

OPEXA THERAPEUTICS, INC.

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

Filed 02/07/01 for the Period Ending 09/30/00

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

PHARMAFRONTIERS CORP

FORM 10KSB

(Annual Report (Small Business Issuers))

Filed 2/7/2001 For Period Ending 9/30/2000

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

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-KSB

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

For the fiscal year ended September 30, 2000

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

SPORTAN UNITED INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Commission file number: 000-25513

Texas

76-0333165

(State or Other Jurisdiction of
Incorporation or Organization)

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

3170 Old Houston Road, Huntsville, Texas

77340

(Address of Principal Executive Office)

(Zip Code)

936-295-2726

(Registrant's Telephone Number, Including Area Code)

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

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

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☐ No ☒

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

Issuer's revenues for its fiscal year ended September 30, 2000 were \$816,242.

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing price of the common stock on the OTC Electronic Bulletin Board on January 22, 2001 was \$599,792. As of January 22, 2001 registrant had 5,867,447 shares of common stock outstanding.

PART I

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

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

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

ITEM 1. DESCRIPTION OF BUSINESS

GENERAL

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

Today, Sportan is engaged in the marketing, sales, fulfillment and distribution of sports related merchandise to include novelties, apparel, and collectibles. Management recently expanded its business strategy to include multiple Internet related programs as well as fulfillment for non-sports items (to include any products). The business identity site at www.Sportan.com will provide useful information on all these segments. Information on the Company's web site is not part of this annual report.

The Company's divisions are as follows:

- **FULFILLMENT OPERATIONS (BUSINESS TO BUSINESS E-COMMERCE)** The Company provides fulfillment solutions to various e-commerce companies that require cost effective methods of getting product to customers. Fulfillment is a fee-based service that processes invoices, packages, and ships merchandise ordered by customers of other Internet e-commerce sites. Sportan then mails the merchandise to the customer by Courier service or by US Mail and confirms with the Internet site operator that the sales process has been completed. Organizations requiring these services include CollegiateLine.com, affiliated with the NCAA, Onlinesports.com, Myachi Inc., and other companies that are turning over distribution to Sportan. Sportan becomes an important link between the e-commerce site and the fast and efficient distribution of ordered products to the customer.

- **WHOLESALE OPERATIONS** The Company sells sports related merchandise to numerous storefront retail operations. Store owner's access a special "secured" Internet site that is designed as a wholesale site. Customers have a special access PIN Number that identifies them as a wholesale customer. Although Sportan is a recent entrant into the Internet marketplace, Sportan has distributed wholesale sports products for 15 years and has an estimated 2,500 wholesale customers worldwide.

- **RETAIL OPERATIONS** The Company sells sports related merchandise on a direct to consumer retail sales program. This segment, to date, consists of five online retail stores. Sportan's flagship site, Uglyfan.com, is a sports portal for dedicated fans. Capital is needed to promote this site.

- **INTERNET OPERATIONS** The Company continues to develop an on going Internet presence. Current Internet sites include:

- * Sportan.com
- * Sportsfulfillment.com
- * Fulfillmentuniverse.com
- * Sportandirect.com
- * Uglyfan.com
- * Port4sports.com
- * Portal Stores/E-Malls

STORE.YAHOO.COM/SPORTAN/INDEX.HTML
WWW.ICATMALL.COM/SPORTAN
WWW.YAHOO.COM/UGLYFAN/INDEX.HTML

Auctions sites:

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

The Company owns twenty-six Internet URLs or addresses.

BUSINESS STRATEGY

The Company's goal is to become a leading fulfillment center and specializing in fulfilling online sales of sports and related merchandise to include novelties apparel and collectibles. Management believes that it can develop fulfillment systems and processes that will be both economical and efficient in the distribution of product to both wholesale and retail customers. In addition, the Company has created its owns "Sports Portal" that contains both content as well as products and services related to the content. The theme behind the "Sports Portal" is to become the haven for extreme sports fans while making desired products available. The merchandise could include caps, shirts, posters, collectibles, art, and special auctions on historic memorabilia. Sportan also offers sports scores and events to keep viewers current. The factors that will make Sportan the company of preference are it's diversified products and innovative online solutions.

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

PRODUCTS

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

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

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

The Company does not have any agreements with manufacturers with respect to ordering the merchandise it distributes. The Company orders merchandise on an as needed basis based on its internal estimates from thirty plus manufacturers. Although the Company does not foresee its inability to procure merchandise from manufacturers in the future, the Company can provide no assurance that it will be able to continue to order merchandise on favorable terms from any of its manufacturers.

The Company ships its products via United Parcel Service, Federal Express, United States mail, or motor freight depending on the customer's needs. If the products ordered are in stock, the Company's internal policy is to ship its products within 24 hours of the order. If the Company's growth exceeds its resources, the Company may not be able to provide the type of customer service that it currently provides, which may have a material adverse affect on its business.

The Company believes that its fulfillment services portion of its business meets the need that many virtual stores encounter when shipping products to customers. Through the efficiencies and buying power offered by Sportan, an online fulfillment partner can maximize profitability without the product ownership risk and/or expending resources required to inventory, pick, and ship those products.

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

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

MARKETING AND SALES

The Company distributes to retailers that sell to the end user, customers of online companies, customers of the Company's Internet operations, and to customers of auction sites. Management believes the increased demand for sports related novelties, apparel and collectibles, and the emerging dominance of e-commerce, means that:

- Retailers cannot afford to stock their inventory with all the products produced by a manufacturer
- Online stores have limited time, facilities, or experience in distributing sports related merchandise
- The Company believes that the development of the online sports merchandising presence created by the Company will provide the Company with access to this market

RETAIL MERCHANDISING AGREEMENT

Currently, the Company has several retail fulfillment programs and is currently negotiating for more. There is no assurance that additional retail agreements can be negotiated. An exclusive retail agreement already established is with CollegiateLine.com, which the Company has exclusive rights for fulfillment of most sports products sold on site. The agreement with CollegiateLine.com expires in July 2001, but may be extended on a year-to-year basis by the mutual agreement of the parties. In addition, either party may terminate the agreement on 180 days notice. The Company also has an agreement for exclusive rights for fulfillment of Myachi hand sacks. Myachi manufactures and sells the hand sacks. The Company warehouses, picks, packs, ships, and invoices the hand sacks for Myachi. This agreement was signed in April 2000 and is extended on a month-to-month basis by mutual agreement of both parties.

If the Company is not able to enter into additional retail agreements, its business will be dependent on its existing customer base and on direct sales from its Internet sites. If the Company is not able to generate sufficient funding through sales or external financing, it will not be able to fully execute its Internet marketing programs to attract new customers.

The Company's business is service-oriented, and its primary marketing focus is on responding rapidly to customer requirements. The Company conducts limited advertising in the trade magazine Card Trade for the traditional wholesale segment of the business. The Company is developing a marketing strategy for advertising the Internet sports merchandising and related programs. However, the Company has limited experience in Internet marketing, and may not be able to adequately market its Internet programs. The Company's ability to advertise will be limited by its available funds, and there is no assurance that the Company will have sufficient funding. For the fulfillment portion of the business, most arrangements are made through personal contact. As such, the loss of the Company's key personnel, especially Mr. Otteson, could have a material adverse affect on the business of the Company.

