

OPEXA THERAPEUTICS, INC.

FORM 10QSB (Quarterly Report of Financial Condition)

Filed 08/27/99 for the Period Ending 03/31/99

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 8/27/1999 For Period Ending 3/31/1999

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-QSB

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

For the quarterly period ended March 31, 1999

☐ 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: 000-25223

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

760333165

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

3170 Old Houston Road, Huntsville, Texas

(Address of Principal Executive Office)

77340

(Zip Code)

409-295-2726

(Registrant's Telephone Number, Including Area Code)

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 ☒

As of July 6, 1999 registrant had 7,000,000 shares of Common Stock outstanding.

PART I

Item 1. Financial Statements

SPORTAN UNITED INDUSTRIES, INC. BALANCE SHEETS

	March 31, 1999 (Unaudited)	September 30, 1998
	-----	-----
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,242	\$ 6,663
Accounts receivable - trade, net of allowance for doubtful accounts of \$21,051 at March 31, 1999 and September 30, 1998	171,785	123,432
Accounts receivable - stockholder and employees	2,152	433
Inventory, net of valuation allowance of \$0 at March 31, 1999 and \$29,852 at September 30, 1998	408,528	525,247
Prepays	31,136	13,292
	-----	-----
TOTAL CURRENT ASSETS	617,843	669,067
PROPERTY AND EQUIPMENT		
Computer equipment and software	50,328	47,367
Furniture and fixtures	68,890	63,978
Transportation equipment	7,820	7,820
	-----	-----
	127,038	119,165
Less: accumulated depreciation and amortization	87,429	78,264
	-----	-----
TOTAL PROPERTY AND EQUIPMENT	39,609	40,901
	-----	-----
TOTAL ASSETS	\$ 657,452	\$ 709,968
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Drafts outstanding	\$ -	\$ 24,782
Accounts payable	297,546	226,784
Accounts payable - stockholder	16,540	41,464
Accrued expenses	22,698	17,816
Notes payable - stockholders	78,500	63,500
Note payable - bank	95,000	95,000
	-----	-----
TOTAL CURRENT LIABILITIES	510,284	469,346
STOCKHOLDERS' EQUITY		
Preferred stock:		
No par value; 10,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, par value \$.001; 50,000,000 shares authorized. Shares issued and outstanding, 7,000,000 at March 31, 1999 and September 30, 1998	7,000	7,000
Additional paid-in capital	246,263	246,263
Retained earnings (deficit)	(106,095)	(12,641)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	147,168	240,622
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 657,452	\$ 709,968
	=====	=====

See notes to financial statements.

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF OPERATIONS

	Three Months Ended March 31,		Six Months Ended March 31,	
	1999	1998	1999	1998
SALES	\$ 740,225	\$ 770,513	\$ 1,737,935	\$ 1,650,014
COST OF SALES	618,189	584,349	1,464,131	1,390,316
GROSS PROFIT	122,036	186,164	273,804	259,698
OPERATING EXPENSES				
General and administrative	165,475	121,310	320,290	242,154
Expense of private offering	20,050	4,105	42,484	4,105
TOTAL OPERATING EXPENSES	185,525	125,415	362,774	246,259
INCOME (LOSS) FROM OPERATIONS	(63,489)	60,749	(88,970)	13,439
OTHER EXPENSE				
Interest expense	-	-	(2,055)	(1,730)
Miscellaneous expense	1,746	4,296	(2,429)	(4,296)
TOTAL OTHER EXPENSE	1,746	4,296	(4,484)	(6,026)
INCOME (LOSS) BEFORE FEDERAL INCOME TAXES	(65,235)	56,453	(93,454)	7,413
FEDERAL INCOME TAXES	-	-	-	-
NET INCOME (LOSS)	\$ (65,235)	\$ 56,453	\$ (93,454)	\$ 7,413
NET LOSS PER SHARE				
Basic	\$ (.01)	\$.01	\$ (.01)	\$.00
Diluted	\$ (.01)	\$.01	\$ (.01)	\$.00
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic	6,159,167	5,985,000	7,000,000	5,985,000
Diluted	6,215,967	5,985,000	7,056,800	5,985,000

See notes to financial statements.

