

Edgar Filing: Vyta Corp - Form 10QSB

Vyta Corp  
Form 10QSB  
May 22, 2006

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, 2006

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 small business issuer as specified in its charter)

Nevada  
-----

84-0992908  
-----

(State or other jurisdiction of  
incorporation or organization)

(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

NanoPierce Technologies, Inc.

(Former name, former address or former fiscal year, if changed since last  
report)

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 X No  
--- ---

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

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, 2006 there were 22,493,512 shares of the registrant's sole class  
of common shares outstanding.

Transitional Small Business Disclosure Format Yes No X  
--- ---

# Edgar Filing: Vyta Corp - Form 10QSB

## PART I - FINANCIAL INFORMATION

Item		Page
Item 1.	Financial Statements (Unaudited)	----
	Report of Independent Registered Public Accounting Firm	F-1
	Condensed Consolidated Balance Sheet -March 31, 2006	F-2
	Condensed Consolidated Statements of Operations - Three and Nine months ended March 31, 2006 and 2005	F-3
	Condensed Consolidated Statements of Comprehensive Loss - Three and Nine months ended March 31, 2006 and 2005	F-4
	Condensed Consolidated Statement of Changes in Shareholders' Equity -Nine months ended March 31, 2006	F-5
	Condensed Consolidated Statements of Cash Flows - Nine months ended March 31, 2006 and 2005	F-7
	Notes to Condensed Consolidated Financial Statements	F-9
Item 2.	Management's Discussion and Analysis	1
Item 3.	Controls and Procedures	4
PART II - OTHER INFORMATION		
Item 1.	Legal Proceedings	
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	6
Item 3.	Defaults Upon Senior Securities - Not Applicable	
Item 4.	Submission of Matters to a Vote of Security Holders - Not Applicable	
Item 5.	Other Information - Not Applicable	
Item 6.	Exhibits	8
SIGNATURES		9

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
-----

Board of Directors  
Vyta Corp

## Edgar Filing: Vyta Corp - Form 10QSB

We have reviewed the accompanying condensed consolidated balance sheet of Vyta Corp (formerly known as NanoPierce Technologies, Inc.) and subsidiaries as of March 31, 2006, the related condensed consolidated statements of operations and comprehensive loss for the three-month and nine-month periods ended March 31, 2006 and 2005, the condensed consolidated statements of cash flows for the nine-month periods ended March 31, 2006 and 2005, and the condensed consolidated statement of changes in shareholders' equity for the nine-month period ended March 31, 2006. These interim condensed consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ GHP HORWATH, P.C.

Denver, Colorado  
May 16, 2006

F-1

VYTA CORP AND SUBSIDIARIES  
(FORMERLY KNOWN AS NANOPIERCE TECHNOLOGIES, INC.)  
Condensed Consolidated Balance Sheet  
March 31, 2006  
(Unaudited)

Assets  
-----

Current assets:

Cash and cash equivalents	\$ 125,741
Interest and other receivables	1,586
Prepaid expenses	39,368
Note receivable, related party (Note 2)	1,005,078
	-----
Total current assets	1,171,773
	-----

Property and equipment:

Office equipment and furniture	66,357
Less accumulated depreciation	(54,793)
	-----
	11,564
	-----

Other assets:

Edgar Filing: Vyta Corp - Form 10QSB

Interest receivable	13,844
Deposits and other	19,330
Notes receivable, affiliate (Note 2)	875,000
Investments in affiliates (Note 3)	1,229,746
	-----
	2,149,484
	-----
 Total assets	 \$ 3,321,257
	=====
 Liabilities and Shareholders' Equity	
-----	
Current liabilities:	
Accounts payable	\$ 161,032
Accrued liabilities	10,427
	-----
Total liabilities (all current)	171,459
	-----
 Commitments and contingencies (Notes 4, 5 and 8)	
 Shareholders' equity (Note 7):	
Preferred stock; \$0.0001 par value; 5,000,000 shares authorized; none issued and outstanding	
Common stock; \$0.0001 par value; 200,000,000 shares authorized; 22,493,512 shares issued and outstanding	2,250
Additional paid-in capital	28,015,896
Accumulated other comprehensive income	123,228
Accumulated deficit	(24,991,576)
	-----
Total shareholders' equity	3,149,798
	-----
 Total liabilities and shareholders' equity	 \$ 3,321,257
	=====

See notes to condensed consolidated financial statements.

F-2

VYTA CORP AND SUBSIDIARIES  
(FORMERLY KNOWN AS NANOPIERCE TECHNOLOGIES, INC.)  
Condensed Consolidated Statements of Operations  
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Revenues	\$ -	-	-	-
	-----	-----	-----	-----
General and administrative expense	(250,519)	(213,036)	(691,546)	(604,296)
	-----	-----	-----	-----

Edgar Filing: Vyta Corp - Form 10QSB

Loss from operations	(250,519)	(213,036)	(691,546)	(604,296)
-----				
Other income (expense):				
Other income	-	30	28,585	10,538
Interest income, related party	31,895	5,720	40,245	11,907
Equity losses of affiliates (Note 3)	(40,242)	(64,918)	(429,896)	(114,215)
Loss on revaluation of derivative warrant liability (Note 5)	(70,137)	-	(74,295)	-
Interest expense	-	-	(235,131)	-
Interest expense, related party	-	-	(219)	-
	(78,484)	(59,168)	(670,711)	(91,770)
-----				
Net loss	(329,003)	(272,204)	(1,362,257)	(696,066)
-----				
Beneficial conversion feature (Note 1)	(1,500,000)	-	(1,500,000)	-
-----				
Net loss applicable to common shareholders	\$ (1,829,003)	(272,204)	(2,862,257)	(696,066)
=====				
Net loss per share, basic and diluted (Note 1)	\$ (0.11)	(0.06)	(0.29)	(0.15)
=====				
Weighted average number of common shares outstanding (Note 1)	16,972,602	4,562,952	9,818,450	4,537,697
=====				

See notes to condensed consolidated financial statements.

F-3

VYTA CORP AND SUBSIDIARIES  
(FORMERLY KNOWN AS NANOPIERCE TECHNOLOGIES, INC.)  
Condensed Consolidated Statements of Comprehensive Loss  
(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Net loss	\$ (329,003)	(272,204)	(1,362,257)	(696,066)
Change in unrealized loss on securities	(371)	(72)	(385)	(367)
-----				
Comprehensive loss	\$ (329,374)	(272,276)	(1,362,642)	(696,433)
=====				

## Edgar Filing: Vyta Corp - Form 10QSB

See notes to condensed consolidated financial statements.

