

OPEXA THERAPEUTICS, INC.

FORM 10QSB (Quarterly Report of Financial Condition)

Filed 08/21/00 for the Period Ending 06/30/00

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 10QSB (Quarterly Report of Financial Condition)

Filed 8/21/2000 For Period Ending 6/30/2000

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

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 June 30, 2000

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
936-295-2726

(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 ☒ No ☐ .

The number of shares of common stock of the Registrant outstanding at June 30, 2000 was 7,095,000.

SPORTAN UNITED INDUSTRIES, INC.
BALANCE SHEET
June 30, 2000

ASSETS

Current Assets

Cash	\$ 8,856
Accounts receivable, net of allowance for doubtful accounts of \$56,686	97,092
Accounts receivable-stockholder and employees	11,242
Inventory, net of valuation allowance of \$0	258,557

Total Current Assets	375,747
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Property and Equipment, net of \$93,869 accumulated depreciation	64,614
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Other assets	1,444

TOTAL ASSETS	\$ 441,805
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable	\$ 438,139
Accrued expenses	55,276
Due to related parties	7,940
Preferred stock dividends payable	8,962
Notes payable to stockholders	202,500
Note payable to bank	99,000

Total Current Liabilities	811,817
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STOCKHOLDERS' EQUITY

Preferred stock, par value \$.001 per share, 10,000,000 shares authorized, 2,144,006 issued and outstanding	2,144
Common stock, \$.001 par value, 50,000,000 shares authorized, 4,951,000 issued and outstanding	4,951
Paid in capital	311,924
Retained earnings (deficit)	(689,031)

Total Stockholders' Equity	(370,012)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 441,805
	=====

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2000	June 30, 1999	Nine Months Ended June 30, 2000	June 30, 1999
Revenues	\$ 212,077	\$ 955,181	\$ 612,574	\$2,693,116
Cost of Sales	177,862	904,093	501,433	2,368,224
Gross Margin	34,215	51,088	111,141	324,892
Operating Expenses				
General and administrative	232,928	189,135	591,748	554,442
Operating Loss	(198,713)	(138,047)	(480,607)	(229,550)
Other Income and (Expense)				
Gain on sale of assets		204,202	1,210	206,735
Other income	10,784		11,949	
Interest expense	(11,878)	(3,007)	(21,199)	(5,062)
Miscellaneous income(expense)	(69)	(491)	(533)	(2,920)
Total Other Income (Expense)	(1,163)	200,704	(8,573)	198,753
NET (LOSS)	(199,876)	62,657	(489,180)	(30,797)
Preferred stock dividends	(8,962)		(8,962)	
NET (LOSS) APPLICABLE TO TO COMMON SHAREHOLDERS	\$ (208,838)	\$ 62,657	\$ (498,142)	\$ (30,797)
Net (loss) per share				
Basic	\$ (.04)	\$.01	\$ (.10)	\$ (.01)
Diluted	(.03)	.01	(.07)	(.01)
Weighted average common shares outstanding				
Basic	4,944,333	7,000,000	4,901,000	6,159,167
Diluted	6,373,667	7,056,800	6,806,778	6,159,167

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS
For the Nine Months Ended June 30, 2000 and 1999

	2000	1999
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	\$(489,180)	\$(30,797)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	13,511	13,748
Securities issued for services	107,950	
(Gain) on disposal of property and equipment	(1,210)	(206,735)
Net (increase) decrease in:		
Accounts receivable	(34,637)	(47,928)
Inventory	6,700	52,664
Prepaid expenses		(1,650)
Other current assets	(1,444)	
Net increase (decrease) in:		
Accounts payable	176,833	138,128
Accrued expenses	17,459	(8,395)
	-----	-----
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(204,018)	(90,965)
	-----	-----
CASH FLOWS (USED) BY INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	2,250	344,279
Cash paid for property and equipment	(52,324)	(7,873)
	-----	-----
NET CASH (USED) BY INVESTING ACTIVITIES	(50,074)	336,406
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (repayments) from line of credit	89,000	(85,000)
Net proceeds from notes to stockholders	149,000	15,000
Net increase (decrease) in stockholder advances to the company	6,458	(66,464)
Increase in drafts outstanding		(24,782)
	-----	-----
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	244,458	(161,246)
	-----	-----
NET INCREASE IN CASH	(9,634)	84,195
CASH BALANCES		
-Beginning of period	18,490	6,663
	-----	-----
-End of period	\$ 8,856	\$ 90,858
	=====	=====
SUPPLEMENTAL DISCLOSURES		
Interest paid in cash	\$ 3,413	\$ 5,062
Income taxes paid in cash	\$ 0	\$ 0