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

COMPETITION

The Company competes with few companies on distribution of some products. The Company believes the number of different product lines it offers makes it unique in the industry. The Company's main competition is from the manufacturers that produce the products it offers. The Company believes manufacturers have a significant competitive advantage in the traditional retail storefront distribution. The retail store can buy direct but are often forced, at this time, to buy in large quantities. There is no assurance that manufacturers will not allow retailers to purchase smaller quantities of product in the future, which would reduce or eliminate the Company's advantage over such manufacturers. In addition, manufacturers may decide to compete directly with the Company, and may decide not to sell their products to the Company at competitive rates, if at all.

For the fulfillment and Internet segments, there is a threat of new entrants into the market because of the growth potential that the Company believes this market has experienced and will continue to experience. The Company expects to compete with corporations with significantly greater financial and personnel resources than the Company. There is no assurance that the Company will continue to successfully compete in this market.

The Company competes based on a number of factors. They are:

- Customer service and support - including assigning personal account representatives for its wholesale vendors and the following up of its sales to customers with e-mails;
- Product diversification - the Company believes by offering its wholesale customers a wide range of merchandise it allows them to meet their needs at one location, saving time and money;
- Timely and reliable delivery - the Company sends out most of its products within 24 hours, unless the products are not in stock; and
- Price - the Company believes it is competitive in the industry.

Of these factors, the Company believes that product diversification is the most important factor in attracting new customers, while service is the most important factor in retaining customers. The Company believes that its ability to compete effectively in the industry requires sales and support organizations that are well versed in the various products distributed by the Company. Management's business strategy is to acquire a multitude of product lines, forming a one-stop distributor of sports related merchandise, while expanding its reach to an international level through the Internet. The Company's ability to adequately execute its business strategy will be directly related to its ability to secure an adequate level of capital. There is no assurance that the Company will be able to raise sufficient capital to fully execute its strategy.

INSURANCE

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

EMPLOYEES

As of September 30, 2000, the Company employed seventeen persons, ten of whom are full-time employees, and seven part-time employees. No employees are covered by a collective bargaining agreement. Management considers relations with its employees to be satisfactory.

ITEM 2. DESCRIPTION OF PROPERTY

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

ITEM 3. LEGAL PROCEEDINGS

None.

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

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Shares of the Company's common stock are listed on the OTC Electronic Bulletin Board under the symbol "SPTA." On January 22, 2001, the Company's common stock closed at \$0.27 per share. The Company is authorized to issue 50,000,000 shares of common stock, 5,867,447 of which were issued and outstanding at January 22, 2001. At January 22, 2001, there were approximately 106 holders of record of Company common stock.

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

Sportan Common Stock

High Low

FISCAL 2000

Quarter ended March 31, 2000 (beginning March 7)	\$2.00	\$1.00
Quarter ended June 30, 2000	\$2.25	\$0.75
Quarter ended September 30, 2000	\$2.22	\$1.38

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

RECENT SALES OF UNREGISTERED SECURITIES

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

The Company has issued 630,275 shares of common stock for consulting services rendered to eleven sophisticated investors and employees. Since the quarter ended June 30, 2000, the Company has issued warrants to purchase an aggregate of 35,000 shares of common stock at exercise prices between \$1.00 and \$.25 per share, expiring between July 2002 and September 2005 to two sophisticated investors. The Company believes the transactions were exempt from registration pursuant to Section 4(2) of the Securities Act, as the issuances were to sophisticated investors with knowledge and experience in financial and business matters that they were able to evaluate the merit and risks of an investment in the Company and since the transactions were non-recurring and privately negotiated.

Since the quarter ended June 30, 2000, the Company has issued 294,000 shares of common stock for \$294,000 to investors in a transaction exempt from registration pursuant to Section 4(2) and Rule 506 of the Securities Act. In connection with the above transaction, the Company issued warrants to purchase 176,400 shares of common stock at an exercise price of \$.05 per share, of which, it has issued 87,178 shares of common stock on the partial exercise of such warrant. The Company believes the warrant issuance was exempt from registration pursuant to Section 4(2) of the Securities Act, as the issuance was to ten sophisticated investors and since the transaction was non-recurring and privately negotiated.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis as of September 30, 2000 should be read in conjunction with the audited condensed consolidated financial statements and notes thereto set forth in this report.

GENERAL

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

SEASONALITY

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

Results of Operations

Year ended September 30, 2000 compared to the same period in 1999

Revenues. For the year ended September 30, 2000, revenues decreased to \$816,242 from \$2,901,829 during the year ended September 30, 1999. The decrease of 72% was attributable to the sale of its trading card business, which represented approximately 80% of its revenues. In addition, the Company believes its sales were reduced due to its allocation of resources to development of infrastructure for its new business model.

Cost of Sales. For the year ended September 30, 2000, cost of sales decreased to \$687,511 from \$2,538,725 during the year ended September 30, 1999. The decrease was due to the large reduction in sales as discussed in the preceding paragraph.

General and Administrative Expenses. For the year ended September 30, 2000, general administrative expenses increased to \$975,646 from \$685,812 during the year ended September 30, 1999. The increase of 42% was partially attributable to \$77,000 in expensed web site development and support and \$62,000 in financial public relations costs.

Net Loss. For the year ended September 30, 2000, the Company's net loss increased to \$885,904 from \$178,248 during the year ended September 30, 1999. The increase was attributable to the large decrease in revenues and the increase in general and administrative expenses discussed above.

Historical Cash Flows

Cash Flow from Operating Activities. The Company's net cash flow from operating activities resulted in cash used by operations of \$558,887 for the year ended September 30, 2000, compared to cash provided from operations of \$149,177 for the year ended September 30, 1999. The increase in cash used from operations for fiscal 2000 was due to the Company's increased net loss, due to the factors discussed above.

Cash Flow from Investing Activities. The Company's net cash used in investing activities for the year ended September 30, 2000 increased to \$51,522 from \$2,368 for the year ended September 30, 1999. The increase was due to the Company's purchase of computer equipment and e-commerce software for its web sites.

Cash Flow from Financing Activities. The Company's net cash flows provided from financing activities for the year ended September 30, 2000 was \$606,784, compared to net cash flows used in financing activities of \$134,982 for the year ended September 30, 1999. In fiscal 2000, cash provided from financing activities consisted of primarily of sales of Company common stock, which accounted for \$239,952, and loans from Mr. Otteson of \$261,000.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2000, the Company had negative working capital of \$499,248, and cash of \$14,865. The Company completed a private placement during 2000, which netted approximately \$240,000, through the issuance of common stock and warrants.

In connection with this funding, the Company asked five shareholders related to its founder to convert 2,144,006 shares of Company common stock held by them to the same number of preferred shares. During the next five years, the Company has the sole option of converting these preferred shares back to the same number of common shares or it may purchase any or all of them at the \$.418 per share stated value, or up to \$896,195. In addition, the Company must pay a monthly 6% annualized dividend on the \$.418 per share stated value, or \$4,481 per month, with minimum total minimum dividends of \$250,000 due regardless of when it elects to purchase or convert this stock. As of January 2001, the Company is eight months behind on its dividend payments. At the end of five years, if the Company has taken no action, this preferred stock automatically converts back to the same number of common shares.

The Company has established a line of credit in the amount of \$100,000 with First National Bank of Huntsville. At September 30, 2000, the Company had a balance of approximately \$99,000 on the line of credit. The Company has borrowed \$214,500 from its stockholders in the form of notes payable, of which \$83,500 is presently due on demand, with the remainder to come due during fiscal 2001. The Company has borrowed working capital from its stockholders in the past, but it should not be assumed that such funds will be available in the future.

