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 changes the requirements for the accounting for and reporting of a change in accounting principle. The Company adopted SFAS No. 154 at the beginning of 2007. The adoption of SFAS No. 154 did not impact the Company's results of operation and financial condition.

## **Critical Accounting Estimates**

The preparation of financial statements and related disclosures in conformity with generally accepted accounting principles in the United States of America (“GAAP”) requires our Management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Estimates and judgments are based on historical experience, forecasted future events and various other assumptions that the Company believes to be reasonable under the circumstances. Estimates and judgments may vary under different assumptions or conditions. We evaluate our estimates and judgments on an ongoing basis. Management believes the accounting policies below are critical in the portrayal of our financial condition and results of operations and require management’s most difficult, subjective or complex judgments.

### ***Contingencies***

The Company is subject to the possibility of losses from various contingencies. Considerable judgment is necessary to estimate the probability and amount of any loss from such contingencies. An accrual is made when it is probable that a liability has been incurred or an asset been impaired and the amount of loss can be reasonably estimated. The Company accrues a liability and charges operations for the estimated costs of adjudication or settlement of asserted and unasserted claims existing as of the balance sheet date.

### ***Income Taxes***

The Company is required to estimate its provision for income taxes and amounts ultimately payable or recoverable in numerous tax jurisdictions around the world. Estimates involve interpretations of regulations and are inherently complex. Resolution of income tax treatments in individual jurisdictions may not be known for many years after completion of any fiscal year. The Company is also required to evaluate the realizability of its deferred tax assets on an ongoing basis in accordance with GAAP, which requires the assessment of the Company’s performance and other relevant factors when determining the need for a valuation allowance with respect to these deferred tax assets. Realization of deferred tax assets is dependent on the Company’s ability to generate future taxable income.

### ***Research and Development***

Costs related to the conceptual formulation and design of products and processes are expenses as research and development when incurred. Determining when product development is complete requires judgment by the Company. The Company deems development of a product complete once the product has been thoroughly reviewed and tested for performance and reliability.

### ***Stock-based Compensation***

Under the provisions of SFAS No. 123(R), stock-based compensation cost is estimated at the grant date based on the fair-value of the award and recognized as expense ratably over the requisite service period of the award. Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the grant date requires considerable judgment, including estimating stock price volatility, expected option life and forfeiture rates. The Company develops its estimates based on historical data and market information which can change significantly over time. A small change in the estimates used can result in a relatively large change in the estimated valuation.

The Company will use the Black-Scholes option valuation model to value employee stock awards. The Company will estimate stock price volatility based on an average of its historical volatility and the implied volatility derived from traded options on the Company’s stock. Estimated option life and forfeiture rate assumptions will be derived from historical data. For stock based compensation awards with graded vesting that were granted after 2005, the Company will recognize compensation expense using the straight-line method.



## **Risk Factors**

### ***There Is Substantial Doubt As to Our Ability to Continue As a Going Concern Absent The Company Being Sold.***

As of March 31, 2008, we had \$832 in cash and equivalents. This balance is insufficient to satisfy our cash requirements during our next fiscal quarter and as such we have had to obtain short-term financing from third parties. However, such funding is insufficient to fund the Company as a going concern and as such we must obtain additional funding in a very short period of time, sell the Company or cease operations. As of the date of this Report, Management believes that the only viable option for the Company is to sell Aprecia to a third party and as such we have started to market the Company for sale. However, we can offer no assurance that such effort will be success, of if we do indeed sell the Company, what the terms of such sale would be. Absent the successful sale of the Company, Management believes that we would have to cease operations, liquidate the Company and/or file for bankruptcy, all of which would have a material adverse effect on the Company, its business, operations, finances and common stock.

