

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

EYI INDUSTRIES INC.  
Form 10QSB  
May 23, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-QSB

X Quarterly Report pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

For the quarterly period ended March 31, 2005

Transition Report pursuant to 13 or 15(d) of the Securities  
Exchange Act of 1934

For the transition period \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-29803

EYI INDUSTRIES, INC.  
(Exact name of small business issuer as specified in its charter)

NEVADA  
(State or other jurisdiction of incorporation or organization)

88-0407078  
(IRS Employer Identification No.)

7865 Edmonds Street  
Burnaby, BC CANADA  
(Address of principal executive offices)

V3N 1B9  
(Zip Code)

Issuer's telephone number, including area code:  
(604) 759-5031

NOT APPLICABLE  
(Former name, former address and former fiscal year end, if  
changed since last report)

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

Yes X No

State the number of shares outstanding of each of the issuer's classes of  
common stock, as of the latest practicable date: 166,803,292 shares of common  
stock issued and outstanding as of May 13, 2005.

Transitional Small Business Disclosure Format (check one): Yes ? No ?

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-QSB and Item 310(b) of Regulation S-B, and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, cash flows, and stockholders' equity in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair presentation of the results of operations and financial position have been included and all such adjustments are of a normal recurring nature. Operating results for the quarterly period ended March 31, 2005 are not necessarily indicative of the results that can be expected for the year ending December 31, 2005.

As used in this quarterly report, the terms "we", "us", "our", and "our company" mean EYI Industries, Inc. and its subsidiaries unless otherwise indicated. All dollar amounts in this quarterly report are in U.S. dollars unless otherwise stated.

### EYI INDUSTRIES, INC. CONSOLIDATED BALANCE SHEETS

#### ASSETS

	March 31, 2005	December 31, 2004
	(Unaudited)	
<b>CURRENT ASSETS</b>		
Cash	\$5,450	\$ 33,018
Restricted cash	100,370	100,248
Accounts receivable, net of allowance	62,440	45,806
Related party receivables	-	4,996
Prepaid expenses	824,047	857,170
Inventory	195,071	239,641
<b>TOTAL CURRENT ASSETS</b>	<b>1,187,378</b>	<b>1,280,879</b>
<b>OTHER ASSETS</b>		
Property, plant and equipment, net	55,208	60,336
Deposits	-	24,361
<b>TOTAL OTHER ASSETS</b>	<b>55,208</b>	<b>84,697</b>
<b>INTANGIBLE ASSETS</b>	<b>16,291</b>	<b>16,561</b>
<b>TOTAL ASSETS</b>	<b>\$1,258,877</b>	<b>\$1,382,137</b>

#### LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

<b>CURRENT LIABILITIES</b>		
Bank indebtedness	\$13,780	\$72,456
Accounts payable and accrued liabilities	1,398,316	1,218,178
Accounts payable - related parties	691,473	590,146

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

Interest payable, convertible debt	16,781	10,616
Notes payable - related party	90,000	90,000
Convertible debt- related party, net of discount	417,886	379,724
Loan payable, Cornell	200,000	-
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	2,828,236	2,361,120
	<hr/>	<hr/>
MINORITY INTEREST IN SUBSIDIARY	331,231	346,819
	<hr/>	<hr/>
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.001 par value;10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, \$0.001 par value; 300,000,000 shares authorized, 166,553,292 and 162,753,092 shares issued and outstanding, respectively	166,553	162,753
Additional paid-in capital	3,264,806	3,048,606
Stock options and warrants	2,732,044	2,563,043
Subscription receivable	(195,000)	(15,000)
Accumulated deficit	(7,868,993)	(7,085,205)
	<hr/>	<hr/>
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(1,900,590)	(1,325,802)
	<hr/>	<hr/>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$1,258,877	\$ 1,382,137
	=====	=====

The accompanying condensed notes are an integral part of these financial statements.

EYI INDUSTRIES, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended March 31, 2005 (Unaudited)	Three Months Ended March 31, 2004 (Unaudited)
	<hr/>	<hr/>
REVENUE	\$1,313,768	1,529,195
COST OF GOODS SOLD	251,148	417,490

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

GROSS PROFIT BEFORE COMMISSION EXPENSE	1,062,620	1,111,705
--	-----------	-----------

COMMISSION EXPENSE	471,605	414,605
--------------------	---------	---------

GROSS PROFIT AFTER COST OF GOODS SOLD AND COMMISSION EXPENSE	591,015	697,100
--	---------	---------

OPERATING EXPENSES		
Consulting fees	237,962	250,520
Legal and professional	69,125	20,052
Customer service	86,534	124,339
Finance and administration	208,080	219,223
Sales and marketing	3,718	27,556
Telecommunications	119,162	105,062
Wages and benefits	406,627	252,066
Warehouse expense	105,900	105,060

TOTAL OPERATING EXPENSES	1,237,108	1,103,878
--------------------------	-----------	-----------

LOSS FROM OPERATIONS	(646,093)	(406,778)
----------------------	-----------	-----------

OTHER INCOME (EXPENSES)		
Interest and other income	3,149	6,238
Interest expense	(20,136)	(21,480)
Foreign currency gain(discount)	(136,296)	(8,803)

TOTAL OTHER INCOME (EXPENSES)	(153,283)	(24,045)
-------------------------------	-----------	----------

NET LOSS BEFORE TAXES	(799,376)	(430,823)
-----------------------	-----------	-----------

PROVISION FOR INCOME TAXES	-	-
----------------------------	---	---

NET LOSS BEFORE ALLOCATION TO MINORITY INTEREST	(799,376)	(430,823)
---	-----------	-----------

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

ALLOCATION OF LOSS TO MINORITY INTEREST		15,588	8,616
NET LOSS	\$ (783,788)		\$ (422,207)
BASIC AND DILUTED NET LOSS PER COMMON SHARE		\$nil	\$nil
WEIGHTED AVERAGE NUMBER OF COMMON STOCK SHARES OUSTANDING FOR BASIC AND DILUTED CALCULATION		157,060,345	149,845,868

The accompanying condensed notes are an integral part of these financial statements.

EYI INDUSTRIES, INC.  
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Captial	Discount On Common Stock	Subscription Receivable	Options/ Warrants	Retained Earnings	TOTAL
Stock issued for cash on June 21, 2002	23,026,200	\$23,026	\$6,974	\$-	\$-	\$-	\$-	\$30,000
Contribution of assets, liabilities and subsidiaries acquired at June 30, 2002	92,104,800	92,105	-	(53,598)	-	-	-	38,507
Net loss for period ended June 30, 2002	-	-	-	-	-	-	(7,967)	(7,967)
Balance, June 30, 2002	115,131,000	115,131	6,974	(53,598)	-	-	(7,967)	60,540
Shares issued for cash in private placement for \$1.50 per share, net of prorata share of private placement fees of \$61,206	2,914,603	2,915	477,307	-	-	-	-	480,222
Net loss for fiscal year								

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

ended									
June 30, 2003	-	-	-	-	-	-	(1,644,456)	(1,644,456)	
Balance, June									
30, 2003	118,045,603	118,046	484,281	(53,598)	-	-	(1,652,423)	(1,103,694)	
Recapitalization									
and share exchange									
(restated) 30,135,067	30,135	343,691		-	-	128,385	-	502,211	
Net loss for fiscal year									
ended December									
31, 2003	-	-	-	-	-	-	(969,987)	(986,987)	
Balance, December 31,									
2003 (re-									
stated) 148,180,670	148,181	827,972	(53,598)	-	-	128,385	(2,622,410)	(1,571,470)	
Common stock									
issued at \$0.20									
including									
warrants less									
expenses									
of									
\$28,715	1,466,455	1,466	146,930	-	-	70,844	-	219,240	
Stock issued at									
\$0.165 per share									
for cashless									
exercise of options in									
form of foregone									
debt	3,200,000	3,200	524,800	-	-	-	-	528,000	
Stock issued for									
exercise of options									
at \$0.20 per share									
in lieu of payment									
of legal									
fees	300,000	300	59,700	-	-	-	-	60,000	
Stock issued at									
\$0.165 per share									
for cash and									
promissory note for									
exercise of									
options	1,000,000	1,000	164,000	-	(15,000)	-	-	150,000	
Common stock issued									
at \$0.21 including									
warrants	5,476,190	5,476	487,381	-	-	657,143	-	1,150,000	
Common stock issued									
at \$0.21 including									
warrants less expenses									
of \$3,231	566,833	567	36,369	-	-	78,869	-	115,805	
Stock issued for									
exercise of options at									
\$0.22 per share in lieu									
of consulting									
fees	50,000	50	10,950	-	-	-	-	11,000	

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

Stock issued for deferred financing costs	1,300,000	1,300	388,700	-	-	-	-	390,000
Adjustment to subsidiaries stock held by minority interest	176,534	177	33,126	-	-	-	-	33,303
Stock issued at \$0.28 per share for consulting agreement	350,000	350	97,650	-	-	-	-	98,000
Vested stock options issued for consulting at an average price of \$0.18 per option	-	-	-	-	-	128,250	-	128,250
Vested stock options issued for compensation at an average price of \$0.18 per option	-	-	-	-	-	1,078,277	-	1,078,277
Stock issued at \$0.165 per share for cash and promissory note for exercise of options	36,360	36	7,236	-	-	-	-	7,272
Stock issued for exercise of options at \$0.08 per share in lieu of consulting fees	200,000	200	15,800	-	-	-	-	16,000
Stock issued for exercise of options at \$0.08 per share in lieu of consulting fees	250,000	250	19,750	-	-	-	-	20,000
Stock issued for exercise of options at \$0.11 per share by the CEO	200,250	200	31,841	-	-	(10,013)	-	22,028
Cancellation of discount on common stock	-	-	(53,598)	53,598	-	-	-	-
Beneficial conversion								

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

of convertible debt	-	-	250,000	-	-	-	-	-	250,000
Vested stock options issued for compensation and consulting at an average price of \$0.12	-	-	-	-	-	-	1,087,900	-	1,087,900
Cancelled stock options issued for compensation and consulting at an average price of \$0.19 per option	-	-	-	-	-	-	(656,612)	-	(656,612)
Net loss for period ended December 31, 2004	-	-	-	-	-	-	-	(4,462,795)	(4,462,795)
Balance December 31, 2004	\$162,753,292	\$162,753,292	\$3,048,606	\$-	\$(15,000)	\$2,563,043	\$(7,085,205)	\$(1,325,800)	\$(1,325,800)
Stock issued at \$0.06 per Share for promissory note for exercise of options	3,000,000	3,000,000	177,000	-	(180,000)	-	-	-	-
Vested stock options issued for consulting at an average price of \$0.07 per share	-	-	-	-	-	-	35,250	-	35,250
Vested stock options issued for employee compensation at an average price of \$0.07 per share	-	-	-	-	-	-	133,750	-	133,750
Stock issued to employee for financing guaranty & pledge valued at \$0.05 per share	800,000	800,000	39,200	-	-	-	-	-	40,000
Net loss for period ended March 31, 2005	-	-	-	-	-	-	-	(783,788)	(783,788)
Balance March 31, 2005 (Unaudited)	\$166,533,292	\$166,533,292	\$3,264,806	\$-	\$(195,000)	\$2,732,043	\$(7,868,993)	\$(1,900,500)	\$(1,900,500)



## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

The accompanying condensed notes are an integral part of these financial statements.

