

Edgar Filing: Vyta Corp - Form 10QSB

Vyta Corp
Form 10QSB
February 21, 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 December 31, 2005

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

(State or other jurisdiction of
incorporation or organization)

84-0992908

(I.R.S. employer
identification number)

370 17th Street, Suite 3640
Denver, Colorado 80202

(Address of principal executive offices)

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

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 ☒ No ☐
--- ---

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

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

As of February 20, 2006 there were 22,496,012 shares of the registrant's sole
class of common shares outstanding.

Transitional Small Business Disclosure Format Yes ☐ No ☒
--- ---

Edgar Filing: Vyta Corp - Form 10QSB

PART I - FINANCIAL INFORMATION

Item	1. Financial Statements (Unaudited)	Page

	Report of Independent Registered Public Accounting Firm	F-1
	Condensed Consolidated Balance Sheet -December 31, 2005	F-2
	Condensed Consolidated Statements of Operations - Three and Six months ended December 31, 2005 and 2004	F-3
	Condensed Consolidated Statements of Comprehensive Loss - Three and Six months ended December 31, 2005 and 2004	F-4
	Condensed Consolidated Statement of Changes in Shareholders' Equity -Six months ended December 31, 2005	F-5
	Condensed Consolidated Statements of Cash Flows - Six months ended December 31, 2005 and 2004	F-6
	Notes to Condensed Consolidated Financial Statements	F-8

Item	2. Management's Discussion and Analysis	1
------	---	---

Item	3. Controls and Procedures	4
------	----------------------------	---

PART II - OTHER INFORMATION

Item	1. Legal Proceedings	5
------	----------------------	---

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 and Reports on Form 8-K	7
------	-------------------------------------	---

	SIGNATURES	9
--	------------	---

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Vyta Corp

We have reviewed the accompanying condensed consolidated balance sheet of Vyta Corp (formerly known as NanoPierce Technologies, Inc.) and subsidiaries as of December 31, 2005, the related condensed consolidated statements of operations and comprehensive loss for the three-month and six-month periods ended December

Edgar Filing: Vyta Corp - Form 10QSB

31, 2005 and 2004, the condensed consolidated statements of cash flows for the six-month periods ended December 31, 2005 and 2004, and the condensed consolidated statement of changes in shareholders' equity for the six-month period ended December 31, 2005. 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
February 11, 2006

F-1

VYTA CORP AND SUBSIDIARIES
(FORMERLY KNOWN AS NANOPIERCE TECHNOLOGIES, INC.)
Condensed Consolidated Balance Sheet
December 31, 2005
(Unaudited)

Assets

Current assets:

Cash and cash equivalents	\$ 247,412
Interest receivable	929
Note receivable, net (Note 2)	186,323
Prepaid expenses	44,976

Total current assets	479,640

Property and equipment:

Office equipment and furniture	66,357
Less accumulated depreciation	(53,367)

	12,990

Other assets:

Deposits and other	19,285
Notes receivable, affiliate (Note 2)	400,000
Investments in affiliates (Note 3)	1,269,988

Edgar Filing: Vyta Corp - Form 10QSB

	1,689,273

Total assets	\$ 2,181,903
	=====
Liabilities and Shareholders' Equity	

Current liabilities:	
Accounts payable	\$ 160,054
Accrued liabilities	10,427
Derivative warrant liability (Note 5)	154,098
Other liabilities (Note 6)	1,000,000

Total liabilities (all current)	1,324,579

Commitments and contingencies (Notes 4 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; 7,247,327 shares issued and outstanding	725
Additional paid-in capital	25,396,315
Accumulated other comprehensive income	122,857
Accumulated deficit	(24,662,573)

Total shareholders' equity	857,324

Total liabilities and shareholders' equity	\$ 2,181,903
	=====

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 December 31,		Six Months Ended December 31,	
	2005	2004	2005	2004
Revenues	\$ -	-	-	-
General and administrative expense	(216,188)	(178,186)	(441,027)	(391,260)
Loss from operations	(216,188)	(178,186)	(441,027)	(391,260)

Edgar Filing: Vyta Corp - Form 10QSB

Other income (expense):