### ***We Lost Money For The Fiscal Year Ended June 30, 2007, Since Inception, And For The Three Months And Nine Months Ended March 31, 2008, And Losses Will Continue In The Future Unless We Sell The Company.***

For the fiscal year ended June 30, 2007, we incurred a net loss of \$762,986; for the period December 15, 2005 (inception) to March 31, 2008, we incurred a net loss of \$1,318,447; for the three months ended March 31, 2008, we incurred a net loss of \$53,704; and for the nine months ended March 31, 2008, we incurred a net loss of \$334,632. We anticipate that we will have to rely on external financing for all of our capital requirements. Future losses will continue unless we successfully implement our business plan or sell the Company. Currently, we are dependent upon external financing to fund our operations. We have no assurance that any third party will lend us funds given our current financial condition. If such funds are not available, we will discontinue entirely our operations unless we can sell the Company. If we incur any problems in any of these scenarios, we will experience significant liquidity and cash flow problems and will have to cease operations unless we can sell the Company.

### ***We Rely On Our CEO And Will Be Harmed If He Leaves.***

Our ability to continue as a going concern until we are able to sell the Company is largely dependent on the efforts of Isidore Sobkowski, our President, Chief Executive Officer and Interim Chief Financial Officer. If he becomes unable or unwilling to continue in that role, our prospects for a successful sale will be adversely affected.

### ***We Are Not Able To Generate Sufficient Cash Flows To Fund Our Operations And Make Adequate Capital Investments.***

Our cash flow from operations depends primarily on the volume of selling prices and per unit manufacturing costs. To develop new product and process technologies, support future growth, achieve operating efficiencies and maintain product quality, the Company would had to have made significant capital investments in facilities and capital equipment, research and development, and product and process technology. We have from time to time utilized external sources of financing. Access to capital markets has historically been very important to us. Depending on market conditions, we had planned to issue registered or unregistered securities to raise capital to fund a portion of our operations. However, given our current situation, we are unable to generate sufficient cash flows to fund our operations, make adequate capital investments or access capital markets on acceptable terms, and this inability to do so will have a material adverse effect on our business and results of operations unless we can sell the Company.

***There Currently Is No Public Trading Market For Our Common Stock.***

From inception, there has been no public trading market for our common stock and there can be no assurance that an active trading market for our common stock will ever develop. This could adversely affect shareholders' ability to sell the Company's common stock in short time periods, or possibly at all. In addition, we believe that factors such as quarterly fluctuations in our financial results and changes in the overall economy or the condition of the financial markets, could cause the price of our common stock to fluctuate substantially.

***Our Net Operating Carryforwards May Be Limited.***

Utilization of the tax benefits of these carry-forwards are subject to limitations imposed by Section 382 of the Internal Revenue Code. The determination of the limitations is complex and requires significant judgment and analysis of past transactions. Accordingly, some portion or all of our carry-forwards may not be available to offset any future taxable income.

***Product Development Is Not Possible At This Time.***

We had planned to develop new products that complemented our traditional products or leveraged our underlying design or process technology. However, we were unable to make significant investments in our product and process technologies. In light of our present financial problems and the lack of capital, we are not able to further develop MonitorPlus or any other products unless and until such funding is secured or the Company is sold. At this time, we cannot offer any assurances that either will occur.

***Our Common Stock Is Deemed To Be "Penny Stock", Which May Make It More Difficult For Investors To Sell Their Shares Due To Suitability Requirements.***

Although shares of our common stock have never traded in the public markets and we can offer no assurances that it ever will, our common stock is nonetheless deemed to be "penny stock" as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Penny stocks are stock:

- With a price of less than \$5.00 per share;
- That are not traded on a "recognized" national exchange;
- Whose prices are not quoted on a NASDAQ automated quotation system (NASDAQ-listed stock must still have a price of not less than \$5.00 per share); or
- Stock in issuers with net tangible assets less than \$2,000,000 (if the issuer has been in continuous operation for at least three years) or \$5,000,000 (if in continuous operation for less than three years), or with average revenues of less than \$6,000,000 for the last three years.