F-4

VYTA CORP AND SUBSIDIARIES  
 (FORMERLY KNOWN AS NANOPIERCE TECHNOLOGIES, INC.)  
 Condensed Consolidated Statement of Changes in Shareholders' Equity  
 Nine Months Ended March 31, 2006  
 (Unaudited)

	Preferred stock		Common stock		Additional paid-in capital	Accumulated o comprehensi income
	Shares	Amount	Shares	Amount		
Balances, July 1, 2005 (Note 1)	-	-	4,663,045	\$ 466	24,059,377	122,
Common stock issued upon exercise of warrants, net of offering costs (Notes 6 and 7)	-	-	1,535,000	154	734,846	
Forgiveness of offering cost liability (Note 6)	-	-	-	-	800,000	
Common stock issued upon issuance of notes payable (Notes 4 and 7)	-	-	455,000	46	117,840	
Common stock and warrants issued for cash (Notes 5 and 7)	-	-	790,467	79	453,067	
Common stock issued as payment of commission	-	-	50,000	5	89,995	
Series A preferred stock issued for cash and note receivable	200,000	1,500,000	-	-	-	
Common stock issued upon conversion of Series A preferred stock	(200,000)	(1,500,000)	15,000,000	1,500	1,498,500	
Reclassification of derivative warrant liability to equity (Note 5)	-	-	-	-	253,521	
Forgiveness of accrued payroll owed to officer /shareholder	-	-	-	-	8,750	
Net loss	-	-	-	-	-	

Edgar Filing: Vyta Corp - Form 10QSB

(continued)

F-5

VYTA CORP AND SUBSIDIARIES  
(FORMERLY KNOWN AS NANOPIERCE TECHNOLOGIES, INC.)  
Condensed Consolidated Statement of Changes in Shareholders' Equity  
Nine Months Ended March 31, 2006  
(Unaudited)  
(Continued)

	Preferred stock		Common stock		Additional paid-in capital	Accumulated other comprehensive income
	Shares	Amount	Shares	Amount		
Other comprehensive loss:						
Change in unrealized gain on securities	-	-	-	-	-	385
Balances, March 31, 2006	-	-	22,493,512	\$ 2,250	28,015,896	123,228

See notes to condensed consolidated financial statements.

F-6

VYTA CORP AND SUBSIDIARIES  
(FORMERLY KNOWN AS NANOPIERCE TECHNOLOGIES, INC.)  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)

	Nine Months Ended March 31,	
	2006	2005
Cash flows from operating activities:		
Net loss	\$ (1,362,257)	(696,066)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization expense	67,561	-
Depreciation expense	4,281	5,441
Equity losses of affiliates	429,896	114,215
Amortization of discounts on notes payable	213,760	-
Provision for losses on note receivable	-	35,000
Loss on revaluation of derivative warrant liability (Note 5)	74,295	-
Changes in operating assets and liabilities:		
Increase in interest and other receivables	(11,607)	(3,359)

Edgar Filing: Vyta Corp - Form 10QSB

(Increase) decrease in prepaid expenses	(15,623)	40,968
(Decrease) increase in accounts payable and accrued liabilities	(52,473)	50,607
Total adjustments	710,090	242,872
Net cash used in operating activities	(652,167)	(453,194)
Cash flows from investing activities:		
Increase in notes receivable	(875,000)	(349,000)
Increase in advances receivable	-	(225,000)
Payment on note receivable	275,442	-
Investment in joint venture (Note 3)	(500,000)	-
Net cash used in investing activities	(1,099,558)	(574,000)
Cash flows from financing activities:		
Exercise of warrants and common stock and warrants issued for cash	2,167,372	112,801
Proceeds from preferred stock purchase (Note 6)	494,922	-
Payment of notes payable	(960,663)	(61,400)
Proceeds from issuance of notes payable and common stock	150,000	-
Net cash provided by financing activities	1,851,631	51,401
Net increase (decrease) in cash and cash equivalents	99,906	(975,793)
Cash and cash equivalents, beginning	25,835	1,018,408
Cash and cash equivalents, ending	\$ 125,741	42,615

(Continued)

F-7

VYTA CORP AND SUBSIDIARIES  
(FORMERLY KNOWN AS NANOPIERCE TECHNOLOGIES, INC.)  
Condensed Consolidated Statements of Cash Flows  
(Unaudited)  
Continued

	Nine Months Ended March 31,	
	2006	2005
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 23,569	-
Supplemental disclosure of non-cash investing and financing activities:		



## Edgar Filing: Vyta Corp - Form 10QSB

Issuance of Series A Preferred Stock in exchange for note receivable	\$ 1,100,000	-
	=====	=====
Beneficial conversion feature	\$ 1,500,000	-
	=====	=====
Reclassification of derivative warrant liability to equity	\$ 253,521	-
	=====	=====
Issuance of common stock in connection with notes payable	\$ 117,886	-
	=====	=====
Issuance of common stock in exchange for accrued commissions	\$ 90,000	-
	=====	=====
Advances receivable applied to equity investment	\$ 405,000	-
	=====	=====
Equity investment acquired in exchange for note payable	\$ 595,000	-
	=====	=====
Liability recorded for offering costs of common stock issuance	\$ 800,000	-
	=====	=====
Forgiveness of offering costs owed in connection with common stock issuance	\$ (800,000)	-
	=====	=====
Forgiveness of accrued payroll owed to officer/shareholder	\$ 8,750	-
	=====	=====

See notes to condensed consolidated financial statements.

F-8

VYTA CORP AND SUBSIDIARIES  
 (Formerly Known as NanoPierce Technologies, Inc.)  
 Notes to the Condensed Consolidated Financial Statements  
 Nine Months Ended March 31, 2006 and 2005  
 (Unaudited)

1. BUSINESS, ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

PRESENTATION OF INTERIM INFORMATION:

The accompanying condensed consolidated financial statements include the accounts of NanoPierce Technologies, Inc., a Nevada corporation, which on January 31, 2006 changed its name to Vyta Corp (the Company), its wholly-owned subsidiaries, NanoPierce Connection Systems, Inc., a Nevada corporation (NCOS), and ExypnoTech, LLC (ET LLC), a Colorado limited liability company, which was formed in June 2004. All significant intercompany accounts and transactions have been eliminated in consolidation.

On January 19, 2006, the Company's Board of Directors (the "Board") approved an amendment to the Company's Articles of Incorporation to effect a one-for-twenty reverse stock split effective January 31, 2006. All references to shares, options, and warrants in the three and nine months ended March 31, 2005 and in prior periods, have been adjusted to reflect the post-reverse split amounts. The Company's common stock now trades on the Over-the-Counter Bulletin Board under the trading symbol "VYTC".

