

Edgar Filing: Vyta Corp - Form 10-Q

Vyta Corp
Form 10-Q
November 19, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10Q

(Mark One)

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

For the quarterly period ended September 30, 2008

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number : 33-19598-D

VYTA CORP

(Exact name of registrant as specified in its charter)

NEVADA

84-0992908

(State of Incorporation)

(IRS Employer ID Number)

370 17TH STREET, SUITE 3640, DENVER, COLORADO 80202

(Address of principal executive offices)

303-592-1010

(Registrant's Telephone number)

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

Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Edgar Filing: Vyta Corp - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

Indicate the number of share outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of November 18, 2008, there were 44,763,178 shares of the registrant's common stock issued and outstanding.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements	PAGE

Condensed Consolidated Balance Sheets - September 30, 2008 (Unaudited) and June 30, 2008	F-1
Condensed Consolidated Statements of Operations (Unaudited) - Three months ended September 30, 2008 and 2007	F-2
Condensed Consolidated Statements of Comprehensive Loss (Unaudited) - Three months ended September 30, 2008 and 2007	F-3
Condensed Consolidated Statement of Changes in Shareholders' Equity Deficiency (Unaudited) - September 30, 2008	F-4
Condensed Consolidated Statements of Cash Flows (Unaudited) - Three months ended September 30, 2008 and 2007	F-5
Notes to Condensed Consolidated Financial Statements (Unaudited)	F-6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	1
Item 3. Quantitative and Qualitative Disclosures About Market Risk - NOT APPLICABLE	3
Item 4. Controls and Procedures	3
Item 4T. Controls and Procedures	4
PART II - OTHER INFORMATION	
Item 1. Legal Proceedings -NOT APPLICABLE	5
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	5
Item 3. Defaults Upon Senior Securities - NOT APPLICABLE	6
Item 4. Submission of Matters to a Vote of Security Holders - NOT APPLICABLE	6
Item 5. Other Information - NOT APPLICABLE	6

Edgar Filing: Vyta Corp - Form 10-Q

Item 6. Exhibits	6
SIGNATURES	7

PART I

ITEM 1. FINANCIAL STATEMENTS

VYTA CORP AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

	September 20 ----- (Unaud
	ASSETS
Current assets:	
Cash and cash equivalents	\$
Prepaid expenses and other	-----
Total current assets	-----
Property and equipment:	
Office equipment and furniture	(
Less accumulated depreciation	-----
Other assets:	
Deposit	-----
Total assets	\$ =====
	LIABILITIES AND SHAREHOLDERS' EQUITY DEFICIENCY
Current liabilities:	
Accounts payable	\$ 1
Advances payable, related parties (Note 4)	1
Advance payable (Note 4)	1
Accrued expenses	3
Obligation to unconsolidated investee (Notes 2 and 3)	3
Total liabilities (all current)	----- 6
Commitments and contingencies (Note 6)	
Shareholders' equity deficiency (Note 5):	

Edgar Filing: Vyta Corp - Form 10-Q

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 \$563,343 and \$553,260, as of September 30, 2008 and June 30, 2008, respectively	5
Common stock; \$0.0001 par value; 200,000,000 shares authorized; 44,763,178 and 37,518,178 shares issued and outstanding as of September 30, 2008 and June 30, 2008, respectively	
Additional paid-in capital	31,7
Accumulated deficit	(32,8

Total shareholders' equity deficiency	(5

Total liabilities and shareholders' equity deficiency	\$
	=====

See notes to the condensed consolidated financial statements.

