Vyta Corp
Form 10QSB/A
May 07, 2008

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB/A

(Mark One)

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

For the quarterly period ended September 30, 2007

OR

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

Commission file number 33-19598-D

VYTA CORP
(Exact name of small business issuer as specified in its charter)

Nevada	84-0992908
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)

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

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

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– xNo ––¨

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

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

As of November 16, 2007 there were 32,879,845 shares of the registrant's sole class of common shares outstanding.

Transitional Small Business Disclosure Format Yes ¨ No x

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EXPLANATORY NOTE

This Form 10-QSB/A (the “Amendment”) amends our Form 10-QSB for the period ended September 30, 2007, which was filed with the Securities and Exchange Commission on November 19, 2007 (the “Original Filing”). We are filing this Form 10-QSB/A to amend Item 3 “Controls and Procedures.”

In connection with the filing of this Form 10-QSB/A and pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, we are including with this Form 10-QSB/A certain currently dated certifications.

This Amendment does not reflect events occurring after the Original Filing except as noted above. Except for the foregoing amended information, this Form 10-QSB/A continues to speak as of the date of the Original Filing and the Company has not otherwise updated disclosures contained therein or herein to reflect events that occurred at a later date.

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PART I – FINANCIAL INFORMATION

Item 3. CONTROLS AND PROCEDURES

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

As required by SEC Rule 15d-15(b), we carried out an evaluation under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Exchange Act Rule 15d-15 as of the end of the period covered by this report. Based on the foregoing evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are not effective in timely alerting them to material information required to be included in our periodic SEC filings and to ensure that information required to be disclosed in our periodic SEC filings is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure as a result of the omission in our Original Filing of the changes in our internal controls over financial reporting that occurred during the fiscal quarter to address the deficiency in our internal control over financial reporting first identified in our annual report on Form 10-KSB for the fiscal year ended June 30, 2007.

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

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

Beginning in the fiscal quarter ended September 30, 2007, we initiated and began to change 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. During the fiscal quarter ended September 30, 2007, we contracted with our former Chief Financial Officer to assist in preparing our financial statements and our periodic filings with the Securities and Exchange Commission and to maintain our books and records. We have also contracted with a certified public accountant to assist in the preparation of the financial statements and to maintain the books and records of BioAgra. We also began the search for a permanent Chief Financial Officer. We incurred approximately $15,000 during the September 2007 quarter in remediation costs. While the aggregate costs of remediation are unknown at this time, we expect that the costs may exceed $300,000, which would include the interim measures described above and the hiring of a new Chief Financial Officer. We anticipate hiring a Chief Financial Officer by December 31, 2008. However, we can provide no assurance that a qualified person can be located and hired by such time to serve as our Chief Financial Officer. Until such time as a Chief Financial Officer is hired, we intend to continue to utilize consultants to assist in the preparation of our financial statements and our periodic reports.

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PART II – OTHER INFORMATION

Item 6. EXHIBITS

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

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

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

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SIGNATURES

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

VYTA CORP
(Registrant)

Date: May 7, 2008

/s/ Paul H. Metzinger
Paul H. Metzinger,
President & CEO & Acting Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

SION COULD ADVERSELY AFFECT OUR BUSINESS AND RESULTS OF OPERATIONS. Hickory has historically received, and expects to continue to receive, a significant portion of its revenue through relationships with traditional travel agents. Maintenance of good relationships with these travel agents depends in large part on continued offerings of travel services in demand, and good levels of service and availability. If Hickory does not maintain good relations with its travel agents, these agents could terminate their memberships and use of Hickory's products and services, which would have a material adverse effect on our business and results of operations. DECLINES OR DISRUPTIONS IN THE TRAVEL INDUSTRY COULD SIGNIFICANTLY REDUCE OUR REVENUE FROM THE TRAVEL DIVISION. Potential declines or disruptions in the travel industry may result from any one or more of the following factors: - price escalation in the airline industry or other travel related industries; - airline or other travel related strikes; - political instability, war and hostilities; - long term bad weather; - fuel price escalation; - increased occurrence of travel-related accidents; and/or - economic downturns and recessions. OUR TRAVEL REVENUES MAY FLUCTUATE FROM QUARTER TO QUARTER DUE TO SEVERAL FACTORS INCLUDING FACTORS THAT ARE OUTSIDE OF OUR CONTROL, AND IF BECAUSE OF THESE FACTORS, OUR REVENUES ARE BELOW OUR EXPECTATIONS IT WOULD LIKELY HAVE A MATERIAL ADVERSE EFFECT ON OUR RESULTS OF OPERATIONS. We may experience fluctuating revenues because of a variety of factors, many of which are outside of our control. These factors may include, but are not limited to, the timing of new contracts; reductions or other modifications in our clients' marketing and sales strategies; the timing of new product or service offerings; the expiration or termination of existing contracts or the reduction in existing programs; the timing of increased expenses incurred to obtain and support new business; changes in the revenue mix among our various service offerings; labor strikes and slowdowns at airlines or other travel businesses; and the seasonal pattern of TraveLeaders' business and the travel agency members of Hickory. In addition, we make decisions regarding staffing levels, investments and other operating expenditures based on our revenue forecasts. If our revenues are below expectations in any given quarter, our operating results for that quarter would likely be materially adversely affected. GLOBAL TRAVEL DISTRIBUTION SYSTEM CONTRACTS THAT WE MAY ENTER INTO GENERALLY PROVIDE FOR FINANCIAL PENALTIES FOR NOT ACHIEVING PERFORMANCE OBJECTIVES. We are seeking to enter into multi-year global distribution system contracts. These contracts typically cover a five-year period and would require us to meet certain performance objectives. If we do not structure a global distribution system contract effectively, it may trigger financial penalties if the performance objectives are not met. In the event that we enter into global distribution system contracts and are unable to meet the performance objectives, it would have a material adverse effect on our business, liquidity and results of operations. OUR CONTRACTS WITH CLIENTS OF THE TRAVELEADERS BUSINESS DO NOT GUARANTEE THAT WE WILL RECEIVE A MINIMUM LEVEL OF REVENUE, ARE NOT EXCLUSIVE, AND MAY BE TERMINATED ON RELATIVELY SHORT NOTICE.

