

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM S-4  
REGISTRATION STATEMENT  
UNDER THE  
SECURITIES ACT OF 1933  
-----

EMBASSY ACQUISITION CORP.

(Exact name of registrant as specified in its charter)

FLORIDA

(State or other jurisdiction  
of incorporation or organization)

6770

(Primary Standard Industrial  
Classification Code Number)

65-0643773

(I.R.S. Employer  
Identification Number)

1428 BRICKELL AVENUE, SUITE 105,  
MIAMI, FLORIDA 33131  
(305) 374-6700

(Address, including ZIP Code, and telephone number, including area code, of  
registrant's principal executive offices)

-----  
GLENN L. HALPRYN  
PRESIDENT

1428 BRICKELL AVENUE, SUITE 105  
MIAMI, FLORIDA 33131  
(305) 374-6700

(Name, address, including ZIP code, and telephone number, including area code,  
of agent for service)

-----  
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200 EAST OLAS BOULEVARD  
FORT LAUDERDALE, FLORIDA 33301

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE OF THE SECURITIES TO THE  
PUBLIC: As soon as practicable after the effectiveness of this Registration  
Statement and the effective date of the merger (the "Merger") of Orthodontix  
Acquisition Corp., a wholly-owned subsidiary of Embassy Acquisition Corp. with  
and into Orthodontix, Inc. as described in the Agreement and Plan of Merger and  
Reorganization dated October 30, 1997 (the "Merger Agreement"), attached as  
Appendix A to the Proxy Statement/Prospectus forming a part of this Registration  
Statement.

If the securities being registered on this form are being offered in  
connection with the formation of a holding company and there is compliance with  
General Instruction G, check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	DOLLAR AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE	AMOUNT OF REGISTRATION FEE(1)
Common Stock par value \$.0001 per share.....	--	--	--	--
Total Fee.....			\$4,103,924	\$1,210.66

(1) Pursuant to Rule 457(f), the registration fee was computed on the basis of  
the book value of the company to be acquired in the transaction. Options to  
purchase Common Stock issued at the closing of the transaction are not being  
registered hereby.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH STATE.

EMBASSY ACQUISITION CORP.  
1428 BRICKELL AVENUE, SUITE 105  
MIAMI, FLORIDA 33131

March 26, 1998

Dear Fellow Shareholder:

I am pleased to enclose information relating to a Special Meeting of Shareholders of Embassy Acquisition Corp. ("Embassy") to be held at NationsBank Tower Auditorium, 100 SE 2nd Street, 19th Floor, Miami, Florida 33131 at 9:00 a.m. E.D.T. on April 16, 1998. At the Special Meeting of Shareholders you will be asked:

1. To consider and vote upon a proposal to approve an Agreement and Plan of Merger and Reorganization dated as of October 30, 1997 (the "Merger Agreement") by and between Embassy and Orthodontix, Inc., a Florida corporation ("Orthodontix"), providing for, among other things, (i) the merger of Orthodontix Acquisition Corp., a Florida corporation and wholly owned subsidiary corporation of Embassy ("Embassy Sub") with and into Orthodontix (the "Merger"), and (ii) an amendment to Embassy's Articles of Incorporation to change Embassy's name to "Orthodontix, Inc.";

2. To consider and vote upon a proposal to approve an amendment to Embassy's Articles of Incorporation to provide for an authorized class of Preferred Stock consisting of 100,000,000 shares, par value \$.0001 per share, with rights, preferences and designations of such shares to be determined by the Board of Directors of Embassy; and

3. To consider and vote upon a proposal to approve the 1997 Embassy Acquisition Corp. Stock Option Plan.

If the Merger is not consummated, the Embassy Articles of Incorporation will not be amended and restated, and the 1997 Embassy Acquisition Corp. Stock Option Plan will not be implemented, notwithstanding shareholder approval of such proposals.

As a result of the Merger: (i) Embassy's name will be changed to "Orthodontix, Inc."; (ii) Orthodontix will become a wholly-owned subsidiary corporation of Embassy; (iii) Embassy will issue an aggregate of approximately 3,487,940 shares, par value \$.0001 per share, of Embassy Common Stock (the "Merger Stock") to the current owners of all of the outstanding shares of capital stock of Orthodontix, and in exchange for the acquisition of substantially all the assets of 27 orthodontic practices, which will then constitute approximately 57.9% of the then outstanding shares of capital stock of Embassy, without giving effect to (a) the issuance of 120,000 shares of Embassy Common Stock issuable upon the exercise of certain warrants held by affiliates of Barron Chase Securities, Inc. (the "Underwriter Warrants"); or (b) the issuance of 959,944 shares of Embassy Common Stock issuable upon the exercise of certain stock options granted to certain persons, based on an assumed Average Price of \$8.5625 per share (the "Closing Stock Options"); and (iv) designees of Orthodontix, Inc. will comprise four of the seven members of the Board of Directors of Embassy. None of the shares of Embassy Common Stock currently outstanding will be converted or otherwise modified in the Merger and all of such shares will continue to be outstanding capital stock of Embassy after the Merger. A copy of the Merger Agreement is attached as Appendix A to, and is summarized in, the accompanying Proxy Statement/Prospectus.

The Board of Directors of Embassy has fixed March 24, 1998 as the record date for the determination of shareholders entitled to notice of and to vote at the Special Meeting of Shareholders. The affirmative vote of the holders of a majority of all of the outstanding Embassy Common Stock entitled to vote at the Special Meeting is necessary to approve and adopt the Merger, assuming that less than 30% of the shares of Embassy Common Stock held by non-affiliated shareholders are voted against approval of the Merger. The holders of Embassy Common Stock are entitled to certain redemption rights. These redemption rights are more fully described in the attached Proxy Statement/Prospectus.

Enclosed is a Notice of Special Meeting of Shareholders of Embassy and a Proxy Statement/Prospectus containing detailed information concerning the Merger Agreement and the transactions contemplated thereby. Whether or not you plan to attend the Special Meeting of Shareholders, we urge you to read this material carefully. Your vote is important. In order to ensure that your vote is represented at the Special Meeting of

Shareholders, please indicate your vote on the Proxy form, date and sign it, and return it in the enclosed postage prepaid envelope. A prompt response is appreciated. If you are able to attend the Special Meeting of Shareholders, you may revoke your Proxy and vote in person if you wish.

The Board of Directors of Embassy unanimously recommends that you vote FOR the approval and adoption of the proposals described above.

Very truly yours,

Glenn L. Halpryn, President

EMBASSY ACQUISITION CORP.  
 1428 BRICKELL AVENUE, SUITE 105  
 MIAMI, FLORIDA 33131

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
 TO BE HELD ON APRIL 16, 1998

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders (the "Special Meeting") of Embassy Acquisition Corp., a Florida corporation ("Embassy"), will be held on April 16, 1998, commencing at 9:00 A.M., local time, at NationsBank Tower Auditorium, 100 SE 2nd Street, 19th Floor, Miami, Florida 33131, for the following purposes:

1. The Merger. To consider and vote upon the following interrelated matters (collectively, the "Merger") as a single proposal:

(i) to approve and adopt a certain Agreement and Plan of Merger and Reorganization, dated as of October 30, 1997 (the "Merger Agreement"), by and between Embassy and Orthodontix, Inc. a Florida corporation ("Orthodontix"), providing for, among other things, the merger of Orthodontix Acquisition Corp., a Florida corporation and wholly owned subsidiary corporation of Embassy ("Embassy Sub"), with and into Orthodontix; and

(ii) to approve an amendment to Embassy's Articles of Incorporation to change Embassy's name to "Orthodontix, Inc.";

2. Authorization to Issue Preferred Stock. To consider and vote upon a proposal to amend and restate Embassy's Articles of Incorporation to provide for an authorized class of Preferred Stock consisting of 100,000,000 shares, par value \$.0001 per share (the "Preferred Stock"), with rights, preferences and designations of such shares to be determined by the Board of Directors of Embassy (the "Preferred Stock Amendment");

3. 1997 Stock Option Plan. To consider and vote upon a proposal to approve the 1997 Embassy Acquisition Corp. Stock Option Plan (the "Stock Option Plan Proposal"); and

4. Other Business. To transact any other business that may properly come before the Special Meeting or any adjournment or postponement thereof.

As a result of the Merger (i) Embassy's name will be changed to "Orthodontix, Inc."; (ii) Orthodontix will become a wholly-owned subsidiary corporation of Embassy; (iii) Embassy will issue an aggregate of approximately 3,487,940 shares of common stock, par value \$.0001 per share, (the "Embassy Common Stock") to the owners of all of the outstanding shares of capital stock of Orthodontix, and in exchange for the acquisition of substantially all the assets of 27 orthodontic practices, which will then constitute approximately 57.9% of the then outstanding shares without giving effect to (a) the issuance of 120,000 shares of Embassy Common Stock issuable upon the exercise of certain warrants held by affiliates of Barron Chase Securities, Inc. (the "Underwriter Warrants"); or (b) the issuance of 959,944 shares of Embassy Common Stock issuable upon the exercise of certain stock options granted to certain persons (the "Closing Stock Options"); and (iv) designees of Orthodontix, Inc. will comprise four of the seven members of the Board of Directors of Embassy. None of the shares of Embassy Common Stock currently outstanding will be converted or otherwise modified in the Merger and all of such shares will continue to be outstanding capital stock of Embassy after the Merger. A copy of the Merger Agreement and the Form of Restated Articles of Incorporation of Embassy are attached to the accompanying Proxy Statement/Prospectus as Appendices A and B, respectively, and are incorporated herein by reference.

CONCURRENTLY WITH THE CLOSING OF THE MERGER, EMBASSY WILL ACQUIRE IN SEPARATE TRANSACTIONS (THE "PRACTICE ACQUISITIONS") SUBSTANTIALLY ALL THE TANGIBLE AND INTANGIBLE ASSETS AND ASSUME CERTAIN LIABILITIES OF 27 ORTHODONTIC PRACTICES (COLLECTIVELY, THE "FOUNDING PRACTICES") IN EXCHANGE FOR CASH AND SHARES OF EMBASSY COMMON STOCK (IN ACCORDANCE WITH STAFF AC-

COUNTING BULLETIN NO. 48). THE NUMBER OF SHARES OF EMBASSY COMMON STOCK TO BE ISSUED IN EACH ACQUISITION WILL DEPEND ON THE PRICE OF THE EMBASSY COMMON STOCK. THE NUMBER OF SHARES WILL DEPEND ON THE AVERAGE OF THE CLOSING BID AND ASK PRICE, AS REPORTED ON THE OTC ELECTRONIC BULLETIN BOARD OF EMBASSY COMMON STOCK FOR THE 15 TRADING DAYS IMMEDIATELY PRECEDING THE DATE OF THE CLOSING OF THE PRACTICE ACQUISITIONS (THE "AVERAGE PRICE"). THE DISCLOSURES HEREIN RELATING TO THE EMBASSY COMMON STOCK ISSUED IN CONNECTION WITH THE PRACTICE ACQUISITIONS ARE ESTIMATED, BASED ON AN ASSUMED AVERAGE PRICE OF \$8.5625 PER SHARE (THE MIDPOINT OF THE CLOSING BID AND ASK PRICE, AS REPORTED ON THE OTC ELECTRONIC BULLETIN BOARD OF EMBASSY COMMON STOCK FOR THE 15 TRADING DAYS IMMEDIATELY PRECEDING THE DATE HEREOF).