As a result of the reverse split, the Company's authorized capital was reduced from 200,000,000 shares to 10,000,000 shares. As part of the reverse split, the Company amended and restated its Articles of Incorporation to increase the

## Edgar Filing: Vyta Corp - Form 10QSB

authorized capital of the Company to 200,000,000 shares.

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, 2005. It is the Company's opinion that when the interim financial statements are read in conjunction with the June 30, 2005 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.

F-9

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

### MANAGEMENT'S PLANS:

In the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2005, 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 and three months ended March 31, 2006 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 \$1,362,257 and a net loss applicable to common shareholders of \$2,862,257 for the nine months ended March 31, 2006, and an accumulated deficit of \$24,991,576 as of March 31, 2006. The Company has not recognized any revenues from its business operations.

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.

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.

### RECENT EVENTS:

In August 2005, the Company was able to raise \$1,535,000 through the exercise of 1,535,000 warrants with an exercise price of \$1.00 per share. The Company used \$1,095,000 of the funds to complete its purchase of a 50% equity investment in a joint venture, BioAgra, LLC, a Georgia limited liability company ("BioAgra") (Note 3), and the Company used approximately \$366,000 to pay outstanding notes payable (Note 4). The remaining \$75,000 was used to support operations.

In September 2005, the Company executed a subscription agreement with Arizcan Properties, Ltd. ("Arizcan") to sell shares of the Company's preferred stock. The sole director of Arizcan is related to a board member and officer of

## Edgar Filing: Vyta Corp - Form 10QSB

Intercell International Corporation ("Intercell"), in which the Company has a nominal interest. Ms. Kampmann, the Company's Chief Financial Officer, has served as the Chief Financial Officer of Intercell since October 2003 and Mr. Metzinger, the Company's Chief Executive Officer, served as the Chief Executive Officer of Intercell from September 2004 until March 2005.

F-10

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

The subscription agreement provided for the sale of 200,000 shares of Class A 8% cumulative and participating preferred shares for \$7.50 per share. In January 2006, Arizcan purchased 200,000 shares of the Company's Series A Convertible Preferred Stock ("Preferred Stock") for \$400,000 cash and an unsecured promissory note for \$1,100,000. The promissory note bears interest at 8% per annum and is due in January 2007. In February 2006, Arizcan converted the 200,000 shares of preferred stock into 15,000,000 shares of the Company's restricted common stock. Upon the conversion, Arizcan held approximately 67% of the issued and outstanding common stock of the Company. The conversion feature was deemed beneficial and accordingly resulted in a beneficial conversion feature of \$1,500,000. The intrinsic value of the beneficial conversion feature is limited to the total amount of the proceeds received. As a result of the beneficial conversion feature, net loss applicable to common shareholders was increased by \$1,500,000 during the three and nine months ended March 31, 2006. Through May 2006, Arizcan paid the Company cash of \$1,100,000 to repay the note in full. Since the note was paid in full prior to the issuance of the March 31, 2006 financial statements, the note receivable has been presented as an asset at March 31, 2006.

#### DEFERRED CONSULTING COSTS:

In June 2005, the Company entered into a twelve-month consulting services agreement with a third party, in which this party agreed to provide public and investor relation services and general business services for the twelve-month term of the agreement. Compensation consisted of 50,000 shares of the Company's restricted common stock with a market value of approximately \$90,000 (based on the closing market price of \$1.80 per share at the date of the transaction). The deferred cost is being amortized on a straight-line basis over the twelve-month period from the date of the agreement. During the nine months ended March 31, 2006, \$67,561 was expensed.

#### LOSS PER SHARE:

Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share, requires dual presentation of basic and diluted earnings or loss per share (EPS) with a reconciliation of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Loss per share of common stock is computed based on the weighted average number of common shares outstanding during the period. Stock options and warrants are not considered in the calculation, as the impact of the potential common shares (6,029,468 shares at March 31, 2006 and 3,809,094 shares at March 31, 2005) would be to decrease loss per share. Therefore, diluted loss per share is equivalent to basic loss per share.

# Edgar Filing: Vyta Corp - Form 10QSB

F-11

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

ACCOUNTING FOR OBLIGATIONS AND INSTRUMENTS POTENTIALLY SETTLED IN THE COMPANY'S COMMON STOCK:

The Company accounts for obligations and instruments potentially to be settled in the Company's stock in accordance with EITF Issue No. 00-19, ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS INDEXED TO, AND POTENTIALLY SETTLED IN A COMPANY'S OWN STOCK. This issue addresses the initial balance sheet classification and measurement of contracts that are indexed to, and potentially settled in, the Company's stock.

Under EITF 00-19, contracts are initially classified as equity or as either assets or liabilities, depending on the situation. All contracts are initially measured at fair value and subsequently accounted for based on the then current classification. Contracts initially classified as equity do not recognize subsequent changes in fair value as long as the contracts continue to be classified as equity. For contracts classified as assets or liabilities, the Company reports changes in fair value in earnings and discloses these changes in the financial statements as long as the contracts remain classified as assets or liabilities. If contracts classified as assets or liabilities are ultimately settled in shares, any previously reported gains or losses on those contracts continue to be included in earnings. The classification of a contract is reassessed at each balance sheet date.

STOCK-BASED COMPENSATION:

SFAS No. 123, Accounting for Stock Based Compensation, allows companies to choose whether to account for employee stock-based compensation on a fair value method, or to continue accounting for such compensation under the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25). The Company has chosen to continue to account for employee stock-based compensation using APB 25.

No options were granted to employees during the nine months ended March 31, 2006 or 2005.

RECENTLY ISSUED ACCOUNTING STANDARD:

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), Share-Based Payment, which addresses the accounting for share-based payment transactions. SFAS No. 123(R) eliminates the ability to account for share-based compensation transactions using APB 25, and generally requires instead that such transactions be accounted and recognized in the statement of operations based on their fair value. SFAS No. 123(R) will be effective for the Company beginning on July 1, 2006. Management is currently evaluating the provisions of this standard. Depending upon the number of and terms of options that may be granted in future periods, the implementation of this standard could have a significant impact on the Company's financial position and results of operations in future periods.

F-12

VYTA CORP AND SUBSIDIARIES

## Edgar Filing: Vyta Corp - Form 10QSB

(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

### 2. NOTES AND ADVANCES RECEIVABLE:

In January 2006, the Company sold 200,000 shares of Class A 8% cumulative and participating preferred shares for \$400,000 cash and an unsecured promissory note for \$1,100,000 to Arizcan. The promissory note has a due date of January 17, 2007 and a 8% annual interest rate. During the three months ended March 31, 2006, the Company received payments totaling \$110,000, which included interest of \$11,729. On March 31, 2006, the note had an outstanding balance of \$1,005,298, of which \$220 was accrued interest. During April and May 2006, the Company received payments totaling \$1,010,097, of which \$5,019 was accrued interest. The note was paid in full in May 2006.