Other income	-	322	28,585	10,508
Interest income	4,419	4,687	8,350	6,187
Equity losses of affiliates (Note 3)	(129,747)	(44,391)	(389,654)	(49,297)
Loss on revaluation of derivative warrant liability (Note 5)	(4,158)	-	(4,158)	-
Interest expense	-	-	(235,131)	-
Interest expense, related party	-	-	(219)	-
	-----	-----	-----	-----
	(129,486)	(39,382)	(592,227)	(32,602)
	-----	-----	-----	-----
Net loss	\$ (345,674)	(217,568)	(1,033,254)	(423,862)
	=====	=====	=====	=====
Net loss per share, basic and diluted (Note 1)	\$ (0.05)	(0.05)	(0.16)	(0.09)
	=====	=====	=====	=====
Weighted average number of common shares outstanding (Note 1)	6,855,418	4,548,386	6,327,884	4,525,670
	=====	=====	=====	=====

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 December 31,		Six Months Ended December 31,	
	2005	2004	2005	2004
	-----	-----	-----	-----
Net loss	\$ (345,674)	(217,568)	(1,033,254)	(423,862)
Change in unrealized loss on securities	-	(47)	(14)	(295)
	-----	-----	-----	-----
Comprehensive loss	\$ (345,674)	(217,615)	(1,033,268)	(424,157)
	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

F-4

VYTA CORP AND SUBSIDIARIES (FORMERLY KNOWN AS NANOPIERCE TECHNOLOGIES, INC.)

Edgar Filing: Vyta Corp - Form 10QSB

Condensed Consolidated Statement of Changes in Shareholders' Equity Six Months Ended December 31, 2005 (Unaudited)

	Common stock		Additional	Accumulated other	Accumulated	share
	Shares	Amount	paid-in capital	comprehensive income	deficit	
	-----	-----	-----	-----	-----	-----
Balances, July 1, 2005 (Note 1)	4,662,952	\$ 466	24,059,377	122,843	(23,629,319)	
Common stock issued upon exercise of warrants, net of offering costs (Notes 6 and 7)	1,535,000	154	734,846	-	-	
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)	544,375	54	316,107	-	-	
Common stock and warrants to be issued	-	-	71,400	-	-	
Common stock issued as payment of commission	50,000	5	89,995	-	-	
Forgiveness of accrued payroll owed to officer /shareholder	-	-	8,750	-	-	
Receivable for issuance of common stock (Note 7)	-	-	(2,000)	-	-	
Net loss	-	-	-	-	(1,033,254)	
Other comprehensive loss:						
Change in unrealized gain on securities	-	-	-	14	-	
Balances, December 31, 2005	7,247,327	\$ 725	25,396,315	122,857	(24,662,573)	
	=====	=====	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

Edgar Filing: Vyta Corp - Form 10QSB

(Unaudited)

	Six Months Ended December 31,	
	2005	2004
Cash flows from operating activities:		
Net loss	\$ (1,033,254)	(423,862)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization expense	45,370	-
Depreciation expense	2,853	3,628
Equity losses of affiliates	389,654	49,297
Amortization of discounts on notes payable	213,760	-
Loss on revaluation of derivative warrant liability (Note 5)	4,158	-
Changes in operating assets and liabilities:		
Decrease in interest receivable	2,894	2,061
Decrease in prepaid expenses	960	42,254
(Decrease) increase in accounts payable and accrued liabilities	(53,774)	12,496
Total adjustments	605,875	109,736
Net cash used in operating activities	(427,379)	(314,126)
Cash flows from investing activities:		
Increase in notes receivable	(400,000)	(349,000)
Increase in advance receivable	-	(150,000)
Payment on note receivable	89,119	-
Investment in joint venture (Note 3)	(500,000)	-
Net cash used in investing activities	(810,881)	(499,000)
Cash flows from financing activities:		
Exercise of warrants and common stock and warrants issued for cash	2,070,500	112,801
Proceeds to be applied to preferred stock purchase (Note 6)	200,000	-
Payment of notes payable	(960,663)	(46,052)
Proceeds from issuance of notes payable and common stock	150,000	-
Net cash provided by financing activities	1,459,837	66,749
Net increase (decrease) in cash and cash equivalents	221,577	(746,377)
Cash and cash equivalents, beginning	25,835	1,018,408
Cash and cash equivalents, ending	\$ 247,412	272,031

(Continued)

F-6

Edgar Filing: Vyta Corp - Form 10QSB

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

	Six Months Ended December 31,	
	2005	2004
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,069	-
	=====	=====
Supplemental disclosure of non-cash investing and financing activities:		
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 accrued payroll owed to officer/shareholder	\$ 8,750	-
	=====	=====
Issuance of common stock in exchange for receivable	\$ 2,000	-
	=====	=====

See notes to condensed consolidated financial statements.