F-1

VYTA CORP AND SUBSIDIARIES
 Condensed Consolidated Statements of Operations
 Three Months Ended September 30, 2008 and 2007
 (Unaudited)

	2008	2007
	-----	-----
General and administrative expense	\$ (180,780)	\$ (145,748)
	-----	-----
Loss from operations	(180,780)	(145,748)
	-----	-----
Other income (expense):		
Equity losses of unconsolidated investees (Note 3)	(253,660)	(380,825)
	-----	-----
Net loss	(434,440)	(526,573)
	-----	-----
Dividends on Series A preferred stock (Note 5)	(10,082)	(9,452)
	-----	-----
Net loss applicable to common shareholders	\$ (444,522)	\$ (536,025)
	=====	=====

Net loss per common share, basic and

Edgar Filing: Vyta Corp - Form 10-Q

diluted (Note 1)	\$ (0.01)	\$ (0.02)
	=====	=====
Weighted average number of common shares outstanding (Note 1)	43,201,548	32,060,062
	=====	=====

See notes to the condensed consolidated financial statements.

F-2

VYTA CORP AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Loss
Three Months Ended September 30, 2008 and 2007
(Unaudited)

	2008	2007
	-----	-----
Net loss	\$ (434,440)	\$ (526,573)
Change in foreign currency translation	-	9,244
	-----	-----
Comprehensive loss	\$ (434,440)	\$ (517,329)
	=====	=====

See notes to the condensed consolidated financial statements.

F-3

VYTA CORP AND SUBSIDIARIES
 Condensed Consolidated Statement of Changes in Shareholders' Equity De
 Three Months Ended September 30, 2008
 (Unaudited)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID IN CAPITAL
	SHARES	DOLLARS	SHARES	DOLLARS	
Balances, July 1, 2008	500,000	\$ 553,260	37,518,178	\$ 3,752	\$ 31,567,860
Common stock issued for cash	-	-	1,095,000	109	131,891
Common stock issued for services	-	-	150,000	15	17,535
Common stock issued in exchange for cancellation of warrants, related party	-	-	6,000,000	600	(600)
Net loss	-	-	-	-	-
Accumulated dividends on Series A preferred stock	-	10,082	-	-	(10,082)
Balances, September 30, 2008	500,000	\$ 563,342	44,763,178	\$ 4,476	\$ 31,706,604

See notes to the condensed consolidated financial statements.

F-4

Edgar Filing: Vyta Corp - Form 10-Q

VYTA CORP AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the Three Months Ended September 30, 2008 and 2007
(Unaudited)

Cash flows from operating activities:

Net loss

Adjustments to reconcile net loss to net cash used
in operating activities:

Depreciation expense

Common stock issued for services

Equity in net losses of unconsolidated investees

Changes in operating assets and liabilities:

(Increase) decrease in prepaid expenses

Increase (decrease) in accounts payable and accrued expenses

Total adjustments

Net cash used in operating activities

Cash flows from investing activities:

Increase in notes and advances receivable,
unconsolidated investee

Net cash used in investing activities

Cash flows from financing activities:

Common stock issued for cash

Proceeds from advance payable

Payment of advance

Net cash provided by financing activities

Net decrease in cash and cash equivalents

Cash and cash equivalents, beginning

Cash and cash equivalents, ending

See notes to the condensed consolidated financial statements.

Edgar Filing: Vyta Corp - Form 10-Q

VYTA CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)

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

BASIS OF PRESENTATION:

Presentation of Interim Information:

The accompanying unaudited condensed consolidated financial statements include the accounts of Vyta Corp, a Nevada corporation, its wholly-owned subsidiaries, NanoPierce Connection Systems, Inc., a Nevada corporation (NCOS), and ExypnoTech, LLC (ET LLC), a Colorado limited liability company (collectively referred to as the "Company"). 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).

On September 15, 2008, the Company filed collection and foreclosure proceedings against BioAgra in connection with the secured promissory notes it holds from BioAgra (Notes 2 and 3). On October 31, 2008, the Company acquired the remaining 50% equity interest in BioAgra and as a result owns 100% of the equity in BioAgra (Note 7). Subsequently, the Company has voluntarily dismissed the collection and foreclosure proceedings.