The funds obtained in the Company's private placement were used to speed up its growth, which the Company believes was hampered by a lack of capital. Based on the Company's current operating plan, the Company must raise at least \$500,000 in additional funding to pay its outstanding accounts payables and to continue to operate its business through September 30, 2001. At the present time, the Company has no commitments for capital. If the Company is unable to obtain additional financing in the near future, it may be required to scale back or cease operations, or find some other way to bring cash flows into balance.

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

ITEM 7. CONSOLIDATED FINANCIAL STATEMENTS

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

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

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

The Company's directors and executive officers are:

NAME	AGE	POSITION
Jason G. Otteson	28	Chairman of the board of directors, president and chief executive officer
Kay L. Ekis	39	Secretary

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

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

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

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

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

ITEM 10. EXECUTIVE COMPENSATION

The following table provides information regarding compensation paid to the Company's chief executive officer. No other executive officer received in excess of \$100,000 in compensation during the fiscal year ended September 30, 2000.

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

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

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

STOCK OPTIONS AND WARRANTS

The Company's 1999 Stock Option Plan provides for the issuance of an aggregate 1,000,000 shares of common stock, which was amended in September 2000 to provide for the issuance of an additional 1,000,000 shares subject to shareholder approval, upon the exercise of options granted under the plan. As of September 30, 2000, options to purchase an aggregate of 1,050,000 shares of common stock were outstanding under the plan. This total does not include a warrant to purchase 750,000 shares of common stock at an exercise price of \$1.44 per share, expiring in five years, vesting in thirds beginning July 1, 2001, that was issued to Mr. Otteson pursuant to his employment agreement.

Option Grants in Last Fiscal Year					
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS/SARS GRANTED (#)	PERCENT OF TOTAL OPTIONS/ SARS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE OR BASE PRICE (\$/SH)	EXPIRATION DATE	
-----	-----	-----	-----	-----	
Jason G. Otteson, Chief Executive Officer	250,000	23.8%	\$ 1.52	9/30/06	
	200,000	19.0%	\$.825	3/31/05	
	750,000	--	\$ 1.44	7/1/05	

AGGREGATED OPTION EXERCISES IN 2000
AND YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF UNEXERCISED OPTIONS AT FY-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS	
-----	-----	-----	-----	-----	-----	-----
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
-----	-----	-----	-----	-----	-----	-----
Jason G. Otteson, Chief Executive Officer	-	-	--	1,200,000	--	\$ 111,000

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of January 22, 2001 the number and percentage of outstanding shares of Company Common Stock owned by (i) each person known to the Company to beneficially own more than 5% of its outstanding Common Stock, (ii) each director, (iii) each named executive officer, and (iv) all executive officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned	Percentage of Ownership
Jason G. Otteson	3,590,994	61.2%
Connie Logan	1,594,006	19.9%
Kay Ekis	5,000	less than 1%
All executive officers and directors as a group (2 persons)	3,595,994	61.3%

Of Ms. Logan's shares, 1,554,006 shares are represented by shares of the Company's Series A preferred stock, which provide for the right to vote the preferred stock on a share for share basis. The business address of the above persons is the same as the address of the Company's principal executive office.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has a lease agreement on a month-to-month basis with Jason G. Otteson covering approximately 12,000 square feet in Huntsville, Texas. The monthly rental is \$2000 per month. The Company has borrowed an aggregate of \$214,500 from Mr. Otteson, at interest rates between 10-18%, of which \$83,500 is currently due on demand, and the remainder is due between March 2001 and August 2001.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheet of Sportan United Industries, Inc. as of September 30, 2000, and the related statements of operations, changes in stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sportan United Industries, Inc. as of September 30, 2000, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

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

MALONE & BAILEY, PLLC
Houston, Texas

January 9, 2001

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

ASSETS

Current Assets

Cash	\$ 14,865
Accounts receivable, net of allowance for doubtful accounts of \$68,478	116,032
Stock subscription receivable	4,359
Accounts receivable-stockholder and employees	5,292
Inventory	223,451

Total Current Assets	363,999

Property and Equipment, net of \$73,207 accumulated depreciation	57,802
Trademark, net of \$17 accumulated amortization	1,427

TOTAL ASSETS	\$ 423,228
	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts payable	\$ 335,618
Accounts payable to stockholder	16,235
Accrued expenses	67,406
Dividend payable	17,836
Accrued salary due to stockholder	12,652
Notes payable to stockholders	314,500
Note payable to bank	99,000

Total Current Liabilities	863,247

STOCKHOLDERS' EQUITY

Convertible preferred stock, .001 par value, 10,000,000 shares authorized, 2,144,006 shares issued and outstanding	2,144
Common stock, \$.001 par value, 50,000,000 shares authorized, 5,767,445 issued and outstanding	5,767
Paid in capital	646,113
Retained earnings (deficit)	(1,094,043)

Total Stockholders' Equity	(440,019)

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 423,228
	=====

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF OPERATIONS
For the Years Ended September 30, 2000 and 1999

	2000	1999
Revenues	\$ 816,242	\$2,901,829
Cost of Sales	687,511	2,538,725
Gross Margin	128,731	363,104
Operating Expenses		
Selling, general and administrative	975,646	685,812
Bad debts		44,661
Total Operating Expenses	975,646	730,473
Operating Loss	(846,915)	(367,369)
Other Income and (Expense)		
Gain on sale of facility		206,901
Loss on sale of assets	(2,852)	
Other income	2,732	
Interest expense	(33,713)	(13,950)
Miscellaneous expense		(3,830)
Total Other Income (Expense)	(33,833)	189,121
NET (LOSS)	(880,748)	(178,248)
Preferred stock dividends	(22,406)	
NET (LOSS) APPLICABLE TO COMMON SHAREHOLDERS	\$(903,154)	\$(178,248)
Net (loss) per common share	\$(.14)	\$(.02)
Weighted average common shares Outstanding	6,389,000	7,000,000

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended September 30, 2000 and 1999

	Preferred Shares	Preferred Amount	Common Shares	Common Amount
	-----	-----	-----	-----
Balances at September 30, 1998			7,000,000	\$ 7,000
	-----	-----	-----	-----
Net loss				
Balances at September 30, 1999			7,000,000	7,000
Exchange of common stock for preferred	2,144,006	\$ 2,144	(2,144,006)	(2,144)
Proceeds from sale of common stock, net of 404,000 shares and \$68,407 paid for costs of issuance			795,178	795
Issuance of stock warrant				
Common stock issued				
for services			105,000	105
to extinguish accounts payable			11,273	11
Preferred stock dividends				
Net loss				
	-----	-----	-----	-----
Balances at September 30, 2000	2,144,006	\$ 2,144	5,767,445	\$ 5,767
	=====	=====	=====	=====

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended September 30, 2000 and 1999

	Paid In Capital	Retained Earnings (Deficit)	Totals
	-----	-----	-----
Balances at September 30, 1998	\$ 246,263	\$ (12,641)	\$ 240,622
Net loss		(178,248)	(178,248)
	-----	-----	-----
Balances at September 30, 1999	246,263	(190,889)	62,374
Exchange of common stock for preferred			
Proceeds from sale of common stock, net of 404,000 shares and \$68,407 paid for costs of issuance	239,157		239,952
Issuance of stock warrant	17,250		17,250
Common stock issued			
for services	129,454		129,559
to extinguish accounts payable	13,989		14,000
Preferred stock dividends		(22,406)	(22,406)
Net loss		(880,748)	(880,748)
	-----	-----	-----
Balances at September 30, 2000	\$ 646,113	\$(1,094,043)	\$(440,019)
	=====	=====	=====

