

OPEXA THERAPEUTICS, INC.

FORM 10KSB (Annual Report (Small Business Issuers))

Filed 02/26/02 for the Period Ending 09/30/01

Address	2635 TECHNOLOGY FOREST BLVD. THE WOODLANDS, TX 77381
Telephone	(281) 272-9331
CIK	0001069308
Symbol	OPXA
SIC Code	2834 - Pharmaceutical Preparations
Fiscal Year	12/31

PHARMAFRONTIERS CORP

FORM 10KSB

(Annual Report (Small Business Issuers))

Filed 2/26/2002 For Period Ending 9/30/2001

Address	2408 TIMBERLOCH PLACE, SUITE B-7 THE WOODLANDS, Texas 77380
Telephone	(281)272-9331
CIK	0001069308
Fiscal Year	12/31

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-KSB

☒ ANNUAL REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the fiscal year ended September 30, 2001

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

SPORTAN UNITED INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Commission file number: 000-25513

Texas

(State or Other Jurisdiction
of Incorporation or Organization)

76-0333165

(I.R.S. Employer Identification No.)

3170 Old Houston Road, Huntsville, Texas

(Address of Principal Executive Office)

77340

(Zip Code)

936-295-2726

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Exchange Act: None

**Securities registered pursuant to Section 12(g) of the Exchange Act: Common
Stock**

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 ☐ No ☒

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. ☒

Issuer's revenues for its fiscal year ended September 30, 2001 were \$249,565.

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing price of the common stock on the OTC Electronic Bulletin Board on January 02, 2002 was \$300,872. As of January 10, 2002 registrant had 6,017,447 shares of common stock outstanding.

PART I

This annual report contains forward-looking statements. These statements relate to future events or future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the Company's or its industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The Company is under no duty to update any of the forward-looking statements after the date of this report to conform its prior statements to actual results.

ITEM 1. DESCRIPTION OF BUSINESS

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.

The Company proceeded down the novelty and memorabilia merchandise path after the sale of the trading card business. From this place, the expanded view began to focus around Internet fulfillment of products in the sports marketplace. The inventory requirements for the fulfillment business are very substantial.

Today, Sportan is engaged in limited marketing, sales, fulfillment and distribution of sports related merchandise to include novelties, apparel, and collectibles. Management has reduced its business strategy due to the decline of the marketplace. Sportan is seeking solutions within merger related growth prospects while performing operations for cash flow needs. The business identity site is at www.Sportan.com. Information on the Company's web site is not part of this annual report.

The Company's divisions are as follows:

- **FULFILLMENT OPERATIONS (BUSINESS TO BUSINESS E-COMMERCE)** The Company can provide on a limited basis at this time, fulfillment solutions to various e-commerce companies that require cost effective methods of getting product to customers. Fulfillment is a fee-based service that processes invoices, packages, and ships merchandise ordered by customers of other Internet e-commerce sites. Sportan then mails the merchandise to the customer by Courier service or by US Mail and confirms with the Internet site operator that the sales process has been completed.

- **WHOLESALE OPERATIONS** The Company sells sports related merchandise to numerous storefront retail operations. Sportan has distributed wholesale sports products for 15 years.

- **RETAIL OPERATIONS** The Company sells sports related merchandise on a direct to consumer retail sales program. EBay product sales account for 13% of all retail sales for Sportan this past year. Sportan's flagship site under development, Uglyfan.com, is a sports portal for dedicated fans. Capital is needed to promote this site.

- **INTERNET OPERATIONS** The Company continues to develop, at a slow rate, its Internet presence. Current Internet sites include:

- Sportan.com
- Sportsfulfillment.com
- Fulfillmentuniverse.com
- Sportandirect.com
- Uglyfan.com
- Port4sports.com

Auctions sites:

- Amazon.com
- Yahoo.com
- Ebay.com

The Company owns twenty-six Internet URLs or addresses.

BUSINESS STRATEGY

The Company's goal has been to become a leading fulfillment center while specializing in fulfilling online sales of sports and related merchandise to include novelties apparel and collectibles. Management believes that it can develop fulfillment systems and processes that will be both economical and efficient in the distribution of product to both wholesale and retail customers. In addition, the Company has created its own "Sports Portal" that contains both content as well as products and services related to the content. The theme behind the "Sports Portal" is to become the haven for extreme sports fans while making desired products available. The merchandise could include caps, shirts, posters, collectibles, art, and special auctions on historic memorabilia. The factors that will make Sportan the company of preference are its diversified products and innovative online solutions. On a limited basis, Sportan is still reaching towards its goals. This past year has provided many obstacles for growth. The need for capital is crucial for the company to execute many facets of the company's business strategy.

The Company has limited experience in Internet commerce, and there is no assurance that it will be able to compete in this market. The Company's ability to execute its Internet business strategy is dependent on additional funding. If the Company is unable to raise additional funds, it will not be able to fully deploy its business strategy.

PRODUCTS

The Company distributes sports related merchandise to include novelties, apparel, and collectibles. Products include:

- Novelties Souvenirs with logos of major College or Professional sports teams.
- Periodicals Books related to sports.
- Apparel Hats, Caps, Sweatshirts and related items, identified with branded logos.
- Artworks Paintings, serigraphs, photographs, posters identified with branded logos.
- Collectibles NFL, NBA, MLB, NHL, NASCAR, etc. products for fans.