SHAREHOLDER APPROVAL AND ADOPTION OF THE MERGER WILL RESULT IN A CHANGE OF THE MAJORITY EQUITY OWNERSHIP, THE BUSINESS AND MANAGEMENT OF EMBASSY.

The Board of Directors of Embassy has fixed March 24, 1998 as the record date for the determination of shareholders entitled to notice of and to vote at the Special Meeting. The affirmative vote of the holders of a majority of all of the outstanding Embassy Common Stock entitled to vote at the Special Meeting is necessary to approve and adopt the Merger, assuming that less than 30% of the shares of Embassy Common Stock held by non-affiliated shareholders are voted against approval of the Merger. HOLDERS OF EMBASSY COMMON STOCK ARE NOT ENTITLED TO APPRAISAL RIGHTS UNDER FLORIDA LAW IN CONNECTION WITH THE MERGER BUT WILL BE ENTITLED TO CERTAIN REDEMPTION RIGHTS. These Redemption Rights are more fully described in the attached Proxy Statement/Prospectus.

Whether or not you plan to attend the Special Meeting, please complete, date and sign the accompanying proxy card and mail it promptly in the enclosed pre-addressed envelope, which requires no postage if mailed in the United States.

THE EMBASSY BOARD UNANIMOUSLY RECOMMENDS THAT THE EMBASSY SHAREHOLDERS VOTE "FOR" THE PROPOSAL TO APPROVE AND ADOPT THE MERGER, THE PREFERRED STOCK AMENDMENT AND THE STOCK OPTION PLAN PROPOSAL.

Ronald M. Stein, Secretary

Miami, Florida  
March 26, 1998.

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SUBJECT TO COMPLETION, DATED MARCH 26, 1998

EMBASSY ACQUISITION CORP.  
PROXY STATEMENT AND PROSPECTUS

3,487,940 SHARES OF COMMON STOCK

INTRODUCTION

This Proxy Statement and Prospectus ("Proxy Statement/Prospectus") is being furnished to the shareholders (the "Embassy Shareholders") of common stock, par value \$.0001 per share (the "Embassy Common Stock") of Embassy Acquisition Corp., a Florida corporation ("Embassy") in connection with the solicitation of proxies by the Board of Directors of Embassy (the "Embassy Board") from such holders for use at a Special Meeting of Shareholders of Embassy (the "Special Meeting") to be held on April 16, 1998 at 9:00 local time at NationsBank Tower Auditorium, 100 SE 2nd Street, 19th Floor, Miami, Florida 33131, and any adjournments or postponements thereof.

At the Special Meeting, Embassy Shareholders will be asked to consider and vote upon a proposal to approve and adopt an Agreement and Plan of Merger and Reorganization, dated as of October 30, 1997 (the "Merger Agreement"), providing for the merger (the "Merger") of Orthodontix Acquisition Corp., a Florida corporation wholly owned by Embassy ("Embassy Sub"), with and into Orthodontix, Inc., a Florida corporation ("Orthodontix"). A copy of the Merger Agreement is attached as Appendix A hereto and is incorporated herein by reference.

This Proxy Statement/Prospectus also constitutes a prospectus of Embassy with respect to 3,487,940 shares of Embassy Common Stock to be issued to shareholders of Orthodontix pursuant to the Merger Agreement. This Proxy Statement/Prospectus, the enclosed Notice of Special Meeting of Shareholders and the form of proxy are first being mailed to the Embassy Shareholders on or about March 26, 1998.

In addition, at the Special Meeting, Embassy Shareholders will be asked to consider and vote upon a proposal to amend and restate Embassy's Articles of Incorporation to provide for an authorized class of Preferred Stock consisting of 100,000,000 shares, par value \$.0001 per share (the "Preferred Stock"), with rights, preferences and designations of such shares to be determined by the Embassy Board (the "Preferred Stock Amendment"); and a proposal to ratify and approve the 1997 Embassy Acquisition Corp. Stock Option Plan (the "Stock Option Plan"). The Form of Restated Articles of Incorporation of Embassy (the "Restated Articles") is attached hereto as Appendix B and is incorporated herein by reference.

As a result of the Merger and the transactions contemplated thereby, all as more fully set forth in the Merger Agreement (i) Embassy's name will be changed to "Orthodontix, Inc." (the "Name Change"); (ii) Orthodontix will become a wholly-owned subsidiary corporation of Embassy; (iii) Embassy will issue that amount of shares of par value \$.0001 per share, of Embassy Common Stock (the "Merger Stock"), to the current owners of all of the outstanding shares of capital stock of Orthodontix and in connection with the Practice Acquisitions (hereinafter defined), which will constitute approximately 57.9% of the then outstanding shares of capital stock of Embassy, without giving effect to (a) the issuance of 120,000 shares of Embassy Common Stock issuable upon the exercise of certain warrants held by affiliates of Barron Chase Securities, Inc. (the "Underwriter Warrants"); or (b) the issuance of 959,944 shares of Embassy Common Stock issuable upon the exercise of certain stock options granted to certain persons, based on an assumed Average Price of \$8.5625 per share (the "Closing Stock Options"); and (iv) designees of Orthodontix will comprise four of the seven members of the Embassy Board. For additional information relating to the Closing Stock Options, See "Proposal 1: THE MERGER -- Interests of Certain Persons."

CONCURRENTLY WITH THE CLOSING OF THE MERGER, THE ACQUISITION (THE "PRACTICE ACQUISITIONS") OF SUBSTANTIALLY ALL THE TANGIBLE AND INTANGIBLE ASSETS AND THE ASSUMPTION OF CERTAIN LIABILITIES OF 27 ORTHODONTIC PRACTICES (COLLECTIVELY, THE "FOUNDING PRACTICES") WILL BE CONSUMMATED IN

EXCHANGE FOR CASH AND SHARES OF EMBASSY COMMON STOCK IN ACCORDANCE WITH STAFF ACCOUNTING BULLETIN NO. 48.

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO, APPEARING ELSEWHERE IN THIS PROXY STATEMENT/PROSPECTUS. UNLESS OTHERWISE INDICATED, THE INFORMATION IN THIS PROXY STATEMENT/PROSPECTUS GIVES EFFECT TO THE PRACTICE ACQUISITIONS.

THE MERGER WILL RESULT IN A CHANGE-IN-CONTROL OF EMBASSY, WHEREBY, AMONG OTHER THINGS, THE SHAREHOLDERS OF ORTHODONTIX WILL BECOME THE CONTROLLING SHAREHOLDERS AND PRINCIPAL EXECUTIVE OFFICERS AND DIRECTORS OF EMBASSY SUBSEQUENT TO THE CONSUMMATION OF THE MERGER.

THE CONSUMMATION OF THE MERGER IS SUBJECT TO SEVERAL CONDITIONS, INCLUDING THE APPROVAL AND ADOPTION OF THE MERGER BY THE EMBASSY SHAREHOLDERS AND LESS THAN 30% OF THE OUTSTANDING EMBASSY COMMON STOCK HELD BY NON-AFFILIATED EMBASSY SHAREHOLDERS ACTUALLY VOTING AGAINST THE MERGER. EMBASSY'S DIRECTORS AND EXECUTIVE OFFICERS, COLLECTIVELY HOLDING AN AGGREGATE OF APPROXIMATELY 30.7% OF THE OUTSTANDING EMBASSY COMMON STOCK BEFORE GIVING EFFECT TO THE MERGER, HAVE AGREED, WITH RESPECT TO THE PROPOSAL TO APPROVE THE MERGER, TO VOTE THEIR RESPECTIVE SHARES OF EMBASSY COMMON STOCK IN ACCORDANCE WITH THE VOTE OF THE MAJORITY OF THE NON-AFFILIATED EMBASSY SHAREHOLDERS.

UNLESS OTHERWISE INDICATED, THE INDUSTRY INFORMATION USED IN THIS PROXY STATEMENT/PROSPECTUS IS DERIVED FROM THE 1995 JOURNAL OF CLINICAL ORTHODONTISTS ORTHODONTIC PRACTICE STUDY (THE "JCO STUDY") AND RELATES TO 1994 UNLESS OTHERWISE INDICATED. PARTS I AND II OF THE 1997 JOURNAL OF CLINICAL ORTHODONTISTS ORTHODONTIC PRACTICE STUDY (THE "1997 STUDY"), WHICH CONTAIN CERTAIN COMPARABLE INFORMATION FOR 1995 AND 1996, HAVE RECENTLY BECOME AVAILABLE AND ARE CITED HEREIN. THE REMAINDER OF THE 1997 STUDY IS NOT CURRENTLY AVAILABLE. THE INFORMATION COMPILED IN THE JCO STUDY AND THE 1997 STUDY RELATES TO ORTHODONTISTS WHO HAVE COMPLETED ACCREDITED GRADUATE ORTHODONTIC TRAINING PROGRAMS AND DOES NOT INCLUDE GENERAL DENTISTS WHO ALSO PERFORM CERTAIN ORTHODONTIC SERVICES.

SEE "RISK FACTORS" FOR CERTAIN INFORMATION THAT SHOULD BE CONSIDERED BY EMBASSY SHAREHOLDERS IN VOTING UPON THE MERGER, THE PREFERRED STOCK AMENDMENT, AND THE STOCK OPTION PLAN.

No person is authorized to give any information or to make any representations other than those contained in this Proxy Statement/Prospectus, and if given or made, such information or representations should not be relied upon as having been authorized. This Proxy Statement/Prospectus does not constitute the solicitation of a proxy in any jurisdiction to or from any person to whom or from whom it is unlawful to make such proxy solicitation in such jurisdiction. Neither the delivery of this Proxy Statement/Prospectus nor any distribution of securities pursuant to this Proxy Statement/Prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth herein or in the affairs of Embassy or Orthodontix since the date of this Proxy Statement/Prospectus. However, if any material change occurs during the period that this Proxy Statement/Prospectus is required to be delivered, this Proxy Statement/Prospectus will be amended and supplemented accordingly. All information regarding Embassy in this Proxy Statement/Prospectus has been supplied by Embassy, and all information regarding Orthodontix has been supplied by Orthodontix.

