

OPEXA THERAPEUTICS, INC.

FORM 10QSB (Quarterly Report of Financial Condition)

Filed 11/16/04 for the Period Ending 09/30/04

Address	2635 TECHNOLOGY FOREST BLVD. THE WOODLANDS, TX 77381
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CIK	0001069308
Symbol	OPXA
SIC Code	2834 - Pharmaceutical Preparations
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 September 30, 2004

OR

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

Commission File Number: 000-25513

PHARMAFRONTIERS CORP.

(Exact name of Registrant as specified in its charter)

TEXAS
(State of Incorporation)

760333165
(IRS Employer Identification Number)

835 GREENS PARKWAY, SUITE 150
HOUSTON, TX 77067
(281) 272-9331

(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 November 11, 2004 was 7,504,838.

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PART I

ITEM 1. FINANCIAL STATEMENTS

PHARMAFRONTIERS CORPORATION (A Development Stage Company)

BALANCE SHEET

September 30, 2004

(unaudited)

ASSETS	
Current Assets	
Cash	\$ 1,039,643
Prepaid expenses	57,579
License and license option	182,817
Property & equipment, net of \$1,154 accumulated depreciation	14,347

Total Assets	\$ 1,294,386
	=====
LIABILITIES AND STOCKHOLDERS' DEFICIT	
Current Liabilities	
Accounts payable	\$ 192,424
Stock payable to related party	8,000
Stock payable to note holders	288,365
Notes payable to related party	121,849
Accrued expenses	102,895

Total Current Liabilities	713,533
Long Term Liabilities	
Notes payable	13,813

Total Liabilities	727,346

Commitments and Contingencies	
Stockholders' Deficit	
Convertible preferred stock, no par value, 10,000,000 shares authorized, none issued and outstanding	--
Common stock, \$.05 par value, 50,000,000 shares authorized, 7,423,838 shares issued and outstanding	371,192
Additional paid in capital	2,173,174
Deficit accumulated during the development stage	(1,977,326)

Total Stockholders' Deficit	567,040

TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 1,294,386
	=====

PHARMAFRONTIERS CORPORATION
(A Development Stage Company)

STATEMENTS OF EXPENSES

Three Months Ended September 30, 2004 and 2003, Nine Months ended September 30, 2004, and Period from January 22, 2003 (Inception) to September 30, 2003 and 2004

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	Inception to September 30,	
	2004	2003	2004	2003	2004
General and administrative	\$ 612,145	\$ 26,687	\$ 1,685,714	\$ 41,093	\$ 1,766,515
Interest expense	20,462	15,414	169,966	18,899	215,167
Interest income	2,475	--	2,475	--	2,475
Other income	1,882	--	1,882	--	1,882
NET LOSS	<u>\$ (628,250)</u>	<u>\$ (42,101)</u>	<u>\$ (1,851,323)</u>	<u>\$ (59,992)</u>	<u>\$ (1,977,326)</u>
Basic and diluted loss per share	\$ (0.08)	\$ (0.001)	\$ (0.31)	\$ (0.01)	\$ (0.42)
Weighted average shares Outstanding	7,397,171	5,250,000	5,890,241	4,083,333	4,741,244

PHARMAFRONTIERS CORPORATION
(A Development Stage Company)

STATEMENTS OF CASH FLOW
Nine Months Ended September 30, 2004, and

Period from January 22, 2003 (Inception) to September 30, 2003 and 2004

(unaudited)

	Nine Months Ended September 30, 2004	Inception to September 30, 2003	2004
	-----	-----	-----
Cash Flows From Operating Activities			
Net loss	\$ (1,851,323)	\$ (59,992)	\$ (1,977,326)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Stock issued for services	849,000	--	849,000
Amortization of discount on notes payable due to warrants and beneficial conversion feature	159,403	17,961	202,157
Amortization of D&O insurance	2,946	--	2,946
Advances to shareholders	--	--	--
Depreciation	1,154	--	1,154
Changes in:			
Accounts payable	131,163	--	114,236
Prepaid expenses	(60,525)	--	(60,525)
Accrued liabilities	83,697	938	108,265
Notes Payable	(5,000)	15,000	(5,000)
	-----	-----	-----
Net Cash Used In Operating Activities	(689,485)	(26,093)	(765,093)
	-----	-----	-----
Cash Flows From Investing Activities			
Purchase of license	(107,742)	--	(107,742)
Purchase of property & equipment	(15,501)	--	(15,501)
Merger with Sportan United Industries	303	675	303
	-----	-----	-----
Net Cash Provided By (Used In) Investing Activities	(122,940)	675	(122,940)
	-----	-----	-----
Cash Flows From Financing Activities			
Common Stock issued for cash	9,000	--	9,676
Proceeds from debt	1,554,634	50,000	1,629,634
Common stock payable to note holders	288,366	--	288,366
	-----	-----	-----
Net Cash Provided By Financing Activities	1,852,000	50,000	1,927,676
	-----	-----	-----
Net change in cash	1,039,575	24,582	1,039,643
Cash at beginning of year	68	--	--
	-----	-----	-----
Cash at end of year	\$ 1,039,643	\$ 24,582	\$ 1,039,643
	=====	=====	=====

PHARMAFRONTIERS CORPORATION
(A Development Stage Company)

NOTES TO FINANCIAL STATEMENTS
(unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim financial statements of Pharmafrontiers Corporation, ("Pharma"),(a development stage company), have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission ("SEC"), and should be read in conjunction with the audited financial statements and notes thereto contained in the Pharma's latest Annual Report filed with the SEC on Form 8-K. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited financial statements for the most recent fiscal year, 2003, as reported in Form 8-K, have been omitted.

NOTE 2 - LICENSE AGREEMENT

In February 2004 Pharma entered into an agreement with the University of Chicago for the worldwide license to technology developed at Argonne National Laboratory, a U.S. Department of Energy Laboratory Operated by the University of Chicago. In consideration for the license, Pharma paid the University \$25,000 and authorized the issuance of 375,375 shares of its common stock. Of which, 187,688 were issued on February 20, 2004 and 187,687 will be issued upon achievement of certain lab testing results regarding stem cells at Argonne. Per agreement terms, upon the latter of a) testing monocyte derived stem cells in humans by any party, or b) issuance of a US patent to the University of Chicago related to UHCI# ANL-IN-02-021, Pharma will issue to the University a number of shares of stock such that the University's ownership of Pharma stock is equal to 10% of the then fully diluted outstanding shares less the University's pro rata portion of the number of shares actually issued by Pharma as a whole or in partial consideration for any merger, stock purchase, or other acquisition by Pharma of all or substantially all of the stock or assets of another company, or for any license to Pharma of additional technology related to the commercialization of Licensed Product. In May 2004, Pharma paid an additional \$32,742 to the University of Chicago in association with the licensing agreement. The full payment was capitalized.

In June of 2004, Pharma paid \$50,000 to The University of Texas MD Anderson Cancer Center for the option to negotiate a licensing agreement for the use of peripheral blood stem cells for cardiac regeneration. The fee will be credited to a licensing fee upon negotiation of the licensing agreement. The option to negotiate the licensing agreement expires on September 21, 2004.

NOTE 3 - STOCK PURCHASE AGREEMENT

In June of 2004, Pharma was acquired by Sportan United Industries, Inc. in a transaction accounted for as a reverse acquisition. Pharma's shareholders were issued 6,386,439 Sportan shares in exchange for 100 percent of the outstanding common shares of Pharma. Immediately following this transaction, Sportan had 7,383,838 shares outstanding. The former owners of Pharma now hold 86 percent of the combined entity.

NOTE 4 - NOTES PAYABLE

In September of 2004, Pharma issued convertible notes to investors totaling \$1,610,000. A description of the notes is as follows:

Principal

At maturity, November 30, 2005, the principal amount of the Notes will be mandatorily convertible into shares of Common Stock at the conversion price (as described below).

Interest

Interest on the Notes will accrue at a rate of 15% per annum, computed on the basis of a 360-day year of twelve 30-day months. If an Equity Financing is not completed prior to November 30, 2005, interest will be paid on November 30, 2005. Interest will be paid in cash or at the option of Pharma in shares of Common Stock valued at \$3.00 per share.

Mandatory Exchange

In the event that Pharma raises \$10,000,000 in one or a series of transactions of Common Stock or Common Stock equivalent securities prior to the maturity of the Notes ("Equity Financing"), the principal amount of the Notes will be automatically exchanged for the securities issued in the Equity Financing, such exchange to occur upon the closing of the Equity Financing and the consideration paid for the exchange shall be the principal amount of the Note. The purchase price in the mandatory exchange shall be equal to the weighted average gross offering price of the common stock or common stock equivalents issued in the Equity Financing resulting in gross proceeds raised of at least \$10 million in one or more series of transactions by Pharma. Pharma will pay accrued interest on the closing date in cash or shares of Common Stock valued at the Common Stock equivalent offering price of the Equity Financing.

Conversion and conversion price

Upon maturity, in the event that there is no Equity Financing, the principal amount of the Note will automatically convert into Common Stock and Pharma will have the right to pay the accrued interest on Notes in cash or through the issuance of shares of Common Stock. The number of shares of Common Stock shall be determined by dividing the outstanding indebtedness by the conversion price in effect at the time of conversion. The conversion price of the principal amount and accrued interest of the Notes shall be \$3.00 per share. The conversion price will be adjusted from time to time upon the occurrence of certain events.

Kicker shares

For each \$100,000 of principal amount of Notes purchased, Pharma will issue 10,000 shares of Common Stock.

Warrants

If the Notes are mandatorily exchanged for Pharma securities issued in the Equity Financing, Pharma will issue investors one-year Warrants. The number of Warrants to be issued will be determined by dividing the aggregate principal amount of the Notes by the exercise price (as defined in the following sentence). The exercise price of the Warrants will be equal to 50% of the weighted average gross offering price of the common stock or common stock equivalents issued in the Equity Financing resulting in gross proceeds raised of at least \$10 million in one or more series of transactions by Pharma. If there is no Equity Financing prior to the maturity of the Notes, Pharma will issue Note holders Warrants identical to those issued upon a mandatory exchange, except that the exercise price shall equal the conversion price.

The notes have been discounted for the relative fair value of the warrants, relative fair value of the stock, and beneficial conversion feature. As of September 30, 2004, the stock has not been issued to the investors. The proceeds from the notes have been reduced by the relative fair value of the common stock. All discount will be amortized over the life of the note. A conversion price of \$3 per share and conversion date of November 30, 2005 was used to calculate the discounts. A summary of the notes is as follows:

	Notes Payable

Gross proceeds from notes	\$ 1,610,000
Less: Stock payable to shareholders	(288,366)

Net proceeds from notes	1,321,634
Less: Relative value of warrants	(961,178)
Less: Beneficial conversion feature	(360,456)
Add: Amortization of discounts	13,813

Value of note on September 30, 2004	\$ 13,813
	=====

NOTE 5 - EQUITY

In August 2004, 30,000 shares of common stock were issued to a director per the terms of their director agreement. The stock was valued at \$.40 per share for a total of \$12,000.

In August 2004, 10,000 shares of common stock were issued to a consulting firm per the terms of their consulting agreement. The stock was valued at \$.40 per share for a total of \$4,000.

NOTE 6 - BOARD OF DIRECTORS AGREEMENTS

In August of 2004, Pharma signed an agreement with an individual to be a Board of Director's member. The agreement resulted in the authorization of an option to purchase 80,000 shares of common stock and a salary of \$15,000 per year. The exercise price shall be equal to the weighted average gross offering price of the common stock or common stock equivalents issued in the Equity Financing resulting in gross proceeds raised of at least \$10 million in one or more series of transactions by the Company. The exercise price may not be below \$5 per share. The options expire on August 20, 2009.

