

Form 10-QSB

[As last amended in Release No. 33-7505,
effective January 1, 1999, 63 F.R. 9632.]
U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSB

(Mark One)

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

For the quarterly period ended August 31, 2000

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from N/A to N/A

Commission file number 0-28385

Protalex, Inc.

(Exact name of small business issuer as
specified in its charter)

New Mexico

(State or other jurisdiction
of incorporation or organization)

91-2003490

(IRS Employer
Identification No.)

P.O. Box 30952, Albuquerque, NM 87190
(Address of principal executive offices)

(505) 260-1726

(Issuer's telephone number)

(Former name, former address and former fiscal year,
if changed since last report)

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 X No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common
equity, as of the latest practicable date: Common Stock, no par value 10,183,635
as of October 12, 2000

Transitional Small Business Disclosure Format (check one):

Yes No X

Protalex, Inc.
(A Company in the Development Stage)

BALANCE SHEET
(Unaudited)

August 31, 2000

ASSETS

CURRENT ASSETS

Cash, including certificate of deposit	\$343,585	
Prepaid expense	500	

Total current assets		\$344,085

EQUIPMENT

Lab equipment	129,922	
Office and computer equipment	92,099	

	222,021	
Less accumulated depreciation	21,115	200,906

OTHER ASSETS

Intellectual technology license, net of accumulated amortization of \$593	19,707	19,707
	-----	-----

\$564,698
=====

The accompanying notes are an integral part of this financial statement.

LIABILITIES

CURRENT LIABILITIES

Professional fees payable	\$ 17,491	
Payroll taxes payable	1,837	
Interest payable	4,057	
Current maturities of long-term liabilities	22,764	
Related party advance and license fee payable	40,000	
Accrued compensation	5,120	

Total current liabilities		\$ 91,269

LONG-TERM LIABILITIES, less current maturities

Note payable to individual	185,330	
Equipment note payable	64,367	249,697
	-----	-----

Total liabilities

340,966

STOCKHOLDERS' DEFICIT

Common stock, no par value, authorized 40,000,000 shares, 10,422,135 shares issued, 10,183,635 shares outstanding		
238,500 shares in the treasury at -0- cost	965,891	
Common stock, contra	(368,547)	
Deficit accumulated during the development stage	(373,612)	223,732
	-----	-----
		\$ 564,698
		=====

The accompanying notes are an integral part of this financial statement.

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Protalex, Inc.
(A Company in the Development Stage)

STATEMENT OF OPERATIONS
(Unaudited)

For the Three Month Period Ended August
31, 2000 and from Inception (September 17,
1999) through August 31, 2000

	Period Ended August 31, 2000	From Inception Through August 31, 2000
	-----	-----
Interest income	\$ 3,863	\$ 14,531
Expenses		
Development	71,958	195,448
Professional fees	20,892	98,412
Administrative	12,452	40,265
Interest	6,319	32,310
Depreciation and amortization	15,164	21,707
	-----	-----
NET LOSS	\$ (122,922)	\$ (373,611)
	=====	=====
Loss per common share - Basic	\$ (.01)	\$ (.04)
	=====	=====
Loss per common share - Diluted	\$ (.01)	\$ (.04)
	=====	=====
Shares used in per-share calculation - basic	10,183,635	9,489,380
	=====	=====
Shares used in per-share calculation - diluted	10,213,065	9,568,093
	=====	=====

The accompanying notes are an integral part of this financial statement.

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Protalex, Inc.
(A Company in the Development Stage)

STATEMENT OF CASH FLOWS
(Unaudited)

For the Three Month Period Ended August

31, 2000 and from Inception (September 17,
1999) through August 31, 2000

	<u>Period Ended</u> <u>August 31,</u> <u>2000</u>	<u>From</u> <u>Inception</u> <u>Through</u> <u>August 31,</u> <u>2000</u>
<i>Cash flows from operating activities</i>		
Net loss	\$(122,922)	\$(373,611)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization	15,164	21,707
Non cash expenses	--	16,644
Decrease in interest receivable	10,669	--
(Increase) in prepaid expense	--	(500)
Increase in payroll taxes payable	1,061	1,836
(Decrease) increase in interest payable	(3,705)	4,057
Increase in professional fees payable	9,709	17,490
Increase in compensation payable	--	5,120
Increase in related party advance and licenses fee payable	--	40,000
	-----	-----
Net cash used in operating activities	(90,024)	(267,257)
	-----	-----
<i>Cash flows from investing activities</i>		
Acquisition of intellectual technology license - fee portion	--	(20,000)
Acquisition of equipment	(57,910)	(130,589)
Excess of amounts paid for Public Shell over assets acquired to be accounted for as a recapitalization	--	(250,000)
Reduction of note receivable from individual	118,547	--
Issuance of note payable to individual	--	368,546
Payment on note payable to individual	(183,216)	(183,216)
Payment on equipment note payable	(4,299)	(4,299)
	-----	-----
Net cash used in investing activities	(126,878)	(219,558)
	-----	-----
<i>Cash flows from financing activities</i>		
Proceeds from stock issuance	--	830,400
	-----	-----
Net cash provided by financing activities ...	--	830,400
	-----	-----
NET (DECREASE) INCREASE IN CASH	(216,902)	343,585
Cash, beginning of period	560,487	--
	-----	-----
Cash, end of period	\$ 343,585	\$ 343,585
	=====	=====

The accompanying notes are an integral part of this financial statement.