Our contracts with clients of the TraveLeaders business do not ensure that we will generate a minimum level of revenue, and the profitability of each client may fluctuate, sometimes significantly, throughout the various stages of our sales cycles. Although we will seek to enter into multi-year contracts with our clients, our contracts generally enable the client to terminate the contract, or terminate or reduce customer interaction volumes, on relatively short notice. Although some contracts require the client to pay a contractually agreed amount in the event of early termination, there can be no assurance that we will be able to collect such amount or that such amount, if received, will sufficiently compensate us for our investment in any canceled sales campaign or for the revenues we may lose as a result of the early termination. If we do not generate minimum levels of revenue from our contracts or our clients terminate our multi-year contracts, it will have a material adverse effect on our business, results of operation and financial condition. WE RECEIVE CONTRACTUALLY SET SERVICE FEES AND HAVE LIMITED ABILITY TO INCREASE OUR FEES TO MEET INCREASING COSTS. Most of our travel contracts have set service fees that we may not increase if, for instance, certain costs or price indices increase. For the minority of our contracts that allow us to increase our service fees based upon increases in cost or price indices, these increases may not fully compensate us for increases in labor and other costs incurred in providing the services. If our costs increase and we cannot, in turn, increase our service fees or we have to decrease our service fees because we do not achieve defined performance objectives, it will have a material adverse effect on our business, results of operations and financial condition. THE TRAVEL INDUSTRY IS LABOR INTENSIVE AND INCREASES IN THE COSTS OF OUR EMPLOYEES COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, LIQUIDITY OR RESULTS OF OPERATIONS. The travel industry is labor intensive and has experienced high personnel turnover. A significant increase in our personnel turnover rate could increase our recruiting and training costs and decrease operating effectiveness and productivity. If we obtain a significant number of new clients or implement a significant number of new, large-scale campaigns, we may need to recruit, hire and train qualified personnel at an accelerated rate, but we may be unable to do so. Because significant portions of our operating costs relate to labor costs, an increase in wages, costs of employee benefits, employment taxes or other costs associated with our employees could have a material adverse effect on our business, results of operations or financial condition. OUR INDUSTRY IS SUBJECT TO INTENSE COMPETITION AND COMPETITIVE PRESSURES COULD ADVERSELY AFFECT OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION. We believe that the market in which we operate is fragmented and highly competitive and that competition may intensify in the future. We compete with small firms offering specific applications, divisions of large entities, large independent firms and the in-house operations of clients or potential clients. A number of competitors have or may develop greater capabilities and resources than us. Additional competitors with greater resources than us may enter our market. Competitive pressures from current or future competitors could cause our services to lose market acceptance or result in significant price erosion, all of which could have a material adverse effect upon our business, results of operations or financial condition. WE RELY AND PLAN TO RELY ON ONLY A FEW MAJOR CLIENTS FOR OUR REVENUES. We plan to focus our marketing efforts on developing long-term relationships with companies in our targeted travel and vacation resort industry. As a result, we will derive a substantial portion of our revenues from relatively few clients. There can be no assurances that we will not continue to be dependent on a few significant clients, that we will be able to retain those clients, that the volumes of profit margins will not be reduced or that we would be able to replace such clients or programs with similar clients or programs that would generate a comparable profit margin. Consequently, the loss of one or more of those clients could have a material adverse effect on our business, results of operations or financial condition. RISKS RELATED TO OUR COMMUNICATIONS DIVISION WE MAY NOT BE ABLE TO KEEP UP WITH CURRENT AND CHANGING TECHNOLOGY ON WHICH OUR BUSINESS IS DEPENDENT. Our call center and communications business is dependent on our computer and communications equipment and software capabilities. The underlying technology is continually changing. Our continued growth and future profitability depends on a number of factors affected by current and changing technology, including our ability to: - expand our existing service offerings; - achieve cost efficiencies in our existing call centers; and - introduce new services and products that leverage and respond to changing technological developments. The technologies or services developed by our competitors may render our products or services non competitive or obsolete. We may not be able to develop and market any commercially successful new services or products. We have considered integrating and automating our customer support capabilities, which we expect would decrease costs by a greater amount than any decrease in revenues; however, we could be wrong in these expectations. Our failure to maintain our technological capabilities or respond effectively to technological changes could have a material adverse effect on our business, results of operations or financial condition. A BUSINESS INTERRUPTION AT OUR CALL CENTER, WHETHER OR NOT PROLONGED, COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, RESULTS OF OPERATIONS AND FINANCIAL CONDITION. Our call center business operations depend upon our ability to protect our call center, computer and telecommunications equipment and software systems against damage from fire, power loss, telecommunications interruption or failure, computer viruses, natural disaster and other similar events. In the event we experience a temporary or permanent interruption at our call center and our contracts do not provide relief, our business could be materially adversely affected and we could be required to pay contractual damages to some clients or allow some clients to terminate or renegotiate their contracts with us. In the event that we experience business interruptions, it would have a material adverse effect on our business, results of operations and financial condition. RISKS RELATING TO OUR STOCK AND GENERAL BUSINESS RISKS RE-PRICING WARRANTS AND ISSUING ADDITIONAL WARRANTS TO OBTAIN FINANCING HAS CAUSED AND MAY CAUSE ADDITIONAL DILUTION TO OUR EXISTING STOCKHOLDERS. In the past, to obtain additional financing, we have modified the terms of our warrant agreements to lower the exercise price per share to $.001 from $5.00 with respect to warrants to purchase 100,000 shares of our common stock and to $.001 