The Company undertakes some authentic sports memorabilia sales. These sales are normally on one of the auction sites, and are limited in number, and do not qualify as a separate profit center.

The Company does not have any agreements with manufacturers with respect to ordering the merchandise it distributes. The Company orders merchandise on a limited basis to facilitate its current operating needs. The Company can provide no assurance that it will be able to continue to order merchandise on favorable terms from any of its manufacturers.

The Company ships its products via United Parcel Service, Federal Express, United States mail, or motor freight depending on the customer's needs. If the products ordered are in stock, the Company's internal policy is to ship its products within 24 hours of the order.

Solutions that Sportan can provide to online retailers under the fulfillment segment are as follows:

- Warehouse space
- Telemarketing facilities
- Database Management
- Shipping facilities with major carrier systems installed
- Credit card verification
- Pick and ship
- Inventory control
- State of the art accounting software
- Guaranteed fast delivery
- Fast and friendly customer service

MARKETING AND SALES

- The Company distributes to retailers that sell to the end user, customers of online companies, customers of the Company's Internet operations, and to customers of auction sites.

If the Company is not able to generate sufficient funding through sales or external financing, it will not be able to execute its Internet marketing programs to attract new customers.

Sales of sports related merchandise in general is influenced by the popularity of the sports to which the products relate. During 1994, Major League Baseball experienced a strike and the National Hockey League experienced a work stoppage. In 1998, the National Basketball Association also experienced a work stoppage. These labor disputes resulted in a loss of interest in these sports by many fans, which in turn, triggered a significant and immediate reduction in merchandise sales. There can be no assurance that similar labor disputes will not occur again or that the popularity of the sports for which the Company distributes sports merchandise will not decline for other reasons. Further labor disputes or any such decline in popularity could have a material adverse effect on the Company's business.

COMPETITION

The Company competes with several companies on selling of sports merchandise. Manufacturers are a significant competitor in this industry. There are few barriers to entry in this marketplace on a limited basis. For exponential national sales, the barrier is inventory and cash flow needs associated with expansion.

The Company's ability to adequately execute its business strategy will be directly related to its ability to secure an adequate level of capital. There is no assurance that the Company will be able to raise sufficient capital to fully execute its strategy.

INSURANCE

The Company has insurance covering risks incurred in the ordinary course of business, covering fire, theft and other destruction, in amounts management believes adequate for its needs. The Company has key-man life insurance on the life of Jason G. Otteson, president and chief executive officer of the Company in the amount of \$1,000,000. The Company believes its insurance coverage is adequate, but the loss of Mr. Otteson, for any reason, could have a material adverse effect on the prospects of the Company.

EMPLOYEES

As of September 30, 2001, the Company employed two persons, this number is down from seventeen a year ago. Market factors and the lack of funding are the predominant reasons for this reduction. No employees are covered by a collective bargaining agreement.

ITEM 2. DESCRIPTION OF PROPERTY

The Company's headquarters facility, which includes its principal administrative offices, is located at 3170 Old Houston Road, Huntsville, Texas 77340. These premises are leased, on a month-to month basis, from Jason G. Otteson and consist of approximately 12,000 square feet. The monthly rental is \$2,000.

ITEM 3. LEGAL PROCEEDINGS

In September 2000, Racing Champions South Inc. sued us in the County Civil Court at Law No. 2 of Harris County, for the amount of approximately \$50,000, alleging that we owed them money for delivered goods and merchandise. We are in the process of evaluating the merits of the claim.

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. We are in the process of evaluating the merits of the claim.

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

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Shares of the Company's common stock are listed on the OTC Electronic Bulletin Board under the symbol "SPTA." On January 09, 2002, the Company's common stock closed at \$0.05 per share. The Company is authorized to issue 50,000,000 shares of common stock, 6,017,447 of which were issued and outstanding at January 09, 2002. At December 17, 2001, there were approximately 105 holders of record of Company common stock.

The table set forth below, for the periods indicated, lists the reported high and low sale prices per share of Company common stock on the OTC Electronic Bulletin Board since the common stock began trading on March 7, 2000.

Sportan Common Stock		
	High	Low

FISCAL 2000 and 2001		
-----	-----	-----
Quarter ended March 31, 2000 (beginning March 7)	\$2.00	\$1.00
-----	-----	-----
Quarter ended June 30, 2000	\$2.25	\$0.75
-----	-----	-----
Quarter ended September 30, 2000	\$2.22	\$1.38
-----	-----	-----
Quarter ended December 31, 2000	\$1.44	\$0.27
-----	-----	-----
Quarter ended March 31, 2001	\$0.27	\$0.06
-----	-----	-----
Quarter ended June 30, 2001	\$0.19	\$0.05
-----	-----	-----
Quarter ended September 30, 2001	\$0.05	\$0.05
-----	-----	-----

The Company has never paid any cash dividends on its common stock and does not anticipate paying cash dividends within the next two years. The Company anticipates that all earnings, if any, will be retained for development of its business. Any future dividends will be subject to the discretion of the board of directors and will depend on, among other things, future earnings, the Company's operating and financial condition, the Company's capital requirements and general business conditions.

RECENT SALES OF UNREGISTERED SECURITIES

The following sets forth information for all securities issued without registration under the Securities Act, for the year ended September 30, 2001.