The Embassy Board knows of no matters that will be presented for consideration at the Meeting other than those matters set forth in the Notice of Special Meeting of Shareholders. If any other matters are properly presented at the Meeting, the persons named in the enclosed proxy and acting thereunder will have

authority to vote on such matters, to the extent permitted by the rules of the Securities and Exchange Commission (the "Commission"), in accordance with the judgement of the persons voting such proxies.

THE SECURITIES TO WHICH THIS PROXY STATEMENT/PROSPECTUS RELATE HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROXY STATEMENT/PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The last reported closing bid price of Embassy Common Stock on the OTC Bulletin Board on March 25, 1998 was \$8.75 per share.

The date of this Proxy Statement/Prospectus is March , 1998.

## AVAILABLE INFORMATION

Embassy is subject to the information requirements of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and in accordance therewith is required to file periodic reports, proxy statements and other information with the Commission pursuant to the Exchange Act relating to its business, financial statements and other matters. Such reports, proxy and information statements and other information are available for inspection and copying at the Commission's principal office, Room 1024, Judiciary Plaza at 450 Fifth Street, N.W., Washington, D.C. 20549; the Northeast Regional Office of the Commission at 7 World Trade Center, Suite 1300, New York, New York 10048; and the Midwest Regional office of the Commission, Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60611. Copies of such material may be obtained upon payment of the fees prescribed by the Commission from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Such documents may also be obtained through the website maintained by the Commission at <http://www.sec.gov>.

Embassy has filed with the Commission a registration statement (the "Registration Statement") under the Securities Act of 1933, as amended (the "Securities Act"), on Form S-4 with respect to the securities offered hereby. This Proxy Statement/Prospectus also constitutes the Prospectus of Embassy filed as part of the Registration Statement and does not contain all of the information set forth in the Registration Statement and the exhibits thereto, certain parts of which are omitted in accordance with the rules of the Commission. Statements made in this Proxy Statement/Prospectus as to the contents of any contract, agreement, or other document referred to are not necessarily complete; with respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to the exhibit for a more complete description of the matter involved, and each such statement shall be qualified in its entirety by such reference. The Registration Statement and any amendments thereto, including exhibits filed as part thereof, are available for inspection and copying at the Commission's offices as described above.

PRIVATE SECURITIES LITIGATION REFORM ACT SAFE HARBOR STATEMENT. When used in this Proxy Statement/Prospectus, the words "estimate," "project," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. For a discussion of such risks, see "RISK FACTORS." Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Embassy does not undertake any obligation to publicly release any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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## SUMMARY

The following is a brief summary of certain significant matters discussed elsewhere in this Proxy Statement/Prospectus. The information contained in this summary is qualified in its entirety by, and should be read in conjunction with, the detailed information and financial statements, including the notes thereto, appearing elsewhere in this Proxy Statement/Prospectus and the documents incorporated herein by reference. The reader is cautioned that forward-looking statements are contained in this summary and in other sections of this Proxy Statement/Prospectus. All forward-looking statements are necessarily speculative and there are certain risks and uncertainties that could cause actual events or results to differ materially from those referred to in such forward-looking statements. Capitalized terms used and not otherwise defined in this summary have the meanings given to them elsewhere in this Proxy Statement/Prospectus.

## THE PARTIES

**Embassy.** Embassy was formed in November 1995 to serve as a vehicle to effect a merger, exchange of capital stock, asset acquisition or other similar business combination (a "Business Combination") with a business (an "Acquired Business"). In April 1996, Embassy consummated an initial public offering of its equity securities (the "IPO") from which it derived net proceeds of approximately \$7,052,000 (the "Net Proceeds"). As per the terms of its prospectus dated April 2, 1996, \$6,800,767 of the Net Proceeds, representing 90% of the Net Proceeds (inclusive of interest earned thereon) was held in escrow at September 30, 1997 pending the consummation of a Business Combination and will be released to Embassy upon consummation of the Merger. The balance of the Net Proceeds, less net operating expenses to date, is currently held by Embassy and is being used in Embassy's pursuit of the Merger. Other than its IPO and the pursuit of a Business Combination, Embassy has not engaged in any business to date. Embassy's executive offices are located at 1428 Brickell Avenue, Suite 105, Miami, Florida 33131 and its telephone number is (305) 374-6700. See "BUSINESS OF EMBASSY."

**Orthodontix.** Orthodontix was organized in August 1996 to provide practice management services to orthodontic practices. Concurrently with the consummation of the Merger, the Founding Practices will transfer certain operating assets and liabilities to Embassy in exchange for cash and shares of Embassy Common Stock. Immediately subsequent to the acquisition of the Founding Practices, Embassy will provide practice management services to the Founding Practices pursuant to long-term administrative services agreements with separately organized affiliated professional associations (collectively, the "PA Contractors"). The PA Contractors directly employ orthodontists or affiliate with other separately formed professional associations owned by practicing orthodontists pursuant to service agreements ranging from terms of two to ten years (the "Practitioner PAs"). In those practices where the PA Contractors do not directly employ orthodontists, the Practitioner PAs directly employ orthodontists. In all cases, Orthodontix directly employs all non-orthodontic personnel and subject to applicable law directly owns the tangible equipment and other assets utilized in the practices. Unless the context otherwise requires, references to: (i) "Affiliated Practices" include the Founding Practices and any orthodontic practice which enters into a similar arrangement with Orthodontix whereby it is provided practice management services by Orthodontix, with orthodontic services provided by the "Affiliated Orthodontists"; and (ii) "Affiliated Orthodontists" include orthodontists directly employed by the PA Contractors or the Practitioner PAs. Orthodontix' executive offices are located at 2222 Ponce de Leon Boulevard, Suite 300, Coral Gables, Florida 33134 and its telephone number is (305) 446-8661.

## THE MERGER

Subject to the approval of the Merger Agreement by the Embassy Shareholders and certain other conditions, on the date the Merger becomes effective (the "Effective Date"): (i) Embassy Sub will be merged with and into Orthodontix and Orthodontix will become a wholly-owned subsidiary of Embassy; (ii) each outstanding share of Orthodontix common stock, par value \$.0001 per share (the "Orthodontix Common Stock") will be converted into the right to receive one share of Embassy Common Stock; (iii) the name of Embassy will be changed to Orthodontix, Inc.; and (iv) designees of Orthodontix will comprise four of the seven members of the Embassy Board.

On the Effective Date, the holders of all the outstanding Orthodontix Common Stock will receive in the aggregate, 3,487,940 shares of Embassy Common Stock (the "Merger Stock"), which will then constitute approximately 57.9% of the then outstanding shares of Common Stock of Embassy. Assuming the issuance of 1,079,944 shares of Embassy Common Stock issuable subsequent to the Merger upon the (a) exercise of the Underwriter Warrants (120,000 shares) and (b) the exercise of the Closing Stock Options (959,944 shares), the percentage to be owned by the current Embassy shareholders would be 40.0% of the outstanding Embassy Common Stock.

#### BACKGROUND

For a detailed description of the analysis and negotiations conducted by the parties in connection with the Merger, See "PROPOSAL 1: THE MERGER -- Background."

#### RISK FACTORS

Embassy Shareholders should carefully consider certain risk factors in evaluating the Merger. See "RISK FACTORS" beginning on page 11.

#### SPECIAL MEETING OF EMBASSY SHAREHOLDERS

The Special Meeting will be held at 9:00 A.M. local time, on April 16, 1998, at the NationsBank Tower Auditorium, 100 Southeast 2nd Street, 19th Floor, Miami, Florida, 33131. At the Special Meeting, Embassy Shareholders will be asked to consider and vote upon: (i) the proposal to approve and adopt the Merger Agreement and the transactions contemplated thereby; (ii) the proposal to approve the Preferred Stock Amendment and (iii) the proposal to ratify and approve the Stock Option Plan, as discussed elsewhere herein and such other business as may properly come before the Embassy Special Meeting. The Embassy Board has fixed the close of business on March 24, 1998 as the record date (the "Embassy Record Date") for the determination of holders of Embassy Common Stock entitled to notice of and to vote at the Special Meeting. See "THE SPECIAL MEETING."

THE EMBASSY BOARD, WITHOUT DISSENT OR ABSTENTION, HAS APPROVED THE MERGER AND RECOMMENDS THAT THE EMBASSY SHAREHOLDERS VOTE "FOR" THE PROPOSAL TO APPROVE AND ADOPT THE MERGER, THE PREFERRED STOCK AMENDMENT AND THE STOCK OPTION PLAN PROPOSAL. SEE "PROPOSAL 1: THE MERGER -- RECOMMENDATIONS OF THE BOARD OF DIRECTORS AND REASONS FOR THE MERGER -- EMBASSY."

#### REQUIRED VOTE

Orthodontix. The Merger Agreement and the transactions contemplated thereby have heretofore been approved and adopted by the holders of all outstanding shares of Orthodontix Common Stock.

Embassy. The presence, either in person or by proxy, of the holders of a majority of the outstanding shares of Embassy Common Stock entitled to vote at the Special Meeting is necessary to constitute a quorum at the Special Meeting. The affirmative vote of the holders of a majority of the outstanding shares of Embassy Common Stock entitled to vote is necessary to approve and adopt the Merger. Embassy's directors and executive officers, collectively holding an aggregate of approximately 30.7% of the outstanding shares of Embassy Common Stock before giving effect to the Merger, have agreed, with respect to the Merger, to vote their respective shares of Embassy Common Stock in accordance with the vote of the majority in interest of all non-affiliated Embassy Shareholders. Consequently, if a majority of outstanding Embassy Common Stock held and voted by non-affiliated persons is voted in favor of the Merger, the current directors and executive officers of Embassy will vote their shares of Embassy Common Stock in favor of the Merger. In the event, however, that holders of 30% or more in interest of all non-affiliated Embassy Shareholders vote against approval of the Merger, Embassy will not consummate the Merger. The proposals to adopt the Preferred Stock Amendment and the Stock Option Plan require the affirmative vote of a majority of the shares of Embassy Common Stock present and entitled to vote at the Embassy Special Meeting. See "THE SPECIAL MEETING -- Voting Rights" and "PROPOSAL 1: THE MERGER -- Redemption Rights."

## RECOMMENDATIONS OF THE BOARDS OF DIRECTORS AND REASONS FOR THE MERGER

Orthodontix. On October 30, 1997, the Board of Directors of Orthodontix (the "Orthodontix Board") without dissent or abstention, approved the Merger. For a discussion of the factors considered by the Orthodontix Board in reaching such decision, see "PROPOSAL 1: THE MERGER -- Recommendations of the Boards of Directors and Reasons for the Merger -- Orthodontix."