During the nine months ended March 31, 2006, the Company loaned \$875,000 to BioAgra (Note 3). In exchange for the loans, the Company received secured, 7.5% promissory notes, of which \$700,000 are due on June 30, 2006 and \$175,000 are due on August 31, 2006. The funds were loaned to facilitate BioAgra's completion of its first production line and the purchase of inventory for production. The promissory notes are collateralized by all equipment, furnishings, present and future accounts, collateral securing such accounts, tangible and intangible personal property and any proceeds from any of the foregoing located on BioAgra's premises. Additionally, the promissory notes are to be paid in full prior to any disbursements being made to the members of the joint venture. During April 2006, the Company loaned an additional \$600,000 to BioAgra with the same terms as the original promissory notes, which is due on October 31, 2006. During May 2006, the Company loaned BioAgra an additional \$186,570, with the same terms as the original promissory notes, which is due on October 31, 2007.

In November 2004, the Company loaned \$314,000 to Arizcan. In exchange for the loan, the Company received an unsecured, 7% promissory note, which was due on October 31, 2005. The funds were loaned to facilitate Arizcan's purchase of an option from certain of the Company's warrant holders, to initiate the exercise of certain existing warrants to purchase up to 785,000 shares of the Company's common stock (Note 6). In June 2005, the Company received a payment of \$50,000, which included interest of \$11,442. In December 2005, the Company received a payment of \$100,000, which included interest of \$10,881. In February 2006, the Company received payments totaling \$188,718, which included interest of \$2,395. The note was paid in full at that time.

In October and November 2004, the Company advanced a total of \$150,000 to Xact Resources International, Inc. ("Xact Resources"), which was applied to the purchase of a 50% equity interest in BioAgra on August 15, 2005 (Note 3).

In December 2004, the Company loaned \$35,000 to Intercell in return for an unsecured, 7% promissory note, due in December 2005. The loan was made in order to assist Intercell in its efforts to support operations. During the fiscal year ended June 30, 2005, the Company deemed the debt uncollectible and created an allowance for the receivable of \$35,000.

F-13

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

## Edgar Filing: Vyta Corp - Form 10QSB

### 3. INVESTMENTS IN AFFILIATES:

#### INVESTMENT IN EXYPNOTECH, GMBH:

In December 2003, TagStar Sytems, Gmbh, a German entity formed by former employees of ExypnoTech, Gmbh ("EPT"), purchased a controlling 51% equity interest in EPT in exchange for \$98,000, of which \$62,787 has been received through March 31, 2006. The Company accounts for its investment in EPT under the equity method of accounting. Under the equity method of accounting, the carrying amount of the Company's investment in EPT (\$201,954 at March 31, 2006) is adjusted to recognize the Company's proportionate share of EPT's income (loss) each period.

Unaudited financial information of EPT as of March 31, 2006, and for the nine and three-month periods ended March 31, 2006 and 2005 are as follows:

	March 31, 2006
	-----
<b>Assets:</b>	
Current assets(1)	\$ 648,944
Equipment	111,950
	-----
Total assets	\$ 760,894
	=====
<b>Liabilities and members' equity:</b>	
Current liabilities	\$ 496,649
Members' equity	264,245
	-----
Total liabilities and members' equity	\$ 760,894
	=====

(1) Current assets include receivables of \$222,246 due from the 51% owner of EPT.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2006	2005	2006	2005
	-----	-----	-----	-----
Revenues (1)	\$ 821,429	171,716	1,866,625	34,885
Expenses (2)	(638,675)	(147,112)	(1,780,275)	(246,556)
	-----	-----	-----	-----
Net income (loss)	\$ 182,754	24,604	86,350	(211,671)
	=====	=====	=====	=====

(1) Revenues include \$1,550,832 and \$9,562 of sales to the 51% owner of EPT for the nine months ended March 31, 2006 and 2005, respectively (\$505,710 and \$9,562 for the three months ended March 31, 2006 and 2005, respectively).

(2) Expenses include \$83,525 and \$19,070, respectively of charges

## Edgar Filing: Vyta Corp - Form 10QSB

paid to the 51% owner of EPT for the nine months ended March 31, 2006 and 2005, respectively (\$37,854 and \$19,070 for the three months ended March 31, 2006 and 2005, respectively).

F-14

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

EPT operations are located in Germany. EPT transactions are conducted in currencies other than the U.S. dollar, (the currency into which the subsidiaries' historical financial statements have been translated) primarily the Euro. As a result, the Company is exposed to adverse movements in foreign currency exchange rates.

In addition, the Company is subject to risks including adverse developments in the foreign political and economic environments, trade barriers, managing foreign operations and potentially adverse tax consequences. There can be no assurance that any of these factors will not have a material adverse effect on the Company's financial condition or results of operations in the future.

#### INVESTMENT IN BIOAGRA:

On August 15, 2005, the Company entered into a joint venture with Xact Resources, a privately held company. The Company purchased a 50% equity interest in the joint venture, BioAgra, for \$905,000 in cash (which includes \$405,000 previously advanced to Xact Resources as of June 30, 2005) and a note payable of \$595,000, which was paid in full on September 15, 2005. BioAgra is to manufacture and sell a beta glucan product, YBG-2000 also known as AgraStim™, to be used as a replacement for hormone growth steroids and antibiotics in products such as poultry feed.

BioAgra (a development stage company) has completed construction of a production line. BioAgra began producing and shipping product during the quarter ending June 30, 2006.

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. At March 31, 2006, the Company's investment in BioAgra is \$1,027,792.

F-15

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

Unaudited financial information of BioAgra as of March 31, 2006 and for the three month period ended March 31, 2006 and the period from August 15, 2005 through March 31, 2006, is as follows:

Edgar Filing: Vyta Corp - Form 10QSB

	March 31, 2006
	-----
Assets:	
Current assets	\$ 5,828
Equipment, net	1,791,087
Land and building under capital lease, net	1,107,531
	-----
Total assets	\$2,904,446
	=====
Liabilities and members' equity:	
Current liabilities(1)	\$1,345,617
Obligation under capital lease(2)	1,003,246
	-----
Total liabilities	2,348,863
Members' equity	555,583
	-----
Total liabilities and members' equity	\$2,904,446
	=====

(1) Includes \$875,000 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.

