

Vyta Corp
Form 10QSB
May 20, 2008

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2008

OR

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

Commission file number 33-19598-D

VYTA CORP

(Exact name of the registrant as specified in its charter)

Nevada
(State or other jurisdiction of incorporation or organization)

84-0992908
(I.R.S. employer identification number)

370 17th Street, Suite 3640
Denver, Colorado 80202
(Address of principal executive offices)

Issuer's telephone number, including area code: (303) 592-1010

Check whether the issuer (1) has filed all reports required to be filed by Section 13(a) or 15(d) of the Securities Exchange Act of 1934 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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

As of May 19, 2008, there were 37,168,178 shares of the registrant's sole class of common shares outstanding.

Edgar Filing: Vyta Corp - Form 10QSB

Transitional Small Business Disclosure Format Yes No

PART I – FINANCIAL INFORMATION

| | | |
|------------------------------------|--|------|
| Item 1. | <u>Financial Statements (Unaudited)</u> | Page |
| | <u>Condensed Consolidated Balance Sheet –March 31, 2008</u> | F-1 |
| | <u>Condensed Consolidated Statements of Operations - Nine and three months ended March 31, 2008 and 2007</u> | F-2 |
| | <u>Condensed Consolidated Statements of Comprehensive Loss – Nine and three months ended March 31, 2008 and 2007</u> | F-3 |
| | <u>Condensed Consolidated Statement of Changes in Shareholders’ Deficit–Nine months ended March 31, 2008</u> | F-4 |
| | <u>Condensed Consolidated Statements of Cash Flows – Nine months ended March 31, 2008 and 2007</u> | F-5 |
| | <u>Notes to Condensed Consolidated Financial Statements</u> | F-6 |
| Item 2. | <u>Management’s Discussion and Analysis</u> | 1 |
| Item 3. | <u>Controls and Procedures</u> | 3 |
| <u>PART II – OTHER INFORMATION</u> | | |
| Item 1. | <u>Legal Proceedings – Not Applicable</u> | 4 |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 5 |
| Item 3. | <u>Defaults Upon Senior Securities – Not Applicable</u> | 5 |
| Item 4. | <u>Submission of Matters to a Vote of Security Holders – Not Applicable</u> | 5 |
| Item 5. | <u>Other Information – Not Applicable</u> | 5 |
| Item 6. | <u>Exhibits</u> | 5 |
| | <u>SIGNATURES</u> | 6 |

Table of Contents

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

VYTA CORP AND SUBSIDIARIES
Condensed Consolidated Balance Sheet
March 31, 2008
(Unaudited)

Assets

Current assets:

| | |
|---------------------------------------|----------|
| Cash and cash equivalents | \$ 6,431 |
| Advances receivable, officer (Note 4) | 4,834 |
| Prepaid expenses and other | 550 |
| Total current assets | 11,815 |

Property and equipment:

| | |
|--------------------------------|----------|
| Office equipment and furniture | 67,107 |
| Less accumulated depreciation | (65,129) |
| | 1,978 |

Other assets:

| | |
|--|--------|
| Deposits and other | 19,272 |
| Notes and advances receivable, net, unconsolidated investee (Note 2) | 45,652 |
| | 64,924 |

| | |
|--------------|-----------|
| Total assets | \$ 78,717 |
|--------------|-----------|

Liabilities and Shareholders' deficit

Current liabilities:

| | |
|---------------------------------|-----------|
| Accounts payable | \$ 96,190 |
| Accrued expenses | 3,296 |
| Total liabilities (all current) | 99,486 |

Commitments and contingencies (Note 6)

Shareholders' deficit:

| | |
|---|--------------|
| Preferred stock; \$0.0001 par value; 5,000,000 shares authorized; Series A, 8%; deemed par value \$1.00 per share; 500,000 shares issued and outstanding; liquidation preference of \$541,403 | 541,403 |
| Common stock; \$0.0001 par value; 200,000,000 shares authorized; 35,788,178 shares issued and outstanding | 3,579 |
| Additional paid-in capital | 31,320,390 |
| Accumulated deficit | (31,886,140) |
| Total shareholders' deficit | (20,769) |
| Total liabilities and shareholders' deficit | \$ 78,717 |

See notes to condensed consolidated financial statements.

F-1

Table of Contents

VYTA CORP AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---------------------------------|-------------|--------------------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| General and administrative expense | \$ (188,633) | (879,058) | (510,901) | (1,425,825) |
| Loss from operations | (188,633) | (879,058) | (510,901) | (1,425,825) |
| Other income (expense): | | | | |
| Interest income | 3 | 6 | 13 | 18 |
| Gain on sale of investment in unconsolidated investee (Note 3) | - | - | 164,234 | - |
| Equity losses of unconsolidated investees (Note 2) | (374,212) | (381,574) | (1,041,806) | (921,715) |
| | (374,209) | (381,568) | (877,559) | (921,697) |
| Net loss | (562,842) | (1,260,626) | (1,388,460) | (2,347,522) |
| Accumulated dividends on Series A preferred stock (Note 5) | (9,349) | (3,100) | (28,253) | (3,100) |
| Net loss applicable to common shareholders | \$ (572,191) | (1,263,726) | (1,416,713) | (2,350,622) |
| Net loss per share, basic and diluted (Note 1) | \$ (0.02) | (0.05) | (0.04) | (0.10) |
| Weighted average number of common shares outstanding (Note 1) | 35,379,387 | 22,781,734 | 33,774,893 | 22,688,913 |

See notes to condensed consolidated financial statements.