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS

	Six Months Ended March 31,	
	1999 (Unaudited)	1998 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (93,454)	\$ 7,413
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock issued as compensation	-	-
Depreciation	9,165	8,785
Provision for bad debts	-	-
Gain on disposal of property and equipment	-	(225)
Changes in assets and liabilities:		
Accounts receivable	(50,072)	(1,971)
Inventory	116,719	(144,175)
Prepays and other assets	(17,844)	23,579
Accounts payable	70,762	376,405
Accounts payable - stockholder	(24,924)	-
Accrued expenses	4,882	1,675
	108,688	264,073
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	15,234	271,486
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	500
Cash paid for property and equipment	(7,873)	(4,221)
NET CASH USED IN INVESTING ACTIVITIES	(7,873)	(3,721)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from sale of stock	-	-
Net proceeds from line of credit	-	-
Principal payments on notes to stockholders	-	(176,032)
Net proceeds from notes to stockholders	15,000	-
Increase (decrease) in drafts outstanding	(24,782)	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(9,782)	(176,032)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,421)	91,733
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,663	36,082
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 4,242	\$ 127,815
NON-CASH FINANCING ACTIVITY		
Cash paid during the period for interest	\$ 2,055	\$ 1,730

See notes to financial statements.

SPORTAN UNITED INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1999 AND SEPTEMBER 30, 1998

NOTE A - PRESENTATION

The balance sheet of the Company as of June 30, 1999, the related statements of operations and cash flows for the six months ended March 31, 1999 and 1998 and the three months ended March 31, 1999 and 1998 included in the financial statements have been prepared by the Company without audit. In the opinion of management, the accompanying financial statements include all adjustments (consisting of normal, recurring adjustments) necessary to summarize fairly the Company's financial position and results of operations. The results of operations for the six months ended March 31, 1999 are not necessarily indicative of the results of operations for the full year or any other interim period.

NOTE B - 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 cards and memorabilia. The Company markets its distribution services primarily to retail outlets in the United States.

NOTE C - PREFERRED STOCK AND OUTSTANDING STOCK WARRANTS

Preferred Stock: The Company is authorized to issue up to 10,000,000 shares of preferred stock, no par value per share. The preferred stock may be issued in one or more series, the terms of which may be determined at the time of issuance by the Board of Directors, without further action by stockholders, and may include voting rights (including the right to vote as a series on particular matters), preferences as to dividends and liquidation, conversion, redemption rights and sinking fund provisions. The issuance of any such preferred stock could adversely affect the rights of the holders of Common Stock and, therefore, reduce the value of the Common Stock.

Outstanding Stock Warrants: At September 30, 1998 and March 31, 1999, the Company had outstanding warrants to purchase 171,000 shares of the Company's common stock at prices ranging from \$.01 to \$.06 per share. The warrants became exercisable in 1998 and expire at various dates through 2003. At September 30, 1998 and March 31, 1999, 171,000 shares of common stock were reserved for that purpose.

NOTE D - SUBSEQUENT EVENTS

Historically, the Company has concentrated on the distribution of sports cards and memorabilia. In June 1999, the Company sold the sports cards and supplies segment of its product line. The Company: (i) sold its current inventory in sports cards and supplies at cost of \$320,040, (ii) sold a portion of its accounts receivables of \$31,741 (which includes a payment of \$4,500 representing the purchase of \$9,000 of past due accounts receivables), (iii) sold certain equipment for \$5,000, (iv) transferred liabilities in the amount of \$216,703 to the buyer, and (v) entered into a non-compete agreement for three years. The Company also received a payment of \$344,279 in cash as consideration for the transaction. The Company utilized approximately \$85,000 of the proceeds from the sale to repay a portion of its outstanding on its line of credit, approximately \$25,000 to repay a loan, and utilized approximately \$31,000 to repay certain accounts payable. The Company realized a gain on the sale of the product line of \$204,201. Management estimates that the sold product line represents approximately 80% of its revenues.

ITEM 2. Management's Discussion and Analysis

Some of the statements contained in this Form 10-QSB, discuss future expectations, contain projections of results of operations or financial condition or state other "forward-looking" information. 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. Important factors that may cause actual results to differ from projections include, for example:

- . the success or failure of management's efforts to implement their business strategy;
- . the ability of the Company to raise sufficient capital to meet operating requirements;
- . the ability of the Company to protect its intellectual property rights;
- . the ability of the Company to compete with major established companies;
- . the effect of changing economic conditions;
- . the ability of the Company to attract and retain quality employees; and
- . other risks which may be described in future filings with the SEC.

General

The Company is a developing company incorporated in March 1991, but has experienced significant changes in its management and operations since the death of its founder, James R. Otteson, in October 1995. The Company's operating results have been declining since 1995. The Company's fiscal year was changed from December 31 to September 30 in 1997.

The Company recognizes 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.