NOTE 7 - SUBSEQUENT EVENTS

On October 7, 2004 Pharma entered into an agreement to acquire all of the outstanding stock of Opexa Pharmaceuticals, Inc. ("Opexa"). The agreement was closed on November 5, 2004. 2,500,000 shares of Pharma's common stock will be issued to Opexa's shareholders for all the outstanding stock of Opexa. The acquisition was accounted for under the purchase method, where all of Opexa's assets are restated to their fair market value on the acquisition date, which approximated book value. The 2,500,000 shares of Pharma were valued at \$23,750,000 or \$9.50 per share, which represents their current value.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

FORWARD-LOOKING STATEMENTS

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

The following discussion and analysis of the Company's financial condition as of September 30, 2004, the Company's results of operations and cash flows should be read in conjunction with the Company's unaudited financial statements and notes thereto included elsewhere in this report and the audited financial statements and the notes thereto included in the Company's Form 8-K filed on June 4, 2004.

GENERAL

We have recently entered the biotechnology industry, specifically the research and development of adult pluripotent stem cells derived from adult human peripheral blood. Initially, our business strategy will be focused on raising capital in order to (i) open and operate a blood cell bank, (ii) open and operate a research and development facility, and (iii) collaborate with various third parties including, but not limited to, sublicenses, licenses and patents related to research and development of cellular therapies using adult pluripotent stem cells and complementary therapies. We believe that further research and development of adult pluripotent stem cells from adult human peripheral blood could improve many conditions and diseases affecting humans. Our goal is to produce or create, either through our own research and development or in collaboration with third parties, acceptable product(s) to be sold to end line users.

RECENT REORGANIZATION AND ACQUISITION

In June 2004, Pharma was acquired by Sportan United Industries, Inc. ("Sportan") in a transaction accounted for as a reverse acquisition. Pharma's shareholders were issued 6,386,439 Sportan shares in exchange for all of the outstanding common shares of Pharma. Immediately following this transaction, Sportan had 7,383,838 shares outstanding, and the former owners of Pharma held 86% of the combined entity. Accordingly, the financial statements of Pharma have become the financial statements of the Company. As a result of the reorganization, \$148,035 of Sportan debt was assumed by Pharma, and paid in capital of Pharma was reduced by \$197,603. The equity of Sportan survived the reorganization. Following the June 2004 acquisition of Pharma by Sportan, Pharma became our subsidiary and its name was changed to AlMagnus Corp. and Sportan's name was changed to our current corporate name. We filed a Form 8-K on June 4, 2007 that contains a detailed discussion of the reverse reorganization. Upon the closing of the reorganization, the Company changed its fiscal year to Dec. 31, beginning with the quarter ended June 30, 2004.

On November 8, 2004, Pharma acquired Opexa Pharmaceuticals, Inc., a Delaware corporation ("Opexa") through an all-stock transaction whereby Opexa shareholders received 2.5 million shares of Pharma in exchange for all of the capital stock of Opexa. Through an agreement and plan of reorganization, Pharma's wholly owned subsidiary, merged with and into Opexa (the "Merger"). From an accounting standpoint, the acquisition was accounted for under the purchase method and Opexa became the wholly owned subsidiary of Pharma. On November 12, 2004, we filed a Current Report on Form 8-K disclosing Opexa's financial statements and pro forma financial information.

CRITICAL ACCOUNTING POLICIES

In December 2001, the SEC requested that companies discuss their most "critical accounting policies" in the Management's Discussion and Analysis section of their reports. The SEC indicated that a "critical accounting policy" is one that is important to the portrayal of a company's financial condition and operating results and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations are discussed throughout this section where such policies affect our reported and expected financial results.

CASH EQUIVALENTS. Highly liquid investments with original maturities of three months or less are considered cash equivalents. There were no cash equivalents as of September 30, 2004.

LONG-LIVED ASSETS. Property and equipment are stated on the basis of historical cost less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Major renewals and improvements are capitalized, while minor replacements, maintenance and repairs are charged to current operations. Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount.

INCOME TAXES. Income tax expense is based on reported earnings before income taxes. Deferred income taxes reflect the impact of temporary differences between assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes, and are measured by applying enacted tax rates in effect in years in which the differences are expected to reverse.

BASIC AND DILUTED LOSS PER SHARE. Basic and diluted loss per share equals net loss divided by weighted average shares outstanding during the period. Diluted loss per share includes the impact of common stock equivalents using the treasury stock method when the effect is dilutive. There are no common stock equivalents as of September 30, 2004 that are dilutive.

USE OF ESTIMATES IN FINANCIAL STATEMENT PREPARATION. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STOCK OPTIONS AND WARRANTS. Pharma accounts for non-cash stock-based compensation issued to non-employees in accordance with the provisions of 28 SFAS No. 123 and EITF No. 96-18, Accounting for Equity Investments That Are Issued to Non-Employees for Acquiring, or in Conjunction with Selling Goods or Services. Common stock issued to non-employees and consultants is based upon the value of the services received or the quoted market price, whichever value is more readily determinable. We account for stock options and warrants issued to employees under the intrinsic value method. Under this method, We recognize no compensation expense for stock options or warrants granted when the number of underlying shares is known and the exercise price of the option or warrant is greater than or equal to the fair market value of the stock on the date of grant.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS. We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on their financial position, results of operations or cash flow.

RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED WITH INCEPTION TO SEPTEMBER 30, 2003

For purposes of this MD&A, we are comparing our nine-months ended September 30, 2004 with the financials from inception to September 30, 2003 ("Inception").

NET SALES. We recorded no sales for the nine months ended September 30, 2004 which resulted in no change from Inception to September 30, 2003.

GENERAL AND ADMINISTRATIVE EXPENSES. Our general and administrative expenses increased during the nine months ended September 30, 2004, to \$1,685,714 as compared to \$41,093 from Inception to September 30, 2003. The increase in general and administrative expenses is due primarily to the start-up of operations which included the hiring of new personnel including employees and directors and a scientific advisory board member. These individuals have agreements with the Company which provide for salary payments. The increase in operations is also attributable to occupancy expenses for temporary corporate offices and professional fees incurred from legal, accounting, and consulting services to secure and expand our license patent claims. Such anticipated future expenses may include research and development, professional and consulting fees, and expenses associated with manufacturing facilities.

INTEREST EXPENSE. Interest expense increased to \$169,966 for the nine months ended September 30, 2004, compared to \$18,899 from Inception to September 30, 2003. The increase is primarily related to the payment of interest to convertible notes held by former PharmaFrontiers' investors who converted their notes prior to the June Reorganization.

NET LOSS. The Company had net loss for the nine months ended September 30, 2004, of \$1,851,323, or (\$0.31) per share (basic and diluted), compared with a net loss of \$59,992, or (\$0.01) per share (basic and diluted), from Inception to

September 30, 2003. The primary reason for the increase in net loss was the startup of operations which included the hiring of new personnel including employees and directors and a scientific advisory board member. These individuals have agreements with the Company which provide for salary payments. The increase in operations is also attributable to occupancy expenses for temporary corporate offices and professional fees incurred from legal, accounting, and consulting services to secure and expand our license patent claims.

THREE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 2003

NET SALES. We recorded no sales for the quarter ended September 30, 2004 which resulted in no change from the quarter ended September 30, 2003.

GENERAL AND ADMINISTRATIVE EXPENSES. Our general and administrative expenses increased during the quarter ended September 30, 2004, to \$612,145 as compared to \$26,687 from quarter ended September 30, 2003. The increase in general and administrative expenses is due primarily to the hiring of new personnel including employees and directors and a scientific advisory board member. These individuals have agreements with the Company which provide for salary payments. The increase in operations is also attributable to occupancy expenses for temporary corporate offices and professional fees incurred from legal, accounting, and consulting services to secure and expand our license patent claims. Such anticipated future expenses may include research and development, professional and consulting fees, and expenses associated with manufacturing facilities. Such anticipated future expenses may include research and development, professional and consulting fees, and expenses associated with manufacturing facilities.

INTEREST EXPENSE. Interest expense increased to \$20,462 for the quarter ended September 30, 2004, compared to \$15,414 from the three months ended September 30, 2003. The increase is primarily related to the payment of interest to convertible notes held by former PharmaFrontiers' investors who converted their notes prior to the June reorganization.

NET LOSS. The Company had net loss for the quarter ended September 30, 2004, of \$628,250 or \$(0.08) per share (basic and diluted), compared with a net loss of \$42,101 or \$(0.001) per share (basic and diluted), for the three months ended September 30, 2003. The primary reason for the increase in net loss was the startup of operations which included the hiring of new personnel including employees and directors and a scientific advisory board member. These individuals have agreements with the Company which provide for salary payments. The increase in operations is also attributable to occupancy expenses for temporary corporate offices and professional fees incurred from legal, accounting, and consulting services to secure and expand our license patent claims.

LIQUIDITY AND CAPITAL RESOURCES

CHANGES IN CASH FLOW. Cash used by operations for the nine-month period increased from (\$26,093) from Inception to September 30, 2003 to (\$689,485) for the nine months ended September 30, 2004 because of an increase in operations and stock issued for services. Cash provided from investing activities was \$675 during Inception to September 30, 2003, as compared to cash used in investing activities of (\$122,940) for the nine months ending September 30, 2004. The decrease is primarily due to the purchase of office equipment.

Cash provided from financing activities was \$50,000 from Inception to September 30, 2003, as compared to cash provided by financing activities for the nine months ended September 30, 2004 of \$1,852,000. The increase is a result of the proceeds from debt.

LIQUIDITY. Historically, the Company has financed its operations from the sale of its debt and equity securities (including the issuance of its securities in exchange for goods and services). On September 30, 2004 the Company completed a private placement of a principal amount of \$1,610,000 of 15% exchangeable convertible Subordinated notes ("Notes"). The Company netted \$1,549,700 after deducting broker commissions. The Notes are mandatorily exchangeable for securities at the earlier of an Equity Financing (as defined below) or upon maturity on November 30, 2005. The Notes and accrued interest are convertible at a purchase price equal to the weighted average gross offering price of the Company common stock or common stock equivalents issued in an Equity Financing. If no such Equity Financing occurs, the Notes and accrued interest are convertible at \$3.00 per share. An Equity Financing is defined as a Company raise of at least \$10,000,000 in one or a series of transactions of common stock or common stock equivalent securities prior to the maturity of the Notes.

As additional consideration for the purchase of Notes, the Company issued to investors an aggregate of 161,000 shares of Company common stock and, upon the earlier of an Equity Financing or maturity of the Notes, each investor will receive a one-year warrant.

The number of shares of common stock underlying the warrant each investor will be issued will be determined by dividing the aggregate principal amount of the Notes by the exercise price. The exercise price will be equal to 50% of the weighted average gross offering price of Company equity issued in an Equity Financing or, if there is no Equity Financing, \$3.00.

As of September 30, 2004, the Company had working capital of \$383,689, and cash of \$1,039,643. The Company's current burn rate is \$400,000 per month. This burn rate is expected to increase in the coming months as the operations of the Company ramp up. The Company believes that it has sufficient cash to fund our operations through December 2004 and will need an additional \$8,000,000 to fund operations through June 30, 2005. We continue to attempt to raise proceeds from the sale of Notes, although there can be no assurance that we will be successful in raising additional proceeds to continue to fund our operations. This money will be used for research and development and for general and administrative expenses.

ITEM 3. EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

(A) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Our principal executive officer and principal financial officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 (Exchange Act) Rules 13a-15(e) and 15d-15(e)) as of September 30, 2004, have concluded that our disclosure controls and procedures are effective in providing reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

(B) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING.

The management of the Company, with the participation of the principal executive officer and principal financial officer, has concluded there were no significant changes in the Company's internal controls over financial reporting that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II
OTHER INFORMATION**

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGE IN SECURITIES

RECENT SALES OF UNREGISTERED SECURITIES

Set forth below is certain information concerning all issuances of securities by the Company during the fiscal quarter ended September 30, 2004 that were not registered under the Securities Act.