### EYI INDUSTRIES, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2005 (Unaudited)	Three Months Ended March 31, 2004 (Unaudited)
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Net loss	\$(783,788)	\$(422,207)
Loss allocated to minority interest	15,588	8,616
	<u>(799,376)</u>	<u>(430,823)</u>
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	16,949	27,036
Stock and warrants issued for employee compensation and consulting	169,000	98,000
Stock issued for options exercised in lieu of debt	-	-
Stock issued for financing guaranty & pledge	40,000	-
Discount recognized on convertible debt	38,162	-
Decrease (increase) in:		
Related party receivables	4,996	224
Accounts receivable	(16,634)	(115,221)
Prepaid expenses	33,123	(46,874)
Inventory	44,570	32,612
Deposits	24,361	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	180,138	68,316
Accounts payable - related parties	101,327	94,257
Customer deposits	-	67,976
Interest payable, convertible debt	6,165	-
Net cash used by operating activities	<u>(157,219)</u>	<u>(204,497)</u>
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Decrease (increase) in restricted cash	(122)	13,486
Decrease (increase) in property, plant, and equipment	(11,551)	-
Net cash provided by investing activities	<u>(11,673)</u>	<u>13,486</u>
CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES		
Net change in bank indebtedness	(58,676)	(37,664)
Issuance of stock, net of		

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

private placement costs and warrants	-	219,242
Net proceeds from loan payable-Cornell	200,000	-
Net cash provided by financing activities	141,324	181,578
Net increase in cash and cash equivalents	(27,568)	(9,433)
CASH - Beginning of Year	33,018	52,073
CASH - End of Period	\$ 5,450	\$ 42,640
	=====	=====
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest expense paid	\$ 20,136	\$ 21,480
Income taxes paid	\$ -	\$ -

### NON-CASH INVESTING AND FINANCING TRANSACTIONS:

Stock options vested and warrants issued for employee compensation and consulting	\$ 169,000	-
Stock issued for financing guaranty and pledge	\$ 40,000	-
Discount recognized on convertible debt	\$ 38,162	-
Common stock issued for services	\$ -	98,000

The accompanying condensed notes are an integral part of these financial statements.

EYI INDUSTRIES, INC.  
 CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 March 31, 2005

### NOTE 1 - DESCRIPTION OF BUSINESS

Essentially Yours Industries, Inc. (hereinafter "EYI") was incorporated on June 21, 2002 in the State of Nevada. The main business activities of Essentially Yours Industries, Inc. were acquired through a merger with the former entity, Burrard Capital, Inc., and other entities involved in EYI's reorganization. On December 31, 2003, EYI entered into a share exchange agreement of its stock with Safe ID Corporation ("Safe ID"). This transaction was accounted for as a share exchange and recapitalization. As a result of this transaction, Safe ID has changed its name to EYI Industries, Inc. ("the Company") and is acting as the parent holding company for the operating subsidiaries.

The principal business of the Company is the marketing of health and wellness care products. The Company sells its products through network marketing distributors, which in turn, sell the products to the end customers. The Company maintains its principal business office in Burnaby, British Columbia. Effective for the period ended December 31, 2003, the Company elected to change its year-end from June 30 to December 31.

The Company has four wholly owned subsidiaries. The first subsidiary is Halo Distribution LLC (hereinafter "Halo", which was organized on January 15, 1999, in the State of Kentucky. Halo is the distribution center for the Company's product in addition to other products. The second subsidiary is RGM International Inc., which was incorporated on July 3, 1997, in the State

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

of Nevada. RGM International Inc. is a dormant investment company, which owns one percent of Halo. The third subsidiary is Essentially Yours Industries (Canada) Inc. (hereinafter "EYI Canada"), which was organized on September 13, 2002, in the province of British Columbia, Canada. EYI Canada markets health and wellness care products for use in Canada. The fourth subsidiary is 642706 B.C. Ltd., doing business as EYI Management, which was organized on February 22, 2002, in the province of British Columbia, Canada. EYI Management provides accounting and marketing services to the consolidated entity.

In addition, the Company owns approximately 98% of Essentially Yours Industries, Inc. ("EYII"), incorporated on June 21, 2002 in the State of Nevada. EYII markets health and wellness care products for use in USA. The Company also owns 51% of World Wide Buyers' Club Inc., a Nevada corporation, which was organized by a joint venture agreement effective May 6, 2004.

### Basis of Presentation

The accompanying interim condensed financial statements are prepared in accordance with rules set forth in Regulation SB of the Securities and Exchange Commission. As said, these statements do not include all disclosures required under generally accepted principles and should be read in conjunction with the audited financial statements for the year ended December 31, 2004. In the opinion of management, all required adjustments which consist of normal re-occurring accrual have been made to the financial statements.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

This summary of significant accounting policies of EYI Industries, Inc., is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

#### Accounts Receivable and Bad Debts

The Company estimates bad debts utilizing the allowance method, based upon past experience and current market conditions. At March 31, 2005 and December 31, 2004, the Company recorded allowances of \$19,853 and \$16,321 to cover accounts receivable balances over 60 days.

#### Inventory

The Company records inventories at the lower of cost or market on a first-in, first-out basis. Our product inventory is review each month and also when the re-order of the product is necessary. On a monthly basis, our inventory is reviewed based on the expiration of our existing inventory. Product that has a shelf-life of less than 60 days is written off or discounted.

A re-order review consists of an evaluation of our current monthly sales volume of the product, costs of product, shelf-life of the product, and the manufacturers minimum purchase requirement which all determine the overall potential profitability or loss of re-ordering. If the re-order of the product has an assessed loss, then the recommendation to management is to remove the product from the product line.

#### Restricted Cash

Restricted cash includes deposits held in a reserve account in the amount of \$100,370 and \$100,248 at March 31, 2005 and December 31, 2004 respectively. Such deposits are required by the bank as protection against unfunded charge

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

backs and returns of credit card transactions.

### Revenue Recognition

The Company is in the business of selling nutritional products in two categories: dietary supplements and personal care products. Sales of personal care products represent less than 5% of the overall revenue and therefore are not classified separately in the financial statements. The Company recognized revenue from product sales when the products are shipped and title passes to customer. Administrative fees charged to the Independent Business Associates are included in the gross sales and amounted \$41,096 and \$67,500 for the three months ended March 31, 2005 and March 31, 2004 respectively.

### Stock Options and Warrants Granted to Employees and Non-Employees

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

### Going Concern

As shown in the accompanying financial statements, the Company had negative working capital of approximately \$1,640,000 and an accumulated deficit incurred through March 31, 2005. The Company also has limited cash resources and a history of recurring losses. These factors raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Management has established plans designed to increase the sales of the Company's products, and decrease debt. The Company plans on continuing to reduce expenses, and with small gains in any combination of network sales, direct sales, international sales, and warehouse sales, believe that they will eventually be able to reverse the present deficit. Management intends to seek additional capital from new equity securities offerings that will provide funds needed to increase liquidity, fund internal growth and fully implement its business plan. Management plans include negotiations to convert significant portions of existing debt into equity.

The timing and amount of capital requirements will depend on a number of factors, including demand for products and services and the availability of opportunities for international expansion through affiliations and other business relationships.

### NOTE 3 - REORGANIZATION

On May 27, 2002, Mr. Jay Sargeant, a shareholder of Essentially Yours Industries, Corp. ("EYI Corp.") agreed to acquire all of the shares of Essentially Yours Industries, Inc. ("EYII"), along with the transfer agreement, license agreement and agency appointment agreement as described below, in settlement of amounts owed to him. As part of this transaction, EYI Corp. agreed to provide EYII the services outlined in a management agreement. These agreements became effective on June 30, 2002. EYII owns ninety-nine percent of Halo Distribution LLC ("HALO"). The other one percent of Halo is owned by RGM International, Inc. ("RGM"), a former subsidiary of EYI Corp., which was transferred to Mr. Sargeant as additional consideration.

On June 30, 2002, the shareholder of EYII exchanged all of the outstanding

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

shares of EYII for 12,000,000 common shares of Burrard Capital Inc. ("Burrard"), a shell company with no assets or business operations. Concurrent with this transaction, EYII was merged into Burrard with Burrard emerging as the surviving entity. The combined entity was renamed Essentially Yours Industries, Inc. For accounting purposes, the acquisition has been treated as a recapitalization of EYII with EYII as the acquirer. Prior to the merger, EYII and RGM were considered to be dormant companies, with the activities of HALO being consolidated directly with EYII Corp. although the legal ownership was vested in EYII and RGM.

Therefore, the losses from HALO operations and the other economic impacts prior to June 30, 2002 are considered to be the separate activity of EYI Corp.

On June 30, 2002, EYII took over the sales and marketing activities of its former holding company and entered into various agreements with that Company as follows:

### Transfer Agreement

As part of the aforementioned transaction and for consideration of \$1, EYI Corp. transferred and assigned to EYII all of its rights, title and interest in and to the contract with its Independent Business Associates and any other contracts that may be identified by the parties as being inherent or necessary to the sales and marketing activities to EYII.

### License Agreement

EYI Corp. licensed to EYII all of the rights, title, and interest that it may have in various intellectual properties for \$1 per year for a term of 50 years. The Company has the option at any time to require EYI Corp. to transfer all of its rights, title, interest in and to the intellectual properties to the Company at the sum of \$1 or such greater sum as may be determined to be the fair market value of such intellectual property as determined by agreement between the parties, by arbitration or by the appropriate taxation authorities after all assessments and appeals have been concluded.

### Agency Appointment and Agreement

EYI Corp. appointed EYII as the sole and exclusive agent to sell its remaining inventory on hand as of June 30, 2002 at the prices previously established, and to continue to sell at such price unless and until any change is agreed upon with EYI Corp. In consideration for its efforts, the Company is entitled to sales commission of fifteen percent on all sales of such inventory.

### Management Agreement

EYI Corp. agreed to perform various services such as administration, computer support, and sales and customer support, on behalf of EYII for a term of one year commencing June 30, 2002. The services and duties to be provided and performed by EYI Corp. for EYII shall be determined and agreed upon by the parties, from time to time, as required provided however, it is understood and agreed that such services will primarily consist of assisting EYII in the sales and marketing business. At the date of these financial statements, the agreement had expired, and EYII was operating on a month-to-month basis for management services with EYI Corp.

The remuneration to be paid by EYII to EYI Corp. for the aforementioned services is to be negotiated by the parties from time to time, provided however, the parties agree that the remuneration to be paid shall be consistent with industry standards for the type and nature of the services or duties being provided. At the present time, EYII has agreed to pay EYI Corp. actual expenses plus a fee of 5% on these expenses.

NOTE 4 - ACCOUNTS RECEIVABLE AND CREDIT RISK

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

Accounts receivable at March 31, 2005 and December 31, 2004 consist primarily of amounts due from third parties for distribution services provided by Halo and direct retail clients of EYII.

### NOTE 5 - PROPERTY AND EQUIPMENT

Capital assets are recorded at cost. Depreciation is calculated using the straight line method over three to seven years.