Table of Contents

VYTA CORP AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

| | Three Months Ended March 31, | | Nine Months Ended March 31, | |
|---|---------------------------------|--------------|--------------------------------|-------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net loss | \$ (562,842) | (1,260,626) | (1,388,460) | (2,347,522) |
| Change in unrealized gain on securities | - | 189 | - | 360 |
| Change in foreign currency translation adjustments, net of reclassification adjustment for gain included in net loss (Note 3) | - | - | (10,340) | - |
| Comprehensive loss | \$ (562,842) | (1,260,437) | (1,398,800) | (2,347,162) |

See notes to condensed consolidated financial statements.

Table of Contents

VYTA CORP AND SUBSIDIARIES
Condensed Consolidated Statement of Changes in Shareholders' Deficit
Nine Months Ended March 31, 2008
(Unaudited)

| | Preferred stock | | Common stock | | Additional | Accumulated | Accumulated | Total |
|---|-----------------|------------|--------------|----------|---------------|---------------|-----------------|---------------|
| | Shares | Amount | Shares | Amount | paid in | other | deficit | shareholders' |
| | | | | | capital | comprehensive | | deficit |
| | | | | | | income | | |
| Balances, July 1, 2007 | 500,000 | \$ 513,150 | 31,349,845 | \$ 3,135 | \$ 30,678,462 | \$ 121,543 | \$ (30,497,681) | \$ 818,609 |
| Common stock issued for cash | - | - | 4,438,333 | 444 | 670,181 | - | - | 670,625 |
| Net loss | - | - | - | - | - | - | (1,388,460) | (1,388,460) |
| Accumulated dividends on Series A preferred stock | - | 28,253 | - | - | (28,253) | - | - | - |
| Change in foreign currency translation adjustment (Note 3) | - | - | - | - | - | (121,543) | - | (121,543) |
| Balances, March 31, 2008 | 500,000 | \$ 541,403 | 35,788,178 | \$ 3,579 | \$ 31,320,390 | \$ - | \$ (31,886,141) | \$ (20,769) |

See notes to condensed consolidated financial statements.

Table of Contents

VYTA CORP AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
Nine Months Ended March 31, 2008 and 2007
(Unaudited)

| | 2008 | 2007 |
|--|----------------|--------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (1,388,460) | (2,347,522) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Amortization expense | - | 349,068 |
| Depreciation expense | 3,459 | 4,041 |
| Equity losses of unconsolidated investees | 1,041,806 | 921,715 |
| Gain on sale of investment in unconsolidated investee | (164,234) | - |
| Options issued for compensation | - | 625,250 |
| Changes in operating assets and liabilities: | | |
| Decrease in prepaid expenses and other | 1,684 | 14,435 |
| (Decrease)increase in accounts payable and accrued expenses | (13,136) | 4,917 |
| Total adjustments | 869,579 | 1,919,426 |
| Net cash used in operating activities | (518,881) | (428,096) |
| Cash flows from investing activities: | | |
| Sale of marketable securities | 59 | - |
| Sale of investment in unconsolidated investee | 250,000 | - |
| Increase in notes and advances receivable, unconsolidated investee | (750,074) | (682,975) |
| Net cash used in investing activities | (500,015) | (682,975) |
| Cash flows from financing activities: | | |
| Proceeds from advance and note payable | 50,000 | 50,000 |
| Payment of advance | (50,000) | - |
| Common stock issued for cash | 670,625 | - |
| Proceeds applied to preferred stock and warrant purchase | - | 651,900 |
| Exercise of warrants and common stock and warrants issued for cash | - | 466,500 |
| Net cash provided by financing activities | 670,625 | 1,168,400 |
| Net (decrease) increase in cash and cash equivalents | (348,271) | 57,329 |
| Cash and cash equivalents, beginning | 354,702 | 192,359 |
| Cash and cash equivalents, ending | \$ 6,431 | 249,688 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Advances, related party converted to preferred stock | \$ - | 100,000 |

See notes to condensed consolidated financial statements.

Table of Contents

VYTA CORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Nine Months Ended March 31, 2008 and 2007

(Unaudited)

1. BASIS OF PRESENTATION, MANAGEMENT'S PLANS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION:

Presentation of Interim Information:

The accompanying condensed consolidated financial statements include the accounts of Vyta Corp, a Nevada corporation (the Company), its wholly-owned subsidiaries, NanoPierce Connection Systems, Inc., a Nevada corporation (NCOS), and ExypnoTech, LLC (ET LLC), a Colorado limited liability company. NCOS and ET LLC had no revenues or operations in 2008 and 2007. The Company has two investments which are accounted for using the equity method of accounting. These equity method investments consist of BioAgra, LLC (BioAgra) and through December 27, 2007, ExypnoTech, GmbH (EPT) (Note 3). The Company's equity investees, EPT and BioAgra, operate in two segments, the RFID industry and the animal feed industry, respectfully. All significant intercompany accounts and transactions have been eliminated in consolidation.