from $2.96 with respect to warrants to purchase 1,350,000 shares of our common stock. Additionally, we have granted an additional 616,000 warrants to SIBL and affiliates to purchase shares of our Common Stock at $5.00 per share and 308,000 warrants to SIBL and affiliates to purchase shares of our Common Stock at $0.001 per share. Re-pricing of our warrants and issuing additional warrants has caused and may cause substantial additional dilution to our existing shareholders and shareholders owning shares of our common stock at the time of the exercise of such warrants described above, if exercised. WARRANTS GRANTED TO STANFORD INTERNATIONAL BANK, LTD., IN CONNECTION WITH THE TIERRA DEL SOL LOAN AND LETTERS OF CREDIT CONTAIN ANTI-DILUTION FEATURES, WHICH COULD EFFECT THE VALUE OF OUR COMMON STOCK. On December 29, 2005, Stanford International Bank, Ltd. ("SIBL") provided Tierra Del Sol with financial assistance to facilitate the establishment of the Land Loan and the Construction Loan. The financial assistance consisted of a loan to Tierra Del Sol of $2,100,000 (the "SIBL Tierra Del Sol Loan"), and the establishment of letters of credit in favor of KeyBank in the amount of $4,000,000 and $2,000,000, respectively (the "Letters of Credit"). As additional consideration for this financial assistance, we granted SIBL and its affiliates warrants to purchase 308,000 shares of our common stock at an exercise price of $5.00 per share and warrants to purchase 154,000 shares of our common stock at an exercise price of $0.001 per share. Additionally, in January 2006, in connection with the SIBL Reedy Creek Loan, we granted SIBL and its affiliates warrants to purchase 308,000 shares of our common stock at an exercise price of $5.00 per share and warrants to purchase 154,000 shares of the Company's common stock at an exercise price of $0.001 per share. The warrants expire 5 years from the dates of issuance. The warrants contain anti-dilution provisions, including a provision which requires us to issue additional shares under the warrants if we issue or sell any common stock at less than $1.02 per share, or grant, issue or sell any options or warrants for shares of the Company's common stock to convert into shares of our common stock at less than $1.02 per share. If we do issue or sell common stock which causes a re-pricing of the warrants issued to SIBL, it would likely have an adverse effect on the trading value of our common stock and could cause substantial dilution to our then shareholders. THERE MAY NOT BE AN ACTIVE OR LIQUID TRADING MARKET FOR OUR COMMON STOCK, WHICH MAY LIMIT INVESTORS' ABILITY TO RESELL THEIR SHARES. An active and liquid trading market for our common stock may not develop or, if developed, such a market may not be sustained. In addition, we cannot predict the price at which our common stock will trade. If there is not an active or liquid trading market for our common stock, investors in our common stock may have limited ability to resell their shares. WE HAVE AND MAY CONTINUE TO ISSUE PREFERRED STOCK THAT HAS RIGHTS AND PREFERENCES OVER OUR COMMON STOCK. Our Articles of Incorporation, as amended, authorize our Board of Directors to issue preferred stock, the relative rights, powers, preferences, limitations, and restrictions of which may be fixed or altered from time to time by the Board of Directors. Accordingly, the Board of Directors may, without approval from the shareholders of our common stock, issue preferred stock with dividend, liquidation, conversion, voting, or other rights that could adversely affect the voting power and other rights of the holders of our common stock. The preferred stock can be utilized, under certain circumstances, as a method of discouraging, delaying, or preventing a change in our ownership and management that shareholders might not consider to be in their best interests. We have issued various series of preferred stock, which have rights and preferences over our common stock including, but not limited to, cumulative dividends and preferences upon liquidation or dissolution. WE DO NOT EXPECT TO PAY DIVIDENDS IN THE NEAR FUTURE. We have never declared or paid dividends on our common stock. We do not anticipate paying dividends on our common stock in the near future. Our ability to pay dividends is dependent upon, among other things, future earnings as well as our operating and financial condition, capital requirements, general business conditions and other pertinent factors. We intend to reinvest in our business operations any funds that could be used to pay dividends. Our common stock is junior in priority to our preferred stock with respect to dividends. Cumulative dividends on our issued and outstanding Series A preferred stock, Series B preferred stock, Series C preferred stock and Series E preferred stock accrue dividends at a rate of $1.20, $12.00, $4.00, and $4.00, respectively, per share per annum, payable in preference and priority to any payment of any cash dividend on our common stock. We have authorized Series F preferred stock with cumulative dividends that accrue at a rate of $1.00 per share per annum and are also payable in preference and priority to any payment of any cash dividend on our common stock. Dividends on our preferred stock accrue from the date on which we agree to issue such preferred shares and thereafter from day to day whether or not earned or declared and whether or not there exists profits, surplus or other funds legally available for the payment of dividends. We have never paid any cash dividends on our preferred stock. We will be required to pay accrued dividends on our preferred stock before we can pay any dividends on our common stock. BECAUSE OF THE SIGNIFICANT NUMBER OF SHARES OWNED BY OUR DIRECTORS, OFFICERS AND PRINCIPAL SHAREHOLDERS, OTHER SHAREHOLDERS MAY NOT BE ABLE TO SIGNIFICANTLY INFLUENCE OUR MANAGEMENT. Our directors, officers, and principal shareholders beneficially own a substantial portion of our outstanding common and preferred stock. Malcolm J. Wright, who serves as our Chief Executive Officer and Chief Financial Officer and as a Director, and Roger Maddock, one of our majority shareholders, own, directly and indirectly, approximately an aggregate of 73% of the voting power in our company. As a result, these persons control our affairs and management, as well as all matters requiring shareholder approval, including the election and removal of members of the Board of Directors, transactions with directors, officers or affiliated entities, the sale or merger of the Company or substantially all of our assets, and changes in dividend policy. This concentration of ownership and control could have the effect of delaying, deferring, or preventing a change in our ownership or management, even when a change would be in the best interest of other shareholders. IF WE ARE LATE IN FILING OUR QUARTERLY OR ANNUAL REPORTS WITH THE SEC, WE MAY BE DE-LISTED FROM THE OVER-THE-COUNTER BULLETIN BOARD. Pursuant to new Over-The-Counter Bulletin Board ("OTCBB") rules relating to the timely filing of periodic reports with the SEC, any OTCBB issuer which fails to file a periodic