

OPEXA THERAPEUTICS, INC.

FORM 10QSB (Quarterly Report of Financial Condition)

Filed 05/24/04 for the Period Ending 03/31/04

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

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

For the quarterly period ended March 31, 2004

OR

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

Commission File Number: 000-25513

SPORTAN UNITED INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

TEXAS
(State of Incorporation)

760333165
(IRS Employer Identification Number)

3170 OLD HOUSTON ROAD
HUNTSVILLE, TEXAS 77340
936-577-1996

(Address and telephone number of principal executive offices)

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

Yes X No .

The number of shares of common stock of the Registrant outstanding at March 31, 2004 was 997,339.

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MARCH 31, 2004

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PART I

ITEM 1. FINANCIAL STATEMENTS

SPORTAN UNITED INDUSTRIES, INC.
BALANCE SHEET
March 31, 2004
(Unaudited)

ASSETS

Cash	\$ 343

TOTAL ASSETS	\$ 343
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities

Accounts payable	\$ 69,122
Notes payable to stockholders	73,328

Total Current Liabilities	142,450

STOCKHOLDERS' DEFICIT

Convertible preferred stock, \$.001 par value, 10,000,000 shares authorized, none issued and outstanding	-
Common stock, \$.05 par value, 50,000,000 shares authorized, 997,399 issued and outstanding	49,870
Paid in capital	1,732,109
Retained deficit	(1,924,086)

Total Stockholders' Deficit	(142,107)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 343
	=====

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF OPERATIONS
Three Months and Six Months Ended March 31, 2004 and 2003
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2004	2003	2004	2003
Revenues	\$ -	\$ 2,552	\$ -	\$ 2,552
Selling, general and administrative	24,037	33,880	49,698	67,364
Depreciation	-	157	-	314
Interest expense	796	13,781	27,677	28,101
Operating Loss	(24,833)	(45,266)	(77,375)	(93,227)
Other Income				
Debt forgiveness	-	-	109,411	-
Preferred stock dividends	-	(13,443)	-	(26,886)
Net loss available to common shareholders	\$ (24,833)	\$ (58,709)	\$ 32,036	\$(120,113)
Basic and diluted loss per per common shares	\$ (.03)	\$ (.48)	\$.04	\$(1.00)
Weighted average common shares outstanding	830,722	120,439	764,839	120,349

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS
Six Months Ended March 31, 2004 and 2003
(Unaudited)

	2004	2003
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 32,036	\$ (93,227)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	-	314
Debt forgiveness	(109,411)	
Beneficial conversion feature on convertible note payable to stockholder	12,500	
Net change in:		
Accounts payable	(7,999)	11,085
Accrued expenses	41,476	77,165
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(31,398)	(4,663)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable to stockholder	32,606	7,563
Payment on note payable to stockholder	(2,100)	(2,900)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	30,506	4,663
	-----	-----
NET CHANGE IN CASH	(892)	0
	-----	-----
CASH BALANCES		
-Beginning of period	1,235	0
	-----	-----
-End of period	\$ 343	\$ 0
	=====	=====
NON-CASH TRANSACTIONS:		
Stock issued for accounts payable and accrued expenses	\$ 66,904	\$ -
Convertible note payable issued to stockholder for accrued salary to officer and notes payable and accrued interest to stockholder	12,500	-
Reduction of accrued salary to officer and notes payable and accrued interest to stockholder for issuance of convertible note payable to stockholder	448,667	-
Contribution to capital by stockholder for debt forgiveness	924,482	-
Stock issued for convertible note payable to Stockholder	12,500	

SPORTAN UNITED INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Sportan United Industries, Inc. ("Sportan") have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in Sportan's latest annual report filed with the SEC on Form 10KSB. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for fiscal year 2003, as reported in the 10KSB, have been omitted.