On December 27, 2007, the Company sold its 49% equity interest in EPT to TagStar, GmbH (TagStar), the 51% equity interest owner of EPT, for cash of \$250,000 (Note 3).

In the opinion of the management of the Company, the accompanying unaudited condensed consolidated financial statements include all material adjustments, including all normal and recurring adjustments, considered necessary to present fairly the financial position and operating results of the Company for the periods presented. The financial statements and notes are presented as permitted by Form 10-QSB, and do not contain certain information included in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2007. It is the Company's opinion that when the interim financial statements are read in conjunction with the June 30, 2007 Annual Report on Form 10-KSB, the disclosures are adequate to make the information presented not misleading. Interim results are not necessarily indicative of results for a full year or any future period.

Management's Plans:

In the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2007, the Report of the Independent Registered Public Accounting Firm includes an explanatory paragraph that describes substantial doubt about the Company's ability to continue as a going concern. The Company's interim financial statements for the nine months ended March 31, 2008 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Company reported a net loss of \$1,388,460 and a net loss applicable to common shareholders of \$1,416,713 for the nine months ended March 31, 2008, and an accumulated deficit of \$31,886,140 as of March 31, 2008. The Company has not recognized any revenues from its business operations.

During the 2008 fiscal year, the Company has continued its efforts to assist BioAgra with the continuing development of its sales, nationally and internationally in other animal feed markets, such as the equine and the swine markets. The Company intends to continue to raise funds to support the efforts through the sale of its equity securities.

Currently, the Company does not have a revolving loan agreement with any financial institution, nor can the Company provide any assurance it will be able to enter into any such agreement in the future, or be able to raise funds through a further issuance of debt or equity in the Company.

These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not contain any adjustments relating to the recoverability and classification of assets or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

F-6

Table of Contents

VYTA CORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Nine Months Ended March 31, 2008 and 2007

(Unaudited)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

STOCK-BASED COMPENSATION:

Beginning July 1, 2006, the Company adopted the provisions of and accounts for stock-based compensation in accordance with the Statement of Financial Accounting Standards ("SFAS") No. 123 – revised 2004 ("SFAS 123R"), Share-Based Payment. Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is the vesting period. The Company elected the modified-prospective method, under which prior periods are not revised for comparative purposes. The valuation provisions of SFAS 123R apply to new grants and to grants that were outstanding as of the effective date and are subsequently modified. All options granted prior to the adoption of SFAS 123R and outstanding during the periods presented were fully-vested. The Company did not grant any options during the nine months ended March 31, 2008. The Company granted 2,050,000 options during the nine months ended March 31, 2007 (Note 5).

LOSS PER SHARE:

Basic loss per share of common stock is computed based on the average number of common shares outstanding during the year. Stock options and warrants are not considered in the calculation, as the impact of the potential common shares (14,754,844 shares at March 31, 2008 and 15,392,134 shares at March 31, 2007) would be to decrease loss per share (anti-dilutive). Therefore, diluted loss per share is equivalent to basic loss per share.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS:

The Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") on July 1, 2007. The Company did not identify any controversial tax positions taken on open tax years and did not have any unrecognized tax benefits, and there was no effect on the Company's financial condition or results of operations as a result of implementing FIN 48. The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company is no longer subject to U.S. federal tax examinations for years before 2003. State jurisdictions that remain subject to examination range from 2002 to 2006. The Company does not believe there will be any material changes in its unrecognized tax positions over the next 12 months. The Company's policy is to recognize interest and penalties accrued on unrecognized tax benefits as a component of income tax expense. As of the date of adoption of FIN 48, the Company did not have any accrued interest or penalties associated with any unrecognized tax benefits and no interest expense or penalties were recognized.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations, ("SFAS No. 141R"). SFAS No. 141R will change the accounting for business combinations. Under SFAS No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R will also change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Accordingly, any business combinations the Company engages in will be recorded and disclosed following existing GAAP until July 1, 2009. The Company's management expects SFAS No. 141R will have an impact on accounting for business combinations once adopted, but the effect is dependent upon acquisitions at that time.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51, or SFAS No. 160. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. Management believes that SFAS 160 will not have a material impact on the Company's financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161 Disclosures about Derivative Instruments and Hedging Activities. SFAS No. 161 requires additional disclosure related to derivatives instruments and hedging activities. The provisions of SFAS No. 161 are effective as of July 1, 2009 and the Company's management is currently evaluating the impact of adoption.

F-7

Table of Contents

VYTA CORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Nine Months Ended March 31, 2008 and 2007

(Unaudited)

2. NOTES AND ADVANCES RECEIVABLE – UNCONSOLIDATED INVESTEE:

During the year ended June 30, 2006, the Company loaned \$1,686,570 to BioAgra through a series of secured, 7.5% promissory notes, which were due over the period from June 30 through October 31, 2006. On June 26, 2006, the Company agreed to combine all of the promissory notes and accrued interest of \$40,257 into a \$1,726,827 secured, 7.5% promissory note with payments to be made monthly starting October 31, 2006, through October 31, 2007. The funds were loaned to facilitate BioAgra's completion of its first production line and to support operations. The promissory note is collateralized by all BioAgra assets. Additionally, the promissory note is to be paid in full prior to any distributions being made to the members of the joint venture. During the year ended June 30, 2007, the note was reduced by \$1,371,269, which represents the excess of the BioAgra losses recognized by the Company over the adjusted basis of the Company's equity investment in BioAgra.