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-Q, and do not contain certain information included in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2008. It is the Company's opinion that when the interim financial statements are read in conjunction with the June 30, 2008 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, 2008, 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 three months ended September 30, 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 \$434,440 and a net loss applicable to common shareholders of \$444,522 for the three months ended September 30, 2008, and an accumulated deficit of \$32,862,912 as of September 30, 2008. The Company has not recognized any revenues from its business operations.

Edgar Filing: Vyta Corp - Form 10-Q

F-6

VYTA CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)

During the 2009 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.

In addition, the United States is experiencing severe instability in the commercial and investment banking systems which is likely to continue to have far-reaching effects on the economic activity in the country for an indeterminable period. The long-term impact on the United States economy and the Company's operating activities and ability to raise capital cannot be predicted at this time, but may be substantial.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

STOCK-BASED COMPENSATION:

The Company 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 did not grant any options during the three months ended September 30, 2008 and 2007.

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 (5,754,844 shares at September 30, 2008 and 14,859,844 shares at September 30, 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:

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

Edgar Filing: Vyta Corp - Form 10-Q

business combination. SFAS No. 141R applies prospectively to business

F-7

VYTA CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)

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 Statement No. 161, "DISCLOSURES ABOUT DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES--AN AMENDMENT OF FASB STATEMENT NO. 133" (SFAS 161). The Statement requires companies to provide enhanced disclosures regarding derivative instruments and hedging activities. It requires companies to better convey the purpose of derivative use in terms of the risks that such company is intending to manage. Disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows are required. This Statement retains the same scope as SFAS No. 133 and is effective for fiscal years and interim periods beginning after November 15, 2008, or January 1, 2009 for the Company. The Company does not expect the adoption of SFAS 161 to have a material effect on its results of operations and financial condition.

In May 2008, the FASB issued FASB Staff Position (FSP) No. APB 14-1 "ACCOUNTING FOR CONVERTIBLE DEBT INSTRUMENTS THAT MAY BE SETTLED IN CASH UPON CONVERSION (INCLUDING PARTIAL CASH SETTLEMENT)" (FSP APB 14-1). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis and will be adopted by the Company in the first quarter of fiscal year 2009. The Company does not expect the adoption of FSP APB 14-1 to have a material effect on its results of operations and financial condition.

2. NOTES AND ADVANCES RECEIVABLE - UNCONSOLIDATED INVESTEE:

Through June 30, 2008, the Company loaned \$3,790,591 to BioAgra through a series of secured, 7.5% promissory notes, some of which were due at various dates through October 31, 2006 and some did not provide for scheduled payments. The funds were loaned to facilitate BioAgra's completion of its first production line and to support operations. The promissory notes are collateralized by all BioAgra assets. Additionally, the promissory notes are to be paid in full prior to any distributions being made to the members of the joint venture.

Edgar Filing: Vyta Corp - Form 10-Q

On July 14, 2008, BioAgra executed a fourth 7.5% promissory note for \$195,164, with BioAgra with the same terms as above, but the note did not provide for scheduled payments. During the three months ended September 30, 2008, the Company advanced an additional \$85,182 in funds to BioAgra.

F-8

VYTA CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)

The Company 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 \$0 at June 30, 2008 by applying the losses of BioAgra (Note 3). The losses of BioAgra for the year ended June 30, 2008 were in excess of the carrying value of the notes by \$173,153. This amount was booked as an Obligation to unconsolidated investee in the accompanying condensed consolidated balance sheet. The losses of BioAgra for the three months ended September 30, 2008 were \$253,660. Of this total \$85,182 was recorded against advances receivable and \$168,478 was recorded as an increase to the Obligation to unconsolidated investee.

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.

During the three months ended September 30, 2007, EPT recognized revenues of \$828,632 and expenses of \$856,590 for a net loss of \$27,958. During the three months ended September 30, 2007, the Company's proportionate loss was \$13,670.

INVESTMENT IN BIOAGRA

Prior to October 31, 2008, the Company had 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 June 30, 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 September 30, 2008, management has determined that BioAgra was not subject to consolidation.