The Company has issued 250,002 shares of common stock for consulting services rendered to four sophisticated investors and employees. The Company believes the transactions were exempt from registration pursuant to Section 4(2) of the Securities Act, as the issuances were to sophisticated investors with knowledge and experience in financial and business matters that they were able to evaluate the merit and risks of an investment in the Company and since the transactions were non-recurring and privately negotiated.

DEFAULTS UPON SENIOR SECURITIES

We currently have outstanding 2,144,006 shares of Series A Convertible Preferred Stock. We must pay a monthly 6% annualized dividend on the \$.418 per share stated value, or \$4,481 per month. As of the date of this report, we are currently 19 months behind on our dividend payments, or \$67,793.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis as of September 30, 2001 should be read in conjunction with the audited condensed consolidated financial statements and notes thereto set forth in this report.

GENERAL

The Company recognizes revenues from sales of sports memorabilia and fulfillment services at the time of shipment. General and administrative costs are charged to expense as incurred. Property, plant and equipment are recorded at cost and depreciated using an appropriate accounting method over the estimated useful lives of the assets. Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major renewals and betterments are capitalized and depreciated over the estimated useful lives. The cost and related accumulated depreciation of the assets are removed from the accounts upon disposition.

SEASONALITY

Sales of sports-related memorabilia products tend to be more constant, with sales peaks during holiday seasons and the then current sport season.

Results of Operations

Year ended September 30, 2001 compared to the same period in 2000

Revenues. For the year ended September 30, 2001, revenues decreased to \$249,565 from \$816,242 during the year ended September 30, 2000. The decrease of 69% was attributable to Sportan reducing its business strategy due to the decline of the marketplace. In addition, the Company believes its sales were reduced due to its allocation of resources to development of infrastructure for its new business model.

Cost of Sales. For the year ended September 30, 2001, cost of sales decreased to \$266,035 from \$687,511 during the year ended September 30, 2000. The decrease was due to the large reduction in sales as discussed in the preceding paragraph.

General and Administrative Expenses. For the year ended September 30, 2001, general administrative expenses decreased to \$528,345 from \$975,647 during the year ended September 30, 2000. The decrease of 46% was attributable to reduction in operations as discussed above.

Net Loss. For the year ended September 30, 2001, the Company's net loss decreased to \$597,742 from \$880,748 during the year ended September 30, 2000. The decrease was attributable to the large decrease in revenues.

Historical Cash Flows

Cash Flow from Operating Activities. The Company's net cash flow from operating activities resulted in cash used by operations of \$169,349 for the year ended September 30, 2001, compared to cash used by operations of \$558,887 for the year ended September 30, 2000. The decrease in cash used from operations for fiscal 2001 was due to the Company's decreased net loss, due to the factors discussed above.

Cash Flow from Investing Activities. The Company's net cash provided by investing activities for the year ended September 30, 2001 increased to \$6,415, compared to net cash used by investing activities of the year ended September 30, 2000 of \$51,522. The increase in 2001 was attributed to extraordinary costs recorded in fiscal year 2000. In 2000 the equipment and infrastructure costs for the fulfillment and Internet structure were not duplicated in 2001. In addition the costs for Y2K compatible software and hardware were accounted for in the 2000 fiscal year.

Cash Flow from Financing Activities. The Company's net cash flows provided from financing activities for the year ended September 30, 2001 was \$148,219, compared to net cash flows provided from financing activities of \$606,784 for the year ended September 30, 2000. In fiscal 2001, cash provided from financing activities consisted of primarily the accrual of salary from Mr. Otteson of \$64,500 and the accrued interest on the notes, while in fiscal 2000, cash provided from financing activities was primarily from the sale of common stock.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2001, the Company had negative working capital of \$953,788, and cash of \$150. The Company completed a private placement during 2000, which netted approximately \$240,000, through the issuance of common stock and warrants.

In connection with this funding, the Company asked five shareholders related to its founder to convert 2,144,006 shares of Company common stock held by them to the same number of preferred shares. During the next five years, the Company has the sole option of converting these preferred shares back to the same number of common shares or it may purchase any or all of them at the \$.418 per share stated value, or up to \$896,195. In addition, the Company must pay a monthly 6% annualized dividend on the \$.418 per share stated value, or \$4,481 per month, with minimum total minimum dividends of \$250,000 due regardless of when it elects to purchase or convert this stock. As of January 2002, the Company is twenty months behind on its dividend payments. At the end of five years, if the Company has taken no action, this preferred stock automatically converts back to the same number of common shares.

The Company has borrowed \$428,412 from its stockholders in the form of notes payable, of which all is due on demand. The Company has borrowed working capital from its stockholders in the past, but it should not be assumed that such funds will be available in the future.

The funds obtained in the Company's private placement were used to speed up its growth, which the Company believes was hampered by a lack of capital. Based on the Company's current operating position, the Company must raise at least \$1,000,000 in additional funding to pay its outstanding accounts payables and to continue to operate its business through September 30, 2002. At the present time, the Company has no commitments for capital. If the Company is unable to obtain additional financing in the near future, it may be required to scale back or cease operations, or find some other way to bring cash flows into balance.