In October 2004, the Company issued 161,000 shares of its Common Stock to seventeen accredited investors in connection with a convertible debt private placement

In August 2004, the Company issued to a director one option to purchase 80,000 shares of Common Stock at the exercise price of \$10.00 per share, subject to reduction of not less than \$5.00 per share, depending upon the price of subsequent Equity Financings.

In August 2004, the Company issued to an employee an option to purchase 370,000 shares of Common Stock upon the signing of his Employment Agreement of which 10,000 shares vested immediately upon signing, and 10,000 vests each month thereafter. The exercise price is \$10.00 per share, subject to reduction of not less than \$5.00 per share, depending upon the price of subsequent Equity Financings.

In August 2004, the Company issued to a scientific advisory board member one option to purchase 100,000 shares of Common Stock subject which vests upon the successful transfer of technology from the University of Chicago to the Company at the exercise price equal to the offering price of the Common Stock in an Equity Financing.

In August 2004, the Company authorized the issuance of 30,000 shares of its Common Stock to a director in exchange for services rendered, which shares will be issued in December 2004.

In August 2004, the Company authorized the issuance of 10,000 shares of its Common Stock to Sanders Morris Harris in as required under the terms of the "Financing and Strategic Advisory Agreement" dated June 12, 2004, which shares will be issued in December 2004.

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

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

ITEM 3 DEFAULT UPON SENIOR SECURITIES.

None.

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

Effective June 15, 2004, the Company's board of directors and the shareholders holding in excess of 67% of the voting power of our common stock approved the following actions pursuant to a written consent:

1) To amend and restate our articles of incorporation:

a. to change of our corporate name from "Sportan United Industries, Inc." to "PharmaFrontiers Corp."; b. to change the street name from "3170 Old Houston Road, Huntsville, Texas 77340" to "18205 Burkhardt Road, Tomball, TX 77377";

c. to state that the number of directors who shall constitute the Board of Directors shall equal not less than two nor more than 10;
d. to reflect previous amendments to our articles of incorporation filed on April 13, 2004, March 5, 2004 and May 9, 2000 into one restated articles of incorporation;

2) to approve the June 2004 Compensatory Stock Option Plan; and

3) to elect Jeffrey Adduci and Robert H. Gow as directors.

The amendment and restatement to the Company's articles of incorporation was filed and became effective with the Texas Secretary of State on July 20, 2004. The June 2004 Compensatory Stock Option plan became effective on July 20, 2004, and the two nominees became directors on July 20, 2004.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

Exhibit 2.1 Merger Agreement (1) Exhibit 3.1 Articles of Incorporation and By-laws (2) Exhibit 10.1 Director's Agreement for David McWilliams (3) Exhibit 10.2 Director's Agreement for Brian Rodriguez (3) Exhibit 10.3 Scientific Advisory Board Agreement for Yong Zhao (3) Exhibit 10.4 Employment Agreement for David McWilliams (3) Exhibit 31.1 Chief Executive Officer Certification Pursuant to Section 13a-14 of the Securities Exchange Act (3) Exhibit 31.2 Chief Financial Officer Certification Pursuant to Section 13a-14 of the Securities Exchange Act (3) Exhibit 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes- Oxley Act of 2002 (3) Exhibit 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes- Oxley Act of 2002 (3)

(1) Filed Previously on Form 8-K filed on October 8, 2004.

(2) Filed Previously as Exhibit A to the company's definitive information statement filed on Schedule 14C on June 29, 2004.

(3) Filed herewith.

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.

PHARMAFRONTIERS CORPORATION, INC.

Date: November 15, 2004

By: /s/ David B. McWilliams

David B. McWilliams, CEO

By: /s/ William Rouse

William Rouse, CFO

EXHIBIT 10.1

DIRECTOR'S AGREEMENT

This Director's Agreement (this "Agreement") is made and entered into as of the 23rd day of August, 2004, (the "Effective Date"), by and between David McWilliams (hereinafter referred to as "Director") and PharmaFrontiers Corp. ("PharmaFrontiers").

WITNESSETH:

WHEREAS, the shareholders of PharmaFrontiers wish to elect Director to serve on the Board of Directors (the "Board") of PharmaFrontiers, and Director has agreed to serve at the pleasure of the shareholders and on the terms and conditions below; and

WHEREAS, PharmaFrontiers' success requires the protection of its intellectual property, proprietary information and goodwill;

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Appointment as Director

PharmaFrontiers shall appoint Director to the Board of PharmaFrontiers at the next meeting of the Board, and, upon such appointment, Director agrees that Director will devote the amount of time, skill, and efforts during the term of this Agreement to the affairs of PharmaFrontiers as may be reasonably requested and required of Director and in accordance with the duties and obligations imposed upon directors of corporations by applicable law.

2. Compensation

PharmaFrontiers shall compensate Director for his expenses in attending and participating in meetings of the Board. All compensation paid Director shall be subject to such payroll and withholding deductions as may be required by law or the policies of PharmaFrontiers.

3. Confidential and Proprietary Information; Documents

3.1 PharmaFrontiers shall provide Director with information deemed secret and confidential by PharmaFrontiers. Such secret or confidential information or know-how of PharmaFrontiers (referred to collectively as "Confidential Information") shall include, without limitation, the following: the status and plans for research and development; materials, cells, tissues, and other biological samples and specimens; cell banking methods, apparatus, and services; pending and planned patent applications (until published by the Patent Office); invention disclosures; research and technical data and information; methods of creating, preparing, and using stem cells and other biological materials; license, sublicense, and

other information; contributor information; strategies, costs, prices, uses, applications of products and services; results of and data from investigations or experiments; all apparatus, products, processes, compositions, samples, formulas, computer programs, pricing policy, financial information, and methods of doing business; policy and/or procedure manuals, training and recruiting procedures; accounting procedures; the status and content of PharmaFrontiers' contracts with its contributors, clients, and customers; PharmaFrontiers' business philosophy, and servicing methods and techniques; all at any time used, developed, or investigated by PharmaFrontiers, before or during the term of this Agreement, which are not generally available to the public or which are maintained as confidential by PharmaFrontiers.

3.2 Director recognizes and acknowledges that Director will have access to certain information of PharmaFrontiers that is confidential and proprietary and constitutes valuable and unique property of PharmaFrontiers. Director agrees that Director will not at any time, either during or subsequent to the term of this Agreement, disclose to others, use, copy or permit to be copied, except in pursuance of Director's duties on behalf of PharmaFrontiers, its successors, assigns or nominees, or as required by the order of any tribunal having jurisdiction or by mandatory provisions of applicable law, any Confidential Information or know-how of PharmaFrontiers without the prior written consent of the Board of PharmaFrontiers. Director further agrees to maintain in confidence any confidential information of third parties received as a result of Director's relationship with PharmaFrontiers.

3.3 Director further agrees to deliver to PharmaFrontiers promptly after his resignation, removal or failure to be nominated or elected as a member of the Board, all biological materials correspondence, memoranda, notes, records, drawings, sketches, plans, customer, client and/or contributor lists, product compositions, or other documents and all copies thereof (all of which are hereafter referred to as the "Documents"), made, composed or received by Director, solely or jointly with others, and which are in Director's possession, custody, or control at such date and which are related in any manner to the past, present, or anticipated business of PharmaFrontiers.

3.4 Director further agrees that Director will not, during the term of this Agreement, and on behalf of PharmaFrontiers accept or agree to receive from persons not employed by PharmaFrontiers, any confidential information not belonging to PharmaFrontiers, unless prior to such receipt or acceptance a valid agreement has been executed between PharmaFrontiers and the disclosing party that states that PharmaFrontiers will not be in a confidential relationship with the disclosing party. Director further agrees that Director will not use in violation of any confidentiality obligation binding upon Director any confidential information belonging to Director's employer or any former employer, or any other third parties.

3.5 In the event of a breach or threatened breach of any of the provisions of Section 4, or an breach by Director of his fiduciary obligation to PharmaFrontiers and its shareholders, PharmaFrontiers shall be entitled to an injunction ordering the return of such Documents and any and all copies thereof and restraining Director from using or disclosing, for Director's benefit or the benefit of others, in whole or in part, any Confidential Information, including but not limited to the Confidential Information which such Documents contain, constitute, or embody. Director further agrees that any breach or threatened breach of any of the

provisions of Section 4 would cause irreparable injury to PharmaFrontiers for which it would have no adequate remedy at law. Nothing herein shall be construed as prohibiting PharmaFrontiers from pursuing any other remedies available to it for any such breach or threatened breach, including the recovery of damages.

4. Noncompetition/No-Hire Agreement

4.1 Director agrees that, from the Effective Date until a period of one (1) year following the date of his resignation removal or failure to be nominated or elected as a member of the Board, (the "Noncompetition Period"), Director will not directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, corporate officer, director, or in any other individual or representative capacity, engage or participate in any "Competitive Business" anywhere in the United States of America, Canada or the European Union (the "Noncompetition Territory"). As used herein, a "Competitive Business" is defined as any business, including those relating to stem cells or cell banking, which provides the same or substantially the same products, services or licenses to intellectual property rights, in whole or in part, as are provided by PharmaFrontiers during the term of this Agreement.

4.2 Director further agrees that during the Noncompetition Period and within the Noncompetition Territory Director will not, directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, corporate officer, director, or in any other individual or representative capacity, call on, solicit, recruit, or attempt to call on, solicit, or recruit, or attempt to hire any of the employees of PharmaFrontiers, regardless of whether for the benefit of the Director or for any other person, firm, or corporation.

4.3 Director shall not during the Noncompetition Period and within the Noncompetition Territory, either directly or indirectly (i) make known to any Competitive Business the names and addresses of any of PharmaFrontiers' customers or contacts or any other information pertaining to such persons or businesses or (ii) call on, solicit, or take away, or attempt to call on, solicit or take away any of the customers of PharmaFrontiers with whom Director became acquainted during Director's service as a member of PharmaFrontiers' Board, regardless of whether for the benefit of the Director or for any other person, firm or corporation.

4.4 Director agrees that this Section is ancillary to this Agreement, and Director acknowledges that the consideration given by PharmaFrontiers for this Agreement includes PharmaFrontiers' agreement to provide to the Director access to the Confidential Information. Further, the existence of any claim or cause of action of Director against PharmaFrontiers or any officer, director, or employee of PharmaFrontiers, whether predicated on this Agreement or otherwise, shall not constitute a

defense to the enforcement by PharmaFrontiers of Director's covenants contained in this Agreement. In addition, this Agreement shall continue to be binding upon Director in accordance with its terms, notwithstanding the termination of this Agreement.

4.5 Director agrees that Director's breach or violation, or threat thereof, of this covenant not to compete shall entitle PharmaFrontiers, as a matter of right, to an injunction without the necessity of posting bond, issued by any court of competent jurisdiction, restraining any further or continued breach or violation of this covenant. Such right to an injunction shall be cumulative and in addition to, and not in lieu of, any other remedies to which PharmaFrontiers may show itself justly entitled. Further, during any period in which Director is in breach of this covenant not to compete, the time period of this covenant shall be extended for an amount of time that Director is in breach.