During the year ended June 30, 2007, the Company advanced an additional \$1,182,784 to BioAgra. During the nine months ended March 31, 2008, the Company advanced an additional \$750,074 to BioAgra at 7.5% interest. In October 2007, the Company executed a second, 7.5% promissory note for \$1,182,784 with BioAgra with the same terms as the note above, but the note did not provide for scheduled payments. On March 31, 2008, the Company executed a third, 7.5% promissory note for \$486,939 with BioAgra with the same terms as the note above, but did not provide for scheduled payments. The Company has classified these notes receivable as non-current assets on the balance sheet and is not accruing interest on these notes receivable, as they are currently in default and non-performing.

The notes and advances receivable were reduced to \$45,652 at March 31, 2008 by applying the losses of BioAgra (Note 3).

3. INVESTMENTS IN UNCONSOLIDATED INVESTEES:

INVESTMENT IN EPT:

On December 27, 2007, the Company executed a Share Purchase Agreement with TagStar, GmbH, the holder of the 51% equity interest in EPT, pursuant to which the Company sold its 49% equity interest to TagStar for cash of \$250,000. The Company recorded a gain of \$164,234 in connection with the sale of the equity interest in EPT.

At December 27, 2007, the Company's investment in EPT was \$217,649. The Company's proportionate income was \$2,960 and \$68,503 for the nine months ended March 31, 2008 and 2007, respectively (\$0 and \$(12,224) for the three months ended March 31, 2008 and 2007, respectively). The cumulative translation adjustment was \$121,543 and \$131,883 at July 1, 2007 and December 27, 2007, respectively. On December 27, 2007, a \$131,883 reduction to other comprehensive income was recorded and recognized as a component of the gain on the sale of EPT. Financial information of EPT for the period from July 1, 2007 through December 27, 2007, and the three and nine months ended March 31, 2007 is as follows:

| Three Months Ended March 31, 2007 | Period from July 1, 2007 through | Nine Months Ended March 31, 2007 |
|---|--|--|
|---|--|--|

Edgar Filing: Vyta Corp - Form 10QSB

December 27,
2007

| | | | | | | |
|-------------------|----|--------------|----|--------------|----|--------------|
| Revenues(1) | \$ | 1,023,658 | \$ | 2,158,689 | \$ | 2,863,398 |
| Expenses(2) | | (1,048,604) | | (2,152,831) | | (2,723,595) |
| Net (loss) income | \$ | (24,946) | \$ | 5,858 | \$ | 139,803 |

(1) Revenues include \$2,155,669 and \$2,863,398 for the period from July 1, 2007 through December 27, 2007 and the three months ended March 31, 2007, respectively (\$1,023,658 the three months ended March 31, 2007, respectively), of sales to the 51% owner of EPT.

F-8

Table of Contents

VYTA CORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Nine Months Ended March 31, 2008 and 2007

(Unaudited)

(2) Expenses include \$211,508 and \$148,456 for the period from July 1, 2007 through December 27, 2007 and the nine months ended March 31, 2007, respectively (\$67,779, for the three months ended March 31, 2007), of charges paid to the 51% owner of EPT.

INVESTMENT IN BIOAGRA

The Company has a 50% equity interest in the joint venture, BioAgra, which manufactures and sells a beta glucan product, YBG-2000 also known as AgraStim(TM), which can be used as a replacement for hormone growth steroids and antibiotics in animal feed products such as poultry feed. As of March 31, 2008, BioAgra (a development stage company) has completed construction of a production line; however BioAgra has not yet recognized any significant revenues from product sales. At each reporting period, management makes an assessment to determine if the investment in BioAgra represents a variable interest entity subject to consolidation. Through March 31, 2008, management has determined that BioAgra was not subject to consolidation.

The terms of the joint venture provide for the Company to share in 50% of joint venture net income, if any, or net losses. The Company is accounting for its investment in BioAgra as an equity method investment. Net losses incurred by BioAgra have exceeded the underlying equity attributed to BioAgra's other joint venture investor. As a result, the excess of the losses attributable to the other joint venture investor have been charged to the Company. Since September 30, 2006 and through March 31, 2008, the carrying value of the Company's investment in BioAgra was \$0. BioAgra losses for the nine months ended March 31, 2008 and 2007 were \$1,044,766 and \$990,219, respectively (\$374,212, and \$369,351 for the three months ended March 31, 2008 and 2007, respectively). Losses of \$1,044,766 and \$882,903, respectively, were applied to reduce the value of the notes receivable from BioAgra.