Recent Developments

Historically the Company has concentrated on the distribution of sports cards and memorabilia. In June 1999, the Company sold the sports cards and supplies segment of its product line. The Company: (i) sold its current inventory in sports cards and supplies at cost of \$320,040, (ii) sold a portion of its accounts receivables of \$31,741 (which includes a payment of \$4,500 representing the purchase of \$9,000 of past due accounts receivables), (iii) sold certain equipment for \$5,000, (iv) transferred liabilities in the amount of \$216,703 to the buyer, and (v) entered into a non-compete agreement for three years, which prevents the Company from purchasing sports cards directly from wholesalers for a period of 3 years, and Jason G. Otteson, Jason R. Otteson, II, and Connie L. Logan each received \$1,000 for an identical non-compete agreement. The Company also received a payment of \$344,279 in cash as consideration for the transaction. The Company utilized approximately \$85,000 of the proceeds from the sale to repay a portion of its outstanding on its line of credit, approximately \$25,000 to repay a loan, and utilized approximately \$31,000 to repay certain accounts payable. The Company realized a gain on the sale of the product line of \$204,202. Management estimates that the sold product line represents approximately 80% of its revenues.

Results of Operations

Three Months Ended March 31, 1999 Compared to the Three Months Ended March 31, 1998

Sales. Sales decreased to \$740,225 for the three months ended March 31, 1999 from \$770,513 for the three months ended March 31, 1998, an decrease of \$30,288 or 3.9%. Cost of sales increased to \$618,189 for the three months ended March 31, 1999 from \$584,349 for the three months ended March 31, 1998, an increase of \$33,840 or 5.8%. Gross profit decreased from \$186,164 to \$122,036, an decrease of \$64,128 or 34.4%. The decreases are the result of the Company cutting its prices in response to a weaker than expected market.

General and Administrative Expenses. General and administrative expenses increased to \$165,475 for the three months ended March 31, 1999 from \$121,310 for the three months ended March 31, 1998, an increase of \$44,165 or 36.4%. This increase is the result of increased legal and accounting fees incurred in connection with and in preparation for the Company's initial public filing with the Securities and Exchange Commission.

Miscellaneous Expense. Miscellaneous expense decreased to \$1,746 for the three months ended March 31, 1999 from \$4,296 for the three months ended March 31, 1998, an increase of \$2,550 or 59.4%. The decrease is due to the expense incurred by the Company in connection with it closing operations in Denver, Colorado and the transfer of its assets to other locations.

Expense of Private Offering. The Company incurred expenses of \$20,050 in connection with a private placement of common stock.

Net Loss. Net loss increased to \$65,235 for the three months ended March 31, 1999 from a net profit of \$60,558 for the three months ended March 31, 1998. The increase of \$125,793 was primarily attributable to the factors discussed above.

Six Months Ended March 31, 1999 Compared to the Six Months Ended March 31, 1998

Sales. Sales increased to \$1,737,935 for the six months ended March 31, 1999 from \$1,650,014 for the six months ended March 31, 1998, an increase of \$87,921 or 5.3%. Cost of sales increased to \$1,464,131 for the six months ended March 31, 1999 from \$1,390,316 for the six months ended March 31, 1998, a decrease of \$73,815 or 5.3%. Gross profit increased from \$273,804 to \$259,698, an increase of \$14,106 or 5.4%. The increases are a result of the Company adding additional novelty product lines, which tend to sell better during the holiday season.

General and Administrative Expenses. General and administrative expenses increased to \$362,774 for the six months ended March 31, 1999 from \$246,259 for the six months ended March 31, 1998, an increase of \$116,515 or 47.3%. This increase is the result of increased legal and accounting fees incurred in connection with and in preparation for the Company's initial public filing with the Securities and Exchange Commission.

Interest Expense. Interest expense increased to \$2,055 for the six months ended March 31, 1999 from \$1,730 for the six months ended March 31, 1998, an increase of \$325 or 19%. The increase is due to the Company's increased borrowings under the Company's line of credit in the aggregate amount of \$95,000 as a result of the additional sales experienced by the Company in the period.

Net Loss. Net loss increased to \$93,454 for the six months ended March 31, 1999 from a net profit of \$7,413 for the six months ended March 31, 1998. The increase of \$100,867 was primarily attributable to the increase in general and administrative expenses discussed above.

Liquidity and Capital Resources

Cash Flow from Operating Activities. The Company's net cash flow from operating activities resulted in cash provided by operations of \$15,234 for the six months ended March 31, 1999, from cash provided by operations of \$271,486 for the six months ended March 31, 1998. The decrease is the result of an increase in accounts receivable due to slower receipt of payments from customers and a decrease in accounts payable.

Cash Flow from Investing Activities. The Company's net cash used in investing activities during the six months ended March 31, 1999 increased to \$7,873 from \$3,721 for the six months ended March 31, 1998 due to the Company's purchase of property and equipment during the six months ended March 31, 1999.

Cash Flow from Financing Activities. The Company's net cash flows used in financing activities for the six months ended March 31, 1999 decreased to \$9,782 from \$176,032 for the six months ended March 31, 1998. The decrease is due to the repayment of loans to stockholders during the six months ended March 31, 1998.