5. Inventions and Other Intellectual Property

5.1 Director agrees to hold in complete trust for the benefit of PharmaFrontiers, and to disclose and fully to PharmaFrontiers in writing, and hereby assigns, and binds Director's heirs, executors, administrators, and all legal representatives to assign, to PharmaFrontiers any and all inventions, discoveries, ideas, concepts, improvements, copyrightable works, biological materials, and other developments (all of the above are collectively referred to as the "Developments") conceived, made, discovered or developed by him, solely or jointly with others, during the term of this Agreement, whether during or outside of usual wet-king hours and whether on PharmaFrontiers' premises or not, which relate in any manner to the past, present or anticipated business of PharmaFrontiers. The parties agree that, if Director is an inventor as determined by U.S. patent law for any invention, Director shall be named as an inventor in connection with any patent application therefore. Any and all such Developments shall be the sole and exclusive property of PharmaFrontiers, whether patentable, copyrightable, or neither, and Director agrees that Director will assist and fully cooperate in every way, at PharmaFrontiers' expense, in securing, maintaining, and enforcing, for the benefit of PharmaFrontiers or its designee, patents, copyrights or other types of proprietary or intellectual property protection for such Developments in any and all countries. Director acknowledges and agrees that any and all such Developments conceived, created, or authored by him is a "work made for hire," as defined by the federal copyright laws, and therefore all copyrights in and to such works are and will be owned by PharmaFrontiers. To the extent that Director authors any copyrightable work in any medium during the term of this Agreement which relates or pertains in any way to PharmaFrontiers or any of the operations or activities of either and which was is held not a work made for hire. Director hereby assigns all right.

title, and interest, including but not limited to all rights of copyright, in and to such works to PharmaFrontiers. Within six months following the termination of this Agreement, and without limiting the generality of the foregoing, any Development of the Director relating to any PharmaFrontiers subject matter on which Director worked or was informed during the term of this Agreement shall be conclusively presumed to have been conceived and made prior to the termination of this Agreement (unless the Director clearly proves that such Development was conceived and made following the termination of this Agreement), and shall accordingly belong, and be assigned to PharmaFrontiers and shall be subject to this Agreement.

5.2 Without limiting the foregoing, Director agrees at the request of PharmaFrontiers (but without additional compensation from PharmaFrontiers during Director's employment by PharmaFrontiers) to execute any and all papers and perform all lawful acts which PharmaFrontiers deems necessary for the preparation, filing, prosecution, and maintenance of applications for United States and foreign letters patent or for United States and foreign copyrights, on the Developments, and to execute such instruments as are necessary or convenient to assign to PharmaFrontiers, its successors, assigns or nominees, all of the Director's right, title, and interest in the Developments and the like, so as to establish, maintain or perfect, in PharmaFrontiers, its successors, assigns or nominees, the entire right, title, and interest to the Developments, and also to execute any instruments necessary or which PharmaFrontiers may deem desirable in connection with any continuation, renewal or reissue thereof, or in the conduct of any proceedings or litigation in regard thereto.

5.3 All expenses incurred by the Director by reason of the performance of any of the obligations set forth in this Section on Inventions shall be borne by PharmaFrontiers. Should the Director's assistance be requested by PharmaFrontiers after termination of this Agreement, PharmaFrontiers would compensate the Director at a reasonable rate.

6. Conflicts of Interest

6.1 In keeping with Director's fiduciary duties to PharmaFrontiers, Director agrees that Director shall not, directly or indirectly, become involved in any conflict of interest, or upon discovery thereof, allow such a conflict to continue. Moreover, Director agrees that Director shall promptly disclose to the Board of PharmaFrontiers any facts which might involve any reasonable possibility of a conflict of interest as PharmaFrontiers is currently and in the future configured and practicing business. Director shall maintain the highest standards of conduct, and shall not do anything likely to injure the reputation or goodwill of PharmaFrontiers, or embarrass or otherwise generate adverse publicity for or bring unwanted attention to PharmaFrontiers.

6.2 It is agreed that any direct or indirect interest in, connection with, or benefit from any outside activities, particularly commercial activities, which interest might in any way adversely affect PharmaFrontiers or any of its subsidiaries or affiliates, involves a possible conflict of interest. Circumstances in which a conflict of interest on the part of Director would or might arise, and which should be reported immediately by Director to an officer of PharmaFrontiers, include, without limitation, the following: (a) ownership of a material interest in, acting in any capacity for, or accepting directly or indirectly any payments, services or loans from a supplier, contractor,

subcontractor, customer or other entity with which PharmaFrontiers does business; (b) misuse of information or facilities to which Director has access in a manner which will be detrimental to PharmaFrontiers' interest; (c) disclosure or other misuse of information of any kind obtained through the Director's connection with PharmaFrontiers; (d) acquiring or trading in, directly or indirectly, other properties or interests connected with the design, manufacture or marketing of products designed, manufactured or marketed by PharmaFrontiers; (e) the appropriation to the Director or the diversion to others, directly or indirectly, of any opportunity in which it is known or could reasonably be anticipated that PharmaFrontiers would be interested; and (f) the ownership, directly or indirectly, of a material interest in an enterprise in competition with PharmaFrontiers or its dealers and distributors or acting as a director, officer, partner, consultant, Director or agent of any enterprise which is in competition with PharmaFrontiers or its dealers or distributors.

7. Prior Discoveries

Director has no unpatented inventions and discoveries made or conceived by Director prior to the Effective Date that relate to stem cell isolation, identification and/or expansion and/or cell banking.

8. Remedies

Director and PharmaFrontiers agree that, because damages at law for any breach or nonperformance of this Agreement by Director, while recoverable, are and will be inadequate, this Agreement may be enforced in equity by specific performance, injunction, accounting or otherwise.

9. Miscellaneous

9.1 This Agreement is made and entered into as of the Effective Date and the rights and obligations of the parties hereto shall be binding upon the heirs and legal representatives of the Director and the successors and assigns of PharmaFrontiers. This Agreement may be assigned by PharmaFrontiers (including assignment by operation of law to any successor to the business of PharmaFrontiers by merger, consolidation or other business combination) without the consent of Director but is personal to the Director and no rights, duties, and obligations of Director hereunder may be assigned without the consent of PharmaFrontiers or its assigns, which may be granted or withheld in its sole discretion.

9.2 No waiver or non-action with respect to any breach by the other party of any provision of this Agreement, nor the waiver or non-action with respect to any breach of the provisions of similar agreements with other Directors shall be construed to be a waiver of any succeeding breach of such provision, or as a waiver of the provision itself.

9.3 Should any portions hereof be held to be invalid or wholly or partially unenforceable, such holding shall not invalidate or void the remainder of this Agreement. The portions held to be invalid or unenforceable shall be revised and reduced in scope so as to be valid and

enforceable, or, if such is not possible, then such portions shall be deemed to have been wholly excluded with the same force and effect as it if had never been included herein.

9.4 Director's obligations under this Agreement to PharmaFrontiers shall survive Director's resignation, removal or failure to be nominated or elected as a member of the Board of PharmaFronteirs.

9.5 This Agreement supersedes, replaces and merges any and all prior and contemporaneous understandings, representations, agreements and discussions relating to the same or similar subject matter as that of this Agreement between Director and PharmaFronteirs and constitutes the sole and entire agreement between the Director and PharmaFrontiers with respect to the subject matter of this Agreement.

9.6 The laws of the State of Texas, excluding any conflicts of law rule or principle that might otherwise refer to the substantive law of another jurisdiction, will govern the interpretation, validity and effect of this Agreement without regard to the place of execution or the place for performance thereof, and PharmaFronteirs and Director agree that the state and federal courts in Harris county, Texas, shall have personal jurisdiction and venue over PharmaFrontiers and Director to hear all disputes arising under this Agreement. This Agreement is to be at least partially performed in Harris County, Texas.

9.7 All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be deemed to have given when mailed by registered mail or certified mail, return receipt requested, as follows:

If to PharmaFronteirs, to:

Mr. Warren C. Lau PharmaFrontiers Corporation 18205 Burkhardt
Road Tomball, Texas 77377

If to Director, to:

David McWilliams

or to such other addresses as either party may designate by notice to the other party hereto in the manner specified in this section.

9.8 This Agreement may not be changed or terminated orally, and no change, termination or waiver of this Agreement or of any of the provisions herein contained shall be binding unless made in writing and signed by both parties, and in the case of PharmaFrontiers, by an authorized officer of PharmaFrontiers. Any change or changes, from time to time, in Director's compensation shall not be deemed to be, a change, termination or waiver of this Agreement or of any of the provisions herein contained.

IN WITNESS WHEREOF, the undersigned have hereby caused this Agreement to be effective as of the date first written above.

PharmaFronteirs Corp., a Texas Corporation

By: /s/ Warren Lau

Warren Lau, President

By: /s/David McWilliams

David McWilliams

DIRECTOR'S AGREEMENT

This Director's Agreement (this "Agreement") is made and entered into as of the 23rd day of August, 2004, (the "Effective Date"), by and between Brian Rodriguez (hereinafter referred to as "Director") and PharmaFrontiers Corp. ("PharmaFrontiers").

WITNESSETH:

WHEREAS, the shareholders of PharmaFrontiers wish to elect Director to serve on the Board of Directors (the "Board") of PharmaFrontiers, and Director has agreed to serve at the pleasure of the shareholders and on the terms and conditions below; and

WHEREAS, PharmaFrontiers' success requires the protection of its intellectual property, proprietary information and goodwill;

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Appointment as Director

PharmaFrontiers shall appoint Director to the Board of PharmaFrontiers at the next meeting of the Board, and, upon such appointment, Director agrees that Director will devote the amount of time, skill, and efforts during the term of this Agreement to the affairs of PharmaFrontiers as may be reasonably requested and required of Director and in accordance with the duties and obligations imposed upon directors of corporations by applicable law.

2. Compensation

As compensation for serving as a member of the Board of PharmaFrontiers, PharmaFrontiers agrees upon the execution and delivery of this Agreement to PharmaFrontiers, to issue to Director an option for 80,000 shares of the common stock of PharmaFrontiers. The Option Exercise Price per share: shall initially be \$10.00, and reduced to equal the weighted average gross offering price of shares of Common Stock issued in equity financings by the Company on or after August 1, 2004 resulting in gross proceeds raised by the Company of at least \$5 million in one or more series of transactions of Common Stock or Common Stock equivalents if such weighted average offering price is less than \$10.00; however, in no event shall the exercise price be lower than \$5.00. The Expiration date for vesting: August 20, 2009. The Expiration date for exercising vested Options: August 20, 2009. In addition, PharmaFrontiers will pay Director the sum of \$15,000 annually paid semi-monthly for each year the Director serves as a Director of PharmaFrontiers, which shall compensate Director for his expenses in attending and participating in meetings of the Board. All compensation paid Director shall be subject to such payroll and withholding deductions as may be required by law or the policies of PharmaFrontiers.

3. Confidential and Proprietary Information; Documents

3.1 PharmaFrontiers shall provide Director with information deemed secret and confidential by PharmaFrontiers. Such secret or confidential information or know-how of PharmaFrontiers (referred to collectively as "Confidential Information") shall include, without limitation, the following: the status and plans for research and development; materials, cells, tissues, and other biological samples and specimens; cell banking methods, apparatus, and services; pending and planned patent applications (until published by the Patent Office); invention disclosures; research and technical data and information; methods of creating, preparing, and using stem cells and other biological materials; license, sublicense, and other information; contributor information; strategies, costs, prices, uses, applications of products and services; results of and data from investigations or experiments; all apparatus, products, processes, compositions, samples, formulas, computer programs, pricing policy, financial information, and methods of doing business; policy and/or procedure manuals, training and recruiting procedures; accounting procedures; the status and content of PharmaFrontiers' contracts with its contributors, clients, and customers; PharmaFrontiers' business philosophy, and servicing methods and techniques; all at any time used, developed, or investigated by PharmaFrontiers, before or during the term of this Agreement, which are not generally available to the public or which are maintained as confidential by PharmaFrontiers.

3.2 Director recognizes and acknowledges that Director will have access to certain information of PharmaFrontiers that is confidential and proprietary and constitutes valuable and unique property of PharmaFrontiers. Director agrees that Director will not at any time, either during or subsequent to the term of this Agreement, disclose to others, use, copy or permit to be copied, except in pursuance of Director's duties on behalf of PharmaFrontiers, its successors, assigns or nominees, or as required by the order of any tribunal having jurisdiction or by mandatory provisions of applicable law, any Confidential Information or know-how of PharmaFrontiers without the prior written consent of the Board of PharmaFrontiers. Director further agrees to maintain in confidence any confidential information of third parties received as a result of Director's relationship with PharmaFrontiers.