Financial information of BioAgra as of March 31, 2008 and for the nine and three months ended March 31, 2008 and 2007, is as follows:

| | March 31, 2008 |
|--|---------------------|
| Assets: | |
| Current assets | \$ 163,625 |
| Land, building and equipment, net | 2,445,379 |
| Total assets | \$ 2,609,004 |
| Liabilities and members' deficiency: | |
| Current liabilities(1) | \$ 4,101,796 |
| Obligation under capital lease(2) | 923,238 |
| Total liabilities | 5,025,034 |
| Members' deficiency | (2,416,030) |
| Total liabilities and members' deficiency | \$ 2,609,004 |

(1) Includes \$3,709,685 owed to the Company.

(2) BioAgra leases land and a building under a ten-year lease expiring in February 2015, which requires a monthly lease payment of \$12,000.

Edgar Filing: Vyta Corp - Form 10QSB

| | Three Months Ended March 31, 2008 | Three Months Ended March 31, 2007 | Nine Months Ended March 31, 2008 | Nine Months Ended March 31, 2007 |
|----------|---|---|---|---|
| Revenues | \$ 21,406 | \$ 1,675 | \$ 104,661 | \$ 33,317 |
| Expenses | (395,618) | (371,026) | (1,149,427) | (1,023,536) |
| Net loss | \$ (374,212) | \$ (369,351) | \$ (1,044,766) | \$ (990,219) |

F-9

Table of Contents

VYTA CORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Nine Months Ended March 31, 2008 and 2007

(Unaudited)

4. ADVANCES RECEIVABLE, OFFICER:

At March 31, 2008, the Company's President owes the Company \$4,834 for reimbursements. This amount is unsecured, non-interest bearing and is due on demand.

5. SHAREHOLDERS' DEFICIT:

PREFERRED STOCK:

In February 2007, the Company sold 500,000 shares of Series A nonconvertible preferred stock for \$500,000 cash to Arizcan Properties, Ltd. (Arizcan). Arizcan had advanced the funds to the Company, prior to the issuance of the shares. The shares provide that when voting as a single class, the shares have the votes and the voting power that at all times is greater by 1% than the combined votes and voting power of all other classes of securities entitled to vote on any matter. As a result of the issuance, Arizcan acquired approximately 51% of the voting power of the Company. The Company has a right, solely at the Company's discretion, to redeem the shares in ten years at 130% of deemed par value.

The holder of the Series A is entitled to a dividend equal to 8% per annum of the deemed par value (\$1.00 per share). Accumulated dividends for the period from Series A issuance (February 2007) through March 31, 2008, were \$41,403 (\$28,253 and \$9,349 for the nine and three months ended March 31, 2008, respectively), which have been recorded as an increase to net loss per common shareholder. Also, the holder is entitled to a liquidation preference of the deemed par value for each outstanding share and any accrued but unpaid dividends upon the liquidation of the Company.

COMMON STOCK:

Between July 1, 2007 and March 31, 2008, the Company issued an aggregate of 4,438,333 shares of its restricted common stock for \$670,625 cash. The shares were sold for \$0.15 per share (based upon an approximate 55% discount from the closing market price at the time of sale, ranging from \$0.39-\$0.40 per share on the dates of the transactions).

During April 2008, the Company issued an aggregate of 1,380,000 shares of its restricted common stock for \$207,000 cash. The shares were sold for \$0.15 per share (based upon an approximate 55% discount from the closing market price at the time of sale, ranging from \$0.22 - \$0.24 per share on the dates of the transactions).

STOCK OPTIONS:

The Company has two stock option plans which permit the grant of shares to attract, retain and motivate employees, directors and consultants of up to 2,863,000 shares of common stock. Options are generally granted with an exercise price equal to the Company's market price of its common stock on the date of the grant and with vesting rates, as determined by the Board of Directors. All options outstanding at July 1, 2007 and March 31, 2008 are fully-vested and exercisable. The aggregate intrinsic value of outstanding fully-vested options as of March 31, 2008 was approximately \$155.

Edgar Filing: Vyta Corp - Form 10QSB

The Company did not grant any options during the nine months ended March 31, 2008. During the nine months ended March 31, 2007, the Company granted 2,050,000 stock options to an officer, directors and an employee at an exercise price of \$0.32 per share. The fair value of stock options at the date of grant was \$625,250 and was recorded as compensation expense. The Company used the following assumptions to determine the fair value of stock option grants during the nine months ended March 31, 2007:

| | |
|----------------|-------|
| Expected life | 5 |
| | years |
| Volatility | 172% |
| Risk-free | 4.94% |
| interest rate | |
| Dividend yield | 0 |

F-10

Table of Contents

VYTA CORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Nine Months Ended March 31, 2008 and 2007

(Unaudited)

A summary of the stock option activity for the nine months ended March 31, 2008 is as follows:

| | Shares Under Option | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life |
|-------------------------------|---------------------------|--|---|
| Outstanding at July 1, 2007 | 2,748,127 | \$ 3.00 | 3.89 years |
| Granted | - | - | - |
| Exercised | - | - | - |
| Expired | (105,000) | (6.50) | - |
| Outstanding at March 31, 2008 | 2,643,127 | \$ 3.00 | 3.10 years |
| Exercisable at March 31, 2008 | 2,643,127 | \$ 3.00 | 3.10 years |

6. COMMITMENTS AND CONTINGENCIES

LITIGATION:

Financing Agreement Suit, U. S. District Court Case:

In connection with a financing obtained in October 2000, the Company filed various actions in the United States District Court for the District of Colorado against, among others, Harvest Court, LLC, Southridge Capital Investments, LLC, Daniel Pickett, Patricia Singer and Thomson Kernaghan, Ltd. for violations of federal and state securities laws, conspiracy, aiding and abetting and common law fraud among other claims. As a result of various procedural rulings, in January 2002, the United States District Court for the District of Colorado transferred the case to the United States District Court for the Southern District of New York, New York City, New York.