Embassy. On October 30, 1997, the Embassy Board, without dissent or abstention, approved the Merger. The Embassy Board recommends that the Embassy Shareholders vote "FOR" approval and adoption of the Merger. The recommendation of the Embassy Board is based upon its belief that the Merger will provide an opportunity for the Embassy Shareholders to share in the expansion of Orthodontix' market share in an industry which appears to be growing. The Embassy Board believes that the Merger is fair to, and in the best interests of, Embassy and the Embassy Shareholders. For a discussion of the factors considered by the Embassy Board in making its recommendation, see "PROPOSAL 1: THE MERGER -- Recommendations of the Boards of Directors and Reasons for the Merger -- Embassy."

## INTERESTS OF CERTAIN PERSONS IN THE MERGER

Upon consummation of the Merger, Orthodontix will be a wholly-owned subsidiary of Embassy. F.W. Mort Guilford, the sole director of Orthodontix immediately prior to the Effective Date, will continue to be the sole director of Orthodontix. Additionally, and pursuant to the terms of the Merger Agreement, after the Effective Date, Embassy and Orthodontix have agreed to cause the following persons to be elected to the Embassy Board: (i) Stephen J. Dresnick, M.D., (ii) Stephen Grussmark, D.D.S., M.S.D., (iii) F.W. Mort Guilford, (iv) Glenn L. Halpryn, (v) William Thompson, D.D.S., (vi) Mel Gottlieb, and (vii) Gary Gerson.

Upon the closing of the Merger, Drs. Dresnick, Grussmark, and Thompson and Messrs. Guilford, Halpryn, Gottlieb and Gerson will own approximately 2,133,639 shares of Embassy Common Stock (assuming the exercise of 390,000 currently exercisable stock options held by such individuals to be outstanding following the consummation of the Merger), representing in the aggregate approximately 33.0% of the total shares of Embassy Common Stock to be outstanding after the Merger (assuming the exercise of all then currently exercisable options, warrants and other rights to purchase shares of Embassy Common Stock). Additionally, the executive officers of Orthodontix immediately prior to the Effective Date will be the initial executive officers of Embassy and Orthodontix subsequent to the Merger.

In consideration for Dr. Dresnick's efforts in the negotiation of the Merger on behalf of Embassy, on the Effective Date, Dr. Dresnick shall be granted the option to purchase, for a period of five years from the Effective Date, 200,000 shares of Embassy Common Stock at a per share purchase price of \$8.00 (the "Dresnick Options"). In addition, Mr. Guilford, President and Chief Operating Officer of Orthodontix will be granted the option for a period of five years from the Effective Date to purchase at a per share purchase price equal to the average of the closing bid and ask price per share of Embassy Common Stock as reported on the OTC Bulletin Board 15 trading days immediately preceding the date of the Closing (the "Average Price") 150,000 shares (the "Guilford Options"). Richard L. Alfonso, Vice President -- Operations of Orthodontix, will be granted on the Effective Date the option to purchase at a per share purchase price equal to the Average Price 25,000 shares (the "Alfonso Options"), 20% of which shares may be purchased commencing on the Effective Date through the date which is 60 months from the Effective Date (the "60 Month Date"), an additional 20% of which may be purchased commencing on the date which is 12 months from the Effective Date through the 60 Month Date, an additional 20% of which may be purchased commencing on the date which is 24 months from the Effective Date through the 60 Month Date, an additional 20% of which may be purchased commencing on the date which is 36 months from the Effective Date through the 60 Month Date, and the remainder of which may be purchased commencing on the date which is 48 months from the Effective Date through the 60 Month Date. In the event Mr. Alfonso resigns or is terminated for cause by Orthodontix from his employment with Orthodontix, the Alfonso Options shall terminate. In addition, Dr. William Thompson, who upon the closing of the Merger shall be a member of the Board of Directors of Embassy, shall be granted the option to purchase for a period of three years from the Effective Date, 40,000 shares of



Embassy Common Stock at a per share purchase price equal to 80% of the Average Price (the "William Thompson Options").

#### CLOSING; EFFECTIVE DATE

The closing of the transactions contemplated by the Merger Agreement (the "Closing") will take place no later than the fifth business day immediately following the date on which the last of the conditions set forth in the Merger Agreement is satisfied or waived, or at such other time as Embassy and Orthodontix agree (the "Closing Date"). After all the conditions set forth in the Merger Agreement have been satisfied or waived, the Merger will become effective on such date as Articles of Merger, together with a Plan of Merger reflecting the Merger, shall be accepted for filing by the Secretary of State of Florida (the "Effective Date"). Such filing will be made simultaneously with or as soon as practicable after the closing of the transactions contemplated by the Merger Agreement. See "PROPOSAL 1: THE MERGER -- The Merger Agreement and -- Effective Date."

#### CONDITIONS TO THE MERGER

The respective obligations of Embassy and of Orthodontix to effect the Merger are subject to a number of conditions, any or all of which may be waived by the party for whom such condition was established, including, among others: (i) the Practice Acquisitions shall have been consummated; (ii) the Merger shall have been approved and adopted by the Embassy Shareholders, and no more than 30% in interest of the Embassy Common Stock held by Embassy Shareholders actually vote against the Merger; (iii) no preliminary or permanent injunction or other order or decree by any federal or state court or any action by any state or federal governmental agency preventing the consummation of the Merger shall have been issued or taken and remain in effect; and (iv) all consents, orders and approvals legally required shall have been obtained and be in effect on the Effective Date. A copy of the Merger Agreement is attached hereto as Appendix A to this Proxy Statement/Prospectus.

#### RIGHT TO TERMINATE, AMENDMENT

The Merger Agreement may be terminated (i) at any time by the mutual consent of the parties; (ii) unilaterally by either Embassy or Orthodontix if the Merger has not been consummated prior to May 1, 1998, unless such date is extended by mutual consent of the parties; or (iii) unilaterally by either Embassy or Orthodontix if the other is unable to satisfy any of its pre-closing covenants and obligations under the Merger Agreement. See "PROPOSAL 1: THE MERGER -- The Merger Agreement -- Termination." Subject to compliance with applicable law, the Merger Agreement may be amended at any time prior to or after its approval by the Embassy Shareholders only by a written agreement executed by Embassy and Orthodontix. See "PROPOSAL 1: THE MERGER -- The Merger Agreement -- Amendment."

#### DELIVERY OF STOCK CERTIFICATES

On the Effective Date, the shareholders of Orthodontix (the "Orthodontix Shareholders") will receive certificates representing the Merger Stock.

#### COMPARISON OF RIGHTS OF EMBASSY SHAREHOLDERS AND ORTHODONTIX SHAREHOLDERS

The rights of Embassy Shareholders are currently governed by applicable Florida law, the Embassy Articles of Incorporation and Embassy Bylaws. Holders of Embassy Common Stock immediately prior to the Effective Date will continue as Embassy Shareholders subsequent to the Effective Date, and although their ownership in Embassy will suffer significant dilution, their rights as Embassy Shareholders will remain substantially unchanged and will continue to be governed by applicable Florida law, the Embassy Articles of Incorporation, as amended, and the Embassy Bylaws from and after the Effective Date. See "RISK FACTORS -- Certain Provisions of Embassy's Articles of Incorporation."

EMBASSY SHAREHOLDERS WILL NOT BE REQUIRED TO SURRENDER CERTIFICATES EVIDENCING SHARES OF EMBASSY COMMON STOCK FOLLOWING THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE SUBSEQUENT IMPLEMENTATION OF THE MERGER.

#### REDEMPTION RIGHTS

Each non-affiliated Embassy Shareholder as of the Embassy Record Date will have the right until April 15, 1998 to offer his or her shares of Embassy Common Stock to Embassy for redemption (the "Redemption") at a price equal to approximately \$5.35 per share as of September 30, 1997 (the "Redemption Value"). As per the terms of Embassy's prospectus dated April 2, 1996, the Redemption Value is equal to Embassy's book value divided by the number of shares of Embassy Common Stock held by all non-affiliated Embassy Shareholders, as determined by Embassy and reviewed by its independent public accountants, calculated as of the Embassy Record Date. If less than 30% in interest of Embassy Common Stock held by non-affiliated Embassy Shareholders who vote against approval of the Merger also elect to have their shares of Embassy Common Stock redeemed, and if the Merger is consummated, Embassy will redeem shares of Embassy Common Stock at the Redemption Value from those Embassy Shareholders who affirmatively requested such redemption and who actually voted against approval of the Merger. If 30% or more in interest of Embassy Common Stock held by non-affiliated Embassy Shareholders actually vote against approval of the Merger, the proposed Merger will be terminated, Embassy will not proceed with the Merger and will not redeem such shares. See PROPOSAL 1: THE MERGER -- Redemption Rights."

A non-affiliated Embassy Shareholder wishing to exercise his or her redemption rights (i) must deliver to Embassy, prior to or at the Special Meeting but before the vote is taken on the Merger, a written objection to the Merger (the "Notice of Election"), which shall include a notice of his or her election to redeem his or her Embassy Common Stock, his or her name and residence address, the number of shares of Embassy Common Stock which he or she owns and demand for payment of the Redemption Value of his or her shares of Embassy Common Stock (which Notice of Election must be in addition to and separate from any proxy or vote against the Merger); and (ii) must vote against the Merger. A proxy directing such vote for an abstention, even if accompanied by a Notice of Election, will not meet the requirements for exercise of the redemption rights. A nonaffiliated Embassy Shareholder who elects to redeem his or her shares of Embassy Common Stock may not redeem less than all of the shares of Embassy Common Stock beneficially owned by such Embassy Shareholder as of the Embassy Record Date. If a Shareholder votes against the Merger but specifically chooses not to redeem his shares of Embassy Common Stock, such shareholder will continue to be a shareholder of Embassy. See "PROPOSAL 1: THE MERGER -- Redemption Rights."

#### APPRAISAL RIGHTS

Holders of Embassy Common Stock will not be entitled to appraisal rights in connection with the Merger. See "PROPOSAL 1: THE MERGER -- Absence of Appraisal Rights." However, see "PROPOSAL 1: THE MERGER -- Redemption Rights."

#### ACCOUNTING TREATMENT

For accounting and financial reporting purposes, the Merger will be treated as a capital transaction equivalent to the issuance of stock by Orthodontix for Embassy's net monetary assets of approximately \$7.4 million as of September 30, 1997, accompanied by a recapitalization of Orthodontix. See "PROPOSAL 1: THE MERGER -- Accounting Treatment."

#### CERTAIN TAX CONSEQUENCES OF THE MERGER

The Merger will be treated as a "reorganization" for federal income tax purposes. Accordingly, other than with respect to the Redemption, (i) Embassy will not recognize any gain or loss in the Merger; and (ii) the Embassy Shareholders will not recognize any gain or loss in the Merger. See "PROPOSAL 1: THE MERGER -- Certain Tax Consequences of the Merger."