SPORTAN UNITED INDUSTRIES, INC.
STATEMENTS OF CASH FLOWS
for the Years Ended September 30, 2000 and 1999

	2000	1999
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)	\$(880,748)	\$(178,248)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	19,407	19,127
Securities issued for services	129,559	
Securities issued for accounts payable	14,000	
Issuance of stock warrants	17,250	
Loss (gain) on disposal of property and equipment	2,852	(2,699)
Net (increase) decrease in:		
Accounts receivable	(52,570)	59,969
Inventory	41,805	259,990
Other current assets	4,943	3,489
Net increase (decrease) in:		
Accounts payable	116,509	(32,453)
Accrued expenses	28,106	20,002
	-----	-----
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(558,887)	149,177
	-----	-----
CASH FLOWS (USED) BY INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	2,250	5,000
Cash paid for trademark and patents	(1,444)	
Cash paid for property and equipment	(52,328)	(7,368)
	-----	-----
NET CASH (USED) BY INVESTING ACTIVITIES	(51,522)	(2,368)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from sale of stock	239,952	
Net proceeds (repayments) from line of credit	89,000	(85,000)
Principal payments on notes to stockholders		(10,000)
Net proceeds from notes to stockholders	261,000	
Stock subscription receivable	(4,359)	
Preferred stock dividends paid	(4,569)	
Accrued salary to shareholder	12,652	
Net increase (decrease) in stockholder advances to the company	13,108	(39,982)
	-----	-----
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	606,784	(134,982)
	-----	-----
NET INCREASE (DECREASE) IN CASH	(3,625)	11,827
CASH BALANCES		
-Beginning of period	18,490	6,663
	-----	-----
-End of period	\$ 14,865	\$ 18,490
	=====	=====
SUPPLEMENTAL DISCLOSURES		
Interest paid in cash	\$ 20,182	\$ 5,589
Income taxes paid in cash	\$ 0	\$ 0

SPORTAN UNITED INDUSTRIES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Computer equipment	5 years	\$104,728
Furniture and fixtures	5-10 years	26,280

		131,008
Less accumulated depreciation		(73,206)

		\$ 57,802
		=====

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

Federal Income Taxes: Since March 30, 1998, the Company reports federal income taxes as a C corporation and uses the liability method in accounting for income taxes, whereby tax rates are applied to cumulative temporary differences based on when and how they are expected to affect future tax returns. Deferred tax assets and liabilities are adjusted for tax rate changes in the year changes are enacted. The realizability of deferred tax assets are evaluated annually and a valuation allowance is provided if it is more likely than not that the deferred tax assets will not give rise to future benefits in the Company's tax returns.

SPORTAN UNITED INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prior to conversion to a "C" corporation, the income or loss of the Company flowed through to its stockholders. Accordingly, no provision has been made for federal income taxes for periods prior to March 30, 1998.

Use of Estimates: The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

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

NOTE B - GOING CONCERN

As shown in the accompanying financial statements, the Company has incurred recurring net losses and has a net deficit of \$440,019 as of September 30, 2000. These conditions create an uncertainty as to the Company's ability to continue as a going concern. Management is trying to raise additional capital through sales of its common stock. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE C - BANK CREDIT LINE ARRANGEMENT

The Company presently has a credit line of up to \$100,000 at First National Bank of Huntsville secured by substantially all assets, accounts receivable and inventory with interest at the bank's prime commercial rate, and maturing October 2000. The credit line is guaranteed by a company stockholder. The Company's outstanding balance on this line as of September 30, 2000 was \$99,000. The credit line was renewed on November 30, 2000, with a new interest rate of prime plus 1.250%.

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

NOTE D - INCOME TAXES

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

Deferred tax assets:		
Net operating loss carryforward	\$	380,800
Less: valuation allowance		(380,800)

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

The Company has net operating loss carryforwards of approximately \$1,120,000 as of September 30, 2000, which expire through year 2020.

NOTE E - OPERATING LEASES

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

Total rent expense under all lease agreements amounted to approximately \$24,000 and \$36,350 for the years ended September 30, 2000 and 1999, respectively.

NOTE F - RELATED PARTY TRANSACTIONS

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

	2000	1999
	-----	-----
Transaction:		
Rent-principal facility	\$24,000	\$22,140
Purchase of inventory	\$ 309	\$36,537
Interest	\$18,864	\$ 8,362

Notes payable to stockholders consist of the following:

Notes payable to two stockholders bearing interest at 12% annually, balance is due on demand.

Interest is being accrued. \$ 53,500 Notes payable to one stockholder, bearing interest at rates ranging from 10%-18%, payable on dates ranging from January 2001 through August 2001 261,000

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

SPORTAN UNITED INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE F - RELATED PARTY TRANSACTIONS (Continued)

Additionally warrants to purchase 1,000,000 shares at fair market value will be granted 250,000 per year for the next four years. These warrants will expire five years from the date of grant.

NOTE G - PREFERRED STOCK

The Company has 2,144,006 shares of preferred stock outstanding. Holders of the preferred shares are entitled to receive cash dividends at the annual rate of 6%, on a share value of \$0.418 per share, payable monthly. As of September 30, 2000, \$4,570 had been paid in cash to the preferred shareholders and the balance due, \$17,836, had been accrued.

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

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

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

NOTE H - COMMON STOCK TRANSACTIONS

During July and August 2000, the Company sold 294,000 shares of stock at \$1 per share in a private offering. The shares were sold in increments of 1,000 and for each unit 500 "Class A" warrants with exercise price of \$1.50 per share and 500 "Class B" warrants with exercise price of \$2.00 per share were issued. These warrants are redeemable by the Company at \$.05 per share in the event that the closing bid price of the Company's common stock equals or exceeds \$2.00 per share for the Class A warrants and \$2.50 per share for the Class B warrants. Additionally, 87,178 warrants that had been issued in conjunction with the private offering were exercised for a price of for a price of \$4,359, or \$.05 per share. Other common stock issued for cash was 10,000 shares for \$10,000, for total gross proceeds of \$308,359. Cash fees and commissions of \$68,407 were paid in conjunction with the private offering resulting in net proceeds from sale of common stock of \$239,952. 404,000 shares valued at \$429,000 were issued to promoters and to a lawyer for fundraising. Additionally, a warrant was issued to a consultant at below fair market value, resulting in compensation expense and a corresponding contribution to capital of \$17,250 and 105,000 shares valued at \$129,559 were issued to employees and consultants for services.

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

NOTE I - STOCK OPTIONS AND WARRANTS

The Company follows the disclosure requirements of FASB Statement 123, Accounting for Stock Based Compensation Plans. This disclosure is not present for the prior year because the Company's stock only began trading during March 2000. The Company's Stock Option Plan provides for the grant of non-qualified options to directors, employees and consultants of the Company, and opportunities for directors, officers, employees and consultants of the Company to make purchases of stock in the Company. In addition, the Company issues stock warrants from time to time to employees, consultants, stockholders and creditors as additional financial incentives. The plans and warrants issuance are administered by the Board of Directors of the Company, who have substantial discretion to determine which persons, amounts, time, price, exercise terms, and restrictions, if any.