In the future, the Company may continue to experience significant fluctuations in its results of operations. These fluctuations may result in volatility in the price or value of its common stock. The Company's results of operations may fluctuate as a result of a variety of factors, including, its ability to obtain needed financing, demand for its products, introduction of new products, the variety of products distributed, the number and timing of the hiring of additional personnel, general competitive conditions in the industry and general economic conditions. Shortfalls in revenues may adversely and disproportionately affect the Company's results of operations because a high percentage of its operating expenses are relatively fixed. Accordingly, period-to-period comparisons of results of operations are not necessarily meaningful and should not be relied upon as an indication of future results of operations. Due to the foregoing factors, it is likely that in one or more future periods our operating results will be below the expectations of the investor.

ITEM 7. CONSOLIDATED FINANCIAL STATEMENTS

The financial statements commencing on page F-1 have been audited by Malone & Bailey, PLLC, independent certified public accountants, to the extent and for the periods set forth in their reports appearing elsewhere herein and are included in reliance upon such reports given upon the authority of said firm as experts in auditing and accounting.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE
None.

PART III

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

The Company's directors and executive officers are:

NAME	AGE	POSITION
Jason G. Otteson	29	Chairman of the board of directors, president and chief executive officer
Kay L. Ekis	40	Secretary

Jason G. Otteson has served as chief executive officer and a consultant of the Company since January 1998. Since February 1997, Mr. Otteson has served as director of the Company. From August 1996 to January 1998, Mr. Otteson served as vice president of the Company. From November 1996 through December 1997, Mr. Otteson served as a consultant for Premier Medical Technology, Inc. Mr. Otteson received a marketing degree with a minor in finance from Stephen F. Austin State University in 1996.

Kay L. Ekis has served as secretary since August 2000. Since July 1998, Ms. Ekis has served as the Accounting/Office Manager of the Company. From June 1997 through July 1998, Ms. Ekis served as the Accountant to Home Healthcare of Huntsville. From September 1991 through June 1997, Ms Ekis served as the office manager/accountant for Heil Tank Services, Inc. in Houston, Texas and Huntsville, Texas. Ms. Ekis received a degree in accounting from Sam Houston State University in 1988.

The Company's directors hold office until the next annual meeting of the stockholders and until their successors are duly elected and qualified. Directors are reimbursed for out-of-pocket expenses to attend meetings. The Company does not maintain compensation, audit, executive, or nominating committees.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own beneficially more than ten percent of the common stock of the Company, to file reports of ownership and changes of ownership with the Securities and Exchange Commission. Based solely on the reports received by the Company and on written representations from certain reporting persons, the Company believes that the directors, executive officers, and greater than ten percent beneficial owners have complied with all applicable filing requirements.

ITEM 10. EXECUTIVE COMPENSATION

The following table provides information regarding compensation paid to the Company's chief executive officer. No other executive officer received in excess of \$100,000 in compensation during the fiscal year ended September 30, 2001.

Summary Compensation Table						
Name and Principal Positions	Annual Compensation		Long Term Compensation			
	Year	Salary (\$)	Awards			
			Restricted stock award(s) (\$)	Securities Underlying Options/SARs (#)	All Other Compensation (\$)	
-----	----	-----	-----	-----	-----	
Jason G. Otteson, Chief Executive Officer	2001	\$ 37,500	--	--	--	
	2000	\$ 50,348	--	1,200,000	--	
	1999	\$ 50,000	--	--	--	
	1998	\$ 50,000	--	--	--	

Due to the current status of the Company, Jason Otteson has opted to forego and to accrue his salary from July 2001 until the cash flow needs improve.

In July 2000, the Company entered into a three-year employment agreement with Mr. Otteson. The agreement provides for a base annual salary of \$102,000, and a sign-on bonus of \$100,000. The sign-on bonus has not been paid and Mr. Otteson has agreed to accept a demand note payable at an interest rate of 12% till paid. Mr. Otteson has agreed that 50% of his annual salary may be paid in the form of note payables and in shares of common stock. The agreement provides for the issuance of a warrant to purchase 750,000 shares of common stock at an exercise price equal to the fair market value on the date of grant, which was \$1.44 per share, expiring in five years, vesting in thirds beginning July 1, 2001. If Mr. Otteson is terminated without cause, the Company must make a payment equal to two years annual salary. If Mr. Otteson is disabled or dies, the Company must continue his salary through the remainder of the term of the agreement. If Mr. Otteson is terminated after a change of control in the Company, the Company must make a payment of 150% of Mr. Otteson's highest annual salary, and the amount of any bonus received during the previous year. In addition, in exchange for Mr. Otteson's options, the Company will make a payment equal to the fair market value of the Company's common stock multiplied by the number of shares underlying such options.

In September 2000, the Company entered into a three-year employment agreement with Ms. Kay L. Ekis. The agreement provides for a base annual salary of \$33,000, and a sign-on bonus of \$15,000, of which \$3,500 has been paid and the remaining amounts are due on the receipt of future funding of the Company.

STOCK OPTIONS AND WARRANTS

The Company's 1999 Stock Option Plan provides for the issuance of an aggregate 1,000,000 shares of common stock, which was amended in September 2000 to provide for the issuance of an additional 1,000,000 shares subject to shareholder approval, upon the exercise of options granted under the plan. As of September 30, 2001, options to purchase an aggregate of 1,557,500 shares of common stock were outstanding under the plan. This total does not include the warrant to purchase 750,000 shares of common stock at an exercise price of \$1.44 per share, expiring in five years, vesting in thirds beginning July 1, 2001, that was issued to Mr. Otteson pursuant to his employment agreement.