## RESALE OF EMBASSY COMMON STOCK BY AFFILIATES

The shares of Merger Stock to be issued to Orthodontix Shareholders in connection with the Merger have been registered under the Securities Act. Subject to certain lock-up agreements described below, all shares of Merger Stock to be issued in connection with the Merger will be freely transferable by Orthodontix Shareholders not deemed to be "Affiliates" (as such term is defined in the Securities Act) of Orthodontix at the time of the Special Meeting. The Merger Agreement contemplates that all of the holders of the shares of Merger Stock will, prior to the consummation of the Merger, have entered into lock-up agreements with Embassy to the effect that such holders shall not sell, transfer or otherwise dispose of shares of Merger Stock received pursuant to the Merger for specified periods of time. See "PROPOSAL 1: THE MERGER -- Restrictions on Sales by Affiliates."

## CERTAIN REGULATORY MATTERS

Except for certain required notifications and closing and post-closing filings, consummation of the Merger is not subject to any regulatory approvals. Although no assurance can be given, Embassy believes that the Merger can be effected in compliance with all federal and state regulations. See "PROPOSAL 1: THE MERGER -- Certain Regulatory Matters."

## OPERATIONS AFTER THE MERGER

As a result of the Merger, Orthodontix will be a wholly-owned subsidiary corporation of Embassy. Embassy's Articles of Incorporation will be amended on the Effective Date to, among other things, change Embassy's name to "Orthodontix, Inc." In accordance with the Merger Agreement, all of Embassy's executive officers will resign effective on the Effective Date, to be replaced by Orthodontix' current executive officers. See "PROPOSAL 1: THE MERGER -- Operations After the Merger -- Executive Officers and Directors" and "MANAGEMENT OF ORTHODONTIX -- Executive Officers and Directors."

## SECURITY OWNERSHIP OF MANAGEMENT

As of the Record Date, the directors and executive officers of Embassy as a group had the power to vote approximately 30.71% of the issued and outstanding shares of Embassy Common Stock entitled to vote at the Special Meeting. Embassy's directors and executive officers have agreed, with respect to the Merger, to vote their respective shares of Embassy Common Stock in accordance with the vote of the majority in interest of all non-affiliated Embassy Shareholders.

## MARKET PRICES

Embassy's Common Stock has been quoted in the over-the-counter market under the symbol "MBCA" since April 2, 1996. There is no established trading market for the shares of Embassy Common Stock and, to the extent there has been any trading in the shares of Embassy Common Stock, it has been thin and sporadic. There can be no assurances that an established trading market for the shares of Embassy Common Stock will develop. Orthodontix Common Stock is owned of record by nine shareholders and there is no established public trading market therefor.

On May 5, 1997 (the last day prior to the public announcement of the letter of intent relating to the Merger that the Embassy Common Stock was quoted), the last reported closing bid price of the Embassy Common Stock was \$9.25.

On November 6, 1997 (the last day prior to the public announcement of the execution of the Merger Agreement that the Embassy Common Stock was quoted), the last reported closing bid price of the Embassy Common Stock was \$8.00.

On March 25, 1998 (the last day prior to the date of this Proxy Statement/Prospectus that the Embassy Common Stock was quoted), the last reported closing bid price of the Embassy Common Stock was \$8.75. On that date, there were 46 record holders of Embassy Common Stock, inclusive of those brokerage firms and/or clearing houses holding shares of Embassy Common Stock for their clientele (with each such brokerage house and/or clearing house being considered as one holder). See "PRICE RANGES OF EMBASSY'S SECURITIES."

## RISK FACTORS

The business to be conducted by Embassy subsequent to the consummation of the Merger involves certain elements of risk, including, but not limited to, the several factors discussed below.

In addition to the other information contained in this Proxy Statement/Prospectus, Embassy Shareholders should review carefully the following considerations regarding the business of Orthodontix in deciding whether to vote in favor of approval of the Merger.

## RISKS RELATING TO ORTHODONTIX

**Absence of Combined Operating History.** Orthodontix was organized in August 1996 to provide practice management services to orthodontic practices. Concurrently with the consummation of the Merger, substantially all the tangible and intangible assets, and certain liabilities of the Founding Practices will be acquired in exchange for cash and shares of Embassy Common Stock. Immediately following the acquisition of the Founding Practices, Embassy will provide practice management services to the Founding Practices. The Founding Practices have been operating as separate, independent entities and there can be no assurance that in the process of integrating management and administrative functions, the management of Orthodontix will be able to operate the Founding Practices successfully, manage the Founding Practices' operations effectively, achieve any cost savings as a result of the consolidation of the Practice Acquisitions or implement the necessary systems and procedures to manage the Founding Practices on a profitable basis. In addition, the management group of Orthodontix has recently been assembled and there can be no assurance that such persons will be able to effectively oversee the implementation of Orthodontix' operating, growth, acquisition and business strategies. The inability of Orthodontix to successfully integrate or operate the Founding Practices, or delays, complications and expenses in implementing and operating the necessary systems, any of which could have a material adverse effect on Orthodontix' business, financial condition and results of operations and make it unlikely that Orthodontix' acquisition program will be successful. See "CERTAIN TRANSACTIONS RELATING TO ORTHODONTIX," "MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION OF ORTHODONTIX" and "MANAGEMENT OF ORTHODONTIX."

**Dependence on Affiliated Orthodontists.** Orthodontix will receive fees for practice management services provided to the Affiliated Practices under administrative services agreements, but does not employ orthodontists or control or own the practices of the Affiliated Orthodontists. Orthodontix' revenue is dependent on revenue generated by the Affiliated Practices, which in turn is largely dependent on the efforts of the Affiliated Orthodontists and, therefore, the performance of Affiliated Orthodontists is essential to Orthodontix' success. The service agreements with the Practitioner PAs and the Affiliated Orthodontists have terms ranging from two to ten years with automatic renewal terms, subject to prior termination by the Affiliated Orthodontist. Any material loss of revenue by the Affiliated Orthodontists, termination of such service or employment agreements, or violation of any noncompete arrangements contained therein, could have a material adverse effect on Orthodontix' business, financial condition and results of operations. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION OF ORTHODONTIX" and "BUSINESS OF ORTHODONTIX -- Services of Orthodontix and -- Affiliated Orthodontists, PA Contractor and Other Contractual Relationships."

**Risks Related to Additional Affiliations and Growth Strategy.** One of Orthodontix' primary business strategies is to increase revenue and expand the markets it serves beyond the Founding Practices by acquiring certain operating assets of and entering into agreements to provide practice management services to additional orthodontic practices. Competition for such affiliations has increased significantly in recent years and, as a result, there may be fewer candidates available for affiliation with Orthodontix. There can be no assurance that Orthodontix will be able to identify additional practices or contract with such practices on favorable terms. Furthermore, such arrangements involve a number of risks, including diversion of management's attention, dependence on retaining, hiring and training key personnel, and risks associated with the assumption of certain contingent legal liabilities, some or all of which could have a material adverse effect on Orthodontix' business, financial condition and results of operations. To the extent that Orthodontix is unable to enter into affiliations

with additional orthodontic practices, its ability to expand its operations and increase its revenues to the degree desired would be reduced significantly and would have a material adverse effect on Orthodontix' business, financial condition and results of operations. In addition, future acquisitions accounted for as purchases may result in substantial annual noncash amortization charges for intangible assets in Orthodontix' statements of operations. See "BUSINESS OF ORTHODONTIX -- Operating Strategy and -- Growth Strategy."

Risks Related to Orthodontix' Affiliation Strategy. Orthodontix intends to finance future affiliations with cash, the issuance of shares of common stock or the issuance of indebtedness as consideration. In the event that the Embassy Common Stock does not maintain a sufficient market value, or potential acquisition candidates are unwilling to accept Embassy Common Stock as partial consideration for their practices, Orthodontix may be required to use its cash resources, if available, to initiate and maintain its acquisition program. If Orthodontix lacks sufficient cash resources to pursue acquisitions, its growth could be limited unless it is able to obtain additional capital through debt or equity financing. There can be no assurance that Orthodontix will be able to obtain such financing if and when it is needed or that, if available, such financing can be obtained on favorable terms. The inability to obtain such financing could have a material adverse effect on Orthodontix' business, financial condition and results of operations. Furthermore, issuing shares of Embassy Common Stock as consideration for (or in order to provide financing for) future acquisitions could result in significant dilution to existing shareholders. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION OF ORTHODONTIX -- Liquidity and Capital Resources" and "BUSINESS OF ORTHODONTIX -- Growth Strategy."

Risks Related to Orthodontix' Ability to Continue Internal Growth. Certain of the Founding Practices have experienced significant growth in the past, principally through growth of operations of existing orthodontic offices and the opening of new offices. There can be no assurance that Orthodontix will be able to expand its market presence in its current locations or successfully enter other markets by providing financial resources to the Affiliated Practices required for opening new orthodontic offices. Such offices may incur substantial costs, delays or other operational or financial problems. The ability of Orthodontix to continue its growth will depend on a number of factors, including the availability of working capital to support such growth, existing and emerging competition and Orthodontix' ability to maintain profitability while facing pricing pressures and rising overhead costs. Orthodontix must also manage costs in a changing regulatory environment, adapt its infrastructure and systems to accommodate growth, and recruit and train additional qualified personnel. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION OF ORTHODONTIX -- Liquidity and Capital Resources" and "BUSINESS OF ORTHODONTIX -- Operating Strategy and -- Growth Strategy."

Risks Related to Changes in Government Regulation. The orthodontic industry and orthodontic practices are regulated extensively at the state and federal levels. Orthodontix will not engage in or control the practice of orthodontics by the Affiliated Orthodontists as required by certain regulatory requirements directly applicable to the orthodontists and their practices. The laws of many states prohibit non-orthodontic entities (such as Orthodontix) from practicing orthodontics, owning all or certain assets of an orthodontic practice, employing orthodontists or controlling the content of an orthodontist's advertisements. The laws of many states also prohibit orthodontists from paying any portion of fees received for orthodontic services in consideration for the referral of a patient. In addition, many states impose limits on the tasks that may be delegated by an orthodontist to other staff members. There can be no assurance that any review of Orthodontix' business relationships by regulatory authorities or the courts will not result in determinations that could adversely affect the operations of Orthodontix or that the regulatory environment will not change to restrict Orthodontix' existing or future operations. These laws and their interpretations vary from state to state and are enforced by regulatory authorities with broad discretion. There can be no assurance that the legality of Orthodontix' arrangements with the Affiliated Practices and Affiliated Orthodontists will not be successfully challenged or that enforceability of the provisions thereof will not be limited. See "BUSINESS OF ORTHODONTIX." The laws and regulations of certain states in which Orthodontix may seek to expand may require Orthodontix to change the form of relationships entered into with orthodontists in a manner which may restrict Orthodontix' operations in those states or may prevent Orthodontix from acquiring the assets of orthodontic practices in those states. In addition, there can be no assurance that the laws and regulations of

states in which the Founding Practices presently maintain operations will not change or be interpreted in the future to either restrict or adversely affect Orthodontix' relationships with Affiliated Practices or Affiliated Orthodontists in those states. See "BUSINESS OF ORTHODONTIX -- Government Regulation."