### NOTE 6 - CONVERTIBLE LOANS PAYABLE

On June 2, 2004, the Company issued to Cornell Capital Partners, LP a 5% secured convertible debenture in the principal amount of \$250,000 with a term of two years, and interest at 5%. The debenture is convertible into the Company's common stock at a price per share equal to the lesser of (a) 120% of the closing bid price by the second anniversary date of issuance or (b) 100% of the lowest daily volume weighted average price for the 30 days immediately prior to conversion. On June 24, 2004, the Company received the \$250,000 loan less related expenses of approximately \$65,000 which has been allocated as discount on debt and will be amortized over a two year period. The convertible securities are guaranteed by the assets of the Company. Under the agreement, the Company is required to keep available common stock duly authorized for issuance in satisfaction of the convertible. The conversion amount will be the face amount of the convertible plus interest at the rate of 5% per annum from the closing date of June 24, 2004 to the conversion date, which is the date on which the Company receives a notice of conversion from the investor exercising the right to convert the convertible into common shares of the Company. The debt will automatically convert into common stock on the second anniversary date of issuance. The terms of the debt do not require regular monthly payments.

On September 24, 2004, the Company issued to Cornell Capital Partners, LP ("Cornell") a 5% secured convertible debenture in the principal amount of \$250,000 with a term of two years, and interest at 5%. The debenture is convertible into the Company's common stock at a price per share equal to the lesser of (a) 120% of the closing bid price by the second anniversary date of issuance or (b) 100% of the lowest daily volume weighted average price for the 30 days immediately prior to conversion. On September 27, 2004, the Company re-assigned \$245,000 of this debenture to Taib Bank, E.C. and reassigned \$5,000 of debenture B to an individual. Under the debenture agreement, the Company's failure to issue unrestricted, freely tradable common stock to Cornell or Taib Bank or the individual upon conversion after the registration statement filed pursuant to this transaction has been declared effective would be considered an event of default, thereby entitling Cornell to accelerate full repayment of the convertible securities then outstanding. Under the agreement, the Company is required to maintain available common stock duly authorized for issuance in satisfaction of the convertible. On September 24, 2004 the Company received the \$250,000 loan less related expenses of approximately \$55,000, which has been allocated as discount on debt and will be amortized over a two year period. The convertible securities are guaranteed by the assets of the Company. Under the agreement, the Company is required to keep available common stock duly authorized for issuance in satisfaction of the convertible. The conversion amount will be the face amount of the convertible plus interest at the rate of 5% per annum from the closing date of September, 2004 to the conversion date, which is the date on which the Company receives a notice of conversion from the investor exercising the right to convert the convertible into common shares of the Company. The convertible will automatically convert into common stock on the second anniversary date of issuance. The terms of the debt do not require regular monthly payments.

The convertible debentures contained a beneficial conversion feature computed

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

at its intrinsic value that was the difference between the conversion price and the fair value on the debenture issuance date of the common stock into which the debt was convertible, multiplied by the number of shares into which the debt was convertible at the commitment date. Since the beneficial conversion feature was to be settled by issuing equity, the amount attributed to the beneficial conversion feature, or \$250,000, at December 31, 2004 and \$0 at March 31, 2005, was recorded as an interest expense and a component of stockholders' equity on the balance sheet date.

### Standby Equity Distribution Agreement

In June, 2004, the Company entered into a standby equity distribution agreement with Cornell Capital Partners, LP ("Cornell"). Pursuant to this agreement, Cornell will purchase up to \$10,000,000 of the Company's common stock through a placement agent over a two-year period after the effective registration of the shares. In addition, the Company issued 1,300,000 shares of its common stock to Cornell and the placement agent upon the inception of the standby equity distribution agreement. The \$390,000 value of these shares was recognized as a period expense due to the fact that the 1,300,000 shares have been deemed to be fully earned as of the date of the agreement.

### NOTE 7 - INTANGIBLE ASSETS

Intangible assets consist of rights, title, and interest in and to the contracts with the Company's independent business associates as well as the rights and licenses to trademarks and formula for the Company's primary products. These rights and licenses were obtained from the Company's former parent pursuant to a transfer agreement, as well as from the Company's primary shareholder.

### Trademarks and Formulas

Costs relating to the purchase of trademarks and formulas were capitalized and amortized using the straight-line method over ten years, representing the estimated life of the assets.

### NOTE 8 - CAPITAL STOCK

#### Preferred Stock

The Company is authorized to issue 10,000,000 shares of preferred stock with a par value of \$0.001. As of March 31, 2005 and December 31, 2004 the Company has not issued any preferred stock.

#### Common Stock

The Company is authorized to issue 300,000,000 shares of common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

On February 10, 2005, we entered into a loan agreement with one of our employees, pursuant to which we loaned her \$180,000 for the purpose of exercising 3,000,000 incentive stock options issued to her under our stock compensation program. The loan is payable on demand and accrues interest at a rate of 4% per annum. The loan was secured by a promissory note dated effective February 10, 2005 and deemed to be a subscription receivable. (See Note 11)

On February 14, 2005 the Company entered into a bonus share agreement with one of our employees and issued 800,000 shares of our common stock at a deemed price of \$0.05 per share. These shares were given in consideration for providing the guarantee and pledge necessary for the Cornell loan. (See Note 10). The shares are to be issued pursuant to Regulation S of the Securities Act.

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

### NOTE 9 - COMMON STOCK OPTIONS AND WARRANTS

Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (hereinafter "SFAS No. 123"), defines a fair value-based method of accounting for stock options and other equity instruments. The Company has adopted this method, which measures compensation costs based on the estimated fair value of the award and recognizes that cost over the service period.

In accordance with SFAS No. 123, the fair value of stock options and warrants granted are estimated using the Black-Scholes Option Price Calculation. The following assumptions were made to value the stock options and warrants for the period ended March 31, 2005; estimated risk-free interest rate of 4%, estimated volatility of 120% and term of two years.

#### Stock Options

Following is a summary of the status of the stock options during the three months:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2004	19,747,390	\$ 0.14
Granted	6,250,000	\$ 0.06
Exercised	(3,000,000)	\$ 0.06
Forfeited	-	-
Options outstanding at March 31, 2005	22,997,390	\$ 0.143
	=====	=====
Options exercisable at March 31, 2005	20,875,390	\$ 0.12
	=====	=====
Weighted average fair value of options granted		\$ 0.11
		=====

Summarized information about stock options outstanding and exercisable at March 31, 2005 is as follows:

Exercise Price Range	Number of Shares	Options Outstanding	
		Weighted Ave. Remaining Life	Weighted Ave. Exercise Price
\$0.04- \$0.26	22,997,390	2.00	\$ 0.13

Exercise Price Range	Number of Shares	Options Outstanding	
		Weighted Ave. Remaining Life	Weighted Ave. Exercise Price
\$0.11- \$0.22	20,875,390	2.00	\$ 0.12

	Number of Warrants	Weighted Average Remaining Life	Average Exercise Price
Outstanding and	2,751,746	2	\$0.11



## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

exercisable

### NOTE 10 - COMMITMENTS AND CONTINGENCIES

#### Purchase Agreement

On June 30, 2002, the Company entered into a distribution and license agreement with a company in which one of the Company's directors has an ownership interest. The agreement gives the Company the exclusive right to market, sell and distribute certain products for a five-year renewable term. Management estimates that 90% of the Company's sales volume results from products supplied under this licensing agreement.

In the event that the Company is unable to meet the minimum purchase requirements of the licensing agreement or the terms requiring it to pay 15% of the difference between the minimum purchase amount referred to above and actual purchases for that year in which there is a shortfall, then the licensor has various remedies available to it including, renegotiating the agreement, removing exclusivity rights, or terminating the agreement.

As of the date of these financial statements, the purchase requirements have not been made and it has been determined by the Company to be a remote possibility that the licensor will enforce the minimum purchase requirements, therefore, there has not been an accrual made to the financial statements to reflect any estimated liability pertaining to this agreement due to the fact that the maximum time period to make a claim expired prior to the issuance of the financial statements.

#### Lease Payments

The Company has operating lease commitments for its premises, office equipment and an automobile. The minimum annual lease commitments are as follows:

Year ended December 31,	Minimum Amount
2005	\$262,805
2006	276,739
2007	182,432
2008	135,000
2009 and thereafter	435,000

#### Management Agreement

EYI Corp. has agreed to perform various services and administrative assistance to the Company on a month to month basis commencing April 1, 2004. The services and duties to be provided and performed by EYI Corp. for EYII shall be determined and agreed upon by the parties, from time to time, as required, provided however, it is understood and agreed that such services will primarily consist of assisting EYII in the sales and marketing business.

The remuneration to be paid by EYII to EYI Corp. for the aforementioned services shall be the cost of actual expenses plus a fee of five (5%) percent for services provided.

#### Regulatory Risks and Claims

The Company's products are subject to regulation by a number of federal,

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

state, entities, as well as those of foreign countries in which the Company's products are sold. These regulatory entities may prohibit, or restrict, the sale, distribution, or advertising of the Company's products for legal, health or safety, related reasons. In addition to the potential risk of adverse regulatory actions, the Company is subject to the risk of potential product liability claims.

### Secured Promissory Note

On February 24, 2005 we received a loan of \$200,000 from Cornell secured by a secured promissory note. Under the terms of the secured promissory note, the loan is payable by April 24, 2005 and accrues interest at a rate of 12% per annum. In connection with the issuance of the Secured Note, we agreed to: (i) pay Cornell a fee of \$20,000; and (ii) pay Yorkville Advisors Management LLC a structuring fee in the amount of \$2,500. As a condition to Cornell's entry into the Secured Note on February 24, 2005, an employee of EYI, Janet Carpenter, entered into a guaranty agreement with Cornell and a pledge and escrow agreement with Cornell with David Gonzalez. Pursuant to the terms of the guaranty agreement and the pledge and escrow agreement, Ms. Carpenter agreed to: (i) personally guarantee the payment and performance obligations of EYI under the Secured Note; and (ii) pledge to Cornell 3,000,000 shares of EYI held by her to secure the obligations of EYI under the Secured Note. In consideration of Ms. Carpenter providing the guarantee and pledge, EYI entered into a bonus share agreement dated February 14, 2005 with Ms. Carpenter, pursuant to which we agreed to issue to Ms. Carpenter 800,000 shares of our common stock at a deemed price of \$0.05 per share. The shares are to be issued to Ms. Carpenter pursuant to Regulation S of the Securities Act. (See Note 8).

### Subsidy Agreements

On July 23, 2004, the Company entered into subsidy agreements with three related parties in which the Company agreed to pay a guaranteed amount of \$2,500 per week to each party for sales and marketing services. This is in lieu of all commissions earned by each of these three individuals. The Company has renewed these agreements every 12 weeks since they became effective.

### Standby Equity Distribution Agreement

On June 22, 2004, the Company entered into a two-year standby equity distribution agreement with Cornell Capital Partners LP ("Cornell"). Pursuant to this agreement, Cornell will purchase up to 10,000,000 shares of the Company's common stock through a placement agent. The Company issued 1,300,000 shares of its common stock to Cornell and the placement agent upon the inception of this agreement. The \$390,000 value of these shares was based on the fair market value of the shares on the date of the contract and is recognized as a period expense due to the fact that the 1,300,000 shares have been deemed to be fully earned as of the date of the agreement. (See Note 6.)

### Other Matters

The Company's predecessor organization, Essentially Yours Industries Corp. ("EYIC"), a British Columbia corporation, has outstanding claims from the Internal Revenue Service for penalties and interest of approximately \$2,000,000. Furthermore, one or more states may have claims against EYIC for unpaid state income taxes. Management believes that these claims are limited solely to EYIC and that any prospective unpaid tax claims against the Company are remote and unable to be estimated.