SPORTAN UNITED INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited financial statements of Sportan United Industries, Inc. have been prepared in accordance with generally accepted accounting principles 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 the company's latest Annual Report filed with the SEC on Form 10-KSB, as amended. 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 disclosures contained in the audited financial statements for the most recent fiscal year 1999 as reported in the 10-KSB, have been omitted.

NOTE B - STOCK OPTION PLAN

On March 1, 1999, the Company had adopted an incentive stock option plan for its eligible employees. On February 7, 2000, 410,000 options were issued to employees with an exercise price of \$.75 per share. These options become exercisable on March 31, 2003, and expire seven years from the exercise date. Additionally, options representing 200,000 shares were issued to an officer of the Company with an exercise price of \$.825 per share. These options become exercisable on March 31, 2003, and expire two years from the exercise date. Additionally, on July 13, 2000, the Company adopted an agreement to issue a key vendor 20,000 options with an exercise price of \$1.00 per share. The options vest in eight installments of 2,500 shares per month with the first installment vesting on August 1, 2000, and each installment thereafter vesting on the first day of the month.

NOTE C - SALES OF COMMON STOCK

In April 2000, the Company hired Capital Growth Resources ("Capital Growth") to assist it in selling up to 500,000 shares of its common stock at \$1 per share through a Private Placement Memorandum. As of July 24, 2000, Capital Growth sold 250,000 shares of Company stock for \$250,000 gross proceeds, less \$50,390 out of pocket expenses and stock selling commissions. In addition, Capital Growth will receive warrants to purchase 150,000 shares for an exercise price of \$.05 per share as additional compensation. The offering ends September 1, 2000.

NOTE D - PREFERRED STOCK

In connection with the above and at the request of Capital Growth, on May 3, 2000 the Company and 5 shareholders agreed to trade 2,144,006 shares of \$.001 par value common stock owned by them for 2,144,006 shares of \$.001 par value preferred stock newly issued by the Company.

**SPORTAN UNITED INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE D - PREFERRED STOCK (continued)

Holders of the preferred shares are entitled to receive cash dividends at an annual rate of 6% calculated on a share stated value of \$.418 per share, payable \$4,481 per month. If the shares are redeemed for cash or converted into common stock, an additional dividend payment is due of \$250,000 less dividends paid to date. In addition, preferred shareholders also get cash dividends to the same extent as the common shareholders, if any common stock cash dividends are declared.

Shares are redeemable at the Company's option into cash at \$.418 per share, or into Company common stock at a 1 to 1 ratio anytime at the Company's option. On April 1, 2005, any remaining shares are automatically converted to common stock.

Holders of preferred shares have the same voting rights as holders of common shares. The preferred shares have a liquidation preference of \$.418 per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis as of June 30, 2000 and for the three-month and nine-month periods ended June 30, 2000 and 1999 should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto set forth in Item 1 of this report.

The information in this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and

Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations that involve risks and uncertainties. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. For example, words such as, "may," "will," "should," "estimates," "predicts," "potential," "continue," "strategy," "believes," "anticipates," "plans," "expects," "intends," and similar expressions are intended to identify forward-looking statements. Our actual results and the timing of certain events may differ significantly from the results discussed in the forward-looking statement. Factors that might cause or contribute to such a discrepancy include, but are not limited to the risks discussed in our other SEC filings, including those in our annual report on Form 10-KSB for the year ended December 31, 1999. These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

GENERAL

We recognize revenues from sales of sports memorabilia 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.