On September 15, 2008, the Company filed collection and foreclosure proceedings against BioAgra in the City and County Court of Denver, Colorado. The collection and foreclosure proceedings are directly related to principal and accrued interest of approximately \$4,001,769 in loans advanced to BioAgra, including the \$3,963,982 loaned through a series of secured promissory notes, and an additional \$37,788 for open advances not represented by a promissory note. As a result of the Company's acquisition of the 50% equity ownership of Justin Holdings, Inc. the Company has voluntarily dismissed the collection and foreclosure proceedings (Note 7).

Edgar Filing: Vyta Corp - Form 10-Q

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 September 30, 2008, the carrying value of the Company's investment in BioAgra was \$0. BioAgra losses for the three months ended

F-9

VYTA CORP AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
 (Unaudited)

September 30, 2008 and 2007 were \$253,660 and \$367,155, respectively. Losses of \$85,182 and \$367,155, respectively, were applied to reduce the value of the notes receivable from BioAgra (Note 2).

Financial information of BioAgra as of September 30, 2008 and for the three months ended September 30, 2008 and 2007, is as follows:

	SEPTEMBER 30, 2008

Assets:	
Current assets	\$ 117,468
Land, building and equipment, net(2)	1,123,231

Total assets	\$ 1,240,699
	=====
Liabilities and members' deficiency:	
Current liabilities(1)	\$ 4,590,394
Obligation under capital lease(2)	896,430

Total liabilities	5,486,824
Members' deficiency	(4,246,125)

Total liabilities and members' deficiency	\$ 1,240,699
	=====

(1) Includes \$4,322,266 owed to the Company. The Company has classified this amount as a notes receivable in 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 on the Company's balance sheet were reduced to \$0 at September 30, 2008 by applying the losses of BioAgra.

(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 SEPTEMBER 30, 2008	THREE MONTHS ENDED SEPTEMBER 30, 2007
	-----	-----
Revenues	\$ 12,006	\$ 20,327
Expenses	(265,666)	(387,482)
	-----	-----

Edgar Filing: Vyta Corp - Form 10-Q

Net loss	\$ (253,660)	\$ (367,155)
	=====	=====

4. ADVANCES PAYABLES:

RELATED PARTIES

At September 30, 2008, the Company owes its majority shareholder \$32,000 for advances. This amount is unsecured, non-interest bearing and is due on demand. During the year ended June 30, 2008, the majority shareholder advanced \$39,500. During the three months ended September 30, 2008, the majority shareholder advanced an additional \$6,000 and the Company made payments of \$13,500 against the advances payable.

F-10

VYTA CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)

At September 30, 2008, the Company owes Mr. Metzinger, an officer and director of the Company, \$4,907 for advances. This amount is unsecured, non-interest bearing and is due on demand.

UNRELATED THIRD PARTY

On September 9, 2008, an unrelated third party advanced the Company \$100,000 for operations. This amount is unsecured, non-interest bearing and is due on demand

5. SHAREHOLDERS' EQUITY DEFICIENCY:

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), the majority shareholder of the Company. 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 2017 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 September 30, 2008, were \$63,342, (\$10,082 and \$9,452 during the three months ended September 30, 2008 and 2007, 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:

2008 FISCAL YEAR

Between July 1, 2008 and September 30, 2008, the Company issued an aggregate of 1,095,000 shares of its restricted common stock for \$132,000 cash. The shares were sold for prices that range from \$0.09 to \$0.15 per share (based upon an

Edgar Filing: Vyta Corp - Form 10-Q

approximate 55% discount from the closing market price at the time of sale, ranging from \$0.06 to \$0.17 per share on the dates of the transactions).

On August 22, 2008, the Company issued an aggregate of 150,000 shares of its restricted common stock as payment for services worth \$17,550. The shares were issued for \$0.117 per share, the closing market at the time of issuance.

On July 15, 2008, the Company issued 6,000,000 shares of its restricted common stock upon the return of warrants exercisable for 9,000,000 shares by its majority shareholder. The warrants, one exercisable for 6,000,000 shares of common stock and the second exercisable for 3,000,000 shares were cancelled by the Company.