3.3 Director further agrees to deliver to PharmaFrontiers promptly after his resignation, removal or failure to be nominated or elected as a member of the Board, all biological materials correspondence, memoranda, notes, records, drawings, sketches, plans, customer, client and/or contributor lists, product compositions, or other documents and all copies thereof (all of which are hereafter referred to as the "Documents"), made, composed or received by Director, solely or jointly with others, and which are in Director's possession, custody, or control at such date and which are related in any manner to the past, present, or anticipated business of PharmaFrontiers.

3.4 Director further agrees that Director will not, during the term of this Agreement, and on behalf of PharmaFrontiers accept or agree to receive from persons not employed by PharmaFrontiers, any confidential information not belonging to PharmaFrontiers, unless prior to such receipt or acceptance a valid agreement has been executed between PharmaFrontiers and the disclosing party that states that PharmaFrontiers will not be in a confidential relationship with the disclosing party. Director further agrees that Director will not use in violation of any confidentiality obligation binding upon Director any confidential information belonging to Director's employer or any former employer, or any other third parties.

3.5 In the event of a breach or threatened breach of any of the provisions of Section 4, or an breach by Director of his fiduciary obligation to PharmaFrontiers and its shareholders, PharmaFrontiers shall be entitled to an injunction ordering the return of such Documents and any and all copies thereof and restraining Director from using or disclosing, for Director's benefit or the benefit of others, in whole or in part, any Confidential Information, including but not limited to the Confidential Information which such Documents contain, constitute, or embody. Director further agrees that any breach or threatened breach of any of the provisions of Section 4 would cause irreparable injury to PharmaFrontiers for which it would have no adequate remedy at law. Nothing herein shall be construed as prohibiting PharmaFrontiers from pursuing any other remedies available to it for any such breach or threatened breach, including the recovery of damages.

4. Noncompetition/No-Hire Agreement

4.1 Director agrees that, from the Effective Date until a period of one

(1) year following the date of his resignation removal or failure to be nominated or elected as a member of the Board, (the "Noncompetition Period"), Director will not directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, corporate officer, director, or in any other individual or representative capacity, engage or participate in any "Competitive Business" anywhere in the United States of America, Canada or the European Union (the "Noncompetition Territory"). As used herein, a "Competitive Business" is defined as any business, including those relating to stem cells or cell banking, which provides the same or substantially the same products, services or licenses to intellectual property rights, in whole or in part, as are provided by PharmaFrontiers during the term of this Agreement.

4.2 Director further agrees that during the Noncompetition Period and within the Noncompetition Territory Director will not, directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, corporate officer, director, or in any other individual or representative capacity, call on, solicit, recruit, or attempt to call on, solicit, or recruit, or attempt to hire any of the employees of PharmaFrontiers, regardless of whether for the benefit of the Director or for any other person, firm, or corporation.

4.3 Director shall not during the Noncompetition Period and within the Noncompetition Territory, either directly or indirectly (i) make known to any Competitive Business the names and addresses of any of PharmaFrontiers' customers or contacts or any other information pertaining to such persons or

businesses or (ii) call on, solicit, or take away, or attempt to call on, solicit or take away any of the customers of PharmaFrontiers with whom Director became acquainted during Director's service as a member of PharmaFrontiers' Board, regardless of whether for the benefit of the Director or for any other person, firm or corporation.

4.4 Director agrees that this Section is ancillary to this Agreement, and Director acknowledges that the consideration given by PharmaFrontiers for this Agreement includes PharmaFrontiers' agreement to provide to the Director access to the Confidential Information. Further, the existence of any claim or cause of action of Director against PharmaFrontiers or any officer, director, or employee of PharmaFrontiers, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by PharmaFrontiers of Director's covenants contained in this Agreement. In addition, this Agreement shall continue to be binding upon Director in accordance with its terms, notwithstanding the termination of this Agreement.

4.5 Director agrees that Director's breach or violation, or threat thereof, of this covenant not to compete shall entitle PharmaFrontiers, as a matter of right, to an injunction without the necessity of posting bond, issued by any court of competent jurisdiction, restraining any further or continued breach or violation of this covenant. Such right to an injunction shall be cumulative and in addition to, and not in lieu of, any other remedies to which PharmaFrontiers may show itself justly entitled. Further, during any period in which Director is in breach of this covenant not to compete, the time period of this covenant shall be extended for an amount of time that Director is in breach.

5. Inventions and Other Intellectual Property

5.1 Director agrees to hold in complete trust for the benefit of PharmaFrontiers, and to disclose and fully to PharmaFrontiers in writing, and hereby assigns, and binds Director's heirs, executors, administrators, and all legal representatives to assign, to PharmaFrontiers any and all inventions, discoveries, ideas, concepts, improvements, copyrightable works, biological materials, and other developments (all of the above are collectively referred to as the "Developments") conceived, made, discovered or developed by him, solely or jointly with others, during the term of this Agreement, whether during or outside of usual working hours and whether on PharmaFrontiers' premises or not, which relate in any manner to the past, present or anticipated business of PharmaFrontiers. The parties agree that, if Director is an inventor as determined by U.S. patent law for any invention, Director shall be named as an inventor in connection with any patent application therefore. Any and all such Developments shall be the sole and exclusive property of PharmaFrontiers, whether patentable, copyrightable, or neither, and Director agrees that Director will assist and fully cooperate in every way, at PharmaFrontiers' expense, in securing, maintaining, and enforcing, for the benefit of PharmaFrontiers or its designee, patents, copyrights or other types of proprietary or intellectual property protection for such Developments in any and all countries. Director acknowledges and agrees that any and all such Developments conceived, created, or authored by him is a "work made for hire," as defined by the federal

copyright laws, and therefore all copyrights in and to such works are and will be owned by PharmaFrontiers. To the extent that Director authors any copyrightable work in any medium during the term of this Agreement which relates or pertains in any way to PharmaFrontiers or any of the operations or activities of either and which was is held not a work made for hire. Director hereby assigns all right, title, and interest, including but not limited to all rights of copyright, in and to such works to PharmaFrontiers. Within six months following the termination of this Agreement, and without limiting the generality of the foregoing, any Development of the Director relating to any PharmaFrontiers subject matter on which Director worked or was informed during the term of this Agreement shall be conclusively presumed to have been conceived and made prior to the termination of this Agreement (unless the Director clearly proves that such Development was conceived and made following the termination of this Agreement), and shall accordingly belong, and be assigned to PharmaFrontiers and shall be subject to this Agreement.

5.2 Without limiting the foregoing, Director agrees at the request of PharmaFrontiers (but without additional compensation from PharmaFrontiers during Director's employment by PharmaFrontiers) to execute any and all papers and perform all lawful acts which PharmaFrontiers deems necessary for the preparation, filing, prosecution, and maintenance of applications for United States and foreign letters patent or for United States and foreign copyrights, on the Developments, and to execute such instruments as are necessary or convenient to assign to PharmaFrontiers, its successors, assigns or nominees, all of the Director's right, title, and interest in the Developments and the like, so as to establish, maintain or perfect, in PharmaFrontiers, its successors, assigns or nominees, the entire right, title, and interest to the Developments, and also to execute any instruments necessary or which PharmaFrontiers may deem desirable in connection with any continuation, renewal or reissue thereof, or in the conduct of any proceedings or litigation in regard thereto.

5.3 All expenses incurred by the Director by reason of the performance of any of the obligations set forth in this Section on Inventions shall be borne by PharmaFrontiers. Should the Director's assistance be requested by PharmaFrontiers after termination of this Agreement, PharmaFrontiers would compensate the Director at a reasonable rate.

6. Conflicts of Interest

6.1 In keeping with Director's fiduciary duties to PharmaFrontiers, Director agrees that Director shall not, directly or indirectly, become involved in any conflict of interest, or upon discovery thereof, allow such a conflict to continue. Moreover, Director agrees that Director shall promptly disclose to the Board of PharmaFrontiers any facts which might involve any reasonable possibility of a conflict of interest as PharmaFrontiers is currently and in the

future configured and practicing business. Director shall maintain the highest standards of conduct, and shall not do anything likely to injure the reputation or goodwill of PharmaFrontiers, or embarrass or otherwise generate adverse publicity for or bring unwanted attention to PharmaFrontiers.

6.2 It is agreed that any direct or indirect interest in, connection with, or benefit from any outside activities, particularly commercial activities, which interest might in any way adversely affect PharmaFrontiers or any of its subsidiaries or affiliates, involves a possible conflict of interest. Circumstances in which a conflict of interest on the part of Director would or might arise, and which should be reported immediately by Director to an officer of PharmaFrontiers, include, without limitation, the following: (a) ownership of a material interest in, acting in any capacity for, or accepting directly or indirectly any payments, services or loans from a supplier, contractor, subcontractor, customer or other entity with which PharmaFrontiers does business; (b) misuse of information or facilities to which Director has access in a manner which will be detrimental to PharmaFrontiers' interest; (c) disclosure or other misuse of information of any kind obtained through the Director's connection with PharmaFrontiers; (d) acquiring or trading in, directly or indirectly, other properties or interests connected with the design, manufacture or marketing of products designed, manufactured or marketed by PharmaFrontiers; (e) the appropriation to the Director or the diversion to others, directly or indirectly, of any opportunity in which it is known or could reasonably be anticipated that PharmaFrontiers would be interested; and (f) the ownership, directly or indirectly, of a material interest in an enterprise in competition with PharmaFrontiers or its dealers and distributors or acting as a director, officer, partner, consultant, Director or agent of any enterprise which is in competition with PharmaFrontiers or its dealers or distributors.

7. Prior Discoveries

Director has no unpatented inventions and discoveries made or conceived by Director prior to the Effective Date that relate to stem cell isolation, identification and/or expansion and/or cell banking.

8. Remedies

Director and PharmaFrontiers agree that, because damages at law for any breach or nonperformance of this Agreement by Director, while recoverable, are and will be inadequate, this Agreement may be enforced in equity by specific performance, injunction, accounting or otherwise.

9. Miscellaneous

9.1 This Agreement is made and entered into as of the Effective Date and the rights and obligations of the parties hereto shall be binding upon the heirs and legal representatives of the Director and the successors and assigns of PharmaFrontiers. This Agreement may be assigned by PharmaFrontiers (including assignment by operation of law to any successor to the business of PharmaFrontiers by merger, consolidation or other business combination) without

the consent of Director but is personal to the Director and no rights, duties, and obligations of Director hereunder may be assigned without the consent of PharmaFrontiers or its assigns, which may be granted or withheld in its sole discretion.

9.2 No waiver or non-action with respect to any breach by the other party of any provision of this Agreement, nor the waiver or non-action with respect to any breach of the provisions of similar agreements with other Directors shall be construed to be a waiver of any succeeding breach of such provision, or as a waiver of the provision itself.

9.3 Should any portions hereof be held to be invalid or wholly or partially unenforceable, such holding shall not invalidate or void the remainder of this Agreement. The portions held to be invalid or unenforceable shall be revised and reduced in scope so as to be valid and enforceable, or, if such is not possible, then such portions shall be deemed to have been wholly excluded with the same force and effect as it if had never been included herein.

9.4 Director's obligations under this Agreement to PharmaFrontiers shall survive Director's resignation, removal or failure to be nominated or elected as a member of the Board of PharmaFrontiers.

9.5 This Agreement supersedes, replaces and merges any and all prior and contemporaneous understandings, representations, agreements and discussions relating to the same or similar subject matter as that of this Agreement between Director and PharmaFrontiers and constitutes the sole and entire agreement between the Director and PharmaFrontiers with respect to the subject matter of this Agreement.