F-7

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(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.

Edgar Filing: Vyta Corp - Form 10QSB

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 six months ended December 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 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-8

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(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 six and three months ended December 31, 2005 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 \$1,033,254 for the six months ended December 31, 2005, and an accumulated deficit of \$24,662,573 as of December 31, 2005. 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:

Edgar Filing: Vyta Corp - Form 10QSB

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 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-9

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(Unaudited)

The subscription agreement provides 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.

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 six months ended December 31, 2005, \$45,370 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

Edgar Filing: Vyta Corp - Form 10QSB

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 (1,926,877 shares at December 31, 2005 and 3,809,094 shares at December 31, 2004) would be to decrease loss per share. Therefore, diluted loss per share is equivalent to basic loss per share.

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.

F-10

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(Unaudited)

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 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.

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 six months ended December 31, 2005 or 2004.

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 public companies that file as small business issuers as of the beginning of the next annual reporting period that begins after December 15, 2005. 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

Edgar Filing: Vyta Corp - Form 10QSB

implementation of this standard could have a significant impact on the Company's financial position and results of operations in future periods.

F-11

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(Unaudited)

2. NOTES AND ADVANCES RECEIVABLE:

In December 2005, the Company loaned \$400,000 to BioAgra (Note 3). In exchange for the loan, the Company received a secured, 7.5% promissory note, due on June 30, 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 January 2006, the Company loaned an additional \$200,000 to BioAgra with the same terms as the original promissory notes. During February 2006, the Company loaned BioAgra an additional \$100,000, with the same terms as the original promissory notes.

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. During February 2006, the Company received a payment of \$100,000, which included interest of \$2,073. The remaining balance of this note (\$88,396) remains outstanding and is due on demand.

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. In March 2005, Intercell filed for protection under Chapter 11 of the U.S. Bankruptcy Code. 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-12

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(Unaudited)

3. INVESTMENTS IN AFFILIATES:

Edgar Filing: Vyta Corp - Form 10QSB

INVESTMENT IN EXYPNOTECH, GMBH:

In December 2003, TagStar Systems, 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 December 31, 2005. 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 (\$112,404 at December 31, 2005) is adjusted to recognize the Company's proportionate share of EPT's income (loss) each period.

Unaudited financial information of EPT as of December 31, 2005, and for the six and three-month periods ended December 31, 2005 and 2004 are as follows:

	December 31, 2005 -----
Assets:	
Current assets(1)	\$ 381,042
Equipment	135,336 -----
 Total assets	 \$ 516,378 =====
 Liabilities and members' equity:	
Current liabilities(2)	\$ 438,301
Members' equity	78,077 -----
 Total liabilities and members' equity	 \$ 516,378 =====

- (1) Current assets include receivables of \$44,117 due from the 51% owner of EPT.
- (2) Current liabilities include a payable of \$14,412 due to the 51% owner of EPT.

	Three Months Ended December 31, 2005 2004		Six Months Ended December 31, 2005 2004	
	-----	-----	-----	-----
Revenues(1)	\$ 645,460	60,434	1,045,196	144,859
Expenses(2)	(707,287)	(121,487)	(1,141,600)	(197,839)
	-----	-----	-----	-----
Net loss	\$ (61,827)	(61,053)	(96,404)	(52,980)
	=====	=====	=====	=====

- (1) Revenues include \$1,045,122 and \$9,562 of sales to the 51% owner of EPT for the six months ended December 31, 2005 and 2004, respectively (\$272,327 and \$9,562 for the three months ended December 31, 2005 and 2004, respectively).
- (2) Expenses include \$45,671 and \$19,070, respectively of charges paid to the 51% owner of EPT for the six months ended December 31,

Edgar Filing: Vyta Corp - Form 10QSB

2005 and 2004, respectively (\$37,756 and \$19,070 for the three months ended December 31, 2005 and 2004, respectively).

F-13

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(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 AgraStimTM, to be used as a replacement for hormone growth steroids and antibiotics in products such as poultry feed.

BioAgra (a development stage company) is in the process of constructing a production line. BioAgra expects to begin producing and shipping product during the quarter ending March 31, 2006.

As consideration for Arizcan's efforts to assist NanoPierce with its efforts to obtain equity financing, the Company entered into an agreement with Arizcan, in which the Company is to pay to Arizcan 20% of any cash distributions paid to the Company by and from BioAgra, until such time as Arizcan shall be paid \$800,000 (Note 6).