F-11

VYTA CORP AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
 (Unaudited)

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, 2008 and September 30, 2008 are fully-vested and exercisable. The aggregate intrinsic value of outstanding fully-vested options as of September 30, 2008 was approximately \$155.

The Company did not grant any options during the three months ended September 30, 2008 and 2007.

The expected term of stock options represents the period of time that the stock options granted are expected to be outstanding based on historical exercise trends. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury bill rate for the expected term of the related stock options. The dividend yield represents our anticipated cash dividend over the expected term of the stock options.

A summary of the stock option activity for the three months ended September 30, 2008 is as follows:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
	-----	-----	-----
Outstanding at July 1, 2008	2,643,127	\$ 3.00	2.86 years
Granted	-	-	-
Exercised	-	-	-
Expired	-	-	-
	-----	-----	-----
Outstanding at September 30, 2008	2,643,127	\$ 3.00	2.62 years
	=====	=====	=====
Exercisable at September 30, 2008	2,643,127	\$ 3.00	2.62 years
	=====	=====	=====

Edgar Filing: Vyta Corp - Form 10-Q

6. COMMITMENTS AND CONTINGENCIES

FINANCING AGREEMENT SUIT:

The Company is a plaintiff and counter-claim defendant in a suit pending in the United States District Court for the Southern District of New York (the "District Court"). In this suit, the Company filed claims for securities fraud, common-law fraud, and breach of contract against the defendants. One defendant, Harvest Court, LLC ("Harvest Court"), has counterclaimed for alleged violations of the federal securities laws. In January 2008 the Court granted summary judgment against the Company on all of its claims, which the Company intends to appeal when the judgment becomes final. The Court also dismissed certain counterclaims against the Company. The Company intends to vigorously defend itself against the remaining claims. In a disclosure statement filed by Harvest Court, it set forth a damage computation of approximately \$4.1 million, as well as other categories of damages, such as out-of-pocket, statutory, punitive, and other for unspecified amounts.

F-12

VYTA CORP AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(Unaudited)

Harvest Court has also sued the Company in New York state court (the "State Court") for breach of contract relating to its failure to issue certain shares of stock allegedly due under a pre-2007 financing agreement. The Company has counterclaimed in this case for fraud. The State Court issued an injunction requiring the company to reserve and set aside a certain amount of stock, which the Company has done. The Company intends to vigorously defend itself and prosecute its counterclaims.

If management believes that a loss arising from these matters is probable and can reasonably be estimated, the Company records the amount of the loss, or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As additional information becomes available, any potential liability related to these matters is assessed and the estimates are revised, if necessary. Based on currently available information, management does not believe that a loss from the matters described above is probable, and therefore has not accrued for any asserted damages. Management believes that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on the Company's financial position or overall trends in results of operations. However, litigation is subject to inherent uncertainties, and an unfavorable ruling could result in a material adverse impact on the financial position and results of operations of the period in which the outcome is determined.

7. SUBSEQUENT EVENT:

On October 31, 2008, the Company and BioAgra entered into an Agreement with Justin Holdings, Inc. ("Justin Holdings") and Neal Bartoletta ("Mr. Bartoletta") to transfer the 50% equity interest in BioAgra held by Justin Holdings to the Company.

As a result of the transfer, the Company now owns 100% of the equity in BioAgra. Prior to the transfer of Justin Holdings' equity interest in BioAgra, the Company had accounted for its interest using the equity method. As a result of the transfer, BioAgra has become a wholly-owned subsidiary of the Company.

Edgar Filing: Vyta Corp - Form 10-Q

Mr. Bartoletta will receive a monthly payment of \$6,000, with payments commencing on the first of the month immediately following the closing and continuing for a period of sixty (60) months from the closing. Mr. Bartoletta has agreed to serve as a consultant to BioAgra for a period of five (5) years from the closing date, and he shall be available to BioAgra on an as needed basis, for up to a maximum of ten (10) hours per week, to provide advice to, and consult with, BioAgra concerning its business and relationship with its employees, contractors, vendors and customers.