	Three Months Ended March 31, 2006	August 15, 2005 through March 31, 2006
	-----	-----
Revenues	\$ -	\$ -
Expenses	(259,584)	(944,416)
	-----	-----
Net loss	\$ (259,584)	\$ (944,416)
	=====	=====

INVESTMENT IN SCIMAXX SOLUTIONS, LLC:

On September 15, 2003, the Company entered into an agreement to receive a 50% interest in a joint venture agreement with Scimaxx, LLC. The name of the joint venture was Scimaxx Solutions, LLC (Scimaxx Solutions). The purpose of the joint venture was to provide the electronics industry with technical solutions to manufacturing problems based on the need for electrical connectivity.

At March 31, 2005, Scimaxx Solutions had total assets of \$70,531 of which \$76 were current assets and \$70,455 were equipment, total liabilities of \$73,295 and members' deficit of \$2,764.

F-16

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005



## Edgar Filing: Vyta Corp - Form 10QSB

(Unaudited)

For the three and nine months ended March 31, 2005, Scimaxx Solutions recorded revenues of \$0 and \$5,773, respectively, and expenses of \$27,461 and \$80,781, respectively, resulting in a net loss of \$27,461 and \$75,008, respectively. Scimaxx Solutions ceased operations in April 2005.

#### 4. NOTES AND ADVANCES PAYABLE:

##### RELATED PARTIES:

In June 2005, an officer/director of the Company loaned \$41,000 to the Company in exchange for an unsecured, 5% note payable due in December 2005. In June 2005, the Company paid \$337 plus accrued interest of \$17. In August 2005, the Company paid the remaining \$40,663 plus accrued interest of \$298.

##### OTHER:

In June 2005, an unrelated party loaned the Company \$25,000 in exchange for an unsecured, 8% promissory note due in December 2005 and 75,000 shares of the Company's restricted common stock, which were issued in July 2005. The common stock had a market value of \$150,000 (based on the closing market price of \$2.00 per share on the date of the transaction). The relative fair value of the common stock (\$21,428) was accounted for as a discount against the face amount of the note. The effective interest rate on this note was 85%. On August 8, 2005, the Company paid the \$25,000, plus accrued interest of \$208. Through that date, the discount of \$21,428 was fully amortized to interest expense.

In June 2005, an unrelated third party loaned the Company \$150,000 in exchange for an unsecured, promissory note due in September 2005 with interest at 15% per quarter and 100,000 shares of the Company's restricted common stock (50,000 shares were issued in June 2005 and the remaining 50,000 shares were issued in July 2005). At the date of issuance, the common stock had a market value of \$180,000 (based on the closing market price of \$1.80 per share on the date of the transaction). The relative fair value of the common stock (\$81,718) was accounted for as a discount applied against the face amount of the note. The effective interest rate on this note was 54%. As of June 30, 2005, \$7,272 of the discount had been amortized to interest expense. On September 8, 2005, the Company paid the \$150,000, plus accrued interest of \$22,500. Through that date, the remaining discount of \$74,446 was fully amortized to interest expense.

F-17

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

During July and August 2005, six unrelated third parties loaned the Company a total of \$150,000 in exchange for unsecured, 8% promissory notes due in December 2005 and a total of 330,000 shares of the Company's restricted common stock. The common stock had a total market value of \$574,000 (based on the closing market prices which ranged from \$1.60 to \$1.80 per share at the date of each transaction). The relative fair value of the common stock (\$117,886) was accounted for as a discount applied against the face amount of the notes. The discount was amortized over the terms of the promissory notes as additional interest expense. The effective interest rate on these notes is 85%. On August 8, 2005, the Company paid the \$150,000, plus accrued interest of \$642. Through that date, the discount of \$117,886 was fully amortized to interest expense.

## Edgar Filing: Vyta Corp - Form 10QSB

### 5. DERIVATIVE WARRANT LIABILITY:

During November and December 2005, the Company sold 500,625 shares of its restricted common stock for \$400,500. In connection with the sale of the restricted common shares, the Company issued warrants exercisable into 500,625 shares of the Company's common stock. The common stock had a total market value of \$714,125 (based on the closing market prices which ranged from \$1.00 to \$1.60 per share at the date of each transaction). The warrants had an aggregate estimated fair value of \$312,167 (using the Black-Scholes model). The relative fair value of the warrants (\$119,339) was accounted for as a liability in accordance with EITF 00-19, as the Company's authorized and unissued shares available to settle the warrants (after considering all other commitments that may require the issuance of stock during the maximum period the warrant could remain outstanding) were determined to be insufficient.

During December 2005, the Company sold 127,500 shares of its restricted common stock for \$102,000. These shares of common stock were not issued until January 2006. In connection with the sale of the restricted common shares, the Company issued warrants exercisable for 127,500 shares of the Company's common stock. The common stock had a total market value of \$178,000 (based on the closing market prices which ranged from \$1.20 to \$1.60 per share at the date of each transaction). The warrants had an aggregate estimated fair value of \$76,657 (using the Black-Scholes model). The relative fair value of the warrants (\$30,600) was accounted for as a liability in accordance with EITF 00-19, as the Company's authorized and unissued shares available to settle the warrants (after considering all other commitments that may require the issuance of stock during the maximum period the warrant could remain outstanding) were determined to be insufficient.

F-18

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

During January 2006, the Company sold 118,592 shares of its restricted common stock for \$94,872. In connection with the sale of the restricted common shares, the Company issued warrants exercisable into 118,592 shares of the Company's common stock. The common stock had a total market value \$166,028 (based on a closing market price of \$1.40 per share at the date of each transaction). The warrants had an aggregate estimated fair value of \$74,141 (using the Black-Scholes model). The relative fair value of the warrants (\$29,287) was accounted for as a liability in accordance with EITF 00-19, as the Company's authorized and unissued shares available to settle the warrants (after considering all other commitments that may require the issuance of stock during the maximum period the warrant could remain outstanding) were determined to be insufficient.

At December 31, 2005, the Company's authorized and unissued common shares were insufficient to settle these warrant contracts. As a result, the value of these warrants was classified as a liability. As a result of the one-for-twenty reverse stock split in February 2006 and the increase in authorized shares, there are now sufficient authorized and unissued common shares to settle these contracts. Accordingly, the fair value of the warrants at the effective date of the stock split was reclassified to additional paid-in capital. During the three and nine months ended March 31, 2006 the Company recorded a loss of \$70,137 and \$74,295, respectively, on these contracts. The appropriateness of the classification of these contracts is reassessed at each balance sheet date.

## Edgar Filing: Vyta Corp - Form 10QSB

### 6. OTHER LIABILITIES

The Company had recorded an \$800,000 payable to Arizcan, which represents the costs incurred in connection with a \$1.5 million offering of equity securities. In March 2006, Arizcan terminated the agreement and forgave the payment of this liability. As a result, in March 2006, the Company has reclassified the liability to equity.