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

123. During the year ended September 30, 2000, \$17,250 in compensation expense was recognized for the issuance of 15,000 warrants at an exercise price of \$.25 per share, because these exercise prices were below market prices at the date of grant. During the year ended September 30, 1999, no compensation expense was recognized for the issuance of options and warrants, because no exercise prices were below market prices at the date of grant. Options and warrants to purchase 1,261,400 shares of common stock that had no intrinsic value were issued during the year ended September 30, 2000. In addition, 87,178 and no warrants were exercised in 2000 and 1999, respectively. As of September 30, 2000, 383,222 outstanding warrants are noncompensatory. The balance of the outstanding warrants and options are payments for consulting and professional services. Summary information regarding options and warrants is as follows:

	Options	Weighted average Share Price	Warrants	Weighted average Share Price
	-----	-----	-----	-----
Outstanding at September 30, 1999:			71,000	\$.01
Year ended September 30, 2000:				
Granted	1,835,000	\$ 1.16	485,400	.78
Exercised			(87,178)	.05
	-----	-----	-----	-----
Outstanding at September 30, 2000	1,835,000	\$ 1.16	469,222	\$.81
	=====	=====	=====	=====

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

NOTE I - STOCK OPTIONS AND WARRANTS (Continued)

Options outstanding and exercisable as of September 30, 2000:

Exercise Price	- - Outstanding Number of Shares	- - Remaining life	Exercisable Number of Shares
\$.75	410,000	13 years	0
.83	200,000	5 years	0
1.38	190,000	11 years	0
1.43	750,000	5 years	0
1.00	20,000	2 years	5,000
1.52	250,000	5 years	
	-----		-----
	1,835,000		5,000
	=====		=====

Warrants outstanding and exercisable as of September 30, 2000:

Exercise Price	- - Outstanding Number of Shares	- - Remaining life	Exercisable Number of Shares
\$.01	71,000	2 years	71,000
.05	89,222	2 years	89,222
.25	15,000	5 years	15,000
1.50	147,000	2 years	147,000
2.00	147,000	2 years	147,000
	-----		-----
	469,222		469,222
	=====		=====

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

(in thousands)		2000	1999
		-----	-----
Net loss available for common shareholders	-As reported	\$ (903,154)	\$ (178,248)
	-Pro forma	(1,582,433)	(178,248)
Net loss per share	-As reported	\$ (0.14)	\$ (0.02)
	-Pro forma	(0.25)	(0.02)

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

SPORTAN UNITED INDUSTRIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J - MAJOR CUSTOMERS AND VENDORS

During the year ended September 30, 2000, the Company purchased \$211,951, or 31% of total purchases from Riddell and \$74,630, or 10% of total purchases from Fotoball. One customer, OnDeck Sports, accounted for \$83,430 of total sales. \$163,216, or 19% of revenues were derived from internet auction sites such as Ebay. No other vendor or customer accounted for greater than 10% of total expenditures or revenues.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K

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

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

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

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

SIGNATURES

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

Sportan United Industries, Inc.

By: /s/ Jason G. Otteson

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

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

Signature Title Date

/s/ Jason G. Otteson	Chairman of the Board, President,	February 6, 2001
-----	Chief Executive Officer, and	
Jason G. Otteson	Treasurer	

EMPLOYMENT AGREEMENT

This agreement is effective as of July 1, 2000.

PARTIES. The parties to this agreement are Jason G. Otteson of Huntsville, Texas and Sportan United Industries, Inc., a Texas corporation, whose present address for services is 3170 Old Houston Road, Huntsville, Texas 77340.

RECITALS:

1. Otteson wishes to contribute absolutely certain relationships with known civic personages, and his certain title and interest in certain projects in progress, his contacts, name and reputation into Sportan, in exchanged for shares of Sportan and signing bonus.
2. Otteson wishes to enter into an employment contract with Sportan in order to make operational said projects in progress and the future business of the Company.

Now, therefore, in consideration of the terms and conditions herein set forth, it is hereby agreed.

AGREEMENTS

1. Sportan issues Otteson a warrant to purchase 250,000 shares of common stock at an exercise price of \$.10 per share, expiring July 1, 2005.
2. Sportan grants Otteson a signing bonus to be paid on demand for \$100,000.00. The balance to be booked as loan earning 12% interest until paid.

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT

Parties are Jason G. Otteson (Executive) and Sportan United Industries, Inc. (Employer).

RECITALS:

Executive wishes to be employed by Employer and Employer wishes to employ Executive. Employer desires assurance of the continued associates and services of Executive in order to retain his experience, skills, abilities, background and knowledge and is therefore willing to engage his services on the terms and conditions set forth below.

Now, therefore in consideration of the terms and conditions herein set forth it is hereby agreed.

AGREEMENT:

1. EMPLOYEE'S DUTIES AND AUTHORITY

1.1. Executive shall be the CEO of Employer, and shall provide services and conduct the business of Employer in full compliance with the laws of whatever States the Company is doing business, with Employer's By-Laws and policies and directives set by the Board of Directors (herein referred to as the "Board").

2. RESTRICTIONS ON OUTSIDE BUSINESS ACTIVITIES

2.1. During his employment, Executive shall devote as much of his energies, interest, abilities and productive time to the performance of his agreement and shall in his opinion be satisfactory for the success of the Employer. The Employer would expect that the Executive would not, without Employer's prior written consent, render to others services of any kind for compensation, or engage in any other business activity that would materially interfere with the performance of his duties under this agreement. Notwithstanding the foregoing, Executive is specifically authorized to engage in reasonable technical consulting services, which require his unique skills and contracts as he sees fit.

2.2. During the employment term, Executive shall not, directly or indirectly, whether as a partner, employee, creditor, shareholder, or otherwise; promote, participate or engage in any activity, which would damage or otherwise be directly competitive with Employer's business without written notification to the Board.

EMPLOYMENT AGREEMENT

3. CONSULTING SERVICES

3.1. Following the employment term (unless terminated for cause), Executive agrees to provide his services as an advisor and consultant to Employer so that Employer may benefit from his experience. During this time, Executive shall be an independent contractor and Employer shall only request Executive's services at such times and places which are in the best interest of Employer and Executive, and do not reasonably interfere with Executive's other business commitments which he may have accepted during that period. While an advisor and consultant, Executive shall be entitled to continue to receive all executive benefits provided for in this agreement. During the consulting term and for a period of three (3) years thereafter, Executive shall not compete, directly or indirectly, with Employer in the business of the Company. In exchange for this commitment to provide consulting services as described in this paragraph, the Executive will be guaranteed a minimum of 65 days of consulting fees per year for a period of five (5) years from the date of termination, for a fee of not less than his average daily cash salary at the time of termination, but not less than \$1000 per day.

4. TERM OF EMPLOYMENT

4.1. Subject to earlier termination as provided in this agreement, Executive shall be employed for a term beginning July 01, 2000 and ending June 30, 2003.

5. PLACE OF EMPLOYMENT

5.1. Unless the parties agree otherwise in writing, Executive shall perform his services primarily from offices in Huntsville, Texas.

The Executive, subject to acceptance by the Board, will approve any relocation of the Executive's headquarters.