Justin Holdings is to receive ten percent (10%) of all profits generated by BioAgra, until a maximum aggregate payment to Justin Holdings of \$500,000 has been paid. The payments are to be made on an annual basis.

F-13

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, 2008, 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.

GENERAL

At September 30, 2008, we had cash, on hand, of \$32,925. 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.

On October 31, 2008, the Company and BioAgra entered into an Agreement with Justin Holdings, Inc. ("Justin Holdings") and Neal Bartoletta ("Mr. Bartoletta") to transfer the 50% equity interest in BioAgra held by Justin Holdings to the Company. As a result of the transfer, the Company now owns 100% of the equity in BioAgra. As a result of the transfer, BioAgra has become a wholly-owned subsidiary of the Company.

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

Edgar Filing: Vyta Corp - Form 10-Q

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 three months ended September 30, 2008 and 2007, we did not have any revenues from operations.

General and administrative expenses during the three months ended September 30, 2008 were \$180,780 compared to \$145,748 for the three months ended September 30, 2007. The increase of \$35,032 is mainly attributable to an increase of \$13,265 in consulting expenses, a \$7,842 increase in legal expenses and a \$9,765 increase in public relation expense.

During the three months ended September 30, 2008, we recognized a net loss of \$434,440 compared to a net loss of \$526,573 during the three months ended September 30, 2007. The \$92,133 decrease is primarily a result of the \$127,165

1

decrease in equity losses of unconsolidated investees and offset by the \$35,032 increase in general and administrative expenses, discussed above.

We recorded a net loss applicable to common shareholders of \$444,522 during the three months ended September 30, 2008 compared to \$536,025 during the three months ended March 31, 2007. The decrease of \$91,503 was a result of the \$127,165 decrease in equity losses of unconsolidated investees and offset by the \$630 increase in the accumulated dividends recognized in connection with the outstanding Series A Preferred Stock and the increase in general and administrative expenses of \$35,032.

LIQUIDITY AND FINANCIAL CONDITION

Net cash used in operating activities during the three months ended September 30, 2008 was \$165,850, compared to net cash used in operating activities during the three months ended September 30, 2007 of \$161,116. During the three months ended September 30, 2008, the net cash used represented a net loss of \$434,440, adjusted for certain non-cash items consisting of depreciation expense of \$245, common stock issued for services of \$17,550 and equity in losses of unconsolidated investees of \$253,660.

During the three months ended September 30, 2007, the net cash used represented a net loss of \$526,573, adjusted for certain non-cash items consisting of depreciation expense of \$1,153 and equity in losses of unconsolidated investees of \$380,825.

During the three months ended September 30, 2008, we raised \$132,000 cash through the sale of 1,095,000 shares of restricted common stock.

During the three months ended September 30, 2007, we received \$229,500 cash, through the sale of 1,530,000 shares of restricted common stock.

During the year ended June 30, 2008, the majority shareholder advanced \$39,500. During the three months ended September 30, 2008, the majority shareholder advanced an additional \$6,000 and the Company made payments of \$13,500 against the advances payable. In addition, an officer and director of the Company advanced \$4,907 to the Company.

During the three months ended September 30, 2008, an unrelated third party advanced \$100,000.

Edgar Filing: Vyta Corp - Form 10-Q

Through June 30, 2008, the Company loaned \$3,790,591 to BioAgra through a series of secured, 7.5% promissory notes, some of which were due at various dates through October 31, 2006 and some did not provide for scheduled payments. The funds were loaned to facilitate BioAgra's completion of its first production line and to support operations. The promissory notes are collateralized by all BioAgra assets. Additionally, the promissory notes are to be paid in full prior to any distributions being made to the members of the joint venture.