### 7. SHAREHOLDERS' EQUITY:

#### COMMON STOCK:

##### Current Year Transactions

In connection with the issuance of a \$150,000 promissory note in June 2005, the Company agreed to issue 100,000 shares of its restricted common stock, valued at \$81,718, of which 50,000 shares were issued in June 2005, and 50,000 shares were issued in July 2005.

In connection with the issuance of a \$25,000 promissory note in June 2005, the Company agreed to issue 75,000 shares of its restricted common stock, valued at \$21,428, which were issued in July 2005.

F-19

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

During July and August 2005, in connection with the issuance of promissory notes totaling \$150,000, the Company issued 330,000 shares of its restricted common stock, valued at \$117,886.

In August 2005, warrants to purchase 1,535,000 shares of common stock were exercised for cash proceeds of \$1,535,000 in exchange for 1,535,000 shares of common stock. The exercise price of these warrants was lowered from \$2.00 and \$3.00 per share to \$1.00 per share in connection with the exercise.

In October 2005, the Company issued 50,000 shares of its restricted common stock, valued at \$90,000, in satisfaction of a \$90,000 liability incurred in connection with the Company's financing efforts.

During October 2005, the Company issued 43,750 shares of its restricted common stock in exchange for \$35,000. The shares had a purchase price of \$0.80 per share (based on a 50% discount from the closing market price, \$1.60 per share, on the date of each transaction).

During November and December 2005, the Company issued 500,625 shares of its restricted common stock and warrants to purchase 500,625 shares of its restricted common stock for \$400,500. The warrants have an exercise price of \$1.00 per share and a term of 3 years. The shares of common stock had a purchase price of \$0.80 share.

During December 2005, the Company sold 127,500 shares of its restricted common stock for \$102,000. In connection with the sale of the restricted common shares, the Company issued three-year warrants to purchase 127,500 shares of the Company's common stock at \$1.00 per share. The shares of common stock had a purchase price of \$0.80 share.

## Edgar Filing: Vyta Corp - Form 10QSB

In January 2006, the Company issued 118,592 shares of its restricted common stock and warrants to purchase 118,592 shares of its restricted common stock for \$94,872. The warrants have an exercise price of \$1.00 per share and a term of three years. The shares of common stock had a purchase price of \$0.80 per share.

In January 2006, the Company sold 200,000 shares of Class A 8% cumulative and participating preferred shares for \$400,000 cash and an unsecured promissory note for \$1,100,000, which was repaid in cash in May 2006. Each preferred share was convertible into 75 shares of the Company's common stock. In February 2006, the 200,000 shares of the preferred shares were converted into 15,000,000 shares of the Company's restricted common stock.

Nine Months Ended March 31, 2005

During the nine months ended March 31, 2005, the Company issued 1,200,000 shares of common stock upon the exercise of warrants. The Company received cash proceeds of \$112,801 (net of \$7,200 of offering costs).

F-20

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

### WARRANTS:

During the nine months ended March 31, 2006, warrants to purchase 192,709 shares of common stock expired.

In December 2005 warrants to purchase 238,667 shares of common stock were canceled by their holders. The warrants were cancelled to reduce the total dilutive securities below the authorized share limit, to allow the Company to enter into additional equity financing in December 2005. In return for the cancellation of such warrants, the Company agreed to issue warrants to purchase 3,500,000 common shares. The warrants have an exercise price of \$1.00 and have a term of 3 years. These warrants were issued in February 2006.

In February 2006, the Company issued warrants to purchase 746,717 shares of common stock. The warrants were issued to full fill commitments made with the sale of common stock from November 2005 through January 2006, as discussed above. The warrants have an exercise price of \$1.00 per share and a term of 3 years.

### OPTIONS:

In December 2005, officers and a director of the Company agreed to cancel options under the Company's 1998 Compensatory Stock Option Plan exercisable for 31,250 shares of the Company's stock.

In January 2006, an officer and director of the Company agreed to cancel options under the Company's 1998 Compensatory Stock Option Plan exercisable for 15,000 shares of the Company's stock.

The officers and director did not receive any consideration in return for the cancellations.

### CAPITAL TRANSACTION:

## Edgar Filing: Vyta Corp - Form 10QSB

In August 2005, an officer/shareholder of the Company forgave \$8,750 of accrued salary, which has been accounted for as a capital transaction and has resulted in an increase in additional paid in capital.

F-21

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

### 8. COMMITMENTS AND CONTINGENCIES

#### LITIGATION:

##### Depository Trust Suit:

In May 2004, the Company filed suit against the Depository Trust and Clearing Corporation ("DTCC"), the Depository Trust Company ("DTC"), and the National Securities Clearing Corporation ("NSCC") in the Second Judicial District Court of the County of Washoe, State of Nevada. The suit alleges multiple claims under the Nevada Revised Statutes 90.570, 90.580, 90.660 and 598A.060 and on other legal bases. The complaint alleges, among other things, that the DTCC, DTC and NSCC acted in concert to operate the "Stock Borrow Program," originally created to address short term delivery failures by sellers of securities in the stock market. According to the complaint, the DTCC, NSCC and DTC conspired to maintain significant open fail deliver positions of millions of shares of the Company's common stock for extended periods of time by using the Stock Borrow Program to cover these open and unsettled positions. The Company was seeking damages in the amount of \$25,000,000 and treble damages. Responsive pleadings have been filed by the defendants. On April 27, 2005, the court granted a motion to dismiss the lawsuit. The Company has filed an appeal to overturn the motion to dismiss the lawsuit.

##### Financing Agreement Suit:

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. Responsive pleadings have been filed and the litigation is currently in the discovery stage.

F-21

VYTA CORP AND SUBSIDIARIES  
(Formerly Known as NanoPierce Technologies, Inc.)  
Notes to the Condensed Consolidated Financial Statements  
Nine Months Ended March 31, 2006 and 2005  
(Unaudited)

## Edgar Filing: Vyta Corp - Form 10QSB

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. In February 2006, the Supreme Court of the State of New York, County of New York issued an injunction ordering the Company to reserve 3.7% of the Company's issued and outstanding common stock (832,029 shares at February 13, 2006). The Company has set aside these shares. The Company has filed counterclaims seeking various forms of relief against Harvest Court, LLC.

The Company intends to vigorously prosecute this litigation and does not believe the outcome of this litigation 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 these matters.

F-22

### 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.

Vyta Corp is referred to as "us", "we", or "Company" in this report.

The independent registered public accounting firm's report on the Company's consolidated financial statements as of June 30, 2005, 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.

### RECENT EVENTS

On January 19, 2006, the our board of directors approved an amendment to our Articles of Incorporation to change the name of the Company from NanoPierce Technologies, Inc. to Vyta Corp.