NOTE 2 - CONVERTIBLE NOTE PAYABLE TO STOCKHOLDER

On December 29, 2003, Sportan agreed to issue a note payable for \$12,500 in exchange for \$306,652 of accrued salary and \$142,015 of notes payable and accrued interest to a stockholder. The difference between the debt of \$448,667 and the \$12,500 convertible note created a contribution to capital of \$436,167 for debt forgiveness by a stockholder. The note bears interest of 12 percent and matures in one year. The note is convertible to 12,500,000 shares of common stock at the holders request anytime until maturity. The note contained a beneficial conversion feature which created imputed interest of \$12,500 which was immediately expensed because conversion is at the option of the holder at anytime through maturity. The note was converted on February 1, 2004.

NOTE 3 - DEBT FORGIVENESS

In the quarter ending December 31, 2003, several of Sportan's creditors agreed to settle Sportan's debts for less than carrying value. Sportan paid \$8,696 in cash and issued 4,030,000 shares of common stock for \$185,011 of debt. The cash and stock were valued at \$75,600 creating debt forgiveness income of \$109,411.

On January 6, 2004, Sportan settled \$488,315 of notes payable including accrued interest to a stockholder for \$5,000 cash. This created a contribution to capital for debt forgiveness by a shareholder of \$483,315.

NOTE 4 - NOTES PAYABLE TO STOCKHOLDERS

In November 2003, Sportan's majority shareholder extended Sportan a line of credit of \$25,000. The line of credit bears 12 percent interest, is due on November 30, 2004 and carries a prepayment penalty of 10 percent. As of March 31, 2004 the majority shareholder has loaned \$32,129 which includes accrued interest of \$796.

NOTE 5 - EQUITY

On February 1, 2004, the convertible note payable was converted into 12,500,000 shares of common stock.

On March 2, 2004, Sportan canceled the following:

- 750,000 warrants exercisable at \$1.44, which expired in July 2005
- 200,000 options exercisable at \$.825, which expired in March 2005
- 250,000 options exercisable at \$1.52, which expired in September 2006

On March 5, 2004 Sportan declared a 1:50 reverse stock split with an increase in par value from \$.001 to \$.05 per share. All historical share and per share information has been restated to reflect the effects of the 1:50 reverse stock split on a retroactive basis.

NOTE 6 - SUBSEQUENT EVENTS

On April 30, 2004 Sportan settled \$41,199 of notes payable including accrued interest to a stockholder for 3,000 shares of common stock valued at \$10,800. This created a contribution to capital from debt forgiveness by a shareholder of \$30,399.

On May 5, 2004 Sportan entered into an agreement with PharmaFrontiers Corporation ("Pharma") whereby Pharma will exchange 100 percent of its shares of common stock for the shares of common stock of Sportan. The closing of this transaction has not occurred as of May 21, 2004.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

Forward-Looking Statements

Some of the statements contained in this report discuss future expectations, contain projections of results of operations or financial condition, or state other "forward-looking" information. The words "believe," "intend," "plan," "expect," "anticipate," "estimate," "project" and similar expressions identify such statement was made. These statements are subject to known and unknown risks, uncertainties, and other factors that could cause the actual results to differ materially from those contemplated by the statements. The forward-looking information is based on various factors and is derived using numerous assumptions. Factors that might cause or contribute to such a discrepancy include, but are not limited to the risks discussed in our other SEC filings. The Company does not promise to update forward-looking information to reflect actual results or changes in assumptions or other factors that could affect those statements. Future events and actual results could differ materially from those expressed in, contemplated by, or underlying such forward-looking statements.

The following discussion and analysis of the Company's financial condition as of March 31, 2004, the Company's results of operations for the six-month periods ended March 31, 2004 and 2003, and the Company's cash flows for the six-month periods ended March 31, 2004 and 2003, should be read in conjunction with the Company's unaudited financial statements and notes thereto included elsewhere in this report and the audited financial statements and the notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended September 30, 2003.

GENERAL

The Company, founded in 1986, has competed in the sports trading card and memorabilia business. In 1998, Jason G. Otteson became Chief Executive Officer. In 1999, management concluded the trading card business was providing insufficient growth and subsequently sold the sports cards and supplies segment of its business. Under the management of Mr. Otteson, management elected to establish a more expanded and comprehensive marketing strategy, while electing to leave the trading card business through a timely exit.