Management believes that working capital as of March 31, 1999 of \$104,559 should enable the Company to continue its current operations for a period of approximately one year. However, unforeseen costs could shorten the period during which the current working capital may be expected to satisfy the Company's capital requirements. Management estimates its current monthly operating costs after the sale of its sports card product line are approximately \$20,000. The Company does not have any other material commitments for capital expenditures. Management estimates that its current product sales will not raise sufficient profits to meet such operating costs, and the Company believes it will need to add additional product lines to increase revenues. In addition, unless the Company raises additional capital or realizes significant growth in its net income from the sale of sports memorabilia, its expansion plans will be materially impaired. The Company may raise additional capital through equity sales to fund its expansion plans in the last quarter of calendar year 1999. The Company can provide no assurance that it will be able to make such equity sales on terms favorable to the Company, if at all.

The Company has established a line of credit in the amount of \$100,000 with First National Bank of Huntsville. At June 30, 1999, the Company had a balance of approximately \$10,000 on the line of credit. There can be no assurance that the Company will be able to obtain additional funding from other external sources on suitable terms, if at all.

The Company has borrowed from its stockholders \$53,500 in the form of a note payable due on demand, at an annual interest rate of 5% with principal plus accrued interest to be paid on repayment. Presently, the stockholders do not intend to demand payment of the loan, which at June 1, 1999 had a balance of \$59,965. The Company also borrowed from its stockholders an additional \$10,000 in the form of a non-interest bearing note payable which was repaid in November 1998. There can be no assurance that these stockholder funds will be available in the future.

The Company may in the future experience significant fluctuations in its results of operations. Such fluctuations may result in volatility in the price and/or value of the Company's common stock if any market develops. Results of operations may fluctuate as a result of a variety of factors, including demand for the Company's products, introduction of new products by the Company or its competitors, the variety of products distributed by the Company, 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 the Company's results of operations because a high percentage of the Company's operating expenses are relatively fixed. Accordingly, the Company believes 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 the Company's 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.

Year 2000 Compliance

The year 2000 poses certain issues for business and consumer computing, particularly the functionality of software for two-digit storage of dates and special meanings for certain dates such as 9/9/99. The year 2000 is also a leap year, which may also lead to incorrect calculations, functions, or system failure. The problem exists for many kinds of software, including software for mainframes, PCs, and embedded systems.

In assessing the effect of the Year 2000 Problem, management determined that there existed two general areas that needed to be evaluated:

- . Internal infrastructure and
- . Supplier/third-party relationships.

A discussion of the various activities related to assessment and actions resulting from those evaluations is set forth below.

Internal Infrastructure.

The Company is in the process of verifying that all of its personal computers and software are Year 2000 compliant. The Company is in the process of replacing or upgrading all items that have been found not to be Year 2000 compliant. The Company intends to determine if the software vendors of all of our critical applications have represented that their products are Year 2000 compliant. The costs related to these efforts are not expected to be in excess of \$30,000.

Suppliers/Third-Party Relationships.

As mentioned above, the Company will be gathering information from vendor web sites and available compliance statements to identify and, to the extent possible, resolve issues involving the Year 2000 Problem. The Company relies on its outside vendors for water, electrical, and telecommunications services as well as climate control, building access, and other infrastructure services. The Company does not intend to independently evaluate the Year 2000 compliance of the systems utilized to supply these services. The Company has received no assurance of compliance from the providers of these services. There can be no assurance that these suppliers will resolve any or all Year 2000 Problems with these systems before the occurrence of a material disruption to the Company's business. Any failure of these third-parties to resolve Year 2000 problems with their systems in a timely manner could have a material adverse effect on the Company's business.

Contingency Plans.

The Company has not currently developed a formal contingency plan to be implemented as part of its efforts to identify and correct Year 2000 Problems affecting its internal systems. However, if it deems necessary, the Company may take the following actions:

- . Accelerated replacement of affected equipment or software;

- . Short to medium-term use of backup equipment and software;
- . Increased work hours for Company personnel;
- . Other similar approaches.

If the Company is required to implement any of these contingency plans, such plans could have a material adverse effect on its business.

Based on the actions taken to date as discussed above, the Company is reasonably certain that it has or will identify and resolve all Year 2000 Problems that could materially adversely affect its business and operations.

PART II

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

Item 6. Exhibits and Reports on Form 8-K

(a) The following exhibits are to be filed as part of this Form 10-QSB:

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 3.3/(1)/	Common Stock Certificate, Sportan United Industries, Inc.
Exhibit 10.1/(1)/	Sportan United Industries, Inc. 1999 Stock Option Plan

/(1)/ Filed previously on registration statement Form 10-SB SEC File No. 000- 25513.

(b) There have been no reports filed on Form 8-K.

SIGNATURES

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the undersigned, thereunto duly authorized.

Sportan United Industries, Inc.

Date: August 27, 1999

/s/ Jason G. Otteson

Jason G. Otteson, Chief Executive Officer

End of Filing

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