On January 19, 2006 our board of directors approved an amendment to our Articles of Incorporation to affect a one-for-twenty reverse stock split effective January 31, 2006. All references to shares, options, and warrants in the three and nine months ended March 31, 2006 and in prior periods, have been adjusted to reflect the post-reverse split amounts. Our common stock now trades on the Over-the-Counter Bulletin Board under the trading symbol "VYTC".

## Edgar Filing: Vyta Corp - Form 10QSB

On January 19, 2006, our board of directors approved an amendment to the Articles of Incorporation to increase our authorized capital from 10,000,000 common shares to 200,000,000 common shares.

### RESULTS OF OPERATIONS

We had no revenues during the three and nine months ended March 31, 2006 and 2005.

We recognized \$28,585 of other income, of which \$28,250 represented a gain on the extinguishment of liabilities. We recognized \$40,245 in interest income during the nine months ended March 31, 2006 compared to \$11,907 during the nine months ended March 31, 2005 (\$31,895 and \$5,720 for the three months ended March 31, 2006 and 2005, respectively). The increase in interest income for the periods ended March 31, 2006 is due to interest recorded on amounts owed to us from BioAgra and Arizcan in the form of notes receivable.

1

Total general and administrative expenses during the nine months ended March 31, 2006 were \$691,546 compared to \$604,296 for the nine months ended March 31, 2005 (\$250,519 and \$213,036 for the three months ended March 31, 2006 and 2005, respectively). The increase of \$87,250 is primarily attributable to a \$70,010 increase in commission fees, a \$40,679 increase in consulting fees, increase of \$29,176 in legal fees offset by a \$23,981 decrease in public relations expense.

We recognized interest expense of \$235,350 for the nine months ended March 31, 2006 (no interest expense was recognized in the three months ended March 31, 2006). No interest expense was recorded during the three and nine months ended March 31, 2005. Of the \$235,350 in interest expense, \$219 represented related party interest. The remaining \$235,131 was incurred in connection with the issuance of promissory notes, which were discounted at the time of issuance. The resulting discounts (\$213,760) were amortized over the term of the promissory notes. The promissory notes were paid in full in August 2005, and at that time the discounts were fully amortized.

During the nine months ended March 31, 2006, we recognized a net loss of \$1,362,257 compared to a net loss of \$696,066 during the nine months ended March 31, 2005 (\$329,003 and \$272,204 for the three months ended March 31, 2006 and 2005, respectively). The increase of \$666,191 during the nine months ended March 31, 2006, is primarily attributable to the increase of \$235,350 in interest expense, as explained above, the \$74,295 loss on the revaluation of derivative warrants, explained below and the increase of \$280,065 in losses of equity investments.

Included in net loss applicable to common shareholders for the three and nine months ended March 31, 2006 is \$1,500,000 related to a beneficial conversion feature recorded in connection with the issuance of preferred stock to Arizcan in February 2006 and the subsequent conversion to common stock during the quarter ended March 31, 2006.

### LIQUIDITY AND FINANCIAL CONDITION

During the nine months ended March 31, 2006, we raised \$632,372 cash through the sale of 790,467 shares of our restricted common stock and warrants to purchase 746,717 shares of our restricted common stock.

In August 2005, we raised \$1,535,000 cash through the exercise of 1,535,000 warrants with an exercise price of \$1.00 per share.

## Edgar Filing: Vyta Corp - Form 10QSB

In August 2005, we purchased a 50% equity interest in BioAgra for \$905,000 cash (which includes the \$405,000 advanced to Xact Resources during the fiscal year ended June 30, 2005) and a note payable of \$595,000 which was paid in full in September 2005. BioAgra plans to manufacture and sell a beta glucan product, YBG-2000 to be marketed as AgraStim™, to be used as a replacement for hormone growth steroids and antibiotics in products such as poultry feed. BioAgra began producing and shipping product during the quarter ended June 30, 2006.

2

On January 19, 2006, we completed the sale of 200,000 shares of our series A preferred stock for \$400,000 cash (\$200,000 of which was received in December 2005) and an unsecured corporate promissory note of \$1,100,000. In February 2006, Arizcan converted the 200,000 shares of preferred stock into 15,000,000 shares of the Company's restricted common stock. Upon conversion, Arizcan held approximately 67% of our issued and outstanding common stock. During the three months ended March 31, 2006, Arizcan made payments on the promissory note totaling \$110,000, with accrued interest of \$11,729. On March 31, 2006, the note had an outstanding balance of \$1,005,078, of which \$220 was accrued interest. Through May 2006, Arizcan repaid the note in cash.

During the nine months ended March 31, 2006, we used \$652,167 in operating activities. Net cash provided by financing activities was \$1,851,631; \$960,663 was used to pay notes payable, \$2,167,372 was received from the exercise of warrants and the issuance of common stock and warrants and \$150,000 was received from notes payable. Net cash used in investing activities was \$1,099,558; \$500,000 was used to purchase the 51% equity interest in the BioAgra joint venture and \$875,000 was advanced to BioAgra to support operations and complete construction of the production line. We had \$125,741 of cash and cash equivalents at March 31, 2006, which is being used to support operations and activities of BioAgra, in which we own a 50% equity interest. During the nine months ended March 31, 2005, we used \$453,194 in operating activities, advanced \$225,000 to Xact Resources for the start up of BioAgra, loaned \$349,000 to third parties, received \$112,801 from the exercise of warrants and common stock and used \$61,400 to pay a note payable.

As of March 31, 2006, if all existing outstanding warrants issued in a January 2004 private placement were exercised, we will be required to issue an additional 1,342,500 shares of common stock, and the company, on a fully diluted basis (including the reservation of 832,029 shares as required by the court in the Harvest Court, LLC litigation described in Item 1 of Part II of this report), would have 29,353,494 shares of common stock issued and outstanding.

As of March 31, 2006, if the warrants issued to investors in the private placement described above are all exercised, we would receive approximately an additional \$2,842,500. However, no assurance can be given that any of these warrants will be exercised. If the warrants are exercised, we may use the additional funds received to acquire a revenue generating company or to acquire technology complementary to our current technology, our ownership interest in ExypnoTech and any other licensing agreements or joint venture agreements that we may enter in the future.

We intends to use the funds raised through recent sales of our restricted common shares and preferred shares to support the operations over the next 12 months. Operational plans include administrative support provided to BioAgra. We expect to receive funds from BioAgra in the form of payment of outstanding promissory notes and through payments as specified in the operating agreement for BioAgra. We initially plan to use such funds to support administrative activities. We continue to evaluate additional merger and acquisition opportunities.