AGGREGATED OPTION EXERCISES IN 2000
AND YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF UNEXERCISED OPTIONS AT FY-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Jason G. Otteson, Chief Executive Officer	-	-	500,000	700,000	--	--

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of January 09, 2002 the number and percentage of outstanding shares of Company Common Stock owned by (i) each person known to the Company to beneficially own more than 5% of its outstanding Common Stock, (ii) each director, (iii) each named executive officer, and (iv) all executive officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Ownership
Jason G. Otteson	3,590,994	59.7%
Connie Logan	1,594,006	26.5%
Kay Ekis	55,000	less than 1%
All executive officers and directors as a group (2 persons)	3,645,994	60.6%

Of Ms. Logan's shares, 1,544,006 shares are represented by shares of the Company's Series A preferred stock, which provide for the right to vote the preferred stock on a share for share basis. The business address of the above persons is the same as the address of the Company's principal executive office.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has a lease agreement on a month-to-month basis with Jason G. Otteson covering approximately 12,000 square feet in Huntsville, Texas. The monthly rental is \$2000 per month. The Company has borrowed an aggregate of \$374,912 from Mr. Otteson, at interest rates between 10-18%, of which all balances are currently due on demand.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) The following exhibits are to be filed as part of the annual report:

EXHIBIT NO.	IDENTIFICATION OF EXHIBIT
Exhibit 3.1(1)	Amended and Restated Articles of Incorporation of Sportan United Industries, Inc.
Exhibit 3.2(1)	Bylaws of Sportan United Industries, Inc.
Exhibit 4.1(1)	Common Stock Certificate, Sportan United Industries, Inc.
Exhibit 10.1(1)	Sportan United Industries, Inc. 1999 Stock Option Plan
Exhibit 10.2(3)	Lease Agreement
Exhibit 10.3(4)	Jason G. Otteson Employment Agreement
Exhibit 10.4(4)	Kay Ekis Employment Agreement
Exhibit 16.1(2)	Letter on change in certifying accountant
Exhibit 23.1(5)	Consent of Malone & Bailey, PLLC

-
- (1) Filed previously on registration statement Form 10-SB SEC File No. 000-25513.
 - (2) Filed previously on current report Form 8-K/A SEC File No. 000-25513.
 - (3) Filed previously on annual report for year ended September 30, 1999 Form 10-KSB.
 - (4) Filed previously on annual report for year ended September 30, 2000 Form 10-KSB.
 - (5) Filed herewith.

(b) There have been no reports filed on Form 8-K during the last quarter of the period covered by this report.

SIGNATURES

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

Sportan United Industries, Inc.

By: /s/ Jason G. Otteson

Jason G. Otteson, Chairman of the Board,
President, Chief Executive Officer, and Treasurer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature

Title

Date

/s/ Jason G. Otteson

Jason G. Otteson

Chairman of the Board, President,
Chief Executive Officer, and Treasurer

INDEPENDENT AUDITORS' REPORT

Board of Directors
Sportan United Industries, Inc.
Huntsville, Texas

We have audited the accompanying balance sheet of Sportan United Industries, Inc. as of September 30, 2001, and the related statements of operations, changes in stockholders' deficit, and cash flows for the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sportan United Industries, Inc. as of September 30, 2001, and the results of its operations and its cash flows for the two years then ended, in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note B to the financial statements, the Company has suffered recurring losses from operations and has a net capital deficiency, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters also are described in Note B. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

MALONE & BAILEY, PLLC
www.malone-bailey.com
Houston, Texas

January 10, 2002

SPORTAN UNITED INDUSTRIES, INC.
BALANCE SHEET
September 30, 2001

ASSETS

Current Assets

Cash	\$ 150
Accounts receivable, net of allowance for doubtful accounts of \$73,534	3,510
Accounts receivable-related parties	6,023

Total Current Assets	9,683

Property and equipment, net of \$85,694 accumulated depreciation	39,288
Trademark, net of \$53 accumulated amortization	1,391

TOTAL ASSETS	\$ 50,362
	=====

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities

Accounts payable	\$ 397,123
Accrued expenses	20,780
Accrued salary due to stockholders	77,152
Notes payable to stockholders	509,095

Total Current Liabilities	1,004,150

STOCKHOLDERS' DEFICIT

Convertible preferred stock, .001 par value, 10,000,000 shares authorized, 2,144,006 shares issued and outstanding	2,144
Common stock, \$.001 par value, 50,000,000 shares authorized, 6,017,447 issued and outstanding	6,017
Paid in capital	707,430
Retained deficit	(1,669,379)

Total Stockholders' Deficit	(953,788)

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 50,362
	=====

See accompanying summary of accounting policies and notes to financial statements.

SPORTAN UNITED INDUSTRIES, INC.
 STATEMENTS OF OPERATIONS
 For the Years Ended September 30, 2001 and 2000

	2001	2000
	-----	-----
Revenues	\$ 249,565	\$ 816,242
Cost of Sales	266,035	687,511
	-----	-----
Gross Margin	(16,470)	128,731
Selling, general and administrative	528,345	975,646
	-----	-----
Operating Loss	(544,815)	(846,915)
Other Income and (Expense)		
Gain (loss) on sale of assets	2,182	(2,852)
Other income	289	2,732
Interest expense	(55,398)	(33,713)
	-----	-----
Total Other Income (Expense)	(52,927)	(33,833)
	-----	-----
NET LOSS	(597,742)	(880,748)
Preferred stock dividends	(53,770)	(22,406)
	-----	-----
NET LOSS APPLICABLE TO COMMON SHAREHOLDERS	\$(651,512)	\$ (903,154)
	=====	=====
Net loss per common share	\$ (.11)	\$ (.14)
Weighted average common shares Outstanding	5,934,80	6,389,000

See accompanying summary of accounting policies and notes to financial statements.