6. COMPENSATION

6.1. Executive's base annual salary during the term of the agreement shall be \$102,000 or as otherwise agreed to by the Board from time to time, provided that:

6.1.1. Executive's base salary shall be not less than the base salary set forth herein above in this paragraph, and

6.1.2 At the discretion of the Board, the base salary may be paid as follows: in cash, never less than 50% of the full salary, with the balance in promissory notes at 100% of the remaining unpaid cash value of his salary bearing interest at 12% per annum until paid and in shares of Company common stock ("Shares") representing the remaining unpaid cash value of his salary, valued at the current fair market value.

EMPLOYMENT AGREEMENT

6.1.3. In addition, to his base salary, Executive shall receive the following compensation:

- 1) An option to purchase 750,000 shares of Company common stock at an exercise price equal to the fair market value of the shares on the date of grant, expiring in five years, vesting as follows: (i) 250,000 shares on July 1, 2001, (ii) 250,000 shares on July 1, 2002, and (iii) 250,000 shares on July 1, 2003.
- 2) A bonus of payable in cash or shares the Company's choice equal to 1% of the Company revenues plus 2% of the Company's net income, payable at the end of each year.
- 3) A bonus payable in cash or shares at his choice equal 3% of all funding secured into Sportan.

6.1.4. Executive's base salary shall be reviewed by the Board at intervals of not less than 12 months to determine what adjustments should be made, if any, with consideration being given to the scope and level of his responsibilities, his performance and Sportan's financial condition. Executive's salary may be increased, but not reduced without Executive's consent. Executive understands that the payment of cash compensation for his services depends on Sportan's acquisition of sufficient operating capital through various means.

6.1.5. If Executive is terminated without cause, prior to the end of this agreement, then any accrued salary payable during the term of this agreement shall become immediately due and payable and shall be an amount not less than two (2) years annual salary at the then current rate of compensation. If Employer is still unable to pay Executive's accrued compensation in whole or in part due to lack of funds, such unpaid compensation shall accrue with interest at 12% per annum for the date of termination and become all due and payable upon receipt of sufficient funds, but not later than 12 months following Executive's termination.

EMPLOYMENT AGREEMENT

7. DEATH OR DISABILITY COMPENSATION

7.1. If Executive dies or becomes permanently disabled so that he is unable to substantially perform the duties prescribed herein, payment of salary as specified in Section 6 for the remainder of the employment term shall be provided. Employer agrees to pay Executive or his estate, the then current salary payable of the remaining term of this agreement, or for a period of two (2) years, whichever first occurs. If Employer is unable to pay Executive's termination compensation due to lack of funds, such compensation shall accrue with interest at 10% per annum and become all due and payable by Employer upon receipt of sufficient funds, but not later than 12 months following Executive's termination. If all of said compensation cannot be paid at one time, Employer may make payments as funds become available.

8. EXECUTIVE BONUS

8.1. Employer shall pay Executive the bonus set forth in Section 6.1.3 (2) three months after the close of Employer's fiscal year. Net income shall be defined for purposes of this provision as net income after all expenses of every nature have been considered, but before taxes, as determined by the firm of certified public accountants retained by Employer and in accordance with sound accounting principals.

9. EXECUTIVE BENEFITS

9.1. During the employment term, Executive shall be entitled to be paid vacation of 30 working days per year. Employer agrees to include Executive under Employers group life insurance coverage in an amount not less than two (2) times Executive's annual salary and to include Executive and his family under Employer's group medical insurance coverage and dental coverage commencing November 1, 2000.

10. EXPENSES 10.1. During the employment term, Employer shall pay for or promptly reimburse Executive for reasonable business expenses incurred in connection with Employer's business, including travel expenses, food lodging and rental vehicle while away from home.

11. INDEMNIFICATION BY EMPLOYER 11.1. Employer shall, to the maximum extent permitted by law, indemnify and hold Executive harmless against expenses, including reasonable attorney's fees and costs, judgments, fines, settlements, and other amounts actually and reasonable incurred in connection with any proceeding arising by reason of Executive's employment by Employer. Employer shall pay directly or advance to Executive any expenses incurred in defending any such proceeding. Employer shall use its best efforts to obtain liability insurance for Directors and Officers during the term of this contract.

EMPLOYMENT AGREEMENT

12. TERMINATION 12.1. Either Employer or Executive may terminate this agreement at any time without notice if the other commits any material act of dishonesty, discloses confidential information, is guilty of gross carelessness or misconduct, or unjustifiably neglects his or its duties under this agreement, or acts in any way that has a direct, substantial, and adverse effect on either's business reputation. If the Employer is the guilty entity, the Executive will be entitled to the benefits specified as if he were terminated without cause, as provided in Section 6 Salary.

13. TERMINATION THROUGH CHANGE OF CONTROL OF COMPANY 13.1. If a change of control of Sportan should occur during the term of this agreement, the provisions of this paragraph will become operative. For the purpose of this agreement, a Change of Control of Sportan shall be deemed to have occurred if (a) any "persons" (defined for this purpose as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended) directly or indirectly of securities of Sportan representing more than 35% of the combined voting power of Sportan's then outstanding securities, or (ii) during any period of 24 consecutive months, individuals who, at the beginning of such period constitute the Board of Sportan cease to constitute at least a majority thereof, unless the election, or the nomination of election to Sportan's shareholders, of each new director is made by directors still in office who were directors at the beginning of the period or directors elected and nominated as set forth herein.

13.2. If, within two (2) years after a Change of Control of Sportan, either

(1) Executive's employment is terminated by Sportan for any reason other than disability or cause, or (2) Executive terminates his employment for Good Cause, Sportan shall pay Executive the following, not later than the 15th day after the date Executive's employment is terminated:

13.2.1. A lump sum severance payment equal to 1.5 times the sum of (a) Executive's base annual salary at the highest rate in effect during the year immediately preceding the date on which Executive's employment is terminated, and (b) the greater of the amount of any incentive, bonus or other cash (non salary) compensation that was paid to Executive during the twelve months immediately preceding the Change of Control, and

13.2.2. A cash payment equal to the amount by which the greater of (a) the closing price of Sportan's common stock on the day before the date of Executive's employment terminates, or (b) the highest bid and asked for price during the twelve months immediately preceding the date of the Executive's employment termination, or

(c) the amount to which the highest price per share actually paid in connection with the Change of Control of Sportan exceeds the per share exercise of each stock option held by Executive on the day before the date Executive's employment terminates, multiplied by the number of shares covered by each such option, in exchange for which payment Executive will surrender all such options to Sportan without exercising them. At the Executive's option, the company will buy back all or part of his shares.

13.2.3. Executive may terminate his employment for Good Reason within two (2) years after a Change of Control of Sportan if:

13.2.4. Sportan reduces Executive's base annual salary as in effect on the day preceding the Change of Control of Sportan, or

13.2.5. Sportan fails to continue in effect any compensation, benefits, perquisites, stock options, or any other plan that was in effect and which Executive was participating in or was entitled to participate in on the day preceding the Change of Control of Sportan, or

13.2.6. Sportan fails to continue to provide Executive with an office and appropriate support services at least equivalent to those provided on the day preceding the Change of Control of Sportan, or

13.2.7. Sportan modifies the nature and status of Executive's responsibilities from those in effect immediately prior to the Change of Control of Sportan without an appropriate increase in salary, or

13.2.8. Sportan requires Executive, without his consent, to be based anywhere other than the metropolitan area in which Executive's office is located immediately prior to the Change of Control of Sportan.