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

In February, 2004 we entered into a letter of commitment with Source, Inc. ("Source") for the purpose of further developing our corporate marketing position with Source and for assistance in raising equity capital. Pursuant to the terms the letter agreement, we agreed to: (i) pay Source 20% of the gross revenues generated by Source under a Corporate Marketing Organization Agreement ("CMO Agreement") previously entered into with Premier Lifestyles International Corporation, a company related to Source; (ii) to offer up to \$4,000,000 of EYI restricted stock over a 90 day period at \$0.21 per share and warrants exercisable at a price of \$0.30 per share for investors referred to EYI by Source in connection with any equity offerings by EYI; (iii) at the end of the 12 months period following execution of the agreement, and if Source had referred enough investors to raise a minimum of \$500,000, to issue to Source \$1,800,000 in common stock of EYI or pay the balance in cash; and (iv) on a monthly basis, during the 12 month period, pay 50% of all monies collected by EYI from Source referred investors, to be paid to Source towards the \$1,800,000 to pay for the CMO Agreement and \$300,000 towards a proposed web portal. Subsequently, we terminated the CMO agreement in accordance with its terms in July 2004, and notified Source that they failed to raise the minimum funding of \$500,000 in connection with EYI's equity offering closing in June, 2004. Source has notified EYI that they dispute the fact that they did not raise the minimum financing amount. Management believes that if Source were to advance any such claims against EYI its chance of success would be remote and we intend to vigorously defend against any potential legal claims respecting this matter.

### NOTE 11 - RELATED PARTY NOTE PAYABLE

The Company issued two promissory notes, for a total of \$90,000 in December 2003. The notes are unsecured, non-interest bearing and are payable upon demand.

On February 10, 2005 we entered into a loan agreement with one of our employees, pursuant to which we loaned her \$180,000. (See Note 8 and 10).

On February 14, 2005 the Company entered into a bonus share agreement with one of our employees and issued 800,000 shares of our common stock according to the terms of the agreement. (See Note 8 and 10).

### NOTE 12 - CONCENTRATIONS

#### Bank Accounts

The Company maintains its cash accounts in two commercial banks. During the year, the Company may maintain balances in excess of the federally insured amounts in the accounts that are maintained in the United States. The Company also maintains funds in commercial banks in Vancouver, British Columbia, in which funds in U.S. dollars are not insured. At March 31, 2005 and December 31, 2004, a total of \$0, and \$248 respectively, was not insured.

#### Economic Dependence

During the year, the Company purchased approximately 90% of its products for resale from one company, Nutri-Diem Inc., which is the sole supplier of the Company's flagship product Calorad. Pursuant to a purchase agreement, the Company is subject to minimum purchases per annum. (See Note 10.)

### NOTE 13 - RELATED PARTY TRANSACTIONS

On May 27, 2002, Mr. Jay Sargeant, a shareholder of Essentially Yours Industries, Corp. ("EYI Corp.") agreed to acquire all of the shares of the Essentially Yours Industries, Inc. ("EYII"), along with the transfer agreement, license agreement, and agency appointment agreement, in settlement of amounts

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

owed to him. As part of this transaction, EYI Corp. agreed to provide to EYII the services outlined in a management agreement.

The Company acquired, through agreements with Essentially Yours Industries, Corp. ("EYI Corp"), the rights, title, and interest in and to the contracts with the Company's Independent Business Associates as well as the rights and licenses to trademarks and formula for the Company's primary products. Expanded details are explained in Note 7.

Accounts payable to related parties represents amounts due to the president and chief executive officer for services preformed during the last year as well as to other related parties and the company with which they have a signed management agreement. These payables are non-interest bearing and non-collateralized.

See note 10 regarding subsidy agreements with related parties.

During the year, the Company purchased approximately 90% of its products for resale from one company, Nutri-Diem Inc., which is owned in part by a director of the Company.

### NOTE 14 - SUBSEQUENT EVENTS

On May 13, 2005 the Company entered into a Standby Equity Distribution Agreement with Cornell Capital Partners, LP ("Cornell") pursuant to which we entered into the following agreements: a Registration Rights Agreement, an Escrow Agreement, and a Placement Agent Agreement. Pursuant to the terms of the new Standby Equity Distribution Agreement, we may, at our discretion, periodically issue and sell shares of our common stock for a total purchase price of \$10 million. If we request advances under the Standby Equity Distribution Agreement, Cornell will purchase shares of our common stock for 98% of the lowest volume weighted average price on the Over-the-Counter Bulletin Board or other principal market on which our common stock is traded for the 5 days immediately following the advance notice date. Cornell will retain 5% of each advance under the new Standby Equity Distribution Agreement. We may not request advances in excess of a total of \$10 million. Pursuant to the terms of our Registration Rights Agreement and the Standby Equity Agreement with Cornell, we agreed to register and qualify, among other things, the additional shares due to Cornell under the Standby Equity Agreement under a registration statement filed with the SEC. We signed a Termination Agreement on May 13, 2005, for the purpose of terminating our Standby Equity Distribution Agreement, Registration Rights Agreement and Escrow Agreement previously entered into with Cornell on June 22, 2004.

On May 11, 2005 the Company entered into a Reseller Agreement with MARTI for a term of five (5) years, pursuant to which MARTI appointed EYII as the exclusive distributor of certain specially formulated MARTI products on a consignment basis and provide EYII with a 1000 units of inventory for sale to its customers, proceeds of which are subject to fee payments to MARTI as set out in the schedules accompanying the agreement.

On April 22, 2005 EYII entered into a Fulfillment Services Agreement with Source 1 Fulfillment ("Source One") to warehouse and ship our products. Pursuant to the terms of the agreement, Source One agreed to provide certain storage and fulfillment services to EYII at the rates set out in the schedules to the agreement. Source One also agreed to pay a referral commission of 10% of all handling fees for any client EYII brings to Source One. The agreement is for a term of one year and automatically renews each year unless terminated by either party in accordance with the terms of the agreement. Subsequently in May, 2005 we ceased warehousing and distributing our products through Halo Distribution LLC ("Halo"), our wholly owned subsidiary. We presently intend to continue warehousing and shipping our products through Source One.

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

On April 4, 2005 we entered into a redemption agreement with TAIB Bank E.C. ("TAIB") pursuant to which TAIB agreed to acquire by assignment a two year 5% secured convertible debenture issued to Cornell in the amount of \$245,000, and a two year 5% convertible debenture in the amount of \$5,000 held by Kent Chou, in consideration of which we agreed not to modify or renegotiate the terms of our Standby Equity Distribution Agreement ("SEDA") with Cornell, and to use any proceeds obtained by EYI under the SEDA to make payments on the debentures. The debentures were assigned to TAIB on April 4, 2005.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

### FORWARD LOOKING STATEMENTS

The information in this discussion contains forward-looking statements. These forward-looking statements involve risks and uncertainties, including statements regarding EYI Industries, Inc.'s (the "Company") capital needs, business strategy and expectations. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors, including the risks outlined in the Risk Factors section below, and, from time to time, in other reports the Company files with the Securities and Exchange Commission (the "SEC"). These factors may cause the Company's actual results to differ materially from any forward-looking statement.

As used in this quarterly report, the terms "we", "us", "our", and "our company" mean EYI Industries, Inc. and its subsidiaries unless otherwise indicated. All dollar amounts in this quarterly report are in U.S. dollars unless otherwise stated.

### OVERVIEW

We are in the business of selling, marketing, and distributing a product line consisting of approximately 30 nutritional products in two categories, dietary supplements and personal care products. Our most successful product is Calorad, a liquid collagen-based dietary supplement presently available on the market. These products are marketed through a network marketing program in which IBAs (Independent Business Associates) purchase products for resale to retail customers as well as for their own personal use. We have a list of over 400,000 IBAs, of which approximately 14,000 we consider "active". An "active" IBA is one who purchased our products within the preceding 12 months. Over 1,500 of these IBAs are considered "very active". A "very active" IBA is one who is on our automatic Auto-ship Program and is current with their annual administration fee. Our Auto-ship Program allows our IBAs to set up a reoccurring order that is automatically shipped to them each month.

The IBAs in our network are encouraged to recruit interested people to become new distributors of our products. New IBAs are placed beneath the recruiting IBA in the "network" and are referred to as being in that IBA's "down-line" organization. Our marketing plan is designed to provide incentives for IBAs to build, maintain and motivate an organization of recruited distributors in their down-line organization to maximize their earning potential. IBAs generate income by purchasing our products at wholesale prices and reselling them at retail prices. IBAs also earn commissions on product purchases generated by their down-line organization.

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

On an ongoing basis we review our product line for duplication and sales trends and make adjustments accordingly. As of March 31, 2005, our product line consisted of: (i) 22 dietary supplement products; and (ii) 8 personal care products consisting primarily of cosmetic and skin care products. Our products are primarily manufactured by Nutri-Diem, Inc., a related party, and sold by us under a license and distribution agreement with Nutri-Diem. Certain of our own products are manufactured for us by third party manufacturers pursuant to formulations developed for us. Our products are sold to our IBAs located in the United States and Canada.

We believe that our network marketing system is suited to marketing dietary supplement and personal care products, because sales of such products are strengthened by ongoing personal contact between IBAs and their customers. We also believe that our network marketing system appeals to a broad cross-section of people, particularly those looking to supplement family income or who are seeking part-time work. IBAs are given the opportunity, through our sponsored events and training sessions, to network with other distributors, develop selling skills and establish personal goals. We supplement monetary incentives with other forms of recognition, in order to motivate IBAs.

### Recent Corporate Developments

We experienced the following significant developments since December 31, 2004:

On May 13, 2005 we entered into a Standby Equity Distribution Agreement with Cornell Capital Partners, LP ("Cornell") pursuant to which we entered into, among other things, the following agreements: a Registration Rights Agreement, an Escrow Agreement, and a Placement Agent Agreement. Pursuant to the terms of the Standby Equity Distribution Agreement, we may, at our discretion, periodically issue and sell shares of our common stock for a total purchase price of \$10 million. If we request advances under the Standby Equity Distribution Agreement, Cornell will purchase shares of our common stock for 98% of the lowest volume weighted average price on the Over-the-Counter Bulletin Board or other principal market on which our common stock is traded for the 5 days immediately following the advance notice date. Cornell will retain 5% of each advance under the Standby Equity Distribution Agreement. We may not request advances in excess of a total of \$10 million. Pursuant to the terms of our Registration Rights Agreement and the Standby Equity Agreement with Cornell, we agreed to register and qualify, among other things, the additional shares due to Cornell under the Standby Equity Agreement under a registration statement filed with the SEC. We signed a Termination Agreement on May 13, 2005, for the purpose of terminating our Standby Equity Distribution Agreement, Registration Rights Agreement and Escrow Agreement previously entered into with Cornell on June 22, 2004.

On April 25, 2005 we filed a letter with the Securities and Exchange Commission requesting the withdrawal of our registration statement on Form SB-2, originally filed on September 17, 2004. We intend to file a new registration statement on Form SB-2 registering the resale of 97,264,558 shares of our common stock held or to be sold by certain of our stockholders, including Cornell, which intends to sell up to an aggregate of 85,000,000 shares of our common stock pursuant to our Standby Equity Distribution Agreement with Cornell.