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 December 31, 2005, the Company's investment in BioAgra is \$1,157,584.

F-14

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(Unaudited)

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

Edgar Filing: Vyta Corp - Form 10QSB

	December 31, 2005

Assets:	
Current assets	\$ 137,417
Equipment, net	1,222,047
Land and building under capital lease, net	1,135,742

Total assets	\$ 2,495,206
	=====
Liabilities and members' equity:	
Current liabilities(1)	\$ 653,390
Obligation under capital lease(2)	1,026,648

Total liabilities	1,680,038
Members' equity	815,168

Total liabilities and members' equity	\$ 2,495,206
	=====

- (1) Includes \$400,000 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 December 31, 2005	August 15, 2005 through December 31, 2005
	-----	-----
Revenues	\$ -	\$ -
Expenses	(198,902)	(684,832)
	-----	-----
Net loss	\$ (198,902)	\$ (684,832)
	=====	=====

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 December 31, 2004, Scimaxx Solutions had total assets of \$79,664 of which \$607 were current assets and \$79,057 were equipment, total liabilities of \$61,619 and members' equity of \$18,045.

Edgar Filing: Vyta Corp - Form 10QSB

F-15

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(Unaudited)

For the three and six months ended December 31, 2004, Scimaxx Solutions recorded revenues of \$0 and \$5,721, respectively, and expenses of \$21,623 and \$53,320, respectively, resulting in a net loss of \$21,623 and \$47,599, 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-16

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(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

Edgar Filing: Vyta Corp - Form 10QSB

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.

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 agreed to issue 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 agreed to issue 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.

In February 2006, after the effectiveness of the reverse split and the increase in authorized shares, the fair value of the warrants was reclassified to equity in accordance with EITF 00-19.

F-17

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(Unaudited)

The fair value of the warrants are evaluated at each reporting period with any resulting change in fair value being reflected in the condensed consolidated statement of operations. The Company recognized a loss of \$4,158 for the six months ended December 31, 2005, due to the change in the fair value of the warrants from the date of issuance. At December 31, 2005, the warrants fair value is estimated to be \$154,098.

6. OTHER LIABILITIES

The Company has recorded an \$800,000 payable to Arizcan, which represents the costs incurred in connection with a \$1.5 million offering of equity securities.

In December 2005, the Company received an advance payment of \$200,000 on the

Edgar Filing: Vyta Corp - Form 10QSB

purchase of 200,000 shares of its Series A Convertible Preferred Shares from Arizcan. The Company recorded the advance as a liability and agreed to apply the advance to the final purchase of the Preferred Shares. In January 2006, Arizcan completed the purchase of the Preferred Shares.

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.

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).

F-18

VYTA CORP AND SUBSIDIARIES

(Formerly Known as NanoPierce Technologies, Inc.)

Notes to the Condensed Consolidated Financial Statements

Six Months Ended December 31, 2005 and 2004

(Unaudited)

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, of which \$2,000 was recorded as receivable for the issuance of common stock at December 31, 2005. 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 and are to be registered by the Company with the Securities and Exchange Commission (SEC).

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 agreed to issue 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 and are to be registered by the Company with the SEC.

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 \$94,873. 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 and are to be registered by the Company with the SEC.

Six Months Ended December 31, 2004

During the six months ended December 31, 2004, the Company issued 60,000 shares of common stock upon the exercise of warrants. The Company received net cash proceeds of \$112,801 (net of \$7,200 of offering costs).

WARRANTS:

During the six months ended December 31, 2005, warrants to purchase 117,709 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.

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.

F-19

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(Unaudited)

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:

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.

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

Edgar Filing: Vyta Corp - Form 10QSB

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.

F-20

VYTA CORP AND SUBSIDIARIES
(Formerly Known as NanoPierce Technologies, Inc.)
Notes to the Condensed Consolidated Financial Statements
Six Months Ended December 31, 2005 and 2004
(Unaudited)

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 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.

Edgar Filing: Vyta Corp - Form 10QSB

F-21

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The independent registered public accounting firm's report on the Company's consolidated financial statements as of June 30, 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 Company's Board 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 the Company's Board of Directors (the "Board") 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 six months ended December 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".

On January 19, 2006, the Company's Board approved an amendment to the Articles of Incorporation to increase the authorized capital of 10,000,000 common shares to 200,000,000 common shares.

RESULTS OF OPERATIONS

The Company had no revenues during the three and six months ended December 31, 2005 and 2004.