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended September 30, 2001 and 2000
(Restated)

	Preferred Shares	Preferred Amount	Common Shares	Common Amount
	-----	-----	-----	-----
Balances at September 30, 1999			7,000,000	\$ 7,000
Exchange of common stock for preferred	2,144,006	\$ 2,144	(2,144,006)	(2,144)
Proceeds from sale of common stock, net of 404,000 shares and \$68,407 paid for costs of issuance			795,178	795
Issuance of stock warrant				
Common stock issued				
- for services			105,000	105
- to extinguish accounts payable			11,273	11
Preferred stock dividends				
Net loss				
	-----	-----	-----	-----
Balances at September 30, 2000	2,144,006	2,144	5,767,445	5,767
Issuance of stock warrant				
Common stock issued				
- for services			250,002	250
Preferred stock dividends				
Net loss				
	-----	-----	-----	-----
Balances at September 30, 2001	2,144,006	\$ 2,144	6,017,447	\$ 6,017
	=====	=====	=====	=====

See accompanying summary of accounting policies and notes to financial statements.

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended September 30, 2001 and 2000
(Restated)

	Paid In Capital	Retained Deficit	Totals
Balances at September 30, 1999	246,263	(190,889)	62,374
Exchange of common stock for preferred			
Proceeds from sale of common stock, net of 404,000 shares and \$68,407 paid for costs of issuance	239,157		239,952
Issuance of stock warrant	17,250		17,250
Common stock issued			
- for services	129,454		129,559
- to extinguish accounts payable	13,989		14,000
Preferred stock dividends	(4,569)		(4,569)
Net loss		(880,748)	(880,748)
Balances at September 30, 2000	641,544	(1,071,637)	(422,182)
Issuance of stock warrant			
Common stock issued			
- for services	69,701		69,951
Preferred stock dividends	(3,815)		(3,815)
Net loss		(597,742)	(597,742)
Balances at September 30, 2001	\$707,430	\$(1,669,379)	\$(953,788)
	=====	=====	=====

See accompanying summary of accounting policies and notes to financial statements.

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS
for the Years Ended September 30, 2001 and 2000

	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (597,742)	\$(880,748)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	15,400	19,407
Stock issued for services	69,951	129,559
Stock issued for accounts payable		14,000
Issuance of stock warrants		17,250
Loss (gain) on disposal of property and equipment	(2,182)	2,852
Net (increase) decrease in:		
Accounts receivable	112,522	(52,570)
Inventory	223,451	41,805
Other current assets	(4,546)	4,943
Net increase (decrease) in:		
Accounts payable	60,424	116,509
Accrued expenses	(46,627)	28,106
	-----	-----
NET CASH USED BY OPERATING ACTIVITIES	(169,349)	(558,887)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	6,415	2,250
Cash paid for trademark and patents		(1,444)
Cash paid for property and equipment		(52,328)
	-----	-----
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	6,415	(51,522)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from sale of stock		239,952
Net proceeds (repayments) from line of credit	(99,000)	89,000
Net proceeds from notes to stockholders	194,595	261,000
Stock subscription receivable	4,359	(4,359)
Preferred stock dividends paid		(4,569)
Accrued salary to shareholder	64,500	12,652
Net increase in stockholder advances to the company	(16,235)	13,108
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	148,219	606,784
	-----	-----
NET DECREASE IN CASH	(14,715)	(3,625)
CASH BALANCES		
-Beginning of period	14,865	18,490
	-----	-----
-End of period	\$ 150	\$ 14,865
	=====	=====
SUPPLEMENTAL DISCLOSURES		
Interest paid		\$ 5,589
Dividends offset against accounts receivable-shareholders	\$ 3,815	

See accompanying summary of accounting policies and notes to financial statements.

SPORTAN UNITED INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations and organization: Sportan United Industries, Inc. (formerly Players Texas Sports, Inc.) (the Company) was incorporated on March 15, 1991, as Players Texas Sports, Inc., a subchapter S corporation. On March 30, 1998, the Board of Directors of Players Texas Sports, Inc. voted to change the name of the company to Sportan United Industries, Inc. and change the federal income tax filing status to a C corporation. The Company is a distributor of sports novelties and memorabilia. The Company markets its distribution services primarily to retail outlets in the United States.

Cash and cash equivalents: For purposes of the statements of cash flows, cash equivalents include all highly liquid investments with original maturities of three months or less.

Allowance for Doubtful Accounts: Earnings are charged with a provision for doubtful accounts based on a current review of the collectibility of accounts. Accounts deemed uncollectible are applied against the allowance for doubtful accounts.

Inventory: Inventory is stated at the lower of cost (determined by the average cost method) or market.