CRITICAL ACCOUNTING POLICIES

RECENTLY ISSUED ACCOUNTING STANDARD:

In December 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 123(R), Share-Based Payment, which addresses the accounting for share-based payment transactions. SFAS No. 123(R) eliminates the ability to account for share-based compensation transactions using APB 25, and generally requires instead that such transactions be accounted and recognized in the statement of operations based on their fair value. SFAS No. 123(R) will be effective for the Company beginning on July 1, 2006. Management is currently evaluating the provisions of this standard. Depending upon the number of and terms of options that may be granted in future periods, the implementation of this standard could have a significant impact on the company's financial position and results of operations in future periods.

ACCOUNTING FOR OBLIGATIONS AND INSTRUMENTS POTENTIALLY SETTLED IN THE COMPANY'S COMMON STOCK:

The company accounts for obligations and instruments potentially to be settled in the Company's own stock in accordance with EITF Issue No. 00-19, ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS INDEXED TO, AND POTENTIALLY SETTLED IN A COMPANY'S OWN STOCK. This issue addresses the initial balance sheet classification and measurement of contracts that are indexed to, and potentially settled in, our own stock.

Under EITF 00-19 contracts are initially classified as equity or as either assets or liabilities, depending on the situation. All contracts are initially measured at fair value and subsequently accounted for based on the then current classification. Contracts initially classified as equity do not recognize subsequent changes in fair value as long as the contracts continue to be classified as equity. For contracts classified as assets or liabilities, we report changes in fair value in earnings and disclose these changes in the financial statements as long as the contracts remain classified as assets or liabilities. If contracts classified as assets or liabilities are ultimately settled in shares, any previously reported gains or losses on those contracts continue to be included in earnings. The classification of a contract is reassessed at each balance sheet date.

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 and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 15d-15(b), the Company carried out an evaluation under the supervision and with the participation of our management, including

## Edgar Filing: Vyta Corp - Form 10QSB

the Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, 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. We have not made any changes in our disclosure controls and procedures or in other factors that could have materially affected or are reasonably likely to materially affect those disclosure controls and procedures subsequent to the date of the evaluation described above.

4

### PART II - OTHER INFORMATION

#### ITEM 1. Legal Proceedings

##### Financing Agreement Suit:

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. Responsive pleadings have been filed and the litigation is currently in the discovery stage.

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. In February 2006, the Supreme Court of the State of New York, County of New York issued an injunction ordering the Company to reserve 3.7% of the Company's issued and outstanding common stock (832,029 shares at February 13, 2006). The Company has set aside and reserved these shares. The Company has filed counterclaims seeking various forms of relief against Harvest Court, LLC.

5

### PART II - OTHER INFORMATION

#### ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company made the following unregistered sales of its securities from January 1, 2006 through March 31, 2006.

Edgar Filing: Vyta Corp - Form 10QSB

DATE OF SALE	TITLE OF SECURITIES	NO. OF SHARES	CONSIDERATION	CLASS OF PURCHASER
1/5/06	Common Stock Warrant	62,500 62,500	50,000 for 62,250 shares of common stock and warrant for 62,500 shares	Business Associate
1/5/06	Common Stock Warrant	12,500 12,500	10,000 for 12,500 shares of common stock and warrant for 12,500 shares	Business Associate
1/5/06	Common Stock Warrant	12,500 12,500	10,000 for 12,500 shares of common stock and warrant for 12,500 shares	Business Associate
1/5/06	Common Stock Warrant	12,500 12,500	10,000 for 12,500 shares of common stock and a warrant for 12,500 shares	Business Associate
1/5/06	Common Stock Warrant	6,250 6,250	5,000 for 6,250 shares of common stock and a warrant for 6,250 shares	Business Associate
1/5/06	Common Stock Warrant	2,500 2,500	2,000 for 2,500 shares of common stock and a warrant for 2,500 shares	Business Associate
1/11/06	Common Stock Warrant	12,500 12,500	10,000 for 12,500 shares of common stock and a warrant for 12,500 shares	Business Associate
1/12/06	Common Stock Warrant	12,500 12,500	10,000 for 12,500 shares of common stock and a warrant for 12,500 shares	Business Associate
1/12/06	Common Stock Warrant	15,000 15,000	12,000 for 15,000 shares of common stock and a warrant for 15,000 shares	Business Associate
1/6/06	Common Stock Warrant	22,500 22,500	18,000 for 22,500 shares of common stock and a warrant for 22,500 shares	Business Associate
1/9/06	Common Stock Warrant	31,250 31,250	25,000 for 31,250 shares of common stock and a warrant for 31,250 shares	Business Associate
1/9/06	Common Stock Warrant	3,125 3,125	2,500 for 3,125 shares of common stock and a warrant for 3,125 shares	Business Associate
1/9/06	Common Stock Warrant	6,250 6,250	5,000 for 6,250 shares of common stock and a warrant for 6,250 shares	Business Associate
1/17/06	Common Stock Warrant	3,125 3,125	2,500 for 3,125 shares of common stock and a warrant	Business Associate

## Edgar Filing: Vyta Corp - Form 10QSB

for 3,125 shares

1/18/06	Common Stock	18,592	14,872 for 18,592 shares	
	Warrant	18,592	of common stock and a warrant for 18,592 shares	Business Associate
1/18/06	Common Stock	12,500	10,000 for 12,500 shares	
	Warrant	12,500	of common stock and a warrant for 12,500 shares	Business Associate
2/2/06	Common Stock	15,000,000	Conversion of 200,000 shares of Series A Preferred Stock	Business Associate

The warrants have an exercise price of \$1.00 per share and a term of 3 years.

Exemption From Registration Claimed

6

All of the sales by the Company of its unregistered securities were made by the Company in reliance upon Section 4(2) of the Securities Act of 1933, as amended (the "1933 Act"). All of the individuals and/or entities listed above that purchased the unregistered securities were almost all existing shareholders, all known to the Company and its management, through pre-existing business relationships, as long standing business associates, friends, and employees. All purchasers were provided access to all material information, which they requested, and all information necessary to verify such information and were afforded access to management of the Company in connection with their purchases. All purchasers 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 Masters to a Vote of Security Holders - None.

Item 5. Other Information - None.

7

Item 6. EXHIBITS

- (a) 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-B.

Exhibit 11 Computation of Net Loss Per Share

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

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act

Edgar Filing: Vyta Corp - Form 10QSB

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

Exhibit 32.2 Certification of Principal Financial Officer  
pursuant to Section 906 of the Sarbanes-Oxley Act

8

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 22, 2006

/s/ Paul H. Metzinger

-----  
Paul H. Metzinger,  
President & CEO  
(Principle Executive Officer)

Date: May 22, 2006

/s/ Kristi J. Kampmann

-----  
Kristi J. Kampmann,  
Chief Financial Officer  
(Principle Financial Officer)

9