The Company recognized \$28,585 of other income, of which \$28,250 represented a gain on the extinguishment of liabilities. The Company recognized \$8,350 in interest income during the six months ended December 31, 2005 compared to \$6,187 during the six months ended December 31, 2004 (\$4,419 and \$4,687 for the three months ended December 31, 2005 and 2004, respectively).

1

Total general and administrative expenses during the six months ended December 31, 2005 were \$441,027 compared to \$391,260 for the six months ended December 31, 2004 (\$216,188 and \$178,186 for the three months ended December 31, 2005 and 2004, respectively). The increase of \$49,767 is primarily attributable

Edgar Filing: Vyta Corp - Form 10QSB

to a \$68,210 increase in commission fees, a \$22,720 increase in consulting fees, offset by a \$24,581 decrease in public relations expense.

The Company recognized interest expense of \$235,350 for the six months ended December 31, 2005 (no interest expense was recognized in the three months ended December 31, 2005). No interest expense was recorded during the three and six months ended December 31, 2004. Of the \$235,340 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 six months ended December 31, 2005, the Company recognized a net loss of \$1,033,254 compared to a net loss of \$423,862 during the six months ended December 31, 2004 (\$345,674 and \$217,568 for the three months ended December 31, 2005 and 2004, respectively). The increase of \$609,392, during the six months ended December 31, 2005, is primarily attributable to the increase of \$235,350 in interest expense, as explained above and the increase of \$389,654 in losses of equity investments.

LIQUIDITY AND FINANCIAL CONDITION

During the six months ended December 31, 2005, the Company was able to raise \$537,500 cash through the sale of 671,875 shares of its restricted common stock and warrants to purchase 628,125 shares of its restricted common stock.

In August 2005, the Company was able to raise \$1,535,000 cash through the exercise of 1,535,000 warrants with an exercise price of \$1.00 per share.

In August 2005, the Company 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 AgraStimTM, to be used as a replacement for hormone growth steroids and antibiotics in products such as poultry feed. BioAgra anticipates beginning production and sale of the beta glucan product AgraStim during the quarter ending March 31, 2006.

Additionally, the Company entered into an agreement with Arizcan Properties, Ltd. ("Arizcan") whereby the Company will pay to Arizcan, 20% of any cash distributions paid to the Company by BioAgra, until such time as Arizcan shall be paid \$800,000.

2

In September 2005, the Company executed a Subscription Agreement to sell shares of the Company's preferred stock with Arizcan. The Subscription Agreement provides for the sale of 200,000 shares of a Class A 8% cumulative and participating preferred shares with a sales price of \$7.50 per share. The preferred shares are convertible into 60% of the Company's issued and outstanding post-split shares of the Company's common stock on the date of conversion. In December 2005, the Company received an advance payment of \$200,000 in connection with the purchase of the Preferred Shares. On January 19, 2006, the Company completed the sale of 200,000 Preferred Shares for \$400,000 cash (\$200,000 of which was received in December 2005) and an unsecured corporate promissory note of \$1,100,000. The promissory note is due on January 18, 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 conversion, Arizcan held approximately 67% of the issued and outstanding common stock of the Company.

Edgar Filing: Vyta Corp - Form 10QSB

During the six months ended December 31, 2005, the Company used \$427,379 in operating activities. Net cash provided by financing activities was \$1,459,337; \$960,663 was used to pay notes payable, \$2,070,500 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 \$810,881; \$500,000 was used to purchase the 51% equity interest in the BioAgra joint venture. The Company had \$247,412 of cash and cash equivalents at December 31, 2005, which is being used to support the operations and activities of BioAgra, in which the Company owns a 50% equity interest. During the six months ended December 31, 2004, the Company used \$314,126 in operating activities from continuing operations. During the six months ended December 31, 2004, the Company used \$46,052 to pay a note payable.

As of December 31, 2005, if all existing outstanding warrants issued in a January 2004 private placement were exercised, the Company 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 Financing Agreement Litigation), would have 29,347,244 shares of common stock issued and outstanding.

As of December 31, 2005, if the warrants issued to investors in the private placement described above are all exercised, the Company 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, the Company has decided that it may use the additional funds received from the exercise of these warrants to acquire a revenue generating company or to acquire technology complementary to the current technology of the Company, its ownership interest in ExypnoTech and any other licensing agreements or joint venture agreements that the Company may enter in the future.