Property and Equipment: Property and equipment are stated at cost. The Company depreciates property and equipment by the straight-line method over the estimated useful lives of the related assets as follows:

Computer equipment & software	5 years	\$100,848
Furniture and fixtures	5-10 years	24,134

		124,982
Less accumulated depreciation		(85,694)

		\$ 39,288
		=====

Revenue Recognition: Revenues are recognized as goods are shipped from the Company's warehouse. Shipments directly to customers from a third party vendor are recognized at the time of shipment from vendor.

Federal Income Taxes: The Company uses the liability method in accounting for income taxes, whereby tax rates are applied to cumulative temporary differences based on when and how they are expected to affect future tax returns. Deferred tax assets and liabilities are adjusted for tax rate changes in the year changes are enacted. The realizability of deferred tax assets are evaluated annually and a valuation allowance is provided if it is more likely than not that the deferred tax assets will not give rise to future benefits in the Company's tax returns.

Use of Estimates: The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and

liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Stock options are accounted for by following Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations, and by following Statement of Financial Accounting Standards No. 123, Accounting for Stock Based Compensation, which established a fair-value-based method of accounting for stock-based compensation plans.

Loss per share is reported under Statement No. 128 of the Financial Accounting Standards Board ("FAS 128"), which requires the calculation of basic and diluted earnings per share. Basic earnings per share exclude any dilutive effects of options, warrants, and convertible securities.

Diluted earnings per share are not shown here because such effect would be anti-dilutive.

Restatements: The Statements of Changes in Stockholders' Deficit for the year ended September 30, 2000, has been restated by \$17,387 due to an erroneous accrual of undeclared cumulative preferred stock dividends.

NOTE B - GOING CONCERN

As shown in the accompanying financial statements, the Company has incurred recurring net losses and has a net deficit of \$916,239 as of September 30, 2001. These conditions create an uncertainty as to the Company's ability to continue as a going concern. Management is trying to raise additional capital through sales of its common stock as well as seeking financing from 3rd parties. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE C - BANK CREDIT LINE ARRANGEMENT

The Company presently does not have a line of credit. On June 22, 2001, a Company shareholder loaned the Company \$108,316 to pay off the principal and interest owed on the previous line of credit at First National Bank of Huntsville.

NOTE D - INCOME TAXES

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at September 30, 2000, are as follows:

Deferred tax assets:	
Net operating loss carryforward	\$ 571,200
Less: valuation allowance	(571,200)

Net current deferred tax assets (liability)	\$ 0
	=====

The Company has net operating loss carryforwards of approximately \$1,680,000 as of September 30, 2001, which expire through year 2021.

NOTE E - OPERATING LEASES

The Company rents its principal facility from a stockholder of the Company (see Note F).

Total rent expense under all lease agreements amounted to approximately \$24,000 for each of the years ended September 30, 2001 and 2000, respectively.

NOTE F - RELATED PARTY TRANSACTIONS

The Company is involved in various transactions with stockholders or officers of the Company. The transactions and amounts incurred with these individuals are detailed as follows:

	2001	2000
	-----	-----
Transaction:		
Rent-principal facility	\$ 24,000	\$ 24,000
Purchase of inventory		309
Interest	40,648	18,864

Notes payable to stockholders consist of the following:

Notes payable to two stockholders bearing interest at 12% annually, balances are due on demand.
Interest is being accrued. \$ 53,500 \$ 53,500 Notes payable to one stockholder, bearing interest

at rates ranging from 10%-18% annually, balances are due on demand. Interest is being accrued.	374,912	261,000
Accrued interest on notes payable	59,100	
Advances on accounts payable	21,583	
	-----	-----
	\$509,095	\$314,500
	=====	=====

The Company entered into an employment arrangement with its president and CEO as of July 1, 2000. The employment contract specifies a sign-on bonus of \$100,000, payable on demand and recorded as a note payable carrying interest at 12% per annum and an annual salary of \$102,000.

Additionally, the agreement calls for warrants to purchase 1,000,000 shares of common stock at fair market value to be granted in increments of 250,000 per year for the next four years. These warrants will expire five years from the date of grant. As of September 30, 2001, none of these warrants had been granted.

NOTE G - PREFERRED STOCK

The Company has 2,144,006 shares of cumulative preferred stock outstanding. Holders of the preferred shares are entitled to receive cash dividends at the annual rate of 6%, on a share value of \$0.418 per share, cumulative monthly. For the year ending September 30, 2001, \$3,815 was declared and offset against accounts receivable from one shareholder. The balance of \$49,955 for the year

was not declared. For the year ended September 30, 2000, \$4,569 was declared and paid in cash to the preferred shareholders. The balance of \$17,836 for the year was not declared. As of September 30, 2001, there was \$67,791 in cumulative preferred stock dividends not declared by the Board of Directors.

The preferred shares will automatically be converted to common shares, one for one, on April 1, 2005. Shares are redeemable at the stated value by the Company on or after April 1, 2000, with a prepayment penalty of \$250,000 less all previously paid dividends up to \$250,000.

Holders of preferred shares are entitled to receive dividends at the same rate as dividends paid on common stock. Holders of preferred shares have the same voting rights as holders of common shares.

The preferred shares rank senior to common shareholders. The preferred shares have a liquidation preference of \$.418 per share.

NOTE H - COMMON STOCK TRANSACTIONS

On September 29, 2000, the Company contracted with a firm to provide financial consulting services for a period of six months. This firm was compensated with 100,002 shares of restricted common stock valued at the then current trading prices totaling \$60,951.