Broker-dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker-dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements may reduce the potential market for the Company's common stock by reducing the number of potential investors. This may make it more difficult for investors in the Company's common stock to sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

Shareholders should be aware that, according to the SEC, the market for penny stocks has suffered in recent years from patterns of fraud and abuse. Such patterns include (i) control of the market for the security by one or a few broker-dealers that are often related to the promoter or issuer; (ii) manipulation of prices through prearranged matching of purchases and sales and false and misleading press releases; (iii) "boiler room" practices involving high-pressure sales tactics and unrealistic price projections by inexperienced sales persons; (iv) excessive and

undisclosed bid-ask differentials and markups by selling broker-dealers; and (v) the wholesale dumping of the same securities by promoters and broker-dealers after prices have been manipulated to a desired consequent investor losses.



Our Management is aware of the abuses that have occurred historically in the penny stock market. Although we do not expect to be in a position to dictate the behavior of the market or of broker-dealers who participate in the market, Management will strive within the confines of practical limitations to prevent the described patterns from being established with respect to our securities.

### **Item 3. Controls and Procedures**

An evaluation was carried out under the supervision and with the participation of the Company's management, including its principal executive officer and principal financial officer (one person), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based upon that evaluation, the principal executive officer and principal financial officer (one person) concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms and that such information is accumulated and communicated to the Company's management, including the principal executive officer and principal financial officer (one person), as appropriate, to allow timely decision regarding disclosure.

During the quarterly period covered by this Report, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

None.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

In March 2006, we sold 4,510,000 shares of our common stock valued at \$451 to the founders of the Company. The proceeds were used for general working capital purposes.

Also in March 2006, we issued 9,700,000 shares of our common stock valued at \$970 for software development costs.

Also in March 2006, we sold 2,083,333 shares of common stock to a private investor in a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, for \$50,000, and paid cash commissions of \$5,000. The proceeds were used for general working capital purposes.

In October 2006, we completed a private placement involving a transaction exempt from the registration requirements of the Securities Act of 1933, as amended, of 468,264 shares of its common stock for gross proceeds of \$56,192, which were used for general working capital purposes.

### **Item 3. Defaults Upon Senior Securities.**

The March 2006 Convertible Debentures described above matured on March 10, 2008 and because the Company could not repay them they are currently in default. Furthermore, since a registration statement covering the common stock to be issued upon conversion of the March 2006 Convertible Debentures was not filed within 90 days of the closing, the Company is required to pay liquidated damages equal to 2% of the principal amount of \$500,000 per month plus interest at the rate of 18% if the Company fails to pay the liquidated damages within seven days. Accordingly, the Company has accrued \$106,667 in liquidated damages and \$26,050 in interest on the liquidated damages as of March 31, 2008.

### **Item 4. Submission of Matters to a Vote of Security Holders.**

None.

### **Item 5. Other Information**

None.

### **Item 6. Exhibits and Reports on Form 8-K**

*a. Exhibits pursuant to Regulation S-K:*

<b>DESIGNATION OF EXHIBIT AS SET FORTH IN ITEM 601 OF REGULATION S-B</b>	<b>DESCRIPTION</b>	<b>LOCATION</b>
3.1	Articles of Incorporation	Incorporated by Reference to the Registration Statement on Form SB-2 filed on November 13, 2006 (File No. 333-138625).
3.2	Bylaws	Incorporated by Reference to the Registration Statement on Form SB-2 filed on November 13, 2006 (File No. 333-138625).
4.1	Securities Purchase Agreement dated March 10, 2006 by and between the Company and Alpha Capital Aktiengesellschaft, Double U Master Fund LP, Tobanna Enterprises Corp., and CMS Capital	Incorporated by Reference to Amendment No. 1 to the Registration Statement on Form SB-2 filed on December 27, 2006 (File No. 333-138625).
4.2	7% Convertible Debenture dated March 10, 2006 issued to Alpha Capital Aktiengesellschaft	Incorporated by Reference to Amendment No. 1 to the Registration Statement on Form SB-2 filed on December 27, 2006 (File No. 333-138625).
4.3	Registration Rights Agreement dated March 10, 2006 by and between the Company and Alpha Capital Aktiengesellschaft, Double U Master Fund LP, Tobanna Enterprises Corp., and CMS Capital	Incorporated by Reference to Amendment No. 1 to the Registration Statement on Form SB-2 filed on December 27, 2006 (File No. 333-138625).
4.4	Security Agreement dated March 10, 2006 by and between the Company and Alpha Capital Aktiengesellschaft, Double U Master Fund LP, Tobanna Enterprises Corp., and CMS Capital and Michael Hartstein, as collateral agent	Incorporated by Reference to Amendment No. 1 to the Registration Statement on Form SB-2 filed on December 27, 2006 (File No. 333-138625).
4.5	Collateral Agent Agreement dated March 10, 2006 by and between the Company and Alpha Capital Aktiengesellschaft, Double U Master Fund LP, Tobanna Enterprises Corp., and CMS Capital and Michael Hartstein, as collateral agent	Incorporated by Reference to Amendment No. 1 to the Registration Statement on Form SB-2 filed on December 27, 2006 (File No. 333-138625).
4.6	7% Convertible Debenture dated March 10, 2006	Incorporated by Reference to Amendment No. 1 to the Registration Statement on Form SB-2