**Risks Related to Possible Future Health Care Reform.** The United States Congress as well as state legislatures have considered various health care reform proposals, including comprehensive revisions to the current health care system. It is not possible to predict which, if any, proposal that has been or will be considered will be adopted. There can be no assurances that the healthcare regulatory environment will not change so as to restrict the existing operations of, impose additional requirements on or limit the expansion of Orthodontix. Costs of compliance with changes in government regulations may not be subject to recovery by Orthodontix through price increases.

**Dependence on Enforceability of Operative Agreements.** To effect the consummation of the Practice Acquisitions, Orthodontix requires that the Founding Practices and the Affiliated Orthodontists execute the following agreements (collectively, the "Operative Agreements"): (i) an agreement and plan of reorganization by and between the Founding Practice and Orthodontix; and (ii) a service agreement by and between the PA Contractor and the Practitioner PAs (the "Service Agreement") or an employment agreement between the Affiliated Orthodontist and the PA Contractor (the "PA Contractor Employment Agreement"); and (iii) an employment agreement between the Affiliated Orthodontist and the Practitioner PAs (the "Practitioner PA Employment Agreement") in those cases where the employment agreement has not been entered between the PA Contractor and the Affiliated Orthodontist. The consummation of the Practice Acquisitions and the subsequent viability of Orthodontix are dependent on the initial and continuing enforceability of the Operative Agreements. While Orthodontix has attempted to structure the Operative Agreements in accordance with applicable law, there can be no assurance that the enforceability of certain non-compete and other provisions will not be successfully challenged. See "BUSINESS OF ORTHODONTIX."

**Dependence on Key Personnel.** The success of Orthodontix is dependent upon the continued services and management experience of F. W. Mort Guilford, President and Chief Operating Officer. The loss of the services of Mr. Guilford could have a material adverse effect upon Orthodontix' business, financial condition and results of operations. Orthodontix carries no "key man" life insurance policy on Mr. Guilford. See "MANAGEMENT OF ORTHODONTIX."

**Risks Related to Competition.** The business of providing orthodontic services is highly competitive in each market in which Orthodontix operates. Each of Orthodontix' Affiliated Orthodontists faces competition from other orthodontists or general dentists in the communities served, some of whom have more established practices in the market. Orthodontix is aware of several other companies currently developing, consolidating and managing orthodontic practices throughout much of the United States, and Orthodontix may encounter substantial competition from those entities, as well as new market entrants. Other competitors involved in managing multiple practices may have greater marketing, financial and other resources and more established operations than Orthodontix. Orthodontix expects that the level of competition with regional or national management concerns will remain high in the future, which could limit Orthodontix' ability to maintain or increase its market share or maintain or increase gross margins, either of which could have a material adverse effect on Orthodontix' business, financial condition and results of operations. See "BUSINESS OF ORTHODONTIX -- Competition."

**Liability Risks Associated with Providing Orthodontic Services.** Each of the Affiliated Orthodontists provides orthodontic services to the public and may be exposed to the risk of professional liability and other claims. Claims relating to orthodontic treatment, temporomandibular joint syndrome-related claims and claims for failure to diagnose periodontal disease, if successful, could result in substantial damage awards to the claimants which may exceed the limits of any applicable insurance coverage of the Affiliated Practice and, potentially, Orthodontix as an affiliate of the Affiliated Practice. Each of the Affiliated Practices or Orthodontix on its behalf will be required to maintain certain levels of general liability and malpractice insurance.

Orthodontix does not engage in the practice of orthodontics. Orthodontix will not control the practice of orthodontics by its Affiliated Orthodontists or the compliance with regulatory and other requirements directly

applicable to the Affiliated Orthodontists and the Affiliated Practices. Although Orthodontix intends to maintain liability insurance for itself (with limits and retention amounts to be negotiated), and intends to be named as an additional insured party on the liability insurance policies of the Affiliated Orthodontists (where permitted by insurers and applicable state law), successful malpractice claims against Orthodontix or the Affiliated Orthodontists could have a material adverse effect on Orthodontix' business, financial condition and results of operations. In addition, there can be no assurance that claims not covered by Orthodontix' insurance (e.g., claims for punitive damages) will not arise. See "BUSINESS OF ORTHODONTIX -- Litigation and Insurance." Claims against Orthodontix, the Affiliated Practices and/or the Affiliated Orthodontists, regardless of their merit or eventual outcome, may also have a material adverse effect on the ability to attract patients to Affiliated Practices. Furthermore, because insurance policies must be renewed annually, there can be no assurance that Orthodontix, the Affiliated Practices and/or the Affiliated Orthodontists, will be able to obtain liability insurance coverage in the future on acceptable terms, if at all.

State Laws Regarding Prohibition of Corporate Practice of Orthodontics. The laws of many states prohibit business corporations, such as Orthodontix, from exercising control over the orthodontic judgments or decisions of orthodontists and from engaging in certain financial arrangements, such as fee splitting with orthodontists. These laws and their interpretations vary from state to state and are enforced by both the courts and regulatory authorities, each with broad discretion. Expansion into certain jurisdictions may require structural and organizational modifications of Orthodontix' form of relationship with practices. Orthodontix strives to establish affiliations and related arrangements with Affiliated Practices that achieve the substance of ownership, control and operation, to the maximum extent practicable in accordance with applicable state law. Although Orthodontix believes that it is in compliance with applicable state laws and regulations relating to the corporate practice of orthodontics, there can be no assurances that regulatory authorities or other parties will not assert that Orthodontix is engaged in the unlawful corporate practice of orthodontics in such states or that the management and administration fees paid to Orthodontix by the PA Contractors constitute unlawful fee splitting or the unlawful corporate practice of orthodontics. If such a claim were successfully asserted, Orthodontix and the Affiliated Orthodontists could be subject to civil and criminal penalties and Orthodontix could be required to restructure its contractual arrangements. Such penalties or the inability of Orthodontix to successfully restructure its relationships to comply with such laws could have a material adverse effect on Orthodontix' financial condition and results of operations. See "BUSINESS OF ORTHODONTIX -- Government Regulation."

#### RISKS RELATING TO EMBASSY

Benefits to Embassy's Officers and Directors. Subsequent to the consummation of the Merger, the current officers and directors of Embassy, Dr. Dresnick and Messrs. Halpryn, Stein, Brumfield, and Marshak, shall each own 2.7%, 5.5%, 2.8%, 1.0%, and 1.0% of Embassy Common Stock of Embassy without giving effect to the issuance of 1,079,944 shares of Embassy Common Stock upon the exercise of the Underwriter Warrants or the Closing Stock Options.

Dilution. Current Embassy Shareholders will incur an immediate dilution in the net tangible book value of \$2.23 per share of Embassy Common Stock.

Control by Certain Shareholders. Following the consummation of the Merger, the Orthodontix Shareholders, by virtue of their direct ownership, will collectively own approximately 57.9% of the outstanding Embassy Common Stock, without giving effect to the issuance of shares of Embassy Common Stock upon the exercise of the Underwriter Warrants or the Closing Stock Options. Accordingly, such persons, as a result of their ownership of the Merger Stock will be able to control the election of the Embassy Board and thereby direct the policies of Embassy. Simultaneous with the consummation of the Merger, the current directors and executive officers of Embassy, who, after the Merger and without taking into account the sale of any of the shares of Embassy Common Stock they may sell, will collectively own approximately 12.9% of the then outstanding Embassy Common Stock, without giving effect to the issuance of 120,000 shares of Embassy Common Stock upon the exercise of the Underwriter Warrants or the 959,944 shares of Embassy Common Stock upon the exercise of the Closing Stock Options. Upon the Effective Date, the Embassy Board shall consist of (i) Dr. Dresnick, (ii) Dr. Grussmark, (iii) Mr. Guilford, (iv) Mr. Halpryn, (v) Dr. Thompson,

(vi) Mr. Gottlieb and (vii) Gary Gerson who will exercise control over Embassy's affairs. See "MANAGEMENT OF ORTHODONTIX," "PRINCIPAL SHAREHOLDERS OF ORTHODONTIX" and "DESCRIPTION OF ORTHODONTIX' SECURITIES."

In addition, certain Affiliated Orthodontists, officers, directors and existing shareholders of Orthodontix and Dr. Dresnick will be granted the right to acquire an aggregate of 959,944 shares of Common Stock upon the exercise of Closing Stock Options. The exercise of these Closing Stock Options will result in further increasing the holders' of such shares control over Embassy's affairs. In the event all of the these Closing Stock Options are exercised such persons would own approximately 65.3% of the then outstanding shares of Embassy Common Stock (assuming no other issuances of capital stock). See "DESCRIPTION OF EMBASSY'S SECURITIES."

Shares Eligible for Future Sale. Upon consummation of the Merger, 6,027,940 shares of Embassy Common Stock are expected to be outstanding, exclusive of shares of Embassy Common Stock issuable upon exercise of the Underwriter Warrants and Closing Stock Options.

Resale of Embassy Common Stock by Affiliates. The shares of Merger Stock to be issued to Orthodontix Shareholders in connection with the Merger have been registered under the Securities Act, and, subject to applicable law and certain lock-up agreements described below, will be freely transferable under the Securities Act, except for shares issued to any person who may be deemed an "Affiliate" (as defined below) of Orthodontix within the meaning of Rule 145 under the Securities Act ("Rule 145"). "Affiliates" are generally defined as persons who control, are controlled by, or are under common control with Orthodontix at the time of the Special Meeting (generally, directors, certain executive officers and major shareholders). Affiliates of Orthodontix may not sell their shares of Embassy Common Stock acquired in connection with the Merger, except pursuant to an effective registration statement under the Securities Act covering such shares or in compliance with Rule 145 or another applicable exemption from the registration requirements of the Securities Act. In general, under Rule 145, for one year following the Effective Date, an Affiliate (together with certain related persons) would be entitled to sell shares of Embassy Common Stock acquired in connection with the Merger only through unsolicited "broker transactions" or in transactions directly with a "market maker," as such terms are defined in Rule 144 under the Securities Act. Additionally, the number of shares to be sold by an Affiliate (together with certain related persons and certain persons acting in concert) during such one-year period within any three-month period for purposes of Rule 145 may not exceed the greater of 1% of the outstanding shares of Embassy Common Stock or the average weekly trading volume of such stock during the four calendar weeks preceding such sale. Rule 145 would remain available to Affiliates only if Embassy remained current with its information filings with the Commission under the Exchange Act. One year after the Effective Date, an Affiliate would be able to sell such Embassy Common Stock without such manner of sale or volume limitations, provided that Embassy was current with its Exchange Act information filings and such Affiliate was not then an Affiliate of Embassy. Two years after the Effective Date, an Affiliate would be able to sell such shares of Embassy Common Stock without any restrictions provided such Affiliate has not been an Affiliate of Embassy for at least three months prior thereto.