On July 14, 2008, BioAgra executed a fourth 7.5% promissory note for \$195,164, with BioAgra with the same terms as above, but the note did not provide for scheduled payments. During the three months ended September 30, 2008, the Company advanced an additional \$85,182 in funds to BioAgra.

During the 2009 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, the United States is experiencing severe instability in the commercial and investment banking systems which is likely to continue to have far-reaching effects on the economic activity in the country for an

2

indeterminable period. The long-term impact on the United States economy and the Company's operating activities and ability to raise capital cannot be predicted at this time, but may be substantial.

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 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.

Edgar Filing: Vyta Corp - Form 10-Q

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. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK - NOT APPLICABLE

ITEM 4. CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS AND PROCEDURES

The Company, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer/Acting Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of June 30, 2008. Based on that evaluation, the Chief Executive Officer/Acting Chief Financial Officer concluded that, because of the material weakness in internal control over financial reporting described below, the Company's disclosure controls and procedures were not effective as of September 30, 2008.

3

ITEM 4T. INTERNAL CONTROLS AND PROCEDURES

MANAGEMENT'S QUARTERLY REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Our Chief Executive Officer/Acting Chief Financial Officer conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework").

Based on this evaluation, management has concluded that our internal control over financial reporting was not effective as of September 30, 2008. Our principal Chief Executive Officer/Acting Chief Financial Officer concluded we have a material weakness in our ability to produce financial statements free from material misstatements. Management reported a material weakness resulting from the combination of the following significant deficiencies:

- a lack of segregation of duties in accounting and financial reporting activities; and
- a lack of a sufficient number of qualified accounting personnel; and
- a lack of documentation and review of financial information by accounting personnel with direct oversight responsibility.

Our Chief Executive Officer has also served as our Chief Financial Officer since February 2007. We believe that the lack of a full-time Chief Financial Officer has resulted in a significant deficiency in internal controls over financial reporting due to the lack of qualified accounting personnel with sufficient time to regularly and adequately review complex, nonrecurring transactions. In addition, the Company employs only one individual that is responsible for the processing of all recurring transactions. While management is actively involved in the daily activities of the Company, including the review of transactions, it is difficult to adequately segregate accounting duties within the Company in a manner to prevent a material weakness in internal controls over financial

Edgar Filing: Vyta Corp - Form 10-Q

reporting.

Subsequent to the discovery of the material weakness in internal control over financial reporting described above and beginning in the fiscal quarter ending September 30, 2007, we initiated and plan to undertake changes to our internal control over financial reporting to remediate the aforementioned deficiency and to strengthen our internal control processes, including the seeking of additional accounting staff and/or the consultation with outside resources as we deem appropriate. While the costs of remediation are unknown at this time, we expect that the costs may exceed \$300,000, which would include the hiring of a new Chief Financial Officer and, in the interim, the contracting of accounting staff and/or the consultation with outside resources. Our ability to initiate and undertake changes is confined by our financial resources.

This quarterly report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report on internal control in this annual report.

4

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There were no changes in internal control over financial reporting that occurred during the last fiscal quarter covered by this report that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS - NONE.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company made the following unregistered sales of its securities from July 1, 2008 to September 30, 2008.

DATE OF SALE	TITLE OF SECURITIES	NO. OF SHARES	CONSIDERATION	CLASS OF PURCHASER
7/7/08	Common stock	150,000	\$22,500	Affiliate
7/10/08	Common stock	160,000	\$24,000	Affiliate
7/11/08	Common Stock	180,000	\$27,500	Affiliate
7/15/08	Common Stock	6,000,000	Exchange of Warrants	Affiliate
8/22/08	Common Stock	150,000	\$17,550 Services	Business Associate
8/27/08	Common Stock	405,000	\$40,500	Affiliate
9/26/08	Common Stock	200,000	\$18,000	Affiliates

Edgar Filing: Vyta Corp - Form 10-Q

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.

5

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-Q. 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

6

SIGNATURES

Edgar Filing: Vyta Corp - Form 10-Q

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: November 19, 2008

/s/ Paul H. Metzinger

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