On April 29, 2005 Essentially Yours Industries, Inc., our wholly owned subsidiary ("EYII") signed a letter of intent with Metals & Arsenic Removal Technology, Inc. ("MARTI") for the purpose of marketing certain of MARTI's products provided to EYII on a

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

consignment basis and assigning marketing rights to certain of MARTI's product lines to EYII, subject to EYII's entry into a definitive agreement with MARTI by November 1, 2005. Subsequently, on May 11, 2005 EYII entered into a Reseller Agreement with MARTI for a term of five (5) years, pursuant to which MARTI appointed EYII as the exclusive distributor of certain specially formulated MARTI products on a consignment basis and provide EYII with a 1000 units of inventory for sale to its customers, proceeds of which are subject to fee payments to MARTI as set out in the schedules accompanying the agreement.

On April 22, 2005 Essentially Yours Industries, Inc., our wholly owned subsidiary ("EYII") entered into a Fulfillment Services Agreement with Source 1 Fulfillment ("Source One") to warehouse and ship our products. Pursuant to the terms of the agreement, Source One agreed to provide certain storage and fulfillment services to EYII at the rates set out in the schedules to the agreement. Source One also agreed to pay a referral commission of 10% of all handling fees for any client EYII brings to Source One. The agreement is for a term of one year and automatically renews each year unless terminated by either party in accordance with the terms of the agreement. Subsequently in May, 2005 we ceased warehousing and distributing our products through Halo Distribution LLC ("Halo"), our wholly owned subsidiary. We presently intend to continue warehousing and shipping our products through Source One.

On April 4, 2005 we entered into a redemption agreement with TAIB Bank E.C. ("TAIB") pursuant to which TAIB agreed to acquire by assignment a two year 5% secured convertible debenture issued to Cornell Capital Partners, L.P. ("Cornell") in the amount of \$245,000, and a two year 5% convertible debenture in the amount of \$5,000 held by Kent Chou, in consideration of which we agreed not to modify or renegotiate the terms of our Standby Equity Distribution Agreement ("SEDA") with Cornell, and to use any proceeds obtained by EYI under the SEDA to make payments on the debentures. The debentures were assigned to TAIB on April 4, 2005.

On February 24, 2005 we received a loan of \$200,000 from Cornell secured by a secured promissory note (the "Secured Note"). Under the terms of the Secured Note, the loan is payable by April 24, 2005 and accrues interest at a rate of 12% per annum. In connection with the issuance of the Secured Note, we agreed to: (i) pay Cornell a fee of \$20,000; and (ii) pay Yorkville Advisors Management LLC a structuring fee in the amount of \$2,500. As a condition to Cornell's entry into the Secured Note on February 24, 2005, an employee of EYI, Janet Carpenter, entered into a guaranty agreement with Cornell and a pledge and escrow agreement with Cornell and David Gonzalez. Pursuant to the terms of the guaranty agreement and the pledge and escrow agreement, Ms. Carpenter agreed to: (i) personally guarantee the payment and performance obligations of EYI under the Secured Note; and (ii) pledge to Cornell 3,000,000 shares of EYI held by her to secure the obligations of EYI under the Secured Note. In consideration of Ms. Carpenter providing the guarantee and pledge, EYI entered into a bonus shares agreement dated February 14, 2005 with Ms. Carpenter, pursuant to which we agreed to issue to Ms. Carpenter 800,000 shares of our common stock at a deemed price of \$0.05 per share. The shares are to be issued to Ms. Carpenter pursuant to Regulation S of the Securities Act.

February 10, 2005, we entered into a loan agreement with Janet Carpenter, pursuant to which we loaned Ms. Carpenter \$180,000 for the purpose of

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

exercising 3,000,000 incentive stock options issued to Ms. Carpenter under our stock compensation program. The loan is payable on demand and accrues interest at a rate of 4% per annum. The loan was secured by a promissory note dated effective February 10, 2005.

In January, 2005, our wholly owned subsidiary 642706 B.C. Ltd. ("EYI Sub"), doing business as EYI Management, entered into a lease agreement with Golden Plaza Company Ltd. and 681563 BC Ltd., for the purpose of leasing a 12,200 square foot building located in Burnaby, British Columbia, Canada. The lease is for a term of seven years ending December 31, 2011 and renewable for an additional period of five years.

Our core business is in network marketing development and sales. In 2004 we implemented some critical changes to our network marketing development and sales strategy. We analyzed our compensation structure and realized that although the plan paid the sales force more than industry standard, it was still not encouraging sales, growth, duplication or retention. After months of study, outside consulting, field leader's focus groups and senior management discussion, we made key adjustments during our first fiscal quarter in 2004 that are intended to cap the sales commission expense while at the same time promote increased network sales. We anticipate retaining a higher percentage of both customers and distributors with this new plan.

To further facilitate growth and benefit from certain competitive advantages conferred by the new commission plan, we upgraded our Internet support sites, created a trainer field certification program, developed a regional training program and increased our face to face training capability. These support tools are intended to ensure compliance, mature team and territory development and assist sales growth.

We see international sales as a key component for our growth in the next 5 years. During our second quarter of fiscal 2004, we entered into a joint venture agreement (the "JV Agreement") with World Wide Buyers' Club Inc. ("WWBC") and Supra Group, Inc. ("Supra Group"), dated as of May 28, 2004, for the purpose of jointly marketing and distributing our products through the existing Supra Group distribution system in the Latin American countries identified in the JV Agreement and the products of Supra Group using the existing EYI distribution system to residents in the U.S. We believe Supra Group has significant international experience, expertise and contacts and that this alliance will assist in our ability to expand into Spanish-speaking countries.

During the fourth quarter of 2004, we launched our new product, Prosoteine. Over the next twelve months, we intend to launch the second phase of this campaign which includes an in-house-developed 6-week training program called "15/5" which is designed to teach our IBAs and their guests about Prosoteine in a telephone conference forum. The first 15/5 class started February 8, 2005 and ran for 8 weeks, class two with a new 6-week program began April 5, 2005 and concluded May 10, 2005. Additionally, we intend to distribute support materials.

Our plan of operation over the next twelve months is to expand the marketing of our Calorad product



## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

by internet direct and the distribution network. We also intend to support the growth and expansion of the Sales Communication department. Their success is measured on the number of inactive IBAs who, through the efforts of the Sales Communication department, become current with their membership fees and purchase our products. As the revenues generated by this department grow, we intend to add additional staff. Also, over the next twelve months we intend to promote our Autoship Program by offering one or more of the following: initial incentives, purchase discounts, and long-term commitment rewards. We believe that our automated ordering system supports on-going sales.

### RESULTS OF OPERATIONS

#### First Quarter Summary

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Revenue	\$1,313,768	\$1,529,195
Cost of goods sold	\$251,149	\$417,490
Gross profit before commission expense	\$1,062,620	\$1,111,705
Commission expense	\$471,605	\$414,605
Gross profit after cost of goods sold and commission expense	\$591,015	\$697,100
Operating expenses	\$1,237,108	\$1,103,878
Operating loss	(\$646,093)	(\$406,778)

#### Three Months Ended March 31, 2005 Compared to Three Months Ended March 31, 2004

##### Revenues

During the three months ended March 31, 2005 we had total revenues of \$1,313,768 as compared to revenues of \$1,529,195 for the same period in 2004 which represents a decline of \$215,427 or 14%. The decrease in our revenues can be primarily attributed to the following factors:

- \* Our inability to attract new IBA's
- \* Lack of IBA participation in our auto-ship program
- \* our inability to fund marketing initiatives and programs that may promote growth within new markets and existing ones.

##### Gross Profit

During the three months ended March 31, 2005 as compared to the same period in 2004, we had gross profits of \$591,015 and \$697,100 respectively. This represents a decline of \$106,085 or 15%. The decline in our gross profit primarily attributed to our decreased sales.

##### Expenses

##### Operating expenses:

The following table summarizes operating expenditures for the periods indicated:

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

	Three Months March 31, 2004	Three Months Ended March 31, 2005
OPERATING EXPENSES		
Consulting fees	\$237,962	\$250,520
Legal and professional fees	\$69,125	\$20,052
Customer service	\$86,534	\$124,339
Finance and administration	\$208,080	\$219,223
Sales and marketing	\$3,718	\$27,556
Telecommunications	\$119,162	\$105,062
Wages and benefits	\$406,627	\$252,066
Warehouse expense	\$105,900	\$105,060
<b>Total Operating Expenses</b>	<b>\$1,237,108</b>	<b>\$1,103,878</b>

We incurred operating expenses in the amount of \$1,237,108 for the three months ended March 31, 2005, compared to \$1,103,878 for the three months ended March 31, 2004. The following explains the most significant changes during the periods presented:

Legal and Professional fees - For the three months ended March 31, 2005, legal and professional fees totaled \$69,125 and represented 6% of our total operating expenditures, as compared to \$20,052 or 2% of the total operating expenditures for the three months ended March 31 2004. The increase is primarily attributed to the costs associated with our reporting obligations under the Exchange Act.

Customer Service - For the three months ended March 31, 2005, customer services fees totaled \$86,534 and represented 7% of our total operating expenditures, as compared to \$124,339 or 10% of the total operating expenditures for the three months ended March 31, 2004. Until April 2004, we acquired our customer service support department through a management agreement with EYI Corp. In April 2004, we hired our own employees to perform this function and therefore, the related expenses are now included under Wages and Benefits.

Wages and benefits - For the three months ended March 31, 2005, wages and benefits totaled \$406,627 and represented 33% of our total operating expenditures, as compared to \$252,066 or 20% of the total operating expenditures for the three months ended March 31, 2004. This increase is primarily a combination of expanding our staff in April 2004 as indicated above, and we also recorded an expense for vested stock options granted to our employees during this quarter.

### FINANCIAL CONDITION

Cash and Working Capital

	Percentage	
At March 31, 2005	At December 31, 2004	Increase / (Decrease)

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

Current Assets	\$1,187,378	\$1,280,879	(7%)
Current Liabilities	\$2,828,236	\$2,361,120	20%
Working Capital (Deficit)	(\$1,640,858)	(\$1,080,241)	(52%)

We had cash of \$5,450 as at March 31, 2005, compared with cash of \$33,018 as at December 31, 2004. We had a working capital deficit at March 31, 2005 and March 31, 2004 of \$1,640,848 and \$1,080,241 respectively. The increase in our working capital deficit was primarily attributed to the increase in our trade payables and related party payables.

### Liabilities

	At March 31, 2005	At December 31, 2004	Percentage Increase / (Decrease)
Accounts Payable and Accrued Liabilities	\$1,398,316	\$1,218,178	15%
Accounts Payable-Related Parties	\$691,473	\$590,146	17%
Convertible Debt-Related Party, Net Of Discount	\$417,886	\$379,724	10%
Loan Payable, Cornell	\$200,000	\$0	100%

We had an increase of 15% in Accounts Payable and Accrued Liabilities during the three months which represents the increase in unpaid trade payables. We also experienced a 17% increase in Accounts Payable-Related Parties which is due to the increase in unpaid wages of two of our officers and an increase in the amount owed to EYI Corp. The increase in convertible debt relates to the interest accrued on the debt.

### Cash Used in Operating Activities

Cash used in operating activities for the three months ended March 31, 2005 was \$157,219 compared to \$204,497 for the comparative period in 2004, representing a decrease of \$47,278 or 23%.