Under the terms of a lock-up agreement between each of the Affiliated Orthodontists who are issued Merger Stock (the "Practitioner Holders") and Embassy, all of the shares of Merger Stock to be issued to the Practitioner Holders in connection with acquisition of the Affiliated Practices as well as shares underlying stock options received by the Practitioner Holders (the "Practitioner Merger Stock") will not be permitted to be sold, transferred or otherwise disposed of for a period of six months from the Effective Date. Thereafter, the Practitioner Holders will not be permitted to sell, transfer or otherwise dispose of the Practitioner Merger Stock other than in amounts equal to: (i) 20% of the Practitioner Holder's Practitioner Merger Stock during the period of time commencing on the 181st day and ending on the 270th day after the Effective Date; (ii) 40% of the Practitioner Holder's Practitioner Merger Stock during the period of time commencing on the 271st day and ending on the 365th day following the Effective Date; (iii) 60% of the Practitioner Holder's Merger Stock during the period of time commencing on the 366th day and ending on the 456th day following the Effective Date, and thereafter the Practitioner Holders' Practitioner Merger Stock will be transferable by the Practitioner Holders not deemed to be "Affiliates" of Embassy subject to applicable law. Affiliates are



generally defined as persons who control, are controlled by, or under common control with Embassy (generally certain executive officers, directors and principal shareholders).

Under the terms of a lock-up agreement executed by each of the Orthodontix Shareholders who receive Merger Stock other than the Practitioner Holders (the "Non-Practitioner Holders"), the Non-Practitioner Holders are not permitted to sell, transfer or otherwise dispose of any shares of Embassy Common Stock received in connection with the Merger or issuable upon exercise of any stock options for a period of 15 months from the Effective Date. Thereafter, such persons, not affiliates of Embassy, will be able to sell, transfer or otherwise dispose of such shares subject to applicable law.

Under the terms of a lock-up agreement executed by each of Dr. Dresnick and Messrs. Halpryn, Stein, and Brumfield, they are not permitted to sell, transfer, or otherwise dispose of any shares of Embassy Common Stock currently owned by them or issuable upon exercise of any stock options for a period of six months following the Effective Date. Thereafter, for a period of nine months, Dr. Dresnick and Mr. Halpryn will only be permitted to sell, transfer or otherwise dispose of their shares in 20% increments per quarter. Under the terms of a lock-up agreement executed by Mr. Marshak, he is only permitted to sell, transfer, or otherwise dispose of 20,000 shares of Embassy Common Stock currently owned by him or issuable upon exercise of any stock options for a period of six months following the Effective Date, subject to applicable law. The sale of any of these shares could have an adverse effect on the future market price of Embassy Common Stock. See "PROPOSAL 1: THE MERGER -- Restrictions on Sales by Affiliates" and "-- Interests of Certain Persons in the Merger."

While no assurances can be made, it is contemplated that subsequent to the Effective Date, Embassy expects to file a Registration Statement on Form S-8 (the "S-8 Registration Statement") covering the resale of the shares of Embassy Common Stock issuable upon exercise of options to be granted under the Stock Option Plan (assuming it is approved) (the "S-8 Registration Statement"). The effect of filing such S-8 Registration Statement is that, subject to applicable law, upon the effectiveness of the S-8 Registration Statement, the shares of Embassy Common Stock underlying stock options to be granted under the Stock Option Plan, when properly issued, will be freely transferable under the Securities Act in accordance with the terms and conditions of the Stock Option Plan. See "STOCK OPTION PLAN PROPOSAL."

Volatility of Stock Price. Prior to the Merger, there has been no public market for the equity securities of Orthodontix and there can be no assurances that an active trading market for the Embassy Common Stock will develop or be sustained subsequent to the Merger. The market price of the Embassy Common Stock could be subject to significant fluctuations in response to Embassy's operating results and other factors. In addition, the stock market in recent years has experienced extreme price and volume fluctuations that either have been unrelated or disproportionate to the operating performance of companies. These fluctuations, as well as general economic and market conditions, may adversely affect the market price of the Embassy Common Stock.

No Dividends. Embassy has never paid cash dividends on its Common Stock and does not anticipate paying any cash dividends in the foreseeable future. Embassy intends to reinvest any funds that might otherwise be available for the payment of dividends in further development of its business following the Merger. See "PROPOSAL 1: THE MERGER -- Operations after the Merger -- Dividends" and "DESCRIPTION OF EMBASSY'S SECURITIES."

OTC Bulletin Board. The Embassy Common Stock is currently quoted on the OTC Bulletin Board under the symbol "MBCA." There is currently no established trading market for the shares of Embassy Common Stock and there can be no assurances that an established trading market will develop.

Certain Provisions of Embassy's Articles of Incorporation. Embassy's Articles of Incorporation provide, among other things, that (i) officers and directors of Embassy will be indemnified to the fullest extent permitted under Florida law; and (ii) Embassy has elected not to be governed by Sections 607.0901 and 607.0902 of the Florida Business Corporation Act and other laws relating thereto (the "Anti-Takeover Sections").

As a result of Embassy's election not to be governed by the Anti-Takeover Sections, Embassy will not be subject to the provisions of Florida law which provides that certain transactions between Embassy and an "interested shareholder" or any affiliate of the "interested shareholder" be approved by two-thirds of Embassy's outstanding shares. An "interested shareholder" as defined in Section 607.0901 of the Florida Business Corporation Act is any person who is the beneficial owner of more than 10% of the outstanding shares of Embassy who is entitled to vote generally in the election of directors. Since neither Orthodontix nor any of its shareholders own 10% or more of the outstanding Embassy Common Stock, these provisions of the Anti-Takeover Sections would, nevertheless, not impact the Merger or the required role thereon. In addition, because of Embassy's election not to be governed by the Anti-Takeover Sections, Embassy will not be subject to the provisions of Florida law which provide that a person who acquires shares in an issuing public corporation in excess of certain specified thresholds will generally not have any voting rights with respect to such shares unless the voting rights are approved by a majority of the shares entitled to vote, excluding the interested shares.

Authorization of Preferred Stock. The Embassy Shareholders are being asked to consider and vote upon a proposal to amend and restate Embassy's Articles of Incorporation to provide for an authorized class of Preferred Stock, consisting of 100,000,000 shares, par value \$.0001 per share (the "Preferred Stock"), with rights, preferences and designations of such shares to be determined by the Board of Directors (the "Preferred Stock Amendment"). Accordingly, if Embassy becomes authorized to issue the Preferred Stock, the Embassy Board will be empowered, without shareholder approval, to issue the Preferred Stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of Embassy Common Stock. In the event of issuance, the Preferred Stock could be utilized, under certain circumstances, as a method of discouraging and delaying or preventing a change of control of Embassy. Although Embassy has no present intention to issue any shares of Preferred Stock, there can be no assurances that Embassy will not do so in the future. See, "PROPOSAL 2 -- RESTATEMENT OF THE ARTICLES OF INCORPORATION OF EMBASSY."

#### THE SPECIAL MEETING

#### INTRODUCTION

This Proxy Statement/Prospectus is provided by the Embassy Board to the Embassy Shareholders in connection with the Special Meeting of Shareholders of Embassy and any adjournments or postponements thereof. The Special Meeting will be held on the date, at the time and in the location, and will be held to consider the matters set forth below.

The Embassy Board is soliciting proxies hereby for use at the Special Meeting. A form of proxy is being provided to the Embassy Shareholders with this Proxy Statement/Prospectus. Information with respect to the execution and the revocation of proxies is provided under "Voting Rights."

#### PURPOSES OF MEETING

At the Special Meeting, Embassy Shareholders eligible to vote will be asked to consider and vote upon a proposal to approve the (1) Merger, including the Name Change; (2) Preferred Stock Amendment; and (3) Stock Option Plan Proposal. Copies of the Merger Agreement and the proposed Restated Articles are attached as Appendices A and B, respectively, to this Proxy Statement/Prospectus and are incorporated herein by reference.

THE EMBASSY BOARD, WITHOUT DISSENT OR ABSTENTION HAS APPROVED THE MERGER, THE PREFERRED STOCK AMENDMENT AND THE STOCK OPTION PLAN PROPOSAL, AND RECOMMENDS THAT THE EMBASSY SHAREHOLDERS VOTE "FOR" THE PROPOSAL TO APPROVE AND ADOPT THE MERGER, INCLUDING THE NAME CHANGE, THE PREFERRED STOCK AMENDMENT, AND THE STOCK OPTION PLAN.

## DATE, TIME AND PLACE; RECORD DATE

The Special Meeting is scheduled to be held at 9:00 A.M., local time, on April 16, 1998, at NationsBank Tower Auditorium, 100 SE 2nd Street, 19th Floor, Miami, Florida 33131. The Embassy Board has fixed the close of business on March 24, 1998 as the record date (the "Embassy Record Date") for the determination of holders of Embassy Common Stock entitled to notice of and to vote at the Embassy Special Meeting. As of the date of this Proxy Statement/Prospectus, there are 2,540,000 shares of Embassy Common Stock (held by 46 persons of record) outstanding and entitled to vote. Each share of Embassy Common Stock is entitled to one vote.

## VOTING RIGHTS

The presence, either in person or by proxy, of the holders of a majority of the outstanding shares of Embassy Common Stock entitled to vote at the Special Meeting is necessary to constitute a quorum at the Special Meeting. If a proxy is marked as "Abstain" on any matter, or specific instructions are given that no vote be cast on any specific matter (other than a broker which holds shares in street name for its customers) (a "Specified Non-Vote"), the shares represented by proxy will not be voted on such matter. Abstentions and Specified Non-Votes will be included within the number of shares present at the Special Meeting and entitled to vote for purposes of determining whether such matter has been authorized and accordingly will have the same effect as a negative vote. A duly executed but unmarked proxy (other than a broker which holds shares in street name for its customers) will be voted "FOR" the approval and adoption of the proposals, as indicated in the accompanying Proxy Card. Abstentions are counted for purposes of determining the presence or absence of a quorum for the transaction of business. The affirmative vote of the holders of at least a majority of Embassy Common Stock entitled to vote thereon is required to approve and adopt the Merger, including the Name Change. The affirmative vote of a majority of the shares of Embassy Common Stock voting in person or by proxy at the Special Meeting is required to approve and adopt the Preferred Stock Amendment and the Stock Option Plan Proposal. Among the conditions precedent to the Merger is that less than 30% of the outstanding Embassy Common Stock held by non-affiliated shareholders is voted against approval of the Merger. See "PROPOSAL 1: THE MERGER -- Conditions to the Merger." Holders of record of Embassy Common Stock on the Embassy Record Date are entitled to vote on the proposals to be presented to the Embassy Shareholders at the Special Meeting.