14. TERMINATION BY RESIGNATION 14.1. Executive may terminate this agreement by giving Employer ninety days prior written notice of resignation, with an agreement to step down earlier if an adequate replacement can be found in shorter period of time. This termination is independent and exclusive of the criteria specified under Section 13, Termination through Change of Control of the Company.

15. NON DISCLOSURE OF CONFIDENTIAL INFORMATION 15.1. In the course of his employment, Executive may have access to confidential information and trade secrets relating to Employer's business. Except as required in the course of his employment by Employer, Executive will not, without Employer's prior consent, either during this employment or consulting period by Employer or for five (5) years after termination of that employment, provide directly or indirectly to any third person any such confidential information or trade secrets. Executive also agrees to execute any non-disclosure agreement as may be required from time to time.

EMPLOYMENT AGREEMENT

16. **ARBITRATION** 16.1. Any controversy or claim arising out of or relating to this agreement, or breach of this agreement, shall be settled by binding and non-appealable arbitration in accordance with the Commercial Arbitration rules of the American Arbitration Association in Houston, Texas. There shall be three arbitrators, one to be chosen by each party, and the third arbitrator to be chosen by each of the said arbitrators. Each party shall pay the fees of its selected arbitrator and attorneys, the expenses of its witnesses, and all other expenses connected with presenting its case. Other costs of the arbitration including administrative fees, the fee of the third arbitrator, and all other fees and costs, shall be come equally by the parties. The prevailing party may, in the decision of the majority of the panel of arbitrators, be awarded its or his costs, in whole or in part.

17. **INTEGRATION** 17.1. This agreement contains the entire agreement between the parties and supersedes all prior oral and written agreements, understandings, commitments and practices between the parties, including all prior employment agreements, whether or not fully performed by Executive before the date of this agreement. No amendments to this agreement may be made except by Board approval and with the concurrence of the Executive all of which must be in writing signed or otherwise ratified by both parties.

18. **LAW GOVERNING AGREEMENT** 18.1. The formation, construction and performance of this agreement shall be construed in accordance with the laws of the State of Texas.

19. **NOTICE** 19.1. Any notice to Employer required or permitted under this agreement shall be given in writing to Employer, either by personal services or by registered or certified mail, postage prepaid, addressed to the Chairman of the Board of Directors at its principal place of business. Any such notice to Executive shall be given in a like manner and addressed to Executive at his home address.

19.2. For the purpose of determining compliance with any time limit in this agreement, a notice shall be deemed to have been duly given (a) on the date of service, if served personally on the part to whom the notice is to be given. If the Executive is also the Chairman of the Board, the Executive will provide the required information to all Board members. The Secretary will document the Board's decisions and responses and sign agreements between the parties in the name of the Chairman.

EMPLOYMENT AGREEMENT

20. PARTIAL INVALIDITY 20.1.If any provision of this agreement is held invalid or unenforceable, the remainder of this agreement shall nevertheless remain in full force and effect if any provision is held invalid or unenforceable with respect to particular circumstances, it shall nevertheless remain in full force and effect in all other circumstances.

SPORTAN UNITED INDUSTRIES

JASON G. OTTESON

Signature

Signature

BY: -----

BY: JASON G. OTTESON

TITLE: -----

TITLE: CHIEF EXECUTIVE OFFICE "CEO"

EMPLOYMENT AGREEMENT

BY THIS AGREEMENT, SPORTAN UNITED INDUSTRIES, INC. commonly referred to in this agreement as Employer, located at 3170 Old Houston Rd., Huntsville, Texas, employs Kay L. Ekis commonly referred to in this agreement as Employee who accepts employment on the following terms and conditions:

ARTICLE 1 TERMS OF EMPLOYMENT

1.01. By this agreement Employer employs the Employee, Kay L. Ekis, as Accounting/Office Manager, and the Employee accepts employment with the Employer for a period of three (3) years beginning on the thirtieth day of September 2000.

ARTICLE 2 COMPENSATION

2.01. As compensation for services rendered under this agreement, the Employee shall be paid by the Employer according to the following schedule:

Base Salary of \$33,000 per year.

Such salary should be paid on the 1st and 16th of each month.

2.02. Upon execution of this agreement, Employer and Employee shall enter into a Stock Option agreement, which is attached hereto as Exhibit "A", pursuant to which Employer grants Employee options (the "Options") to purchase 100,000 shares of common stock ("Common Stock") per year at market value at year end.

2.03. Upon execution of this agreement, Employer and Employee shall enter into a Sign Up Bonus agreement, which is attached hereto as Exhibit "B", pursuant to which Employer grants Employee \$15,000 payable according to the following schedule:

(a) \$1,500 payable on or before November 15, 2000;

(b) \$2,000 payable on or before January 15, 2001:

(c) The \$11,500 balance is payable after future funding is received by Sportan.

If Sportan is in default on the Sign Up Bonus, Mr. Jason G. Otteson personally guarantees any unpaid Sign Up Bonus balance due to Kay L. Ekis, which is attached hereto as Exhibit "C".

ARTICLE 3 BENEFITS AND INSURANCE

3.01. Effective immediately and continuing throughout all of the term hereof, Employee shall be eligible for major medical and dental insurance coverage offered by Employer. The Employee shall reimburse the Employer for any additional premiums caused from the Employee's dependents.

3.02. The Employee is authorized to incur reasonable business expenses for promoting the business of the Employer, which are pre-approved by Employer, including expenditures for entertainment and travel.

3.03. Employee shall be entitled to two weeks paid vacation during each year of this agreement. After five years of continuous employment, the Employee shall be entitled to three weeks of vacation; and after ten years of continuous employment the Employee shall be entitled to four weeks of vacation.

ARTICLE 4 CONFIDENTIALITY

4.01. In the course of the performance of Employee's duties hereunder, Employee recognizes and acknowledges that Employee may have access to certain confidential and proprietary information of Employer or any of its affiliates. Without the prior written consent of Employer, Employee shall not disclose any such confidential or proprietary information to any person or firm, corporation, association, or other entity for any reason or purpose whatsoever, and shall not use such information, directly or indirectly, for Employee's own behalf or on behalf of any other party. Employee agrees and affirms that all such information is the sole property of Employer and that at the termination and/or expiration of this agreement, at Employer's written request, Employee shall promptly return to Employer any and all such information so requested by Employer.

The provisions of this Section 4 shall not, however, prohibit Employee from disclosing to others or using in any manner information that:

(a) has been published or has become part of the public domain other than by acts, omissions or fault of Employee;

(b) has been furnished or made known to Employee by third parties (other than those acting directly or indirectly for or on behalf of Employee) as a matter of legal right without restriction on its use or disclosure;

(c) was in the possession of Employee prior to obtaining such information from Employer in connection with the performance of this agreement; or

(d) is required to be disclosed by law.

ARTICLE 5 TERMINATION

5.01. This agreement and the employment relationship created hereby will terminate (i) upon the death or disability of Employee under section 5 (a) or 5 (b); (ii) with cause under Section 5 (c); (iii) for good reason under Section 5 (d); or (iv) upon the voluntary termination of employment by Employee under Section 5 (e).

(a) **DISABILITY.** Employer shall have the right to terminate the employment of the Employee under this agreement for disability in the event Employee suffers an injury, illness, or incapacity of such character as to substantially disable him from performing his duties without reasonable accommodation by Employer hereunder for a period of more than thirty (30) consecutive days upon Employer giving at least thirty (30) days written notice of termination.