Edgar Filing: APRECIA INC - Form 10QSB

filed on December 27, 2006 (File No. 333-138625).

- |      |   |   |
|------|---|---|
| 4.7  | 7% Convertible Debenture dated March 10, 2006   | Incorporated by Reference to Amendment No. 1 to the Registration Statement on Form SB-2 filed on December 27, 2006 (File No. 333-138625). |
| 4.8  | 7% Convertible Debenture dated March 10, 2006   | Incorporated by Reference to Amendment No. 1 to the Registration Statement on Form SB-2 filed on December 27, 2006 (File No. 333-138625). |
| 10.1 | Asset Purchase Agreement by and between Isidore Sobkowski and the Company dated March 6, 2006 | Incorporated by Reference to Amendment No. 1 to the Registration Statement on Form SB-2 filed on December 27, 2006 (File No. 333-138625). |
| 10.2 | Voting Agreement by and between Michael Hartstein, Solomon Lax and Isidore Sobkowski          | Incorporated by Reference to Amendment No. 1 to the Registration Statement on Form SB-2 filed on December 27, 2006 (File No. 333-138625). |

**DESIGNATION  
OF EXHIBIT AS  
SET FORTH IN  
ITEM 601 OF  
REGULATION  
S-B**

**DESCRIPTION**

**LOCATION**

10.3	Subscription Agreement by and among the Company, Alpha Capital Anstalt, and Harborview Master Fund L.P.	Incorporated by Reference to the Company's Current Report of Form 8-K filed on May 30, 2007 (File No. 333-138625).
10.4	Form of Warrant issued by the Company to each of Alpha Capital Anstalt, and Harborview Master Fund L.P.	Incorporated by Reference to the Company's Current Report of Form 8-K filed on May 30, 2007 (File No. 333-138625).
10.5	Form of Secured Note issued by the Company to each of Alpha Capital Anstalt and Harborview Master Fund L.P.	Incorporated by Reference to the Company's Current Report of Form 8-K filed on May 30, 2007 (File No. 333-138625).
10.6	Consent Agreement by and among the Company, Alpha Capital Anstalt, and Harborview Master Fund L.P.	Incorporated by Reference to the Company's Current Report of Form 8-K filed on May 30, 2007 (File No. 333-138625).
31.1	Certification of President and Chief Executive Officer (one person) pursuant to Rule 13a-14(a)/15d-14(a) of the Exchange Act	Provided Herewith
32.1	Certification of President and Chief Executive Officer (one person) pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Provided Herewith

***b. Reports on Form 8-K:***

None.

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the Registrant has caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

**APRECIA, INC.**

May 14, 2008

By: */s/ Isidore Sobkowski*

\_\_\_\_\_  
Isidore Sobkowski, President, Chief Executive  
Officer and Interim Chief Financial Officer