In February 2002, Sportan reduced its operations to a minimal level while the company seeks to acquire a viable solution to provide stability in the future. This reduction in business is due to many factors, but primarily the lack of funding to weather the decline of the marketplace. Sportan is seeking solutions within merger related growth prospects while performing essential operations for cash flow needs. These operations consist of collecting debt, negotiating payables, seeking viable merger candidates and various other alternative methods to revive the business in general. Sportan maintains a minimum amount of operations while it seeks solutions for growth while being willing and flexible to handle various amounts of historical business operations.

General and administrative costs are charged to expense as incurred.

Results of Operations

Six-months ended March 31, 2004 compared to the same period in 2003

Net Sales. We recorded no sales for the six months ended March 31, 2004 which resulted in a 100% decrease for the same six month period ending March 31, 2003 of \$2552. We reduced our inventory values to zero, due to remnant status, during 2001, and all previous revenues have been generated through sale of remnant inventory.

General and Administrative Expenses. Our general and administrative expenses declined during the six months ended March 31, 2004, 26% to \$49,698 from the same period in 2003 of \$67,364. The decrease in general and administrative expenses is due to the reduction in operations until such further progress can be determined on mergers, acquisitions, and addition of more products and/or revenue channels.

Net income (loss). The Company had net income for the six months ended March 31, 2004, of \$32,036, or \$0.04 per share (basic and diluted), compared with a net loss of \$120,113, or \$1.00 per share (basic and diluted), for the six months ended March 31, 2003. The primary reason for the increase in net income was the forgiveness of debt in the amount of \$185,011 in exchange for cash and shares of Sportan common stock, which shares and cash were valued at \$75,600, creating debt forgiveness income of \$109,411.

Liquidity and Capital Resources

Changes in cash flow. Cash used by operations for the six-month period increased from \$4,663 to 31,398 for the six months ended March 31, 2004 because of our reduction of payables. Cash provided from financing activities was \$30,506 during the six-month period ended March 31, 2004, as compared to cash flows provided of \$4,663 during the same period in 2003.

Liquidity. Historically, the Company has financed its operations from the sale of its debt and equity securities (including the issuance of its securities in exchange for goods and services) and through sales. There have been limited cash flows generated from operations in the past two fiscal years and the Company has been able to raise additional equity capital of \$50,000 during fiscal 2003 from the sales of its common stock. In July 2003, the Company issued 25,000,000 shares for cash proceeds of \$50,000. The Company has used a significant portion of those proceeds to settle outstanding accounts payable.

As of March 31, 2004, the Company had negative working capital of \$142,107, and cash of \$343.

The Company has negotiated the settlement and release of outstanding notes payable, accounts payable and accrued salary payable owed to certain shareholders and vendors.

In January 2004, the Company settled \$488,315 of notes payable including accrued interest owed to the employee for \$5,000 cash. In February 2004, the creditor converted the December note into 250,000 shares of Company common stock. In April 2004, the Company settled \$41,199 of notes payable including accrued interest to a creditor for 3,000 shares of Company common stock valued at \$10,800. That same month, a creditor extended to the Company a line of credit for \$11,000 which bears twelve percent (12%) interest, is due on October 2004, and carries a prepayment penalty of ten percent (10%).

In February 2002, the Company reduced its operations and began operating with a limited budget. The Company has limited its current operations to raising additional capital and managing its current operations. The Company plans to continue such limited operations for the next twelve months unless it is able to raise additional capital earlier. The Company is able to work on a limited budget because it has only one employee and it has minimal overhead expenses.

The Company is currently seeking additional capital so it may increase its operations and execute its business plan. The foregoing are merely estimates, and the Company can provide no assurance that unexpected expenses will not shorten the period of time within which funds may be utilized. Although the Company has no current commitments for capital, it may raise additional funds through:

- public offerings of equity, securities convertible into equity or debt,
- private offerings of securities or debt, or
- other sources.

Investors should assume that any additional funding will cause substantial dilution to current stockholders. In addition, the Company may not be able to raise additional funds on favorable terms, if at all. If the Company is unable to obtain additional financing in the near future, it may be required to continue to find some other way to bring cash flows into balance.