(b) **DEATH.** This agreement will terminate on the Death of the Employee.

(c) **WITH CAUSE.** Employer may terminate this agreement at any time because of (i) Employee's material breach of any term of the agreement, (ii) the determination by the Board of Directors in the exercise of its reasonable judgment that Employee has committed an act or acts constituting a felony or other crime involving moral turpitude, dishonesty or theft or fraud; or (iii) Employee's gross negligence in the performance of his duties hereunder.

(d) **GOOD REASON.** The Employee may terminate his employment for "Good Reason" if:

(i) he is assigned, without his express written consent, any duties materially inconsistent with his positions, duties, responsibilities, or status with Employer as of the date hereof, or a change in his reporting responsibilities or titles as in effect as of the date hereof;

(ii) his compensation is reduced; or

(iii)Employer does not pay any material amount of compensation due hereunder and then fails either to pay such amount within the ten (10) day notice period required for termination hereunder or to contest in good faith such notice. Further, if such contest is not resolved within thirty (30) days, Employer shall submit such dispute to arbitration under Section 13.

(e) VOLUNTARY TERMINATION. The Employee may terminate his employment voluntarily.

(f) WITHOUT CAUSE. Employer may terminate this Agreement without cause.

ARTICLE 6 OBLIGATIONS OF EMPLOYER UPON TERMINATION

6.01. (a) In the event of the termination of Employee's employment pursuant to Section 5 (c) (with cause) or (e) (voluntary termination), Employee will be entitled only to the compensation earned by him hereunder as of the date of such termination (plus life insurance or disability benefits), plus the rights to those Options that have vested as of the termination date.

(b) In the event of the termination of Employee's employment pursuant to Section 5 (a) (disability) or (b) (death), Employee, or Employee's heirs will be entitled only to the compensation earned by him hereunder as of the date of such termination (plus life insurance or disability benefits), plus the rights to all Options, vested or not vested, under the same terms as if this Agreement was not terminated.

(c) In the event of the termination of Employee's employment pursuant to Section 5 (d) (good reason) or (f) (without cause), Employee will be entitled to receive as severance pay, one month notice and two week severance of Employee's Base salary at such time as this Agreement is terminated, and Employee shall have the rights to all Options, vested or not vested, under the same terms as if this Agreement had not terminated.

ARTICLE 7 CHANGE IN CONTROL

Effect of Employer's Merger, Transfer of Assets, or Dissolution:

7.01. This agreement shall not be terminated by any:

(a) Merger or consolidation when the Employer is not the consolidated or surviving corporation.

(b) Transfer of all or substantially all of the assets of the Employer.

(c) Voluntary or involuntary dissolution of the Employer.

In the event of any such merger, consolidation, or transfer of assets, the surviving or resulting corporation or the transferee of the Employer's assets shall be bound by and shall have the benefit of the provisions of this agreement and this agreement shall automatically renew for a period of three years under the same terms and conditions. The Employer shall take all actions necessary to insure that such corporation or transferee is bound by the provisions of this agreement.

ARTICLE 8 WAIVER OF BREACH

8.01. The waiver by any party hereto of a breach of any provision of this agreement will not operate or be construed as a waiver of any subsequent breach by any party.

ARTICLE 9 INDEMNIFICATION

9.01. Employer shall to the full extent permitted by law or as set forth in the Amended and Restated Articles of Incorporation and the Bylaws of the Company, indemnify, defend and hold harmless Employee from and against any and all claims, demands, liabilities, damages, losses and expenses (including reasonable attorney's fees, court costs and disbursements) arising out of the performance of his duties hereunder except in the case of a willful misconduct.

ARTICLE 10 NOTICES

10.01. Any notices, consents, demands, requests, approvals and other communications to be given under this agreement by either party to the other will be deemed to have been duly given if given in writing and personally delivered or within two days if sent by mail, registered or certified, postage prepaid with return receipt requested, as follows:

If to Employer:	Sportan United Industries, Inc. 3170 Old Houston Rd. Huntsville, Texas 77340 Attention: Jason G. Otteson
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If to Employee:

Kay L. Ekis
1602 13th Street
Huntsville, Texas 77340

Notices delivered personally will be deemed communicated as of actual receipt.

ARTICLE 11 ENTIRE AGREEMENT

11.01. This agreement and the agreements contemplated hereby constitute the entire agreement of the parties regarding the subject matter hereof, and supersede all prior agreements and understanding, both written and oral, among the parties, or any of them, with respect to the subject matter hereof.

ARTICLE 12 SEVERABILITY

12.01. If any provision of this agreement is held to be illegal, invalid or unenforceable under present or future laws effective during this agreement, such provision will be fully severable and this agreement will be construed and enforced as if such illegal, invalid or unenforceable provision never comprised a part hereof; and the remaining provisions hereof will remain in full force and effect and will not be affected by the illegal, invalid or unenforceable provision or by its severance herefrom. Furthermore, in lieu of such illegal, invalid or unenforceable provision there will be added automatically as part of this agreement a provision as similar in its terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

ARTICLE 13 ARBITRATION

13.01. If a dispute should arise regarding this agreement, the parties agree that all claims, disputes, controversies, differences or other matters in question arising out of this relationship shall be settled finally, completely and conclusively by arbitration in Huntsville, Texas in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "Rules"). The governing law of this agreement shall be the substantive law of the State of Texas, without giving effect to conflict of laws. A decision of the arbitrator shall be final, conclusive and binding on Employer and Employee. Any arbitration held in accordance with this paragraph shall be private and confidential and no person shall be entitled to attend the hearings except the arbitrator, Employee, Employee's attorneys, a representative of Employer, Employer's attorneys, and advisors to or witnesses for any party. The matters submitted to arbitration, the hearings and proceedings and the arbitration award

shall be kept and maintained in the strictest confidence by Employee and Employer and shall not be discussed, disclosed or communicated to any persons except as may be required for the preparation of expert testimony. On request of any party, the record of the proceeding shall be sealed and may not be disclosed except insofar, and only insofar, as may be necessary to enforce the award of the arbitrator and any judgement enforcing an award. The prevailing party shall be entitled to recover reasonable and necessary attorneys' fees and costs from the non-prevailing party and the determination of such fees and costs and the award thereof shall be included in the claims to be resolved by the arbitrator hereunder.

ARTICLE 14 CAPTIONS

14.01. The captions in this agreement are for convenience of reference only and will not limit or otherwise affect any of the terms or provisions hereof.

ARTICLE 15 GENDER AND NUMBER

15.01. When the context requires, the gender of all words used herein will include the masculine, feminine and neuter and the number of all words will include the singular and plural.

ARTICLE 16 COUNTERPARTS

16.01. This agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which will constitute one and the same instrument, but only one of which need be produced.

ARTICLE 17 EMPLOYER AUTHORIZATION

17.01. Employer represents that the Board of Directors has approved this agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this agreement as of the day and year first above written.

EMPLOYER:

SPORTAN UNITED INDUSTRIES, INC.

By: _____
Jason G. Otteson, President

EMPLOYEE:

By: _____
Kay L. Ekis

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the registration statement on Form S-8 (File no. 333-48352) of our report dated January 9, 2001 on our audit of the financial statements of Sportan United Industries, Inc. as of September 30, 2000 included in the company's Annual Report on Form 10-KSB.

Malone & Bailey, PLLC
Houston, Texas

February 7, 2001

End of Filing

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