The Company intends to use the funds raised through recent sales of its restricted common shares and preferred shares to support the operations of the Company over the next 12 months. Operational plans include a corporate restructuring in January 2006, as discussed above, and administrative support provided to BioAgra. The Company expects 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. The Company initially plans to use such funds to support administrative activities. The Company continues to evaluate additional merger and acquisition opportunities.

3

CRITICAL ACCOUNTING POLICY

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, the Company's 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, the

Edgar Filing: Vyta Corp - Form 10QSB

Company reports 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

A review and evaluation was performed by the Company's management, including the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2005. Based on that review and evaluation, the CEO and CFO have concluded that, as of the date of their evaluation, the Company's current disclosure controls and procedures, as designed and implemented, were effective. There have been no significant changes in the Company's internal controls that could significantly affect such internal controls subsequent to the date of their evaluation. There were no material weaknesses identified in the course of such review and evaluation and, therefore, no corrective measures were taken by the Company.

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.

Edgar Filing: Vyta Corp - Form 10QSB

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 October 1, 2005 through December 31, 2005.

DATE OF SALE	TITLE OF SECURITIES	NO. OF SHARES	CONSIDERATION	CLASS OF PURCHASER
10/28/05	Common Stock	625,000	\$25,000	Business Associate
10/31/05	Common Stock	250,000	\$10,000	Business Associate
11/2/05	Common Stock Warrant	250,000 12,500	\$10,000 for 250,000 shares of common stock and warrant for 12,500 shares	Business Associate
11/10/05	Common Stock Warrant	125,000 6,250	\$5,000 for 125,000 shares of common stock and warrant for 6,250 shares	Business Associate
11/30/05	Common Stock Warrant	1,250,000 62,500	\$50,000 for 1,250,000 shares of common stock and warrant for 62,500 shares	Business Associate
12/2/05	Common Stock Warrant	625,000 31,250	\$25,000 for 625,000 shares of common stock and a warrant for 31,250 shares	Business Associate
12/2/05	Common Stock Warrant	625,000 31,250	\$25,000 for 625,000 shares of common stock and a warrant for 31,250 shares	Business Associate
12/2/05	Common Stock Warrant	625,000 31,250	\$25,000 for 625,000 shares of common stock and a warrant for 31,250 shares	Business Associate
12/6/05	Common Stock Warrant	1,875,000 93,750	\$75,000 for 1,875,000 shares of common stock and a warrant for 93,750 shares	Business Associate
12/6/05	Common Stock Warrant	1,875,000 93,750	\$75,000 for 1,875,000 shares of common stock and a warrant for 93,750 shares	Business Associate
12/7/05	Common Stock Warrant	625,000 31,250	\$25,000 for 625,000 shares of common stock and a warrant for 31,250 shares	Business Associate
12/7/05	Common Stock Warrant	250,000 12,500	\$10,000 for 250,000 shares of common stock and a warrant for 12,500 shares	Business Associate

Edgar Filing: Vyta Corp - Form 10QSB

12/12/05	Common Stock	200,000	\$8,000 for 200,000 shares	
	Warrant	10,000	of common stock and a	Business Associate
			warrant for 10,000 shares	

12/20/05	Common Stock	375,000	\$15,000 for 375,000 shares	
	Warrant	18,750	of common stock and a	Business Associate
			warrant for 18,750 shares	

12/22/05	Common Stock	125,000	\$5,000 for 125,000 shares	
	Warrant	6,250	of common stock and a	Business Associate
			warrant for 6,250 shares	

12/22/05	Common Stock	937,500	\$37,500 for 937,500 shares	
	Warrant	46,875	of common stock and a	Business Associate
			warrant for 46,875 shares	

12/22/05	Common Stock	250,000	\$10,000 for 250,000 shares	
	Warrant	12,500	of common stock and a	Business Associate
			warrant for 12,500 shares	

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

6

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 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.

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

5

(b) CURRENT REPORTS ON FORM 8-K. The registrant filed the following
current reports on Form 8-K during the quarter ended December 31,
2005:

- Current Report on Form 8-K dated, October 7, 2005, filed
with the Securities and Exchange Commission on October 7, 2005
(Item 7.01 Regulation FD Disclosure - Shareholder Letter and Item
9.01 Financial Statements and Exhibits - copy of October 7, 2005
Shareholder Letter)

8

SIGNATURES

Pursuant to 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: February 21, 2006

/s/Paul H. Metzinger

Paul H. Metzinger,
President & CEO

Date: February 21, 2006

/s/Kristi J. Kampmann

Kristi J. Kampmann,
Chief Financial Officer

9