report (Form 10-QSB's or 10-KSB's) by the due date of such report (not withstanding any extension granted by the filing of a Form 12b-25), three (3) times during any twenty-four (24) month period is automatically de-listed from the OTCBB. Such removed issuer would not be re-eligible to be listed on the OTCBB for a period of one-year, during which time any subsequent late filing would reset the one-year period of de-listing. If we are late in our filings three times in any twenty-four (24) month period and are de-listed from the OTCBB, our securities may become worthless and we may be forced to curtail or abandon our business plan. IF THERE IS A MARKET FOR OUR COMMON STOCK, OUR STOCK PRICE MAY BE VOLATILE. If there is a market for our common stock, we anticipate that such market will be subject to wide fluctuations in response to several factors, including, but not limited to: (1) actual or anticipated variations in our results of operations; (2) our ability or inability to generate new revenues; (3) the number of shares in our public float; (4) increased competition; and (5) conditions and trends in the travel services, vacation, and/or real estate and construction markets. Furthermore, because our Common Stock is traded on the NASD over the counter bulletin board, our stock price may be impacted by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock. Additionally, at present, we have a limited number of shares in our public float, and as a result, there could be extreme fluctuations in the price of our common stock. Further, due to the limited volume of our shares which trade and our limited public float, we believe that our stock prices (bid, asked and closing prices) are entirely arbitrary, are not related to the actual value of the Company, and do not reflect the actual value of our common stock (and in fact reflect a value that is much higher than the actual value of our Common Stock). Shareholders and potential investors in our Common Stock should exercise caution before making an investment in the Company, and should not rely on the publicly quoted or traded stock prices in determining our Common Stock value, but should instead determine value of our Common Stock based on the information contained in the Company's public reports, industry information, and those business valuation methods commonly used to value private companies. ITEM 3. CONTROLS AND PROCEDURES (a) Evaluation of disclosure controls and procedures. Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this quarterly report (the "Evaluation Date"), has concluded that as of the Evaluation Date, our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. However, because we have not fully integrated our administrative operations, we face increased pressure related to recording, processing, summarizing and reporting consolidated financial information required to be disclosed by us in the reports that we file or submit under the Exchange Act in a timely manner as well as accumulating and communicating such information to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. We believe that until we have fully integrated our administrative operations, we will continue to face such pressure regarding the timeliness of our filings as specified in the Commission's rules and forms which could lead to a future determination that our disclosure controls and procedures are not effective as of a future evaluation date. (b) Changes in internal control over financial reporting. There were no significant changes in the Company's internal control over financial reporting during the fiscal quarter covered by this report that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. PART II - OTHER INFORMATION ITEM 1. LEGAL PROCEEDINGS Our subsidiary American Leisure, Inc. and our Chief Executive Officer and Chairman, Malcolm J. Wright are parties to an action that was filed in Orange County, Florida and styled as Rock Investment Trust, P.L.C. and RIT, L.L.C. vs. Malcolm J. Wright, American Vacation Resorts, Inc., American Leisure, Inc., Inversora Tetuan, S.A., Sunstone Golf Resort, Inc., and Sun Gate Resort Villas, Inc., Case No. CIO-01-4874, Ninth Judicial Circuit, Orange County, Florida. In June, 2001, after almost 2 years from receiving notice from Malcolm J. Wright that one Mr. Roger Smee, doing business under the names Rock Investment Trust, PLC (a British limited company) and RIT, LLC (a Florida limited liability company) (collectively, the "Smee Entities") had defaulted under various agreements to loan or to joint venture or to fund investment into various real estate enterprises founded by Mr. Wright, the Smee Entities brought the lawsuit against Mr. Wright, American Leisure, Inc. and several other entities. The gravamen of the initial complaint is that the Smee Entities made financial advances to Wright with some expectation of participation in a Wright real estate enterprise. In general, the suit requests either a return of the Smee Entities' alleged advances of $500,000 or an undefined ownership interest in one or more of the defendant entities. Mr. Wright, American Leisure, Inc., and Inversora Tetuan, S.A., have filed a counterclaim and cross complaint against the Smee Entities and Mr. Smee denying the claims and such damages in the amount of $10 million. If the court rules that Mr. Wright is liable under his guarantee of an American Leisure, Inc. obligation to Smee, it is believed that such a ruling would not directly affect American Leisure Holdings, Inc. The litigation is in the discovery phase and is not currently set for trial. We have been advised by our attorneys in this matter that Mr. Wright's position on the facts and the law is stronger than the positions asserted by the Smee Entities. In March 2004, Manuel Sanchez and Luis Vanegas as plaintiffs filed a lawsuit, Case No. 04-4549 CA 09, in the Circuit Court of the Eleventh Judicial Circuit in and for Miami Dade County, Florida which includes American Leisure Holdings, Inc., Hickory Travel Systems, Inc., Malcolm J. Wright and L. William Chiles as defendants. They are claiming securities fraud, violation of Florida Securities and Investor Protection Act, breach of their employment contracts, and claims for fraudulent inducement. We and the other defendants have denied all claims and have a counterclaim against Manuel Sanchez and Luis Vanegas for damages. The litigation will shortly enter the discovery phase and is not currently set for trial. We believe that Manuel Sanchez' and Luis Vanegas' claims are without merit and the claims are not material to us. We intend to vigorously defend the lawsuit. In early May 2004, Around The World Travel, Inc., of which we subsequently purchased substantially all of the assets, filed a lawsuit in the Miami-Dade Florida Circuit Court against Seamless Technologies, Inc. and e-TraveLeaders, Inc. alleging breach of contract and seeking relief that includes monetary damages and termination of the contracts. We were granted leave to intervene as plaintiffs in the original lawsuits against Seamless and e-TraveLeaders. On June 28, 2004, the above named defendants brought suit against Around