9.6 The laws of the State of Texas, excluding any conflicts of law rule or principle that might otherwise refer to the substantive law of another jurisdiction, will govern the interpretation, validity and effect of this Agreement without regard to the place of execution or the place for performance thereof, and PharmaFrontiers and Director agree that the state and federal courts in Harris county, Texas, shall have personal jurisdiction and venue over PharmaFrontiers and Director to hear all disputes arising under this Agreement. This Agreement is to be at least partially performed in Harris County, Texas.

9.7 All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be deemed to have given when mailed by registered mail or certified mail, return receipt requested, as follows:

If to PharmaFrontiers, to:

Mr. Warren C. Lau
PharmaFrontiers Corporation
18205 Burkhardt Road
Tomball, Texas 77377

If to Director, to:

Brian Rodriquez

or to such other addresses as either party may designate by notice to the other party hereto in the manner specified in this section.

9.8 This Agreement may not be changed or terminated orally, and no change, termination or waiver of this Agreement or of any of the provisions herein contained shall be binding unless made in writing and signed by both parties, and in the case of PharmaFrontiers, by an authorized officer of PharmaFrontiers. Any change or changes, from time to time, in Director's compensation shall not be deemed to be, a change, termination or waiver of this Agreement or of any of the provisions herein contained.

IN WITNESS WHEREOF, the undersigned have hereby caused this Agreement to be effective as of the date first written above.

PharmaFrontiers Corp., a Texas Corporation

By: /s/ Warren Lau

Warren Lau, President

By: /s/Brian Rodriguez

Brian Rodriguez

**SPORTAN UNITED INDUSTRIES CORPORATION
SCIENTIFIC ADVISORY BOARD
MEMBER AGREEMENT**

This Sportan United Industries Scientific Advisory Board Member Agreement (this "Agreement") is made and entered into as of the 9th day of July, 2004, (the "Effective Date"), by and between Yong Zhao (hereinafter referred to as "Advisory Member") and Sportan United Industries (Sportan) (together with any successor to the business of Sportan United Industries by merger, consolidation or other form of business combination hereinafter referred to collectively as "Sportan United Industries").

W I T N E S S E T H:

WHEREAS, Sportan United Industries wishes to retain Advisory Member to serve on the PharmaFrontiers Scientific Advisory Board (the "Advisory Board"), and Advisory Member has agreed to serve on the terms and conditions below; and

WHEREAS, Sportan's success requires the protection of its intellectual property, proprietary information and goodwill;

NOW, THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

1. Retention as Advisory Board Member

Sportan agrees to retain Advisory Member as a member of its Advisory Board for a term of three (3) years from the Effective Date. Advisory Member agrees that Advisory Member will devote the amount of time, skill, and efforts during the term of this Agreement to the affairs of Sportan as may be reasonably requested and required of Advisory Member.

2. Compensation

2.1 Advisor Fee. As compensation for serving as a member of the Advisory Board of Sportan, Sportan agrees upon the execution and delivery of this Agreement to Sportan, to pay to Advisory Member \$5,000 ("Signing Bonus"). Additionally, commencing one month from the date of the signing hereof, Advisory Member shall receive a monthly payment of \$2,000 during the term of this Agreement ("Monthly Payment"). Upon the Technology Transfer (as defined in Section 2.2 below), this Monthly Payment will be increased to \$3,000 and the Advisory Member shall receive \$25,000 bonus payment.

2.2 Incentive Bonus. In addition to the payment described in Section 2.1 above, Advisory Member shall receive an option based on the reproduction, by Sportan or agents thereof, of (i) the experimental results described in Zhao et al. (2003) PNAS 100(5):2426-31; and (ii) the subject matter described and claimed in U.S. Patent Application No. 10/704,100 and its PCT counterpart PCT/US03/35539 ("Technology Transfer"). Upon the successful completion of a Technology Transfer, Advisory Member shall be issued a three-year option to purchase from Sportan up to 100,000 shares of common stock at a purchase price equal to the offering price of the private equity financing (as defined in the Financing & Strategic Advisory Agreement by and between Sportan and Sanders Morris Harris dated June 12, 2004).

2.3 Reimbursement. Advisory Member shall be reimbursed up to \$1,000 per annum for all reasonable out-of-pocket business expenses incurred in connection with the performance of his or her duties under this Agreement.

2.4 No Other Compensation. Advisory Member agrees and covenants that he or she will not be owed any compensation other than what is provided for in Sections 2.1, 2.2 and 2.3.

3. Confidential and Proprietary Information; Documents

3.1 Sportan United Industries shall provide Advisory Member with information deemed secret and confidential by Sportan. Such secret or confidential information or know-how of Sportan (referred to collectively as "Confidential Information") shall include, without limitation, the following:

the status and plans for research and development; materials, cells, tissues, and other biological samples and specimens; cell banking methods, apparatus, and services; pending and planned patent applications (until published by the Patent Office); invention disclosures; research and technical data and information; methods of creating, preparing, and using stem cells and other biological materials; license, sublicense, and other agreements relating to intellectual property rights; Sportan' plans; customer or contact information; contributor information; strategies, costs, prices, uses, applications of products and services; results of and data from investigations or experiments; all apparatus, products, processes, compositions, samples, formulas, computer programs, pricing policy, financial information, and methods of doing business; policy and/or procedure manuals, training and recruiting procedures; accounting procedures; the status and content of Sportan' contracts with its contributors, clients, and customers; Sportan' business philosophy, and servicing methods and techniques; all at any time used, developed, or investigated by Sportan, before or during the term of this Agreement, which are not generally available to the public or which are maintained as confidential by Sportan.

3.2 Advisory Member recognizes and acknowledges that Advisory Member will have access to certain information of Sportan that is confidential and proprietary and constitutes valuable and unique property of Sportan. Advisory Member agrees that Advisory Member will not (except as reasonably necessary to perform Advisory Member's duties hereunder) at any time, either during or subsequent to the term of this Agreement, disclose to others, use, copy or permit to be copied, except in pursuance of Advisory Member's duties on behalf of Sportan, its successors, assigns or nominees, or as required by the order of any tribunal having jurisdiction or by mandatory provisions of applicable law, any Confidential Information or know-how of Sportan without the prior written consent of the President of Sportan. Advisory Member further agrees to maintain in confidence the Confidential Information and any confidential information of third parties received as a result of Advisory Member's relationship with Sportan.

3.3 Advisory Member further agrees to deliver to Sportan promptly after the termination or expiration of this Agreement, all biological materials correspondence, memoranda, notes, records, drawings, sketches, plans, customer, client and/or contributor lists, product compositions, or other documents and all copies thereof (all of which are hereafter referred to as the "Documents"), made, authored, composed, conceived, reduced to practice, or received by

Advisory Member, solely or jointly with others, and which are in Advisory Member's possession, custody, or control at such date and which are related in any manner to the past, present, or anticipated business of Sportan and which contain, or are based on derived from, any Confidential Information of Sportan.

3.4 Advisory Member further agrees that Advisory Member will not, during the term of this Agreement, and on behalf of Sportan accept or agree to receive from persons not employed by Sportan, any confidential information not belonging to Sportan, unless prior to such receipt or acceptance a valid agreement has been executed between Sportan and the disclosing party that states that Sportan will not be in a confidentiality relationship with the disclosing party. Advisory Member further agrees that Advisory Member will not use in violation of any confidentiality obligation binding upon Advisory Member any confidential information belonging to Advisory Member's employer or any former employer, or any other third parties.

3.5 Advisory Member agrees that, during the term of this Agreement, Advisory Member will not directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, corporate officer, Advisory Member, or in any other individual or representative capacity, engage or participate in any "Competitive Business" anywhere in the United States of America, Canada or the European Union. As used herein, a "Competitive Business" is defined as any business, including those relating to stem cells or cell banking, which provides the same or substantially the same products, services or licenses to intellectual property rights, in whole or in part, as are provided by Sportan during the term of this Agreement.

3.6 In the event of a breach or threatened breach of any of the provisions of Section 3, Sportan shall be entitled to an injunction ordering the return of such Documents and any and all copies thereof and restraining Advisory Member from using or disclosing, for Advisory Member's benefit or the benefit of others, in whole or in part, any Confidential Information, including but not limited to the Confidential Information which such Documents contain, constitute, or embody. Advisory Member further agrees that any breach or threatened breach of any of the provisions of Section 3 would cause irreparable injury to Sportan for which it would have no adequate remedy at law. Nothing herein shall be construed as prohibiting Sportan from pursuing any other remedies available to it for any such breach or threatened breach, including the recovery of damages.

4. Inventions and Other Intellectual Property

4.1 Advisory Member agrees to hold in complete trust for the benefit of Sportan, and to disclose promptly and fully to Sportan in writing, and hereby assigns, and binds Advisory Member's heirs, executors, administrators, and all legal representatives to assign, to Sportan any and all inventions, discoveries, ideas, concepts, improvements, copyrightable works, biological materials, and other developments (all of the above are collectively referred to as the "Developments") conceived, reduced to practice, authored, made, discovered or developed by him, solely or jointly with others, during the term of this Agreement, whether during or outside of usual working hours and whether on Sportan's premises or not, which result from Advisory Member's work for Sportan under this Agreement, and/or are based on, or derived or result from, any of PharmaFrontier's Confidential Information. Any and all such Developments shall be the sole and exclusive property of Sportan, whether patentable, copyrightable, or neither, and Advisory Member agrees that Advisory Member will assist and fully cooperate in every way, at Sportan's expense, in securing, maintaining, and enforcing, for the benefit of Sportan or its designee, patents, copyrights or other types of proprietary or intellectual property protection for such Developments in any and all countries. Advisory Member acknowledges and

agrees that any and all such Developments conceived, created, or authored by him is a "work made for hire," as defined by the federal copyright laws, and therefore all copyrights in and to such works are and will be owned by Sportan. To the extent that Advisory Member authors any copyrightable work in any medium during the term of this Agreement which relates or pertains in any way to Sportan or any of its operations or activities and which is held not a work made for hire, Advisory Member hereby assigns all right, title, and interest, including but not limited to all rights of copyright, in and to such works to Sportan.

4.2 Without limiting the foregoing, Advisory Member agrees at the request of Sportan (but without additional compensation from Sportan during Advisory Member's employment by Sportan) to execute any and all papers and perform all lawful acts which Sportan deems necessary for the preparation, filing, prosecution, and maintenance of applications for United States and foreign letters patent, or for United States and foreign copyrights, on the Developments, and to execute such instruments as are necessary or convenient to assign to Sportan, its successors, assigns or nominees, all of the Advisory Member's right, title, and interest in the Developments and the like, so as to establish, maintain or perfect, in Sportan, its successors, assigns or nominees, the entire right, title, and interest to the Developments, and also to execute any instruments necessary or which Sportan may deem desirable in connection with any continuation, renewal or reissue thereof, or in the conduct of any proceedings or litigation in regard thereto.

4.3 All expenses incurred by the Advisory Member by reason of the performance of any of the obligations set forth in this Section on Inventions shall be borne by Sportan. Should the Advisory Member's assistance be requested by Sportan after termination of this Agreement, Sportan will compensate the Advisory Member at a reasonable rate.

5. Miscellaneous

5.1 This Agreement is made and entered into as of the Effective Date and the rights and obligations of the parties hereto shall be binding upon the heirs and legal representatives of the Advisory Member and the successors and assigns of Sportan. This Agreement may be assigned by Sportan (including assignment by operation of law to any successor to the business of Sportan by merger, consolidation or other business combination) without the consent of Advisory Member but is personal to the Advisory Member and no rights, duties, and obligations of Advisory Member hereunder may be assigned without the consent of Sportan or its assigns, which may be granted or withheld in its sole discretion.

5.2 Sportan may terminate this Agreement at any time upon thirty (30) days prior written notice to Advisory Member. No waiver or non-action with respect to any breach by the other party of any provision of this Agreement, nor the waiver or non-action with respect to any breach of the provisions of similar agreements with other Advisory Members shall be construed to be a waiver of any succeeding breach of such provision, or as a waiver of the provision itself.