ITEM 3. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

In accordance with the Securities Exchange Act of 1934 ("Exchange Act"), management carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, management concluded that our disclosure controls and procedures were effective as of December 31, 2003, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There has been no change in our internal controls over financial reporting that occurred during the three months ended March 31, 2004, that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In September 2000, Racing Champions sued us in the County Civil Court at Law No. 2 of Harris County, for \$30,000.00, alleging that the Company owed them money for delivered goods and merchandise. On January 14 2002, a judgment was granted to Racing Champions for the amount of \$30,143.76. In October 2003, the Company entered into a release and settlement agreement with Racing Champions for the entire indebtedness.

In February 2001, Riddell, Inc sued us in the 61st Judicial District Court of Harris County, for the amount of approximately \$124,000, alleging that we owed them money for delivered goods and merchandise. On July 25, 2003, Sportan entered into a release settlement agreement with Riddell for the entire indebtedness.

In August 2001, C & J Fire and Safety was awarded a default judgment for the amount of \$95.80. We paid this debt in November 2003.

In December 2001, Duck House, Inc. sued Sportan United Industries, Inc. in the Court of Harris County, Texas, Precinct 1, Position 2, for the amount of approximately \$2,500, alleging that Sportan owed money for delivered goods and merchandise. In December 2001 Duck House, Inc. was awarded judgment in the amount of \$2,581.66. Sportan has settled this debt for \$700.00 with receipt of release of judgment. This settlement occurred April 29, 2004

In April 2002, Casey's Distribution sued Sportan United Industries, Inc. in the Justice Court of Walker County, Texas, Precinct 4, Pack 1, for the amount of approximately \$2,300, alleging that we owed them money for delivered goods and merchandise. In April 2002, Casey's was awarded default judgment for the amount of \$2,236.63.

ITEM 2. CHANGE IN SECURITIES

Set forth below is certain information concerning all issuances of securities by the Company during the fiscal quarter ended March 31, 2004 that were not registered under the Securities Act.

During the three-month period ended December 31, 2003, the Company issued to various creditors, an aggregate of 4,030,000 shares of common stock and cash to settle outstanding indebtedness in the amount of \$185,011. In December 2003, the Company issued a convertible note in the principal amount of \$12,500 to our CEO in exchange for \$306,652 of accrued salary and \$142,015 of notes payable and accrued interest. The note is convertible into shares of common stock at a conversion price of \$0.001, for an aggregate of 12,500,000 shares. The note was converted on February 1, 2004.

In March 2004, the CEO agreed to cancel and terminate a warrant to purchase 15,000 shares of Company common stock, an option to purchase 4,000 shares of Company common stock, and another option to purchase 5,000 shares of Company common stock for ten dollars (\$10).

The above transactions were completed pursuant to either Section 4(2) of the Securities Act. With respect to issuances made pursuant to Section 4(2) of the Securities Act, the transactions did not involve any public offering and were sold to a limited group of persons. Each recipient either received adequate information about the Company or had access, through employment or other relationships, to such information, and the Company determined that each recipient had such knowledge and experience in financial and business matters that they were able to evaluate the merits and risks of an investment in the Company.

All sales of the Company's securities were made by officers of the Company who received no commission or other remuneration for the solicitation of any person in connection with the respective sales of securities described above. The recipients of securities represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and other instruments issued in such transactions.

ITEM 3 DEFAULT 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 31.1 Certificate of Jason G. Otteson, , CEO and CFO Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as

Adopted Pursuant to Section 906 of the Sarbanes-Oxley
Act of 2002.

(b) REPORTS ON FORM 8-K

None.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Sportan United Industries, Inc.

Date: May 21, 2004 By:

Jason G. Otteson, President

CERTIFICATIONS

Jason G. Otteson certifies as President of Sportan United Industries, Inc. that:

1. I have reviewed this quarterly report on Form 10-QSB of Sportan United Industries, Inc.
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: May 21, 2004

By:

Jason G. Otteson
President

**CERTIFICATION OF
PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Sportan United Industries, Inc. (the "Company") on Form 10-QSB for the quarter ended March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jason G. Otteson, Chief Executive Officer and Chief Financial Officer of the Company, certify,
pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 21, 2004

By:
Jason G. Otteson, Chief Executive Officer and Chief Financial Officer