RESULTS OF OPERATIONS

Nine months ended June 30, 2000 compared to the same period in 1999

Our sales declined 77% from \$2,693,000 to \$613,000, and our gross margin declined 66% from \$325,000 to \$111,000 during the nine-month period. Our gross margin percentage increased to 18.1% from 12.1% during the nine-month period. In June 1999, we sold the sports cards and supplies segment of our product line, which caused the large sales decline. We believe the increase in our gross margin percentage is due to better margins on our remaining products.

Our general and administrative expenses grew 7% from \$554,000 to \$592,000 during the nine-month period. We believe the increase in general and administrative expenses is due to additional professional fees in connection with our public filing requirements and our recent private placement, in web site developments, and from the installation of a computer inventory control systems.

As we were not able to reduce our general and administrative expenses proportionately with our reduction in sales, our net operating loss grew 109% from \$230,000 to \$481,000. The restructuring of our business, which was affected through the sale of our sports card and supplies segment and our new focus on e-commerce, has kept our general administrative expenses constant, but has required a focus on non-revenue generating activities. As such, we will need to generate significant additional revenues through our new business structure to achieve profitability. As our new business strategy is unproven, we can provide no assurance that we will be successful and become profitable in the future.

Cash used by operations for the nine-month period grew from \$91,000 to \$204,000 because of the substantially increased losses during the nine-month period ended June 30, 2000.

Cash provided by investing activities was \$336,000 during the nine-month period ended June 30, 1999, compared to \$50,000 used by investing activities during the nine-month period ended June 30, 2000, because we sold our St. Louis warehouse and trading card division in during the 1999 period and invested in computer equipment during the 2000 period.

Cash used in financing activities was \$161,000 during the nine-month period ended June 30, 1999, as compared to cash flows provided of \$244,000 during the nine-month period ended June 30, 2000. The increase was due to a \$174,000 increase in our bank line of credit and a \$206,000 change in shareholder repayments and advances.

Three months ended June 30, 2000 compared to the same period in 1999

Our sales declined 78% from \$955,000 to \$212,000, and our gross margin declined 33% from \$51,000 to \$34,000 during the three-month period. Our gross margin percentage increased to 16.1% from 5.3% during the three-month period. Our general and administrative expenses grew 23% from \$189,000 to \$233,000, and our net operating loss grew 44% from \$138,000 to \$199,000. We believe the reasons for the above changes are the generally same as those described for the nine-month period. The extra increase in our general and administrative expenses was due to the costs related to our private placement during the three-month period ended June 30, 2000.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2000, we had negative working capital of \$436,000, and cash of \$8,856. We began a private placement in May 2000 to raise up to \$500,000 through sales of our common stock at \$1 per share and through the issuance of warrants at prices of \$1.50 per share and \$2.00 per share. To date, we have raised \$268,000 from this offering. The offering closes September 1, 2000 and there is no assurance that we will be able to raise additional funds from the offering, or that investors in the offering will exercise their warrants. In connection with the offering, we spent approximately \$50,000. In addition, we agreed to issue warrants to purchase up to 300,000 shares at \$.05 per share, of which approximately 160,000 have vested.

In connection with this funding, we asked five shareholders related to our founder to convert 2,144,006 shares of our common stock held by them to the same number of preferred shares. During the next five years, we have the sole option of converting these preferred shares back to the same number of common shares or we may purchase any or all of them at the \$.418 per share stated value, or up to \$896,195. In addition, we 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 we elect to purchase or convert this stock. We are currently three months behind on our dividend payments. At the end of five years, if we have taken no action, this preferred stock automatically converts back to the same number of our common shares.