The World Travel and American Leisure Holdings, Inc. in an action styled Seamless Technologies, Inc. et al. v. Keith St. Clair et al. This suit alleges that Around The World Travel has breached the contracts and also that American Leisure Holdings, Inc. and Around The World Travel's Chief Executive Officer were complicit with certain officers and directors of Around The World Travel in securing ownership of certain assets for American Leisure Holdings, Inc. that were alleged to have been a business opportunity for Around The World Travel. This lawsuit involves allegations of fraud against Malcolm J. Wright. The lawsuit filed by Seamless has been abated and consolidated with the original lawsuit filed by Around The World Travel. In a related matter, Seamless' attorneys brought another action entitled Peter Hairston v. Keith St. Clair et al. This suit mimics the misappropriation of business opportunity claim, but it is framed within a shareholder derivative action. The relief sought against American Leisure Holdings, Inc. includes monetary damages and litigation costs. We intend to vigorously support the original litigation filed against Seamless and defend the counterclaim and allegations against us. In June of 2005, the court dismissed certain claims of tortious interference against the Company and Malcolm J. Wright and provided Seamless with leave to amend all of their other claims with specificity. In addition, the court dismissed a claim of conspiracy and a demand for judgment. As of January 18, 2006, the Defendants filed their amended answer and amended counterclaim. The Company's attorneys have filed a comprehensive reply seeking to dismiss the counterclaim against the Company and Mr. Wright. On May 4, 2005, Simon Hassine, along with members of his family, filed a lawsuit against us and Around The World Travel in the Circuit Court of Dade County, Florida, Civil Division, Case Number 05-09137CA. The plaintiffs are the former majority shareholders of Around The World Travel. The plaintiffs allege that that they have not been paid for i) a subordinated promissory note owed by AWT in the principal amount of $3,550,000 plus interest on such note which they allege was issued to them by Around The World Travel in connection with their sale of 88% of the common stock in Around The World Travel to Around The World Holdings, LLC; and ii) subordinated undistributed retained earnings and accrued bonuses in an aggregate amount of $1,108,806 which they allege were due to them as part of the sale to Around The World Holdings, LLC. The plaintiffs allege that the note was issued to them net of $450,000 of preferred stock of Around The World Travel that they further allege they never received. Despite the absence of any executed agreements, the plaintiffs also allege that in December 2004 they entered into a settlement agreement with the Company regarding some of these matters. The plaintiffs are pursuing a claim of breach of the alleged settlement agreement with damages in excess of $1,000,000, interest and costs as well as performance under the alleged settlement agreement. The Plaintiffs also seek a declaratory judgment that they are not bound by a provision in the underlying documents on which they rely that their action is barred by said provision. In the alternative, the Plaintiffs seek a ruling that the promissory note, undistributed retained earnings and accrued bonuses are not subordinated to the Galileo Debt. The suit seeks full payment of the promissory note, undistributed retained earnings and accrued bonuses plus prejudgment interest, stated interest on the note, costs and reasonable attorney's fees. Despite the absence of any executed agreements, the plaintiffs are also pursuing a claim for breach of contract regarding the preferred stock of Around The World Travel and seeking $450,000 plus interest, costs and reasonable attorney's fees. The plaintiffs are also pursuing claims of fraudulent transfer regarding our acquisition of interests in the debt and equity of Around The World Travel and seeking unspecified amounts. We intend to vigorously defend the lawsuit. We filed various motions including a motion to dismiss the complaint in its entirety as against us and Malcolm J. Wright due to the failure by the plaintiffs to comply with a provision in the underlying documents that grants exclusive jurisdiction to the courts located in Cook County, Illinois; a motion to disqualify, based upon an alleged conflict of interest by the plaintiff's attorneys. A hearing on the case has been postponed to a to be determined date later in 2006 due to a declared conflict of interest held by the sitting judge who has recused herself as a result of the potential for a conflict of interest. In the ordinary course of our business, we may from time to time become subject to routine litigation or administrative proceedings, which are incidental to our business. We are not aware of any proceeding to which any of our directors, officers, affiliates or security holders are a party adverse to us or have a material interest adverse to us. ITEM 2. CHANGES IN SECURITIES In January 2006, in connection with the SIBL Reedy Creek Loan, the Company granted SIBL warrants to purchase 154,000 shares of the Company's common stock at an exercise price of $5.00 per share and warrants to purchase 77,000 shares of the Company's common stock at an exercise price of $0.001 per share, which warrants expire five years from their grant date. We claim an exemption from registration afforded by Section 4(2) of the Act since the foregoing issuance did not involve a public offering, the recipient took the warrants for investment and not resale and we took appropriate measures to restrict transfer. In January 