5.3 Should any portions hereof be held to be invalid or wholly or partially unenforceable, such holding shall not invalidate or void the remainder of this Agreement. The portions held to be invalid or unenforceable shall be

revised and reduced in scope so as to be valid and enforceable, or, if such is not possible, then such portions shall be deemed to have been wholly excluded with the same force and effect as if it had never been included herein.

5.4 Advisory Member's obligations under Sections 3 and 4 of this Agreement to Sportan shall survive the termination or expiration of this Agreement. Advisory Member and Sportan agree that, because damages at law for any breach or nonperformance of this Agreement by Advisory Member, while recoverable, are and will be inadequate, this Agreement may be enforced in equity by specific performance, injunction, accounting or otherwise.

5.5 This Agreement supersedes, replaces and merges any and all prior and contemporaneous understandings, representations, agreements and discussions relating to the same or similar subject matter as that of this Agreement between Advisory Member and Sportan and constitutes the sole and entire agreement between the Advisory Member and Sportan with respect to the subject matter of this Agreement.

5.6 The laws of the State of Texas, excluding any conflicts of law rule or principle that might otherwise refer to the substantive law of another jurisdiction, will govern the interpretation, validity and effect of this Agreement without regard to the place of execution or the place for performance thereof, and Sportan and Advisory Member agree that the state and federal courts in Harris County, Texas, shall have personal jurisdiction and venue over Sportan and Advisory Member to hear all disputes arising under this Agreement. This Agreement is to be at least partially performed in Harris County, Texas.

5.7 All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be deemed to have been given when mailed by registered mail or certified mail, return receipt requested, as follows:

If to Sportan United Industries, to:

Mr. George R. Jarkesy, Jr.

Sportan United Industries Corporation
10211 Silver Leaf Lane
Tomball, Texas 77375

If to Advisory Member, to:

or to such other addresses as either party may designate by notice to the other party hereto in the manner specified in this section.

5.8 This Agreement may not be changed or terminated orally, and no change, termination or waiver of this Agreement or of any of the provisions herein contained shall be binding unless made in writing and signed by both parties,

and in the case of Sportan United Industries, by an authorized officer of Sportan United Industries. Any change or changes, from time to time, in Advisory Member's compensation shall not be, nor be deemed to be, a change, termination or waiver of this Agreement or of any of the provisions herein contained.

SPORTAN UNITED INDUSTRIES CORPORATION

ADVISORY MEMBER

By: /s/ Warren Lau

Warren Lau, President

By: /s/ Yong Zhao

Yong Zhao

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is made and effective as of the 23rd day of August, 2004, (the "Effective Date"), by and between David B. McWilliams (hereinafter referred to as "Employee") and PharmaFrontiers Corp. (hereinafter referred to as "PharmaFrontiers").

W I T N E S S E T H:

WHEREAS, Employee desires employment with PharmaFrontiers on the terms and conditions below; and

WHEREAS, PharmaFrontiers' success requires the protection of its intellectual property, proprietary information and goodwill and PharmaFrontiers is willing to employ Employee, subject to the terms and conditions below; and

NOW, THEREFORE, for and in consideration of the employment by PharmaFrontiers, the compensation and other remuneration paid and to be paid by PharmaFrontiers and received by the Employee for such employment, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by Employee, it is agreed by and between the parties hereto as follows:

1. Employment

PharmaFrontiers agrees to employ the Employee, and Employee agrees that Employee will devote Employee's full productive time, skill, and best efforts during Employee's employment to such duties as may be reasonably assigned to Employee. Employee will faithfully and diligently endeavor to further the best interests of PharmaFrontiers during Employee's employment. PharmaFrontiers acknowledges and authorizes Employee to spend a nominal amount of time each day for work outside PharmaFrontiers. Either PharmaFrontiers or Employee may terminate this Agreement at any time for any or no reason.

2. Duties and Title

Employee shall have the title of and shall act as the Chief Executive Officer of PharmaFrontiers. Employee shall have the following responsibilities and duties: Employee shall report to PharmaFrontiers' Board of Directors, shall have general supervisions over the operations of the Company and will have such other duties and responsibilities consistent with his position as Chief Executive Officer, as may reasonably be assigned to Employee by the Company's Board of Directors from time to time.

3. Compensation

As compensation, PharmaFrontiers shall pay Employee a salary of \$250,000 per year, paid monthly. In addition, PharmaFrontiers grants to Employee a three year option to purchase up to 370,000 shares of common stock of PharmaFrontiers the terms of which are set forth in the Incentive Stock Option Agreement attached hereto as Exhibit "A" (the "Option Agreement"). Upon the signing of this Agreement, Employee agrees to sign and be bound to the terms of the Option Agreement.

4. Benefits

PharmaFrontiers will provide Employee with the benefits and insurance coverage as generally provided by PharmaFrontiers to its management employees, but only if and when such benefits and/or coverage are provided. As of the Effective Date, no such benefits or coverage are provided. If provided, such benefits and insurance coverages may be changed by PharmaFrontiers from time to time.

5. Confidential and Proprietary Information; Documents

5.1 PharmaFrontiers shall provide Employee with information deemed secret and confidential by PharmaFrontiers. Such secret or confidential information or know-how of PharmaFrontiers (referred to collectively as "Confidential Information") shall include, without limitation, the following: the status and plans for research and development; materials, cells, tissues, and other biological samples and specimens; cell banking methods, apparatus, and services; pending and planned patent applications (until published by the Patent Office); invention disclosures; research and technical data and information; methods of creating, preparing, and using stem cells and other biological materials; license, sublicense, and other agreements relating to intellectual property rights; PharmaFrontiers' plans; customer or contact information; contributor information; strategies, costs, prices, uses, applications of products and services; results of and data from investigations or experiments; all apparatus, products, processes, compositions, samples, formulas, computer programs, pricing policy, financial information, and methods of doing business; policy and/or procedure manuals, training and recruiting procedures; accounting procedures; the status and content of PharmaFrontiers' contracts with its contributors, clients, and customers; PharmaFrontiers' business philosophy, and servicing methods and techniques; all at any time used, developed, or investigated by PharmaFrontiers, before or during the Employee's tenure of employment, which are not generally available to the public or which are maintained as confidential by PharmaFrontiers.

5.2 Employee recognizes and acknowledges that Employee will have access to certain information of PharmaFrontiers that is confidential and proprietary and constitutes valuable and unique property of PharmaFrontiers. Employee agrees that Employee will not at any time, either during or subsequent to Employee's employment, disclose to others, use, copy or permit to be copied, except in pursuance of Employee's duties on behalf of PharmaFrontiers, its successors, assigns or nominees, any Confidential Information or know-how of PharmaFrontiers

(whether or not developed by the Employee) without PharmaFrontiers' prior written consent. Employee further agrees to maintain in confidence any confidential information of third parties received as a result of Employee's employment with PharmaFrontiers.

5.3 Employee further agrees to deliver to PharmaFrontiers at the termination of Employee's employment all biological materials correspondence, memoranda, notes, records, drawings, sketches, plans, customer, client and/or contributor lists, product compositions, or other documents and all copies thereof (all of which are hereafter referred to as the "Documents"), made, composed or received by Employee, solely or jointly with others, and which are in Employee's possession, custody, or control at such date and which are related in any manner to the past, present, or anticipated business of PharmaFrontiers. In this regard, Employee hereby grants and conveys to PharmaFrontiers all right, title and interest in and to, including without limitation, the right to possess, print, copy, and sell or otherwise dispose of, any biological materials, reports, records, papers summaries, photographs, drawings or other documents, and writings, copies, abstracts or summaries thereof, or any other works of authorship, which may be prepared by Employee or under Employee's direction or which may come into Employee's possession in any way during the term of Employee's employment with PharmaFrontiers which relate in any manner to the past, present or anticipated business of PharmaFrontiers.

5.4 Employee further agrees that Employee will not, during Employee's employment, receive from persons not employed by PharmaFrontiers, any confidential information not belonging to PharmaFrontiers, unless a valid agreement is signed by both an officer of PharmaFrontiers and by the disclosing party that states that PharmaFrontiers will not be in a confidential relationship with the disclosing party. Employee further agrees that Employee will not use or disclose to other employees of PharmaFrontiers, during Employee's employment with PharmaFrontiers, confidential information belonging to Employee's former employers, or any other third parties unless written permission has been given by such persons to PharmaFrontiers to use and/or disclose such information.

5.5 In the event of a breach or threatened breach of any of the provisions of Section 5, PharmaFrontiers shall be entitled to an injunction ordering the return of such Documents and any and all copies thereof and restraining Employee from using or disclosing, for Employee's benefit or the benefit of others, in whole or in part, any Confidential Information, including but not limited to the Confidential Information which such Documents contain, constitute, or embody. Employee further agrees that any breach or threatened breach of any of the provisions of Section 5 would cause irreparable injury to PharmaFrontiers for which it would have no adequate remedy at law. Nothing herein shall be construed as prohibiting PharmaFrontiers from pursuing any other remedies available to it for any such breach or threatened breach, including the recovery of damages.

6. Noncompetition/No-Hire Agreement

6.1 Employee agrees that, from the Effective Date until a period of one year following the date of the termination of Employee's employment (the "Noncompetition Period"), Employee will not directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, corporate officer,

director, or in any other individual or representative capacity, engage or participate in any "Competitive Business" anywhere in the United States of America (the "Noncompetition Territory"). As used herein, a "Competitive Business" is defined as any business relating to stem cells or cell banking, which the Company is currently involved or will be involved during the term of this Agreement.

6.2 Employee further agrees that during the Noncompetition Period and within the Noncompetition Territory Employee will not, directly or indirectly, either as an employee, employer, consultant, agent, principal, partner, corporate officer, director, or in any other individual or representative capacity, call on, solicit, recruit, or attempt to call on, solicit, or recruit, or attempt to hire any of the employees of PharmaFrontiers, regardless of whether for the benefit of the Employee or for any other person, firm, or corporation.

6.3 Employee shall not during the Noncompetition Period and within the Noncompetition Territory, either directly or indirectly (i) make known to any Competitive Business the names and addresses of any of PharmaFrontiers' customers or contacts or any other information pertaining to such persons or businesses or (ii) call on, solicit, or take away, or attempt to call on, solicit or take away any of the customers of PharmaFrontiers with whom Employee became acquainted during Employee's association with PharmaFrontiers, regardless of whether for the benefit of the Employee or for any other person, firm or corporation.

6.4 Employee agrees that the restraints created by the covenants in Section 6 are no greater than necessary to protect PharmaFrontiers' legitimate interests. Furthermore, Employee agrees that such covenants of Section 6 do not hinder, or otherwise cause hardship to Employee in finding and performing employment elsewhere upon termination of this Agreement. Similarly, Employee agrees that PharmaFrontiers' need for the protection afforded by the covenants of Section 6 is not outweighed by either the hardship to Employee or any injury likely to the public.

6.5 Employee agrees that this Section is ancillary to this Agreement, and independent of any other agreement related to Employee's employment with PharmaFrontiers, and Employee acknowledges that the consideration given by PharmaFrontiers for this Agreement includes PharmaFrontiers' agreement to provide to the Employee access to the Confidential Information, as well as employment. Further, the existence of any claim or cause of action of Employee against PharmaFrontiers or any officer, director, or employee of PharmaFrontiers, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement by PharmaFrontiers of Employee's covenants contained in this Agreement. In addition, this Agreement shall continue to be binding upon Employee in accordance with its terms, notwithstanding the termination of Employee's employment.

6.6 Employee agrees that Employee's breach or violation, or threat thereof, of this covenant not to compete shall entitle PharmaFrontiers, as a matter of right, to an injunction without the necessity of posting bond, issued by any court of competent jurisdiction, restraining any further or continued breach or violation of this covenant. Such right to an injunction shall be cumulative and in addition to, and not in lieu of, any other remedies to which

PharmaFrontiers may show itself justly entitled. Further, during any period in which Employee is in breach of this covenant not to compete, the time period of this covenant shall be extended for an amount of time that Employee is in breach.