In this litigation, Harvest Court, LLC filed counterclaims against the Company and certain officers and former board members of the Company, and a number of unrelated third parties. The counterclaims allege violations of federal securities laws and other laws. Harvest Court, LLC is seeking various forms of relief including compensatory and punitive damages.

On January 28, 2008, United States District Court for the Southern District of New York, New York City, New York issued an opinion regarding motions for summary judgment filed by both parties involved in the law suit. The Court granted Harvest Court's motion for summary judgment and denied the motions for summary judgment filed by certain officers of the Company in respect to certain counts and granted the motion for summary judgment in respect to another count.

At this time, the Company and its attorneys are reviewing the opinion, considering its options, and most likely, planning an appeal. The effect of this ruling had no immediate financial impact on the Company; however, it is possible that the ultimate outcome of this matter could result in a material adverse impact on the Company's financial position, results of operations and/or cash flows.

Table of Contents

VYTA CORP AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

Nine Months Ended March 31, 2008 and 2007

(Unaudited)

Financing Agreement Suit, State Court Case:

In May 2001, Harvest Court, LLC filed suit against the Company in the Supreme Court of the State of New York, County of New York. The suit alleges that the Company breached an October 20, 2000 Stock Purchase Agreement, by not issuing 370,945 free trading shares of the Company's common stock in connection with the reset provisions of the Purchase Agreement due on the second reset date and approximately 225,012 shares due in connection with the third reset date. Harvest Court, LLC is seeking the delivery of such shares or damages in the alternative. In August 2001, the Supreme Court of the State of New York, County of New York issued a preliminary injunction ordering the Company to reserve and not transfer the shares allegedly due to Harvest Court, LLC. The Company has filed counterclaims seeking various forms of relief against Harvest Court, LLC.

The Company intends to vigorously prosecute this case and does not believe the outcome of this case will have a material adverse effect on the financial condition, results of operations or liquidity of the Company. However, it is too early at this time to determine the ultimate outcome of this case.

F-12

Table of Contents

Item 2. Management's Discussion and Analysis

Certain statements contained in this Form 10-QSB contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and involve risks and uncertainties that could cause actual results to differ materially from the results, financial or otherwise, or other expectations described in such forward-looking statements. Any forward-looking statement or statements speak only as of the date on which such statements were made, and the Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statements are made or reflect the occurrence of unanticipated events. Therefore, forward-looking statements should not be relied upon as prediction of actual future results.

The independent registered public accounting firm's report on the Company's consolidated financial statements as of June 30, 2007, and for each of the years in the two-year period then ended, includes a "going concern" explanatory paragraph, that describes substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to the factors prompting the explanatory paragraph are discussed below and also in Note 1 to the unaudited quarterly financial statements.

Plan of Operations

At March 31, 2008, we had cash, on hand, of \$6,431. We intend to use our cash funds to continue to support operations. We intend to continue to develop the business opportunity presented by our equity investee, BioAgra and the AgriStim product. The development of the business opportunity includes continued marketing efforts and product testing over the next twelve months.

In the continuance of our business operations we do not intend to purchase or sell any significant assets, and we do not expect a significant change in the number of employees of the Company.

We are dependent on raising additional equity and/or debt to fund any negotiated settlements with our outstanding creditors and meet our ongoing operating expenses. There is no assurance that we will be able to raise the necessary equity and/or debt that we will need to be able to negotiate acceptable settlements with our outstanding creditors or fund our ongoing operating expenses. We cannot make any assurances that we will be able to raise funds through such activities.

Results of Operations

During the nine months ended March 31, 2008 and 2007, we did not have any revenues from operations.

General and administrative expenses during the nine months ended March 31, 2008 were \$510,901 compared to \$1,425,825 for the nine months ended March 31, 2007 (\$188,633 and \$879,058 for the three months ended March 31, 2008 and 2007, respectively). The decrease of \$914,924 is mainly attributable to a decrease of \$350,483 in consulting expenses, a \$13,125 decrease in payroll expenses and a \$625,250 decrease in other stock based compensation.

During the nine months ended March 31, 2008, we recognized a net loss of \$1,388,460 compared to a net loss of \$2,347,522 during the nine months ended March 31, 2007 (\$562,842 and \$1,260,626 during the three months ended March 31, 2008 and 2007, respectively). The \$959,062 decrease is primarily a result of the \$164,234 gain on the sale of the investment in EPT and the \$914,924 decrease in general and administrative expenses, discussed above, and offset by the \$120,091 increase in equity losses of unconsolidated investees.