2006, in connection with the SIBL Reedy Creek Loan, the Company granted warrants to four separate affiliates of SIBL entitling them to purchase an aggregate of 154,000 shares of the Company's common stock at an exercise price of $5.00 per share and 77,000 shares at an exercise price of $.001 per share. The warrants have a term of five years and are immediately exercisable. The warrants have an exercise price of $1.02 per share. We claim an exemption from registration afforded by Section 4(2) of the Act since the foregoing grant did not involve a public offering, the recipient took the warrants for investment and not resale and we took appropriate measures to restrict transfer. In January 2006, in connection with Mr. Wright's guarantee of the Amended Note, the Company agreed to grant Mr. Wright warrants to purchase 240,000 shares of the Company's common stock at an exercise price of $1.02 per share. The warrants are being granted pursuant to an existing agreement between the Company and Mr. Wright and expire 5 years from the expiration date of the guarantees. In addition, the Company has agreed to register the shares underlying the warrants granted to Mr. Wright on its next registration statement. The Warrants have an exercise price of $1.02 per share. We claim an exemption from registration afforded by Section 4(2) of the Act since the foregoing grant did not involve a public offering, the recipient took the warrants for investment and not resale and we took appropriate measures to restrict transfer. In connection with Mr. Crosbie's Employment Agreement, described above, pursuant to which he agreed to serve as our Executive Vice President, General Counsel and Secretary, which we entered into in May 2006, with an effective date of March 15, 2006, we agreed to grant him 50,000 warrants which vested as of the effective date of the Employment Agreement; and 25,000 warrants vesting each year, on the anniversary of the effective date of his employment, that Mr. Crosbie is employed by the Company pursuant to the Employment Agreement. The warrants have an exercise price of $1.02 per share. We claim an exemption from registration afforded by Section 4(2) of the Act since the foregoing grant did not involve a public offering, the recipient took the warrants for investment and not resale and we took appropriate measures to restrict transfer. In March 2006, we appointed Jeffrey Scott as President of Hickory. In connection with Mr. Scott's appointment and continued employment, we agreed to grant him warrants to purchase 100,000 shares of the Company's common stock. The warrants have an exercise price of $5.00 per share. One half, or 50,000 of Mr. Scott's warrants vested on March 2, 2006, with the remaining 50,000 warrants vesting as follows, 25,000 warrants on March 2, 2007 and the remaining 25,000 warrants on March 2, 2008, assuming Mr. Scott is still employed by the Company on those dates. The Company will rely on the exemption from registration set forth in Section 4(2) of the Act in issuing these warrants as the issuance of these securities will not involve a public offering, the recipient acquired the warrants for investment purposes and the Company will take appropriate measures to restrict transfer. No underwriters or agents were involved in the foregoing issuances and no underwriting discounts were paid by the Company. On March 23, 2006, and effective as of December 30, 2005, we purchased the minority interest of our now wholly owned subsidiary, Tierra Del Sol, Inc. (the "Minority Interest") from Harborage Leasing Corporation ("Harborage"). The purchase price of the Minority Interest from Harborage was a promissory note for $1,411,705 ("Harborage Note"); the right to receive, without payment, two (2) three-bedroom condominium units to be constructed in Phase 2 of the Tierra Del Sol Resort, or in the event title to both such units is not delivered by December 31, 2007, then, in lieu thereof, payment of $500,000.00 for each such unit that is not transferred by such date; 197,000 shares of the Company's common stock; and warrants to acquire 300,000 additional shares of the Company's common stock at a price of $5.00 per share. The warrants expire if unexercised five (5) years from their date of grant. Pursuant to the Stock Purchase Agreement, Harborage has the right to require the Company to purchase all or a portion of the Harborage 197,000 shares at $5.00 per share, for sixty (60) days, beginning January 1, 2007 (the "Put Option"). The Put Option will no longer be in effect provided that both of the following events occur: (i) Harborage is able to sell the Harborage Shares pursuant to an effective Registration Statement under the Securities Act of 1933 (the "Act"), or pursuant to Rule 144 of the Act; and after the fulfillment of (i) above, the average closing price of the Company on the Over-The-Counter Bulletin Board or principal exchange on which the Company's common stock then trades, exceeds $5.00 per share for a period of thirty (30) consecutive days. The Harborage Note and shares are guaranteed by Malcolm J. Wright, the Company's Chief Executive Officer and Chairman, for which he received a guaranty fee equal to three percent (3%)_of the amount guaranteed. The Company paid this fee through the grant of 102,351 warrants to purchase shares of the Company's common stock at an exercise price of $1.02 per share. These warrants will expire 5 years from the expiration date of the guaranty. In May 2006, Daniel Bogar exercised 19,250 of his outstanding stock options, which options had an exercise price of $0.001 per share, in consideration for an aggregate of $19.25, and was issued 19,250 shares of our restricted common stock in consideration for such issuance. The Company