### Cash Provided by Financing Activities

We have continued to finance our business primarily through private placement sales of our common stock, exercises of stock options, short term loans, conversion of accrued liabilities into stock and through increases in our accrued liabilities and accounts payable. Cash provided by financing activities for the three months ended March 31, 2005 was \$141,324, compared to \$181,578 for the three months ended March 31, 2004.

### Financing Requirements

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

Our consolidated interim financial statements included with this Quarterly Report on Form 10-QSB have been prepared assuming that we will continue as a going concern. As shown in the accompanying financial statements, we had negative working capital of approximately \$1,640,000 and an accumulated deficit of approximately \$7,900,000 incurred through March 31, 2005.

Our current sources of working capital are sufficient to satisfy our anticipated current working capital needs. In the event we do not receive further financing from our arrangements with Cornell, we will be required to seek additional financing to fully implement our business plan. We may not be able to obtain additional working capital on acceptable terms, or at all. Accordingly, there is substantial doubt about our ability to continue as a going concern. We anticipate that any additional financing would be through the sales of our common or preferred stock or placement of convertible debt. We presently do not have any arrangements in place for the sale of any of our securities and there is no assurance that we will be able to raise any additional capital that we require to continue operations. In the event that we are unable to raise additional financing on acceptable terms, then we may have to scale back our plan of operations and operating expenditures. We anticipate that we will continue to incur losses until such time as the revenues we are able to generate from sales and licensing of our products exceed our increased operating expenses. We base this expectation in part on the expectation that we will incur increased operating expenses in completing our stated plan of operations and there is no assurance that we will generate revenues that exceed these expenses.

### OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Critical Accounting Policies

Our significant accounting policies are described in Note 2 to the Consolidated Financial Statements, which are included in our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2004.

### Recent Accounting Pronouncements

New accounting pronouncements that have a current or future potential impact on our financial statements are as follows:

In December 2004, the Financial Accounting Standards Board issued a revision to Statement of Financial Accounting Standards No. 123R, "Accounting for Stock Based Compensation." This statement supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related implementation guidance. This statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. This statement focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. This statement does not change the accounting guidance for share based payment

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

transactions with parties other than employees provided in Statement of Financial Accounting Standards No. 123. This statement does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." The Company has previously adopted SFAS 123 and the fair value of accounting for stock options and other equity instruments. The Company has determined that there was no impact to its financial statements from the adoption of this new statement.

### RISK FACTORS

We have a limited operating history, an accumulated deficit and may have continued losses for the foreseeable future with no assurance of profitability.

As of March 31, 2005, we had an accumulated deficit of \$7,868,993. We will need to generate significant revenues to achieve profitability, which may not occur. We expect operating expenses to increase as a result of the further implementation of our business plan. Even if we achieve profitability, we may be unable to sustain or increase profitability on a quarterly or annual basis in the future. It is possible that we will never achieve profitability.

Management has established plans designed to attempt to increase the sales of our products, and decrease debt. We plan on continuing to reduce expenses, and with small gains in any combination of network sales, direct sales, international sales, and warehouse sales, believe that we will eventually be able to reverse the present deficit. Management intends to seek additional capital from new equity securities offerings that should provide funds needed to increase liquidity, and implement our business plan. Management's plans include negotiations to convert portions of existing debt into equity. The timing and amount of capital requirements will depend on a number of factors, including demand for products and services and the availability of opportunities for international expansion through affiliations and other business relationships.

We have a working capital deficit; we may need to raise additional capital to finance operations.

We have relied on significant external financing to fund our operations. As of March 31, 2005, we had \$5,450 of cash on hand and our total current assets were \$1,187,378. Our current liabilities were \$2,210,350 as at March 31, 2005. We will need to raise additional capital to fund our anticipated operating expenses and future expansion. Among other things, external financing may be required to cover our operating costs. Unless we obtain profitable operations, it is unlikely that we will be able to secure additional financing from external sources. If we are unable to secure additional financing or we cannot draw down on the Standby Equity Distribution Agreement, we believe that we will be required to seek additional financing to fund our continued operations. The sale of our common stock to raise capital may cause dilution to our existing shareholders. Our inability to obtain adequate financing will result in the need to curtail business operations. Any of these events would be materially harmful to our business and may result in a lower stock price. Our inability to obtain adequate financing will result in the need to curtail business operations and you could lose your entire investment. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

We have been subject to a going concern opinion from our independent auditors

Our independent auditors have added an explanatory paragraph to their audit issued in connection with the financial statements for the period ended December 31, 2004, relative to our ability to continue as a going concern. We have negative working capital of approximately \$1,030,000 and an accumulated deficit incurred through March 31, 2005, which raises substantial doubt about our ability to continue as a going concern. Accordingly, there is substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. We are dependent on our IBAs for our product marketing efforts.

Our success and growth depend upon our ability to attract, retain and motivate our network of IBAs who market our products.

IBAs are independent contractors who purchase products directly from us for resale and their own use. IBAs typically offer and sell our products on a part-time basis and may engage in other business activities, possibly including the sale of products offered by our competitors. Typically, we have non-exclusive arrangements with our IBAs which may be canceled on short notice and contain no minimum purchase requirements. While we encourage IBAs to focus on the purchase and sale of our products, they may give higher priority to other products, reducing their efforts devoted to marketing our products. Also, our ability to attract and retain IBAs could be negatively affected by adverse publicity relating to us, our products or our operations. In addition, as a result of our network marketing program, the down-line organizations headed by a relatively small number of key IBAs are responsible for a significant percentage of total sales.

The loss of a significant number of IBAs, including any key IBA, for any reason, could adversely affect our sales and operating results, and could impair our ability to attract new IBAs. There is no assurance that our network marketing program will continue to be successful or that we will be able to retain or expand our current network of IBAs. Also, if our IBAs do not accept recent changes to our commission plan, our business may be adversely affected.

Government regulation by the Food and Drug Administration and other federal and state entities of our products can impact our ability to market products.

We market products that fall under two types of Food and Drug Administration regulations: dietary supplements and personal care products. In general, a dietary supplement:

\* is a product (other than tobacco) that is intended to supplement the diet that bears or contains one or more of the following dietary ingredients: a vitamin, a mineral, a herb or other botanical, an amino acid, a dietary substance for use by man to supplement the diet by increasing the total daily intake, or a concentrate, metabolite, constituent, extract, or combinations of these ingredients.

\* is intended for ingestion in pill, capsule, tablet, or liquid form.

\* is not represented for use as a conventional food or as the sole item of a meal or diet.

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

\* is labeled as a "dietary supplement" .

Personal care products are intended to be applied to the human body for cleansing, beautifying, promoting attractiveness, or altering the appearance without affecting the body's structure or functions. Included in this definition are products such as skin creams, lotions, perfumes, lipsticks, fingernail polishes, eye and facial make-up preparations, shampoos, permanent waves, hair colors, toothpastes, deodorants, and any material intended for use as a component of a cosmetic product. The Food & Drug Administration has a limited ability to regulate personal care products.

Dietary supplements must follow labeling guidelines outlined by the FDA. Neither dietary supplements nor personal care products require FDA or other government approval or notification to market in the United States.

Under the Dietary Supplement Health and Education Act of 1994, companies that manufacture and distribute dietary supplements are limited in the statements that they are permitted to make about nutritional support on the product label without FDA approval. In addition, a manufacturer of a dietary supplement must have substantiation for any such statement made and must not claim to diagnose, mitigate, treat, cure or prevent a specific disease or class of disease. The product label must also contain a prominent disclaimer. These restrictions may restrict our flexibility in marketing our product.

We believe that all of our existing and proposed products are dietary supplements or personal care products that do not require governmental approvals to market in the United States. Our key products are classified as follows:

### Dietary Supplements

\*Calorad(R)

\*Agrisept-L(R)

\*Oxy-Up(R)

\*Triomin

\*Noni Plus(R)

\*Iso-Greens(R)

\*Definition (drops)(R)

\*Essential Omega

\*Prosoteine(R)

### Personal Care Products

\*Definition (cream)(R)

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

The processing, formulation, packaging, labeling and advertising of such products, however, are subject to regulation by one or more federal agencies, including the FDA, the Federal Trade Commission, the Consumer Products Safety Commission, the Department of Agriculture and the Environmental Protection Agency. Our activities also are subject to regulation by various agencies of the states and localities in which our products are sold. Among other things, such regulation puts a burden on our ability to bring products to market. Any changes in the current regulatory environment could impose requirements that would make bringing new products to market more expensive or restrict the ways we can market our products.

No governmental agency or other third party makes a determination as to whether our products qualify as dietary supplements, personal care products or neither. We make this determination based on the ingredients contained in the products and the claims we make for the products.

If the Federal Trade Commission or certain states object to our product claims and advertising we may be forced to give refunds, pay damages, stop marketing certain products or change our business methods.

The Federal Trade Commission and certain states regulate advertising, product claims, and other consumer matters, including advertising of our products. In the past several years the Federal Trade Commission has instituted enforcement actions against several dietary supplement companies for false or deceptive advertising of certain products. We provide no assurance that:

- \* the Federal Trade Commission will not question our past or future advertising or other operations;
- or
- \* a state will not interpret product claims presumptively valid under federal law as illegal under that state's regulations.

Also, our IBAs and their customers may file actions on their own behalf, as a class or otherwise, and may file complaints with the Federal Trade Commission or state or local consumer affairs offices. These agencies may take action on their own initiative or on a referral from IBAs, consumers or others. If taken, such actions may result in:

- \* entries of consent decrees;
- \* refunds of amounts paid by the complaining IBA or consumer;
- \* refunds to an entire class of IBAs or customers;
- \* other damages; and
- \* changes in our method of doing business.

A complaint based on the activities of one IBA, whether or not such activities were authorized by us,



## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

could result in an order affecting some or all IBAs in a particular state, and an order in one state could influence courts or government agencies in other States.

Our IBAs act as independent sales people and are not closely supervised by EYI or supervised by us at all. We have little or no control or knowledge of our IBAs' actual sales activities and therefore, we have little or no ability to ensure that our IBAs comply with regulations and rules regarding how they market and sell our products. It is possible that we may be held liable for the actions of our IBAs. Proceedings resulting from any complaints in connection with our IBAs' marketing and sales activities may result in significant defense costs, settlement payments or judgments and could force to curtail or cease our business operations.

If our network marketing program is shown to violate federal or state regulations, we may be unable to market our products. Our network marketing program is subject to a number of federal and state laws and regulations administered by the Federal Trade Commission and various state agencies. These laws and regulations include securities, franchise investment, business opportunity and criminal laws prohibiting the use of "pyramid" or "endless chain" types of selling organizations. These regulations are generally directed at ensuring that product sales are ultimately made to consumers (as opposed to other IBAs) and that advancement within the network marketing program is based on sales of products, rather than investment in the company or other non-retail sales related criteria.

The compensation structure of a network marketing organization is very complex. Compliance with all of the applicable regulations and laws is uncertain because of:

- \* the evolving interpretations of existing laws and regulations, and
- \* the enactment of new laws and regulations pertaining in general to network marketing organizations and product distribution.

We have not obtained any no-action letters or advance rulings from any federal or state securities regulator or other governmental agency concerning the legality of our operations. Also, we are not relying on a formal opinion of counsel to such effect. Accordingly there is the risk that our network marketing system could be found to be in noncompliance with applicable laws and regulations, which could have a material adverse effect on us. Such a decision could require modification of our network marketing program, result in negative publicity, or have a negative effect on IBA morale and loyalty. In addition, our network marketing system will be subject to regulations in foreign markets administered by foreign agencies should we expand our network marketing organization into such markets.