We have established a line of credit in the amount of \$100,000 with First National Bank of Huntsville. At June 30, 2000, we had a balance of approximately \$99,000 on the line of credit. We have borrowed from our stockholders \$202,500 in the form of a note payable due on demand, at an annual interest rate of 12% with principal plus accrued interest to be paid on repayment. Presently, the stockholders do not intend to demand payment of the loan. There can be no assurance that stockholder funds will be available in the future.

The funds obtained in our private placement, has been used, in part, to speed up our growth, which we believe has been hampered by a lack of capital. However, our promised website development is proceeding, and we believe our recent fulfillment programs are gaining momentum and are beginning to produce sales.

If we are unable to complete the private placement or raise other additional capital, we may be forced to reduce growth. We estimate our current monthly operating costs are approximately \$50,000. We do not have any other material commitments for capital expenditures.

We may in the future experience significant fluctuations in our results of operations. These fluctuations may result in volatility in the price or value of our common stock. Our results of operations may fluctuate as a result of a variety of factors, including demand for our products, introduction of new products by our competitors or us, the variety of products distributed, the number and timing of the hiring of additional personnel, the timing of acquisitions, general competitive conditions in the industry and general economic conditions. Shortfalls in revenues may adversely and

disproportionately affect our results of operations because a high percentage of our operating expenses are relatively fixed. Accordingly, we believe that 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.

SEASONALITY

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

PART II
OTHER INFORMATION

Pursuant to the Instructions to Part II of the Form 10-Q, Items 1, 2, and 5 are omitted.

ITEM 3. 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 three months behind on our dividend payments, or \$13,443.

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

We held a special meeting of shareholders on May 3, 2000 in which our stockholders approved amending and restating our articles of incorporation by the following vote: for, 0 against, and 0 abstentions. The amendment permitted us to issue "blank check" preferred stock, and permitted our stockholders to action without a meeting, in accordance with Texas corporate law.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NO.	IDENTIFICATION OF EXHIBIT
EXHIBIT NO.	IDENTIFICATION OF EXHIBIT
Exhibit 3.1	Amended and Restated Articles of Incorporation of Sportan United Industries, Inc. (Filed previously on Form 10-SB SEC File No. 000-25513)
Exhibit 3.2	Bylaws of Sportan United Industries, Inc. (Filed previously on Form 10-SB SEC File No. 000-25513)
Exhibit 4.1	Common Stock Certificate, Sportan United Industries, Inc. (Filed previously on Form 10-SB SEC File No. 000-25513)
Exhibit 10.1	Sportan United Industries, Inc. 1999 Stock Option Plan (Filed previously on Form 10-SB SEC File No. 000-25513)
Exhibit 10.2	Lease Agreement (Filed previously on Form 10-KSB SEC File No. 000-25513)
Exhibit 27.1	Financial Data Schedule

(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: August 21, 2000

By: /s/ Jason G. Otteson

Jason G. Otteson, President

ARTICLE 5

MULTIPLIER: 1

PERIOD TYPE	9 MOS
FISCAL YEAR END	SEP 30 2000
PERIOD START	OCT 01 1999
PERIOD END	JUN 30 2000
CASH	8,856
SECURITIES	0
RECEIVABLES	153,778
ALLOWANCES	56,686
INVENTORY	258,557
CURRENT ASSETS	375,747
PP&E	158,483
DEPRECIATION	93,869
TOTAL ASSETS	441,805
CURRENT LIABILITIES	811,817
BONDS	0
PREFERRED MANDATORY	0
PREFERRED	2,144
COMMON	4,951
OTHER SE	(377,107)
TOTAL LIABILITY AND EQUITY	441,805
SALES	612,574
TOTAL REVENUES	612,574
CGS	501,433
TOTAL COSTS	1,096,181
OTHER EXPENSES	533
LOSS PROVISION	0
INTEREST EXPENSE	21,199
INCOME PRETAX	(489,180)
INCOME TAX	0
INCOME CONTINUING	(489,180)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(489,180)
EPS BASIC	(.100)
EPS DILUTED	(.100)

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