relied on the exemption from registration set forth in Section 4(2) of the Act in issuing the shares as the issuance of the securities did not involve a public offering, the recipient acquired the shares for investment purposes and the Company took appropriate measures to restrict transfer. No underwriters or agents were involved in the foregoing issuance and no underwriting discounts were paid by the Company. In May 2006, Osvaldo Pi exercised 19,250 of his outstanding stock options, which options had an exercise price of $0.001 per share, in consideration for an aggregate of $19.25, and was issued 19,250 shares of our restricted common stock in consideration for such issuance. The Company relied on the exemption from registration set forth in Section 4(2) of the Act in issuing the shares as the issuance of the securities did not involve a public offering, the recipient acquired the shares for investment purposes and the Company took appropriate measures to restrict transfer. No underwriters or agents were involved in the foregoing issuance and no underwriting discounts were paid by the Company. In May 2006, SIBL exercised 231,000 of its outstanding stock options, which options had an exercise price of $0.001 per share, in consideration for an aggregate of $231, and was issued 231,000 shares of our restricted common stock in consideration for such issuance. The Company relied on the exemption from registration set forth in Section 4(2) of the Act in issuing the shares as the issuance of the securities did not involve a public offering, the recipient acquired the shares for investment purposes and the Company took appropriate measures to restrict transfer. No underwriters or agents were involved in the foregoing issuance and no underwriting discounts were paid by the Company. ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS None. ITEM 5. OTHER INFORMATION None. ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K a) Exhibits Exhibit No. Description ----------- ------------ 10.01(1) Commitment Letter with KeyBank National Association for $96,000,000 for Phase I 10.02(1) Commitment Letter with KeyBank National Association for $14,850,000 for Phase II 10.03(2) Re-Stated Promissory Note for $6,356,740 issued in favor of Around The World Travel, Inc. dated June 30, 2005. 10.04(3) Commitment Letter with KeyBank National Association for $96,000,000 for Phase I 10.05(4) Commitment Letter with KeyBank National Association for $14,850,000 for Phase II 10.06(4) Commitment Letter with KeyBank National Association for up To 72,550,000, with a maximum principal balance of $40,000,000 for Phase 1 dated December 1, 2005 10.07(4) Commitment Letter with KeyBank National Association for up to $14,850,000 for Phase 2 dated December 1, 2005 10.08(5) Construction Loan Agreement with KeyBank National Association for $40,000,000 for Phase 1 dated December 29, 2005 10.09(5) Promissory Note with KeyBank National Association for $40,000,000 10.10(5) Loan Agreement with KeyBank National Association for 14,850,000 for Phase 2 dated December 29, 2005 10.11(5) Promissory Note with KeyBank National Association for $14,850,000 10.12(5) Promissory Note for $4,000,000 issued by TDS Management, LLC in favor of PCL Construction Enterprises, Inc. 10.13(5) Guaranty by the Registrant of the $4,000,000 Promissory Note to PCL Construction Enterprises, Inc. 10.14(5) Guaranty of Malcolm J. Wright guaranteeing the $4,000,000 Promissory Note to PCL Construction Enterprises, Inc. 10.15(5) Addendum to Construction Loan Agreement Condominium and Townhouse Project Development 10.16(5) Payment Guaranty Phase 1 10.17(5) Payment Guaranty Phase 2 10.18(5) Amended Debt Guarantor Agreement 10.19(5) Guaranty of Tierra Del Sol (Phase 1), Ltd. guaranteeing the $4,000,000 Promissory Note to PCL Construction Enterprises, Inc. 10.20(5) Performance and Completion Guaranty 10.21(5) Pledge and Security Agreement 10.22(6) Option Exercise Agreement with Stanford Financial Group Company 10.23(6) Assignment of Interest in Reedy Creek Acquisition Company, LLC 10.24(7) Registration Rights Agreement with SIBL dated January 4, 2006 10.25(7) Credit Agreement with SIBL 10.26(6) $7,000,000 Promissory Note with Bankers Credit Corporation 10.27(6) Modification and Reaffirmation of Guaranty and Environmental Indemnity Agreement 10.28(6) Renewed, Amended and Increased Promissory Note 10.29(7) Stanford International Bank, Ltd. Warrant for 77,000 shares at $0.001 per share 10.30(7) Stanford International Bank, Ltd. Warrant for 154,000 shares at $5.00 per share 10.31(6) Irrevocable and Unconditional Guaranty 10.32(7) Registration Rights Agreement with SIBL dated December 28, 2005 10.33(6) SIBL $2.1 million note 10.34(7) Partnership Interest Pledge and Security Agreement and Collateral Assignment (Phase 1) 10.35(7) Partnership Interest Pledge and Security Agreement and Collateral Assignment (Phase 2) 10.36(7) SIBL Warrant Agreement for 2% Phase 1 interest 10.37(7) SIBL Warrant Agreement for 2% Phase 2 interest 10.38(6) Stanford International Bank, Ltd. Warrant for 154,000 at $0.001 per share 10.39(6) Stanford International Bank, Ltd. Warrant for 308,000 at $5.00 per share 10.40(8) Original Purchase Agreement 10.41(9) First Amendment to Asset Purchase Agreement 10.42(10) Settlement Agreement effective as of December 31, 2005 by and among American Leisure Holdings, Inc., American Leisure Equities Corporation and Around The World Travel, Inc. 10.43(11) Stock Purchase Agreement between Harborage Leasing Corporation and the Company 10.44(11) $1,411,705 Promissory Note payable to Harborage Leasing Corporation 10.45(11) Malcolm J. Wright Guaranty Agreement regarding $1,411,705 Promissory Note with Harborage Leasing Corporation 10.46(11)