We recorded a net loss applicable to common shareholders of \$1,416,713 during the nine months ended March 31, 2008 compared to \$2,350,622 during the nine months ended March 31, 2007 (\$572,191 and \$1,263,726 for the three

months ended March 31, 2008 and 2007, respectively). The decrease of \$933,909 was a result of the decrease in general and administrative expenses of \$914,924 and the gain on the sale of the investment in EPT of \$164,234, offset by the \$25,153 increase in the accumulated dividends recognized in connection with the outstanding Series A Preferred Stock.

1

Table of Contents

Liquidity and Financial Condition

Net cash used in operating activities during the nine months ended March 31, 2008 was \$518,881, compared to net cash used in operating activities during the nine months ended March 31, 2007 of \$428,096. During the nine months ended March 31, 2008, the net cash used represented a net loss of \$1,338,460, adjusted for certain non-cash items consisting of depreciation expense of \$3,459, equity in losses of unconsolidated investees of \$1,041,806, and a gain on the sale of our investment in unconsolidated investee (EPT) of \$164,234.

During the nine months ended March 31, 2007, the net cash used represented a net loss of \$2,347,522, adjusted for certain non-cash items consisting of the amortization and depreciation expense of \$353,109, equity in losses of unconsolidated investees of \$921,715 and options issued for compensation of \$625,250.

During the nine months ended March 31, 2008, we raised \$670,625 cash through the sale of 4,438,338 shares of restricted common stock.

During the nine months ended March 31, 2007, we received \$651,900 cash, which was a prepayment on a series of preferred stock, which was issued in March 2007.

During the year ended June 30, 2006, the Company loaned \$1,686,570 to BioAgra through a series of secured, 7.5% promissory notes, which were due over the period from June 30 through October 31, 2006. On June 26, 2006, the Company agreed to combine all of the promissory notes and accrued interest of \$40,257 into a \$1,726,827 secured, 7.5% promissory note with payments to be made monthly starting October 31, 2006, through October 31, 2007. The funds were loaned to facilitate BioAgra's completion of its first production line and to support operations. The promissory note is collateralized by all BioAgra assets. Additionally, the promissory note is to be paid in full prior to any distributions being made to the members of the joint venture. During the year ended June 30, 2007, the note was reduced by \$1,478,584, which represents the excess of the BioAgra losses recognized by the Company over the adjusted basis of the Company's equity investment in BioAgra remaining at June 30, 2007.

During the year ended June 30, 2007, the Company advanced an additional \$1,182,784 to BioAgra. In October 2007, the Company executed a second, 7.5% promissory note for \$1,182,784 with BioAgra with the same terms as the note above, but the note did not provide for scheduled payments. The Company has classified these notes receivable as non-current assets on the balance sheet and is not accruing interest on these notes receivable, as they are currently in default and non-performing.

During the nine months ended March 31, 2008, the Company advanced an additional \$750,074 to BioAgra at 7.5% interest. In October 2007, the Company executed a second, 7.5% promissory note for \$1,182,784 with BioAgra with the same terms as the note above, but the note did not provide for scheduled payments. On March 31, 2008, the Company executed a third, 7.5% promissory note for \$486,939 with BioAgra with the same terms as the note above, but did not provide for scheduled payments. The Company has classified these notes receivable as non-current assets on the balance sheet and is not accruing interest on these notes receivable, as they are currently in default and non-performing.

During the fourth quarter of the year ended June 30, 2007, the Company made a decision to impair the value of the note receivable. This decision was based on factors including the Company's evaluation of past and current operating results, failure of BioAgra to make scheduled payments and the Company's continuing support of the operational efforts of BioAgra. The Company also considered the fair value of BioAgra's assets and liabilities in making the decision. As a result of this decision, the Company recorded an impairment charge of \$1,198,000 in the fourth quarter ended June 30, 2007.

Edgar Filing: Vyta Corp - Form 10QSB

On December 27, 2007, the Company executed a Share Purchase Agreement with TagStar, GmbH, the holder of the 51% equity interest in EPT to sell the Company's 49% equity interest to TagStar for cash of \$250,000. The Company received the funds on January 2, 2008. At December 27, 2007, the Company's investment in EPT was \$217,649. The Company recorded a gain of \$164,234 on the sale (which includes a \$131,883 reduction to other comprehensive income related to the EPT cumulative translation adjustment) of EPT.

2

Table of Contents

During the 2008 fiscal year, we intend to continue our efforts to aid BioAgra with the continuing development of its sales, nationally and internationally in other animal feed markets, such as the equine and the swine markets. In addition, in January 2007, we signed a six-month technology agreement to permit a prospective licensee the opportunity to conduct a market survey relating to its NCOS™ technology. The agreement was not renewed. However, we believe that if the market survey is favorable the technology agreement may mature into a royalty paying commercial license the terms and conditions of which are under negotiation with the perspective licensee.

To the extent our operations are not sufficient to fund our capital requirements; we may enter into a revolving loan agreement with financial institutions or attempt to raise capital through the sale of additional capital stock or through the issuance of debt. At the present time we do not have a revolving loan agreement with any financial institution nor can we provide any assurance that we will be able to enter into any such agreement in the future or be able to raise funds through the further issuance of debt or equity.