In March 2001, the Company issued 50,000 shares to each of three employees for services rendered for a total of 150,000 shares. The shares were valued at the then trading price of approximately \$.06 per share for a total value of \$9,000.

In March 2001, the Company entered into a consulting agreement with a consulting firm. Under the agreement the Company was to issue 100,000 shares at the then trading price of approximately \$.06 per share for a total value of \$6,300, for services provided by the firm from October 2000 through February 2001. Additionally, the Company agreed to issue \$5,000 in common stock every month for ongoing consulting services. This agreement has since been canceled. In January 2002, the agreement was replaced with a new consulting agreement that calls for the issuance of 200,000 shares of common stock valued at the then trading price of approximately \$.05 per share for a total value of \$10,000, for services rendered for the fifteen month period from October 2000 to December 2001. For the twelve months ended September 30, 2001, \$8,000 in consulting expense has been recognized and accrued. The 6,017,447 common shares outstanding does not take into account the 200,000 shares of common stock covered by this agreement.

NOTE I - STOCK OPTIONS AND WARRANTS

The Company follows the disclosure requirements of FASB Statement 123, Accounting for Stock Based Compensation Plans. The Company's Stock Option Plan provides for the grant of non-qualified options to directors, employees and consultants of the Company, and opportunities for directors, officers, employees and consultants of the Company to make purchases of stock in the Company. In addition, the Company issues stock warrants from time to time to employees, consultants, stockholders and creditors as additional financial incentives. The plans and warrants issuance are administered by the Board of Directors of the

Company, who have substantial discretion to determine which persons, amounts, time, price, exercise terms, and restrictions, if any.

The Company uses the intrinsic value method of calculating compensation expense, as described and recommended by APB Opinion 25, and allowed by FASB Statement

123. For the year ended September 30, 2001, no compensation expense has been recognized because no options or warrants were issued. During the year ended September 30, 2000, \$17,250 in compensation expense was recognized for the issuance of 15,000 warrants at an exercise price of \$.25 per share, because the exercise price was below market price at the date of grant. Options and warrants to purchase 1,261,400 shares of common stock that had no intrinsic value were issued during the year ended September 30, 2000. In addition, zero warrants and 87,178 warrants were exercised in the year ended September 30, 2001 and 2000 respectively. As of September 30, 2001, 89,222 outstanding warrants were non-compensatory. The balance of the outstanding warrants and options are payments for consulting and professional services. Summary information regarding options and warrants is as follows:

	Options	Wtd. Avg. Share Price	Warrants	Wtd. Avg. Share Price
	-----	-----	-----	-----
Outstanding at September 30, 2000:	1,570,000	\$ 1.16	469,222	\$.81
Year ended September 30, 2001: Canceled	(12,500)			
	-----	-----	-----	-----
Outstanding at September 30, 2001	1,557,500	\$ 1.16	469,222	\$.81
	=====	=====	=====	=====

Options outstanding and exercisable as of September 30, 2001:

Exercise Price	- - Outstanding Number of Shares	- - Remaining life	Exercisable Number of Shares
	-----	-----	-----
.75	410,000	12 years	0
.83	200,000	4 years	0
1.38	177,500	10 years	177,500
1.43	750,000	4 years	750,000
1.00	20,000	1 years	20,000
	-----		-----
	1,557,500		947,500
	=====		=====

Warrants outstanding and exercisable as of September 30, 2001:

Exercise Price	- - Outstanding Number of Shares	- - Remaining life	Exercisable Number of Shares
	-----	-----	-----
.01	71,000	1 years	71,000
.05	89,222	1 years	89,222
.25	15,000	4 years	15,000
1.50	147,000	1 years	147,000
2.00	147,000	1 years	147,000
	-----		-----
	469,222		469,222
	=====		=====

Had compensation cost for the Company's stock-based compensation plan been determined based on the fair value at the grant dates for awards under those plans consistent with the Black-Scholes option-pricing model suggested by FASB Statement 123, the Company's net losses and loss per share would have been increased to the pro forma amount indicated below:

		2001	2000
		-----	-----
Net loss available for common			
shareholders	-As reported	\$ (613,963)	\$ (903,153)
	-Pro forma	(958,108)	(1,582,433)
Net loss per share	-As reported	(0.10)	(0.14)
	-Pro forma	(0.16)	(0.25)

Variables used in the Black-Scholes option-pricing model include (1) 5.0% risk-free interest rate, (2) expected option life is the actual remaining life of the options as of each year end, (3) expected volatility is the actual historical stock price fluctuation volatility and (4) zero expected dividends.

NOTE J - MAJOR CUSTOMERS AND VENDORS

During the year ended September 20, 2001, no vendor accounted for greater than 10% of total expenditures or revenues. One customer, Texas Sports, accounted for \$61,142 or 24% of total sales. \$31,514 or 13% of sales were derived from Internet auction sites such as Ebay.

During the year ended September 30, 2000, the Company purchased \$211,951, or 31% of total purchases from Riddell and \$74,630, or 10% of total purchases from Fotoball. One customer, OnDeck Sports, accounted for \$83,430 of total sales. \$163,216 or 19% of sales were derived from Internet auction sites such as Ebay.

No other vendor or customer accounted for greater than 10% of total expenditures or revenues.

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