Harborage Leasing Corporation warrant to purchase 300,000 shares of common stock at $5.00 per share 10.47(12) Third Party Debt Guarantor Agreement 10.48(12) Note Modification Agreement with SIBL 10.49* Michael D. Crosbie Employment Agreement 31.1* Certification of Chief Executive Officer and Cheif Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 32.1* Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 10 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 * Filed Herein. (1) Filed as Exhibit 10.1 and 10.2, respectively to the Registrant's Form 8-K on August 18, 2005, and incorporated herein by reference. (2) Filed as Exhibit 10.5 to the Registrant's Form 8-K on August 19, 2005, and incorporated herein by reference. (3) Filed as Exhibits to our Report on Form 8-K filed with the Commission on August 18, 2005, and incorporated herein by reference. (4) Filed as Exhibits to our Report on Form 8-K filed with the Commission on December 15, 2005 and incorporated herein by reference. (5) Filed as Exhibits to the Registrant's report on form 8-K on January 12, 2006 and incorporated by reference herein. (6) Filed as Exhibits to the Registrant's report on Form 8-K filed on January 19, 2006 and incorporated herein by reference. (7) Filed as Exhibits to the Company's report on Form 8-K, which was filed with the SEC on March 28, 2006. (8) Filed as Exhibit 10.1 to the Company's report on Form 8-K, which was filed with the SEC on January 6, 2005, and is incorporated herein by reference. (9) Filed as Exhibit 10.44 to the Company's report on Form 10-QSB for the quarter ended March 31, 2005, which was filed with the SEC on May 23, 2005, and is incorporated herein by reference. (10) Filed as Exhibit 10.3 to the Company's report on Form 8-K, which was filed with the SEC on March 2, 2006, and is incorporated herein by reference. (11) Filed as Exhibits to the Company's Report on Form 8-K, which was filed with the SEC on March 29, 2006, and is incorporated herein by reference. (12) Filed an Exhibit to the Company's Report on Form 10-KSB, which was filed with the SEC on March 31, 2006, an is incorporated herein by reference. b) REPORTS ON FORM 8-K The Company filed the following reports on Form 8-K during the fiscal period covered by this report: o An amended Report on Form 8-K on January 12, 2006, to report the entry into the Construction Loan and Land Loan with KeyBank regarding the financing of the construction of the Sonesta Resort; our entry into the Amended Debt Guarantor Agreement; and the appointment of Fred Pauzar as our Secretary. o A Report on Form 8-K on January 19, 2006, to report certain transactions affected by our subsidiary, Reedy Creek Acquisition Company and certain other transactions affected by us in connection with the Keybank loan facilities. o A Report on Form 8-K on March 2, 2006, to report the entry into a settlement agreement between American Leisure Equities Corporation and Around the World Travel, Inc. o An amended Report on Form 8-K on March 7, 2006, to clarify the terms of the settlement agreement between American Leisure Equities Corporation and Around the World Travel as originally disclosed in our Form 8-K filing on March 2, 2006. o A Report on Form 8-K on March 22, 2006, to report the granting of certain warrants to purchase shares of our common stock to Michael Crosbie, our General Counsel and Executive Vice President and Jeff Scott, the president of Hickory, as well as the appointment of Mr. Crosbie and Mr. Scott to their respective positions with the Company. o An amended Report on Form 8-K on March 28, 2006, to include the electronic signature to several documents originally filed with the SEC on January 19, 2006, in connection with the Keybank financing. o A Report on Form 8-K on March 29, 2006, to report our entry into a stock purchase agreement and other related agreements with Harborage Leasing Corporation, whereby we purchased the minority interest in Tierra del Sol Resort, Inc. SIGNATURES In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. AMERICAN LEISURE HOLDINGS, INC. DATED: May 22, 2006 By: /s/ Malcolm J. Wright ----------------------- Malcolm J. Wright Chief Executive Officer