Recently Issued Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement No. 109, (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return that results in a tax benefit. Additionally, FIN 48 provides guidance on de-recognition, income statement classification of interest and penalties, accounting in interim periods, disclosure, and transition. We adopted this statement effective for our fiscal year beginning July 1 2007. We have described the impact of adopting FIN 48 in our condensed consolidated financial statements in Note 1, Recently Issued Accounting Pronouncements.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations, (“SFAS”) No. 141R. SFAS No. 141R will change the accounting for business combinations. Under SFAS No. 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141R will change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141R applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Accordingly, any business combinations we engage in will be recorded and disclosed following existing GAAP until July 1, 2009. The Company expects SFAS No. 141R will have an impact on accounting for business combinations once adopted, but the effect is dependent upon acquisitions at that time.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51, or SFAS No. 160. SFAS No. 160 establishes new accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company believes that SFAS 160 will not have a material impact on the Company’s financial position or results of operations.

In March 2008, the FASB issued SFAS No. 161 Disclosures about Derivative Instruments and Hedging Activities. SFAS No. 161 requires additional disclosure related to derivatives instruments and hedging activities. The provisions of SFAS No. 161 are effective as of July 1, 2009 and the Company is currently evaluating the impact of adoption.

Item 3. CONTROLS AND PROCEDURES

We have adopted and maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods required under the SEC’s rules and forms and that the information is gathered and communicated to our management, including our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as appropriate, to allow for timely decisions regarding required disclosure.

3

Table of Contents

As required by SEC Rule 15d-15(b), we carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 15d-14 as of the end of the period covered by this report. Based on the foregoing evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC filings and to ensure that information required to be disclosed in our periodic SEC filings is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There was a change in our internal control over financial reporting that occurred during the fiscal quarter ended March 31, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting as a result of the material weakness in our internal control over financial reporting identified in our 2007 audit and disclosed in our annual report on Form 10-KSB for the fiscal year ended June 30, 2007 and our quarterly reports on Form 10-QSB/A-1 for the fiscal quarters ended September 30, 2007 and December 31, 2007.

The material weakness first identified in our annual report on Form 10-KSB for the fiscal year ended June 30, 2007 was related to a lack of accounting staff responsible for the authorization, processing, approval and reporting of transactions as well as the overall financial reporting process.

During the fiscal quarter ended March 31, 2008, we continued to contract for the services of our former Chief Financial Officer to assist in preparing our financial statements and our periodic filings with the Securities and Exchange Commission and the services of a Certified Public Accountant to assist in the preparation of the financial statements and to maintain the books and records of BioAgra. We also continued our search for a permanent Chief Financial Officer. We incurred approximately \$4,500 during the March 31, 2008 quarter in remediation costs. While the aggregate costs of remediation are unknown at this time, we expect that the costs may exceed \$300,000, which would include the interim measures described above and the hiring of a new Chief Financial Officer. We anticipate hiring a Chief Financial Officer by December 31, 2008. However, we can provide no assurance that a qualified person can be located and hired by such time to serve as our Chief Financial Officer. Until such time as a Chief Financial Officer is hired, we intend to continue to utilize consultants to assist in the preparation of our financial statements and our periodic reports.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

NONE.

Table of Contents

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

The Company made the following unregistered sales of its securities from January 1, 2008 to March 31, 2008.

| DATE OF SALE | TITLE OF SECURITIES | NO. OF SHARES | CONSIDERATION | CLASS OF PURCHASER |
|--------------|---------------------|---------------|---------------|--------------------|
| 2/12/08 | Common Stock | 125,000 | \$ 23,625 | Affiliate |
| 3/11/08 | Common Stock | 300,000 | \$ 45,000 | Affiliate |
| 3/14/08 | Common Stock | 150,000 | \$ 22,500 | Affiliate |

Exemption From Registration Claimed

All of the sales by the Company of its unregistered securities were made by the Company in reliance upon Section 4(2) of the Act. The affiliate listed above that purchased the unregistered securities was known to the Company and its management, through pre-existing business relationships. The purchaser was provided access to all material information, which they requested, and all information necessary to verify such information and was afforded access to management of the Company in connection with the purchases. The purchaser of the unregistered securities acquired such securities for investment and not with a view toward distribution, acknowledging such intent to the Company. All certificates or agreements representing such securities that were issued contained restrictive legends, prohibiting further transfer of the certificates or agreements representing such securities, without such securities either being first registered or otherwise exempt from registration in any further resale or disposition.

Item 3. Defaults Upon Senior Securities – None.

Item 4. Submission of Matters to a Vote of Security Holders – None.

Item 5. Other Information – None.

Item 6. Exhibits

Exhibits. The following is a complete list of exhibits filed as part of this Form 10-QSB. Exhibit numbers correspond to the numbers in the Exhibit Table of Item 601 of Regulation S-K.

Exhibit 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act

Exhibit 32.1 Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act

Table of Contents

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VYTA CORP
(Registrant)

Date: May 20, 2008

/s/ Paul H. Metzinger
Paul H. Metzinger,
President & CEO & Principal Accounting
Officer
(Principle Executive Officer)