The legality of our network marketing program is subject to challenge by our IBAs.

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

We are subject to the risk of challenges to the legality of our network marketing organization by our IBAs, both individually and as a class. Generally, such challenges would be based on claims that our network marketing program was operated as an illegal "pyramid scheme" in violation of federal securities laws, state unfair practice and fraud laws and the Racketeer Influenced and Corrupt Organizations Act. An illegal pyramid scheme is generally a marketing scheme that promotes "inventory loading" and does not encourage retail sales of the products and services to ultimate consumers. Inventory loading occurs when distributors purchase large quantities of non-returnable inventory to obtain the full amount of compensation available under the network marketing program. In the event of challenges to the legality of our network marketing organization by our IBAs, there is no assurance that we will be able to demonstrate that:

- \* our network marketing policies were enforced, and
- \* the network marketing program and IBAs' compensation thereunder serve as safeguards to deter inventory loading and encourage retail sales to the ultimate consumers.

Proceedings resulting from these claims could result in significant defense costs, settlement payments or judgments, and could have a material adverse effect on us.

One of our competitors, Nutrition for Life International, Inc., a multi-level seller of personal care and nutritional supplements, announced in 1999 that it had settled class action litigation brought by distributors alleging fraud in connection with the operation of a pyramid scheme. Nutrition for Life International agreed to pay in excess of \$3 million to settle claims brought on behalf of its distributors and certain purchasers of its stock.

We believe that our marketing program is significantly different from the program allegedly promoted by Nutrition for Life International and that our marketing program is not in violation of anti-pyramid laws or regulations. However, there can be no assurance that claims similar to the claims brought against Nutrition for Life International and other multi-level marketing organizations will not be made against us, or that we would prevail in the event any such claims were made. Furthermore, even if we were successful in defending against any such claims, the costs of conducting such a defense, both in dollars spent and in management time, could be material and adversely affect our operating results and financial condition. In addition, the negative publicity of such a suit could adversely affect our sales and ability to attract and retain IBAs.

A large portion of our sales is attributable to Calorad.

A significant portion of our net sales is expected to be dependent upon our Calorad product. Calorad has

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

traditionally represented more than 65% of our net sales and, although we hope to expand and diversify our product offerings, Calorad is expected to provide a large portion of our net sales in the foreseeable future. If Calorad loses market share or loses favor in the marketplace, our financial results will suffer.

Our products are subject to obsolescence.

The introduction by us or our competitors of new dietary supplement or personal care products offering increased functionality or enhanced results may render our existing products obsolete and unmarketable. Therefore, our ability to successfully introduce new products into the market on a timely basis and achieve acceptable levels of sales has and will continue to be a significant factor in our ability to grow and remain competitive and profitable. In addition, the nature and mix of our products are important factors in attracting and maintaining our network of IBAs, which consequently affects demand for our products. Although we seek to introduce additional products, the success of new products is subject to a number of conditions, including customer acceptance. There can be no assurance that our efforts to develop innovative new products will be successful, or customers will accept new products.

In addition, no assurance can be given that new products currently experiencing strong popularity will maintain their sales over time. In the event we are unable to successfully increase the product mix and maintain competitive product replacements or enhancements in a timely manner in response to the introduction of new products, competitive or otherwise, our sales and earnings will be materially and adversely affected.

We have no manufacturing capabilities and we are dependent upon Nutri-Diem, Inc. and other companies to manufacture our products.

We have no manufacturing facilities and have no present intention to manufacture any of our dietary supplement and personal care products. We are dependent upon relationships with independent manufacturers to fulfill our product needs. Nutri-Diem, Inc., a related party, manufactures and supplies more than 70% of our products. We have contracts with Nutri-Diem that require us to purchase set amounts of its manufactured products for at least the next five years and possibly the next ten years. It is possible that these contracts with Nutri-Diem, Inc. could become unfavorable, and we may not be able to use other manufacturers to provide us with these services if our terms with Nutri-Diem, Inc. become unfavorable. In addition, we must be able to obtain our dietary supplement and personal care products at a cost that permits us to charge a price acceptable to the customer, while also accommodating distribution costs and third party sales compensation. Competitors who do own their own manufacturing may have an advantage over us

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

with respect to pricing, availability of product and in other areas through their control of the manufacturing process. In addition, if we are forced to hold longer quantities of inventory, we face the risk that our inventory becomes obsolete with the passage of large amounts of time.

We may not be able to deliver various products to our customers if third party providers fail to provide necessary ingredients to us. We are dependent on various third parties for various ingredients for our products. Some of the third parties that provide ingredients to us have a limited operating history and are themselves dependent on reliable delivery of products from others. As a result, our ability to deliver various products to our users may be adversely affected by the failure of these third parties to provide reliable various ingredients for our products.

We are materially dependent upon our key personnel and the loss of such key consultants could result in delays in the implementation of our business plan or business failure.

We depend upon the continued involvement of Jay Sargeant, our President, Chief Executive Officer and Director, and Dori O'Neill, our Executive Vice President, Chief Operations Officer, Secretary, Treasurer and Director. As we are a developing company, the further implementation of our business plan is dependent on the entrepreneurial skills and direction of management. Mr. Sargeant, Mr. O'Neill guide and direct our activity and vision. This direction requires an awareness of the market, the competition, current and future markets and technologies that would allow us to continue our operations. The loss or lack of availability of these individuals could materially adversely affect our business and operations. We do not carry "key person" life insurance for these officers and directors, and we would be adversely affected by the loss of these two key consultants.

We face substantial competition in the dietary supplement and personal care industry, including products that compete directly with Calorad.

The dietary supplement and personal care industry is highly competitive. It is relatively easy for new companies to enter the industry due to the availability of numerous contract manufacturers, a ready availability of natural ingredients and a relatively relaxed regulatory environment. Numerous companies compete with us in the development, manufacture and marketing of supplements as their sole or principal business. Generally, these companies are well funded and sophisticated in their marketing approaches.

Depending on the product category, our competition varies.

Calorad competes directly with Colvera, a product with different ingredients but a similar concept. Additionally, Calorad competes indirectly with food plans such as Weight Watchers and meal replacement products such as Slim Fast.

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

Our Noni Plus product competes with Morinda and others. Our other products have similar well-funded and sophisticated competitors. Increased competitive activity from such companies could make it more difficult for us to increase or keep market share, since such companies have greater financial and other resources available to them and possess far more extensive manufacturing, distribution and marketing capabilities.

We may be subject to products liability claims and may not have adequate insurance to cover such claims. As with other retailers, distributors and manufacturers of products that are designed to be ingested, we face an inherent risk of exposure to product liability claims in the event that the use of our products results in injury.

With respect to product liability claims, we have coverage of \$2,000,000 per occurrence and \$2,000,000 in the aggregate. Because our policies are purchased on a year to year basis, industry conditions or our own claims experience could make it difficult for us to secure the necessary insurance at a reasonable cost. In addition, we may not be able to secure insurance that will be adequate to cover liabilities. We generally do not obtain contractual indemnification from parties supplying raw materials or marketing our products. In any event, any such indemnification is limited by its terms and, as a practical matter, to the creditworthiness of the other party. In the event that we do not have adequate insurance or contractual indemnification, liabilities relating to defective products could require us to pay the injured parties' damages which are significant compared to our net worth or revenues.

We may be adversely affected by unfavorable publicity relating to our products or similar products manufactured by our competitors.

We believe that the dietary supplement products market is affected by national media attention regarding the consumption of these products. Future scientific research or publicity may be unfavorable to the dietary supplement products market generally or to any particular product and may be inconsistent with earlier favorable research or publicity. Adverse publicity associated with illness or other adverse effects resulting from the consumption of products distributed by other companies, which are similar to our products, could reduce consumer demand for our products and consequently our revenues. This may occur even if the publicity did not relate to our products. Adverse publicity directly concerning our products could be expected to have an immediate negative effect on the market for that product.

Because we have few proprietary rights, others can provide products and services substantially equivalent to ours.

We hold no patents. We believe that most of the technology used by us in the design and implementation of our products may be known and available to others.

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

Consequently, others may be able to formulate products equivalent to ours. We rely on confidentiality agreements and trade secret laws to protect our confidential information. In addition, we restrict access to confidential information on a "need to know" basis. However, there can be no assurance that we will be able to maintain the confidentiality of our proprietary information. If our pending trademark or other proprietary rights are violated, or if a third party claims that we violate its trademark or other proprietary rights, we may be required to engage in litigation. Proprietary rights litigation tends to be costly and time consuming. Bringing or defending claims related to our proprietary rights may require us to redirect our human and monetary resources to address those claims.

Our common stock is "penny stock", which may make it more difficult for investors to sell their shares due to suitability requirements

Our common stock is deemed to be a "penny stock" as that term is defined in Rule 3a51-1 promulgated under the Securities Exchange Act of 1934. Penny stocks are stock:

- \* With a price of less than \$5.00 per share;
- \* That are not traded on a "recognized" national exchange;
- \* Whose prices are not quoted on the Nasdaq automated quotation system (Nasdaq listed stock must still have a price of not less than \$5.00 per share; or
- \* In issuers with net tangible assets less than \$2.0 million (if the issuer has been in continuous operation for at least three years) or \$5.0 million (if in continuous operation for the last three years).

Broker/dealers dealing in penny stocks are required to provide potential investors with a document disclosing the risks of penny stocks. Moreover, broker/dealers are required to determine whether an investment in a penny stock is a suitable investment for a prospective investor. These requirements may reduce the potential market for our common stock to sell shares to third parties or to otherwise dispose of them. This could cause our stock price to decline.

### ITEM 3. CONTROLS AND PROCEDURES.

#### Evaluation Of Disclosure Controls And Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving our disclosure control objectives. Our Principal Executive Officer and Principal Accounting Officer have concluded that our disclosure controls and procedures are, in fact, effective at this reasonable assurance level as of the period

covered.

#### Changes In Internal Controls Over Financial Reporting

In connection with the evaluation of our internal controls during our last fiscal quarter, our Principal Executive Officer and Principal Financial Officer have determined that there are no changes to our internal controls over financial reporting that has materially affected, or is reasonably likely to materially effect, our internal controls over financial reporting.

#### PART II - OTHER INFORMATION

##### ITEM 1. LEGAL PROCEEDINGS.

Other than as described below, we are not a party to any material legal proceedings and to our knowledge, no such proceedings are threatened or contemplated.

##### 1. Oppression Action by Lavorato/Heyman

In 2002, an oppression action was commenced in the Supreme Court of British Columbia by the plaintiffs Brian Lavorato, Geraldine Heyman and their respective holding companies, alleging that Essentially Yours Industries Corp., our affiliate, had improperly vended assets into Essentially Yours Industries, Inc., our wholly owned subsidiary, as part of a corporate restructuring alleged to be oppressive to the plaintiffs. As of April 4, 2003, the lawsuit has been settled and was subsequently dismissed by the plaintiffs by consent, with the exception of claims asserted by the plaintiffs against Thomas K. Viccars, a former in-house counsel of Essentially Yours Industries, Corp., who may potentially assert a third party claim against Essentially Yours Industries, Inc.