7. Inventions and Other Intellectual Property

7.1 Employee agrees to hold in complete trust for the benefit of PharmaFrontiers, and to disclose promptly and fully to PharmaFrontiers in writing, and hereby assigns, and binds Employee's heirs, executors, administrators, and all legal representatives to assign, to PharmaFrontiers any and all inventions, discoveries, ideas, concepts, improvements, copyrightable works, biological materials, and other developments (all of the above are collectively referred to as the "Developments") conceived, made, discovered or developed by him, solely or jointly with others, during Employee's employment by PharmaFrontiers, whether during or outside of usual working hours and whether on PharmaFrontiers' premises or not, which relate in any manner to the past, present or anticipated business of PharmaFrontiers. Any and all such Developments shall be the sole and exclusive property of PharmaFrontiers, whether patentable, copyrightable, or neither, and Employee agrees that Employee will assist and fully cooperate in every way, at PharmaFrontiers' expense, in securing, maintaining, and enforcing, for the benefit of PharmaFrontiers or its designee, patents, copyrights or other types of proprietary or intellectual property protection for such Developments in any and all countries. Employee acknowledges and agrees that any and all such Developments conceived, created, or authored by him within the scope of Employee's employment is a "work made for hire," as defined by the federal copyright laws, and therefore all copyrights in and to such works are and will be owned by PharmaFrontiers. To the extent that Employee authors any copyrightable work in any medium during the Term of this Agreement which relates or pertains in any way to PharmaFrontiers or any of the operations or activities of either and which was not prepared within the scope of Employee's employment, Employee hereby assigns all right, title, and interest, including but not limited to all rights of copyright, in and to such works to PharmaFrontiers. Within six months following the termination of Employee's employment, and without limiting the generality of the foregoing, any Development of the Employee relating to any PharmaFrontiers subject matter on which Employee worked or was informed during Employee's employment by PharmaFrontiers shall be conclusively presumed to have been conceived and made prior to the termination of Employee's employment (unless the Employee clearly proves that such Development was conceived and made following the termination of Employee's employment), and shall accordingly belong, and be assigned, to PharmaFrontiers and shall be subject to this Agreement.

7.2 Without limiting the foregoing, Employee agrees at the request of PharmaFrontiers (but without additional compensation from PharmaFrontiers during Employee's employment by PharmaFrontiers) to execute any and all papers and perform all lawful acts which PharmaFrontiers deems necessary for the preparation, filing, prosecution, and maintenance of applications for United States and foreign letters patent, or for United States and foreign copyrights, on the Developments, and to execute such instruments as are necessary or convenient to assign to PharmaFrontiers, its successors, assigns or nominees,

all of the Employee's right, title, and interest in the Developments and the like, so as to establish, maintain or perfect, in PharmaFrontiers, its successors, assigns or nominees, the entire right, title, and interest to the Developments, and also to execute any instruments necessary or which PharmaFrontiers may deem desirable in connection with any continuation, renewal or reissue thereof, or in the conduct of any proceedings or litigation in regard thereto.

7.3 All expenses incurred by the Employee by reason of the performance of any of the obligations set forth in this Section on Inventions shall be borne by PharmaFrontiers. Should the Employee's assistance be requested by PharmaFrontiers after termination of employment, PharmaFrontiers would compensate the Employee at a reasonable rate.

8. Conflicts of Interest

8.1 In keeping with Employee's fiduciary duties to PharmaFrontiers, Employee agrees that Employee shall not, directly or indirectly, become involved in any conflict of interest with reference to any transaction or opportunity including PharmaFrontiers ("Conflict"), or upon discovery thereof, allow such a Conflict to continue. Moreover, Employee agrees that Employee shall promptly disclose to the Board of PharmaFrontiers any facts which might involve any reasonable possibility of a Conflict. Employee shall maintain the highest standards of conduct, and shall not do anything likely to injure the reputation or goodwill of PharmaFrontiers, or embarrass or otherwise generate adverse publicity for or bring unwanted attention to PharmaFrontiers.

8.2 It is agreed that any direct or indirect interest in, connection with, or benefit from any outside activities, particularly commercial activities, which interest might in any way adversely affect PharmaFrontiers or any of its subsidiaries or affiliates, involves a possible Conflict. Circumstances in which a Conflict on the part of Employee would or might arise, and which should be reported immediately by Employee to an officer of PharmaFrontiers, include, without limitation, the following: (a) ownership of a material interest in, acting in any capacity for, or accepting directly or indirectly any payments, services or loans from a supplier, contractor, subcontractor, customer or other entity with which PharmaFrontiers does business; (b) misuse of information or facilities to which Employee has access in a manner which will be detrimental to PharmaFrontiers' interest; (c) disclosure or other misuse of information of any kind obtained through the Employee's connection with PharmaFrontiers; (d) acquiring or trading in, directly or indirectly, other properties or interests connected with the design, manufacture or marketing of products designed, manufactured or marketed by PharmaFrontiers; (e) the appropriation to the Employee or the diversion to others, directly or indirectly, of any opportunity in which it is known or could reasonably be anticipated that PharmaFrontiers would be interested; and (f) the ownership, directly or indirectly, of a material interest in an enterprise in competition with PharmaFrontiers or its dealers and distributors or acting as a director, officer, partner, consultant, employee or agent of any enterprise which is in competition with PharmaFrontiers or its dealers or distributors.

9. Activities Associated With Maintenance of Professional Status and Community Activities

PharmaFrontiers will reimburse Employee for the costs of activities associated with the maintenance of the Employee's professional status, including the payment of licensing fees and required continuing education, expenses for professional/network meetings, as well as community activities.

10. Prior Discoveries

Employee attaches hereto as Exhibit "B," concurrently with the execution of this Agreement, a list and brief description of all unpatented inventions and discoveries, if any exist, made or conceived by Employee prior to Employee's employment with PharmaFrontiers and which are to be excluded from this Agreement. If no such list is attached at the time of execution of this Agreement, it shall be conclusively presumed that Employee has waived any right Employee may have to any such invention or discovery which relates to PharmaFrontiers' business.

11. Publicity

11.1 Employee agrees that PharmaFrontiers may use, and hereby grants PharmaFrontiers the nonexclusive and worldwide right to use, Employee's name, picture, likeness, photograph, signature, or any other attribute of Employee's persona (all of such attributes are hereafter collectively referred to as "Persona") in any media for any advertising, publicity or other purpose at any time, either during or subsequent to Employee's employment by PharmaFrontiers. Employee agrees that such use of Employee's Persona will not result in any invasion or violation of any privacy or property rights Employee may have; and Employee agrees that Employee will receive no additional compensation for the use of Employee's Persona. Employee further agrees that any negatives, prints or other material for printing or reproduction purposes prepared in connection with the use of Employee's Persona by PharmaFrontiers shall be and are the sole property of PharmaFrontiers.

11.2 Employee further agrees that at no time shall Employee write, author, publish, distribute, or cause to be published or distributed any pictorial, graphic, or literary works, such as but without limitation, books, articles, stories, or pamphlets, in any medium of expression, tangible or intangible, that relate, describe, or pertain in any way to PharmaFrontiers or to the operations, activities, or employees of PharmaFrontiers without first obtaining the prior written consent of the Board of Directors of PharmaFrontiers to do so and also the prior written approval of the contents of any such work by the Board of Directors of PharmaFrontiers.

12. Remedies

Employee and PharmaFrontiers agree that, because damages at law for any breach or nonperformance of this Agreement by Employee, while recoverable, are and will be inadequate, this Agreement may be enforced in equity by specific performance, injunction, accounting or otherwise.

13. Miscellaneous

13.1 This Agreement is made and entered into as of the Effective Date and the rights and obligations of the parties hereto shall be binding upon the heirs and legal representatives of the Employee and the successors and assigns of PharmaFrontiers. This Agreement may be assigned by PharmaFrontiers but is personal to the Employee and no rights, duties, and obligations of Employee hereunder may be assigned.

13.2 No waiver or non-action with respect to any breach by the other party of any provision of this Agreement, nor the waiver or non-action with respect to any breach of the provisions of similar agreements with other employees shall be construed to be a waiver of any succeeding breach of such provision, or as a waiver of the provision itself.

13.3 Should any portions hereof be held to be invalid or wholly or partially unenforceable, such holding shall not invalidate or void the remainder of this Agreement. The portions held to be invalid or unenforceable shall be revised and reduced in scope so as to be valid and enforceable, or, if such is not possible, then such portions shall be deemed to have been wholly excluded with the same force and effect as if it had never been included herein.

13.4 Employee's obligations under this Agreement to PharmaFrontiers shall survive the termination, for whatever reason, of Employee's employment by PharmaFrontiers.

13.5 This Agreement supersedes, replaces and merges any and all prior and contemporaneous understandings, representations, agreements and discussions relating to the same or similar subject matter as that of this Agreement between Employee and PharmaFrontiers and constitutes the sole and entire agreement between the Employee and PharmaFrontiers with respect to the subject matter of this Agreement.

13.6 The laws of the State of Texas, excluding any conflicts of law rule or principle that might otherwise refer to the substantive law of another jurisdiction, will govern the interpretation, validity and effect of this Agreement without regard to the place of execution or the place for performance thereof, and PharmaFrontiers and Employee agree that the state and federal courts in Harris County, Texas, shall have personal jurisdiction and venue over PharmaFrontiers and Employee to hear all disputes arising under this Agreement. This Agreement is to be at least partially performed in Harris County, Texas.

13.7 All notices and other communications required or permitted hereunder or necessary or convenient in connection herewith shall be in writing and shall be deemed to have been given when mailed by registered mail or certified mail, return receipt requested, as follows:

If to PharmaFrontiers, to:

Mr. Warren C. Lau
PharmaFrontiers Corporation
18205 Burkhardt Road
Tomball, TX 77377

If to Employee, to:

Mr. David B. McWilliams
19 Misty Grove Circle
The Woodlands, TX 77380

or to such other addresses as either party may designate by notice to the other party hereto in the manner specified in this section.

13.8 This Agreement may not be changed or terminated orally, and no change, termination or waiver of this Agreement or of any of the provisions herein contained shall be binding unless made in writing and signed by both parties, and in the case of PharmaFrontiers, by an authorized officer of PharmaFrontiers. Any change or changes, from time to time, in Employee's salary and/or duties shall not be, nor be deemed to be, a change, termination or waiver of this Agreement or of any of the provisions herein contained.

PHARMAFRONTIERS CORPORATION

EMPLOYEE

By: */s/ Warren Lau*

Warren C. Lau, President

By: */s/ David B. McWilliams*

David B. McWilliams

**CHIEF EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO SECTION 13A-14 OF THE SECURITIES EXCHANGE ACT**

I, David B. McWilliams, certify as Chief Executive Officer of PharmaFrontiers Corp. that:

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

Dated: November 15, 2004

By: /s/ David B. McWilliams

David B. McWilliams, Chief Executive Officer

**CHIEF FINANCIAL OFFICER CERTIFICATION
PURSUANT TO SECTION 13A-14 OF THE SECURITIES EXCHANGE ACT**

I, Bill Rouse, certify as Chief Financial Officer of PharmaFrontiers Corp. that:

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

Date: November 15, 2004

By: /s/ Bill Rouse

Bill Rouse, Chief Financial Officer

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

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of PharmaFrontiers Corp. (the "Company") on Form 10-QSB for the quarter ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David B. McWilliams, Chief Executive Officer, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

Date: November 15, 2004

By: /s/ David B. McWilliams

David B. McWilliams, Chief Executive Officer

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of PharmaFrontiers Corp. (the "Company") on Form 10-QSB for the quarter ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Bill Rouse, Chief Financial Officer, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

Dated: November 15, 2004

By: /s/ Bill Rouse

Bill Rouse, Chief Financial Officer