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Protalex, Inc.
(A Company in the Development Stage)

STATEMENT OF CASH FLOWS -CONTINUED
(Unaudited)

For the Three Month Period Ended August
31, 2000 and from Inception (September 17,
1999) through August 31, 2000

	Period Ended August 31, 2000 -----	From Inception Through August 31, 2000 -----
Interest paid	\$ 10,024 =====	\$ 26,609 =====
Taxes paid	\$ -- =====	\$ -- =====

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING
ACTIVITIES**

10,000 shares of company stock were issued as part of the cost of acquisition of the intellectual technology license at inception - value at \$.03 per share	\$ -- =====	\$ 300 =====
100,000 shares of company stock were issued in exchange for legal services performed ...	\$ -- =====	\$ 15,000 =====
1,644 shares of company stock were issued in exchange for interest payable	\$ -- =====	\$ 1,644 =====
Lab equipment was acquired through issuance of installment contract to seller	\$ -- =====	\$ 91,430 =====

The accompanying notes are an integral part of this financial statement.

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Protalex, Inc.
(A Company in the Development Stage)

NOTES TO FINANCIAL STATEMENTS

From Inception (September 17, 1999) through August 31, 2000

NOTE A - NOTES TO INTERIM FINANCIAL STATEMENTS

The interim financial data is unaudited, however in the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim period. The financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures included herein are adequate to make the information presented not misleading.

The organization and business of the Company, accounting policies followed by the Company and other information are contained in the notes to the Company's financial statements filed as part of the Company's May 31, 2000 Form 10-KSB. This quarterly report should be read in conjunction with such annual report.

NOTE B - GOING CONCERN UNCERTAINTY

The accompanying financial statements have been prepared in conformity with

generally accepted accounting principles, which contemplate continuation of the Company as a going concern. The Company is a development stage enterprise and does not have operating revenue nor anticipate generating operating revenue for the foreseeable future. The ability of the Company to continue as a going concern is dependent initially on its ability to raise sufficient investment capital to fund all necessary operations and product development activities. Secondly, the Company must develop products that are regulatory approved and market accepted to generate operating revenue. There is no assurance that these plans will be realized in whole or in part. The financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE C - LOSS PER COMMON SHARE

Loss per common share is computed by dividing loss to common shareholders by the weighted average number of common shares outstanding for the period. Diluted loss per share assumes the exercise of outstanding stock options.

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Protalex, Inc.
(A Company in the Development Stage)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

From Inception (September 17, 1999) through August 31, 2000

NOTE D - COMPARABLES

The Company was incorporated on September 17, 1999. Therefore there are no comparable prior periods to present on the statement of operations and cash flows.

NOTE E - STOCK OPTIONS

The Company granted stock options to three individuals and a corporate associate to purchase 10,000 shares each of Company common stock at \$0.36 per share. The options are "stand alone" options. There is no Company stock option plan currently.

The Company accounted for the options using the "intrinsic" method which records as compensation cost the difference between exercise price of the options and the fair market value of Company stock on the measurement (grant) date. \$5,120 of compensation expense was recorded on the Company books at August 31, 2000 to reflect an estimated portion of the options awarded for past services of certain individuals and corporate associate. An additional \$20,420 of compensation expense will be recorded in future periods ending April 28, 2002 to reflect an estimated portion of the options awarded for future services of the individuals and associate.

An alternate method of accounting for stock options is the fair value method based on an accepted valuation model. Compensation cost would not be materially different if it was calculated using the fair value method.

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ITEM 2 - PROTALEX INC. - MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company is a development stage enterprise. Its operating plan is to proceed with all necessary developmental efforts necessary to bring its bio-regulator technology to market.

The Company's principal activities presently consist of continued laboratory work on its bio-regulator technology and ongoing animal studies. In May of this year the Company completed its planned private placement of its common stock,

raising approximately \$640,000. The majority of these funds will go toward the Company's development efforts, both in the laboratory and through animal studies. Approximately one-third of these funds will go to the animal studies. Significantly less money will be spent on the in vitro or laboratory effort. Related to its overall pharmaceutical development, the Company has entered into an installment purchase agreement for an automated cell sorter. The remaining funds will go to professional services, the repayment of debt and a smaller part for computers and administration. Computer equipment totaling \$49,427 was acquired during the three months ended August 31, 2000. The Company has averaged outlays of approximately \$30,000 per month and estimates that after a private placement of approximately \$350,000 in early November 2000 it will have cash reserves to fund operations for the next twelve months. The Company has spent approximately \$195,000 on development efforts through August 31, 2000.

In the longer term, the Company will continue to need to raise substantially more capital. Based on the most recent discussions with FDA consultants and possible funding sources, the Company has revised this amount to be in the \$15,000,000 to \$20,000,000 range, which would probably take the form of a public offering of common stock. This financing would primarily be devoted to the Company's human clinical trials. The Company does not expect any revenues to be generated by operations during this period of time.

Management believes that even at this relatively early stage, the animal studies support the Company's earlier work and extend the application of the bio-regulator to a much more complex whole animal model. Alex LLC, the company that has licensed exclusively and in perpetuity its bio-regulator technology to the Company for the treatment of arthritis, will delay patent filings until after the first animal study concludes in late October or early November. Management agrees that this will allow for more comprehensive and defensible patent coverage, which in turn will result in a more valuable license for the Company.

Please refer to the Company's 10-KSB filing for its most recent year-end, May 31, 2000 (filed August 25, 2000) for more information on the Company's business concept, development stage status, intellectual technology and risk factors.

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ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

6.1 Index of Exhibits.

Exhibit Number	Exhibit Name
27	Financial Data Schedule
6.2	Reports on Form 8-K.

None

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROTALEX, INC.

DATE: October 13, 2000

BY: John E. Doherty

John E. Doherty

*President and Director,
Principal Financial Officer*

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