##### 2. Action By Suhl, Harris and Babich

In 2003 a consolidated action was brought by the plaintiffs Wolf Suhl, Christine Harris and Edward Babich in the Supreme Court of British Columbia pursuant to an order pronounced in the New Westminster Registry under Action No. S061589 on May 7, 2003, which allowed the plaintiffs to proceed with an action against Essentially Yours Industries, Inc. The plaintiffs allege that Essentially Yours Industries, Inc. holds certain of its products or revenues derived therefrom as trust property for the benefit of the plaintiffs. The claim is for an aggregate of 4.9% of the wholesale volume of sales generated by Essentially Yours Industries, Inc. from the alleged trust property, and for damages and costs. A consolidated statement of defence has been filed by Essentially Yours Industries, Inc., and interrogatories have been responded to. Management believes this claim to be without merit and intends to vigorously defend against this claim.

##### 3. Agreement with Source, Inc.

In February 2004 we entered into a letter of commitment with Source, Inc. ("Source") for the purpose of further developing our corporate marketing position with Source and for assistance in raising equity capital. Pursuant to the terms of the letter

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

agreement, we agreed to (i) pay Source 20% of the gross revenues generated by Source under a Corporate Marketing Organization Agreement ("CMO Agreement") previously entered into with Premier Lifestyles International Corporation, a company related to Source; (ii) to offer up to \$4,000,000 of EYI restricted stock over a 90 day period at \$0.21 per share and warrants exercisable at a price of \$0.30 per share for investors referred to EYI by Source in connection with any equity offerings by EYI; (iii) at the end of the 12 months period following execution of the agreement, and if Source had referred enough investors to raise a minimum of \$500,000, to issue to Source \$1,800,000 in common stock of EYI or pay the balance in cash; and (iv) on a monthly basis, during the 12 month period, pay 50% of all monies collected by EYI from Source referred investors, to be paid to Source towards the \$1,800,000 to pay for the CMO Agreement and \$300,000 towards a proposed web portal. Subsequently, we terminated the CMO Agreement in accordance with its terms in July, 2004 and notified Source that they failed to raise the minimum funding of \$500,000 in connection with EYI's equity offering closing in June, 2004. Source has notified EYI that they dispute the fact that they did not raise the minimum financing amount. Management believes that if Source were to advance any such claims against EYI its chance of success would be remote and we intend to vigorously defend against any potential legal claims respecting this matter.

To the best of our knowledge, we are not subject to any other active or pending legal proceedings or claims against us or our subsidiaries or any of our properties that will have a material effect on our business or results of operations. However, from time to time, we may become subject to claims and litigation generally associated with any business venture.

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

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

### ITEM 5. OTHER INFORMATION.

None.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

#### (a) Exhibits

Exhibit Description of Exhibit  
Number

- 3.1 Articles of Incorporation.(1)
- 3.2 Certificate of Amendment to Articles of Incorporation dated December 29, 2003.(11)
- 3.3 Certificate of Amendment to Articles of Incorporation dated December 31, 2003.(11)
- 3.4 Bylaws.(1)
- 3.5 Amended Bylaws. (12)
- 10.1 Consulting Agreement, dated as of November 5, 2002, between Essentially Yours Industries, Inc., a Nevada



## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

- corporation, and Flaming Gorge, Inc.(1)
- 10.2 Consulting Agreement, dated as of November 5, 2002, between Essentially Yours Industries, Inc., a Nevada corporation, and O'Neill Enterprises, Inc.(1)
- 10.3 First Amendment to Trust Agreement dated December 23, 2003, between Jay Sargeant and twelve named trust beneficiaries, revising the terms of the Declaration of Trust dated as of May 27, 2002, between Jay Sargeant and twelve named trust beneficiaries.(5)
- 10.4 Registration Rights Agreement, dated December 31, 2003, by and among Safe ID Corporation, A Nevada corporation, and certain shareholders of EYI Industries, Inc., A Nevada corporation.(5)
- 10.5 Stock Compensation Program(4)
- 10.6 Consulting Agreement dated December 27, 2003 between Rajesh Raniga Inc. and Safe ID Corporation.(6)
- 10.7 Consulting Agreement dated January 1, 2004 between EYI Industries, Inc. and O'Neill Enterprises Inc.(6)
- 10.8 Consulting Agreement dated January 1, 2004 between EYI Industries, Inc. and Flaming Gorge, Inc. (6)
- 10.9 Addendum to the Distribution and License Agreement between Essentially Yours Industries, Inc. and Nutri-Diem Inc. dated April 30, 2004.(6)
- 10.10 Letter Agreement dated May 4, 2004 between Eye Wonder, Inc. and EYI Industries, Inc.(6)
- 10.11 Standby Equity Distribution Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP(6)
- 10.12 Registration Rights Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP(6)
- 10.13 Escrow Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP(6)
- 10.14 Placement Agent Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP(6)
- 10.15 Compensation Debenture, dated June 22, 2004(7)
- 10.16 Securities Purchase Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP(6)
- 10.17 Investor Registration Rights Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP(6)
- 10.18 Security Agreement, dated June 22, 2004 by and between EYI Industries, Inc. and Cornell Capital Partners, LP(6)
- 10.19 Irrevocable Transfer Agent Instructions, dated June 22, 2004, by and among EYI Industries, Inc., Cornell Capital Partners, LP and Corporate Stock Transfer(6)
- 10.20 Escrow Agreement, dated June 22, 2004 by and among EYI Industries, Inc., Cornell Capital Partners, L.P. and Butler Gonzalez, LLP(6)
- 10.21 Form of Secured Convertible Debenture(6)
- 10.22 Form of Warrant(7)
- 10.23 Letter Agreement dated May 25, 2004 between EYI Industries, Inc. and Source Capital Group, Inc.(8)
- 10.24 Lease Agreement dated May 1, 2003 among 468058 B.C. Ltd., 642706 B.C. Ltd., Essentially Yours Industries Corp., and Essentially Yours Industries, Inc. (8)
- 10.25 Amendment to Lease Agreement dated January 9,

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

- 2004 between Business Centers, LLC and Halo Distribution, LLC. (8)
- 10.26 Subsidy Agreement dated July 23, 2004 between Essentially Yours Industries, Inc. and Winslow Drive Corp. (8)
- 10.27 Subsidy Agreement dated July 23, 2004 between Essentially Yours Industries, Inc. and Premier Wellness Products. (8)
- 10.28 Subsidy Agreement dated July 23, 2004 between Essentially Yours Industries, Inc. and Stancorp. (8)
- 10.29 5% Secured Convertible Debenture dated September 24, 2004 between EYI Industries, Inc. and Cornell Capital Partners, LP(8)
- 10.30 5% Secured Convertible Debenture dated September 27, 2004 between EYI Industries, Inc. and Kent Chou(8)
- 10.31 5% Secured Convertible Debenture dated September 27, 2004 between EYI Industries, Inc. Taib Bank, E.C.(8)
- 10.32 Assignment Agreement dated September 27, 2004 between Cornell Capital Partners, LP and Taib Bank, E.C. (8)
- 10.33 Assignment Agreement dated September 27, 2004 between Cornell Capital Partners, LP and Kent Chou(8)
- 10.34 Joint Venture Agreement dated May 28, 2004 between EYI Industries, Inc., World Wide Buyer's Club Inc. and Supra Group, Inc.(9)
- 10.35 Indenture of Lease Agreement dated January 3, 2005 between Golden Plaza Company Ltd., 681563 B.C. Ltd., and 642706 B.C. Ltd.(10)
- 10.36 Consulting Services Agreement dated March 5, 2004 between EYI Industries, Inc. and EQUIS Capital Corp.(13)
- 10.37 Letter dated May 25, 2004 between Source Capital Group, Inc. and EYI Industries, Inc.(14)
- 10.38 Consulting Agreement dated April 1, 2004 between EYI Industries, Inc. and Daniel Matos(14)
- 10.39 Loan Agreement between Janet Carpenter and EYI Industries, Inc., dated February 10, 2005(15)
- 10.40 Promissory Note dated February 10, 2005 between Janet Carpenter and EYI Industries(15)
- 10.41 Bonus Share Agreement between Janet Carpenter and EYI Industries, Inc. dated February 14, 2005(15)
- 10.42 Pledge and Escrow Agreement dated February 24, 2005 between Janet Carpenter, Cornell Capital Partners, LP and David Gonzalez. (15)
- 10.43 Guaranty Agreement dated February 24, 2005 between Janet Carpenter, Cornell Capital Partners, LP(15)
- 10.44 Secured Promissory Note dated February 24, 2005 between EYI Industries, Inc. and Cornell Capital Partners, LP(15)
- 10.45 Agreement dated April 22, 2005 between Essentially Yours Industries Inc. and Source 1 Fulfillment
- 10.46 Reseller Agreement dated May 11, 2005 between Essentially Yours Industries Inc. and Metals & Arsenic Removal Technology, Inc. (16)
- 10.47 Termination Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP
- 10.48 Standby Equity Distribution Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP
- 10.49 Registration Rights Agreement dated May 13, 2005

## Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

between EYI Industries Inc. and Cornell Capital Partners, LP

10.50 Escrow Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP

10.51 Placement Agent Agreement dated May 13, 2005 between EYI Industries Inc. and Cornell Capital Partners, LP

14.1 Code of Ethics(5)

21.1 List of Subsidiaries(15)

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

### Notes

(1) Filed as an exhibit to the registration statement on Form 10-SB/A of Safe ID Corporation, filed with the SEC on September 21, 2000.

(2) Filed as an exhibit to the registration statement on Form SB-2 of Essentially Yours Industries, Inc., filed with the SEC on November 12, 2002.

(3) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on January 8, 2004.

(4) Filed as an exhibit to our Registration Statement on Form S-8, filed with the SEC on March 30, 2004.

(5) Filed as an exhibit to our annual report on Form 10-KSB for the year ended December 31, 2003, filed with the SEC on April 14, 2004.

(6) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended March 31, 2004, filed with the SEC on May 24, 2004.

(7) Filed as an exhibit to our registration statement on Form SB-2, filed with the SEC on September 17, 2004.

(8) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2004, filed with the SEC on November 22, 2004.

(9) Filed as an exhibit to our Amendment No. 1 to our registration statement on Form SB-2 on December 23, 2004.

(10) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on January 12, 2005.

(11) Filed as an exhibit to our quarterly report on Form 10-QSB for the period ended September 30, 2004, filed with the SEC on November 22, 2004.

(12) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on March 10, 2005.

(13) Filed as an exhibit to our quarterly report on Form 10-QSB/A for the period ended March 31, 2004, filed with the SEC on December 15, 2004.

(14) Filed as an exhibit to our quarterly report on Form 10-QSB/A for the period ended June 30, 2004, filed with the SEC on December 15, 2004.

(15) Filed as an exhibit to our annual report on Form 10-KSB for the period ended December 31, 2004, filed with the SEC on April 18, 2005.

(16) Filed as an exhibit to our Current Report on Form 8-K, filed with the SEC on May 17, 2005.

Edgar Filing: EYI INDUSTRIES INC. - Form 10QSB

SIGNATURES

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

EYI INDUSTRIES, INC.

By: /s/ Jay Sargeant

Jay Sargeant

President, Chief Executive Officer, and Director  
(Principal Executive Officer)

Date: May 20, 2005

By: /s/ Rajesh Raniga

Rajesh Raniga

Chief Financial Officer  
(Principal Accounting Officer)

Date: May 20, 2005