Embassy's directors and executive officers collectively holding an aggregate of approximately 30.7% of the outstanding shares of Embassy Common Stock before giving effect to the Merger, have agreed, with respect to the proposal to approve the Merger, to vote their respective shares of Embassy Common Stock in accordance with the vote of the majority of all non-affiliated Embassy Shareholders. Consequently, if a majority of outstanding Embassy Common Stock held and voted by non-affiliated persons is voted in favor of the Merger, the current directors and executive officers of Embassy will vote their shares of Embassy Common Stock in favor of the Merger, the Preferred Stock Amendment and the Stock Option Plan Proposal.

If an Embassy Shareholder attends the Special Meeting, he or she may vote by ballot. However, many of the Embassy Shareholders may be unable to attend the Special Meeting. Therefore, the Embassy Board is soliciting proxies so that each holder of Embassy Common Stock on the Embassy Record Date has the opportunity to vote on the proposals to be considered at the Special Meeting. When a proxy card is returned properly signed and dated, the shares represented thereby will be voted in accordance with the instructions on the proxy card. If an Embassy Shareholder does not return a signed proxy card, his or her shares will not be voted. Embassy Shareholders are urged to mark the box on the proxy card to indicate how their shares are to be voted. If an Embassy Shareholder (other than a broker which holds shares in street name for its customers) returns a signed proxy card, but does not indicate how his or her shares are to be voted, the shares represented by the proxy card will be voted FOR approval and adoption of the Merger, the Preferred Stock Amendment and the Stock Option Plan Proposal. If a signed proxy card is returned by an Embassy Shareholder and expressly reflects an abstention upon any proposal, the shares evidenced thereby will be counted towards the quorum necessary to convene the Special Meeting, noted in the immediately preceding paragraph, but will not be counted towards the requisite affirmative vote upon such proposal mandated by applicable Florida law. If a signed proxy card is returned by a broker with no indication of how shares are to be

voted, the shares evidenced thereby will not be counted towards a quorum and will have no effect on the vote for such proposals. The proxy card also confers discretionary authority on the individuals appointed by the Embassy Board and named on the proxy card to vote the shares represented thereby on any other matter that is properly presented for action at the Special Meeting.

Any Embassy Shareholder who executes and returns a proxy card may revoke such proxy at any time before it is voted by (i) notifying in writing the Secretary of Embassy, at 1428 Brickell Avenue, Suite 105, Miami, Florida 33131; (ii) granting a subsequent proxy; or (iii) appearing in person and voting at the Special Meeting. Attendance at the Special Meeting will not in and of itself constitute revocation of a proxy.

IF THE MERGER IS NOT APPROVED BY THE REQUISITE VOTE IMPOSED BY APPLICABLE FLORIDA LAW OR IF SO APPROVED, BUT 30% OR MORE IN INTEREST OF ALL NON-AFFILIATED EMBASSY SHAREHOLDERS ACTUALLY VOTE AGAINST APPROVAL OF THE MERGER, THE MERGER AGREEMENT WILL BE TERMINATED AND THE PROPOSED MERGER ABANDONED. SEE "PROPOSAL 1: THE MERGER -- REDEMPTION RIGHTS."

#### SOLICITATION OF PROXIES

Embassy will bear all of the expenses in connection with printing and mailing this Proxy Statement/ Prospectus. The costs of solicitation of proxies also will be borne by Embassy. Embassy will reimburse brokers, fiduciaries, custodians and other nominees for reasonable out-of-pocket expenses incurred in sending this Proxy Statement/Prospectus and other proxy materials to, and obtaining instructions relating to such materials from, beneficial owners of Embassy Common Stock. Embassy Shareholder proxies may be solicited by directors, executive officers or regular employees of Embassy, in person, by letter or by telephone, telegram or telefax.

Embassy has retained American Stock Transfer & Trust Company, Embassy's transfer agent, to assist it in the solicitation of proxies. Embassy shall reimburse such firm for its firm's accountable expenses.

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## PROPOSAL 1: THE MERGER

## GENERAL

The following is a brief summary of certain aspects of the Merger. This summary does not purport to be complete and is qualified in its entirety by reference to the Merger Agreement, which is attached to this Proxy Statement/Prospectus as Appendix A and is incorporated herein by reference.

On the Effective Date, Embassy Sub will be merged with and into Orthodontix. As a result of the Merger, Orthodontix will become a wholly-owned subsidiary corporation of Embassy. The Articles of Incorporation of Embassy will be amended on the Effective Date to change, among other things, Embassy's name to "Orthodontix, Inc." After the Merger is consummated, the Embassy Board will be comprised of seven members, four of which shall be designated by Orthodontix.

## BACKGROUND OF THE MERGER

As discussed under "BUSINESS OF EMBASSY" elsewhere herein, Embassy was formed in November 1995 to serve as a vehicle to effect a merger, exchange of capital stock, asset acquisition or other similar business combination (a "Business Combination") with an operating business (an "Acquired Business"). Embassy's business objective has been to seek to effect a Business Combination with an Acquired Business which Embassy believes has growth potential.

Following the consummation of Embassy's initial public offering of its equity securities in April 1996 (the "IPO"), from which Embassy derived net proceeds of approximately \$7,052,000 (the "Net Proceeds"), Embassy's executive officers commenced a search for a prospective Acquired Business. Approximately 90% of such Net Proceeds were placed in escrow immediately following the IPO, to be released therefrom either upon consummation of a Business Combination or if required to facilitate a Business Combination, as applicable. The balance of the Net Proceeds, less net operating expenses to date, is currently held by Embassy.

Excluding Orthodontix, during the period from April 1996 through May 5, 1997, Embassy's executive officers evaluated approximately 75 prospective Acquired Businesses in varied fields of endeavor. Serious consideration was given to effecting a Business Combination with two of such prospective Acquired Businesses engaged in, respectively, providing security services and promoting and producing musical and theatrical live entertainment (collectively, the "Other Two Candidates").

In evaluating each prospective Acquired Business, Embassy's executive officers considered, among other factors, all or a majority of the following:

- costs associated with effecting the Business Combination;
- equity interest in and opportunity for control of the prospective Acquired Business;
- growth potential of the prospective Acquired Business and the industry in which it operates;
- experience and skill of management and availability of additional necessary personnel of the prospective Acquired Business;
- capital requirements of the prospective Acquired Business;
- competitive position of the prospective Acquired Business;
- stage of development of the product, process or service of the prospective Acquired Business;
- degree of current or potential market acceptance of the product, process or service of the prospective Acquired Business;
- proprietary features and degree of intellectual property or other protection of the product, process or service of the prospective Acquired Business; and
- regulatory environment of the industry in which the prospective Acquired Business operates.

The Other Two Candidates, which were accorded serious consideration by Embassy's executive officers, were rejected prior to reaching an agreement in principle for a Business Combination. The primary reasons for rejection of the Other Two Candidates were as follows:

- Intense competition and uncertainties attendant to an industry which appears to be becoming increasingly dominated by large consolidating firms.
- Severe fluctuations in operating results and relative uncertainty of market taste.

In November 1996, Dr. Grussmark, a personal friend of Dr. Dresnick, informed Dr. Dresnick that he, along with Mr. Guilford, had commenced the development of Orthodontix, an orthodontic practice management firm. At a meeting held on November 26, 1996 attended by Dr. Dresnick, Mr. Halpryn and Mr. Guilford, Dr. Dresnick informed Mr. Halpryn of his discussion with Dr. Grussmark and his business objectives regarding Orthodontix. In January 1997, Dr. Grussmark communicated to Dr. Dresnick the status of the development of Orthodontix, including preliminary feedback that he had received from orthodontists whom Dr. Grussmark had targeted to become affiliated with Orthodontix. In January 1997, Mr. Guilford requested that Dr. Dresnick, Mr. Halpryn and he meet to discuss whether Embassy would be interested in pursuing a transaction with Orthodontix. At a meeting on January 17, 1997, Mr. Guilford, Mr. Halpryn and Dr. Dresnick discussed preliminarily whether Embassy might consider a business combination with Orthodontix. At this meeting, the structure and preliminary business plan of Orthodontix was presented by Mr. Guilford to Dr. Dresnick and Mr. Halpryn. No meetings between Embassy and Orthodontix took place between the January 17, 1997 meeting and April 10, 1997. On April 10, 1997, Dr. Dresnick telephoned Mr. Guilford regarding the status of development of Orthodontix and specifically requested how many orthodontic practices had agreed to be acquired by Orthodontix at that point in time. This matter was further discussed at a meeting between Dr. Dresnick and Mr. Guilford on April 16, 1997. Dr. Dresnick inquired and Mr. Guilford responded as to the status of pending practice acquisitions and the overall development of Orthodontix at that point. On April 24, 1997, Dr. Dresnick informed Mr. Halpryn of his meeting with Mr. Guilford and suggested that Mr. Halpryn and Mr. Guilford meet regarding a possible business combination between Embassy and Orthodontix. On April 28, 1997, Mr. Guilford and Mr. Halpryn met concerning the possible business combination. At this April 28, 1997 meeting, Mr. Guilford informed Mr. Halpryn of his assessment of the orthodontic practice management industry, where he thought Orthodontix might fit within that industry, and the growth potential of Orthodontix. On April 30, 1997, the members of the Embassy Board were informed by Mr. Halpryn of his meeting with Mr. Guilford. Thereafter, the members of the Embassy Board spoke among themselves regarding pursuing an initial meeting for the purpose of gathering financial and other information regarding Orthodontix. The Embassy Board ultimately concluded that such a meeting should be scheduled. A meeting was held on May 1, 1997, at which time the members of the Embassy Board met with Mr. Guilford for the purpose of receiving an introduction to the background of Mr. Guilford and Dr. Grussmark and gaining insight into Orthodontix' operations and prospects. This initial meeting lasted several hours and topics concerning the orthodontics practice management services industry in general, Orthodontix' position within the industry and the potential for expansion of Orthodontix' operations were discussed. Shortly thereafter, Mr. Guilford distributed certain written materials, including financial information and product literature regarding Orthodontix and certain publicly available information regarding Orthodontix' competitors. Discussions included Orthodontix' (i) financial status, (ii) existing banking relationships, (iii) competitors, and (iv) rapid growth, as well as the possible impact of what appeared to the Embassy Board to be increasing competition on Orthodontix' prospects. Later that same week, Mr. Guilford met with Dr. Dresnick, wherein he discussed whether Dr. Dresnick would have an ongoing role in a possible combined company. Dr. Dresnick informed Mr. Guilford that he would, if requested to do so, serve as Chairman of the combined company.

The following week, Mr. Halpryn and Mr. Stein, both directors of Embassy spoke via telephone to several orthodontist acquaintances, all of whom are unaffiliated with Embassy and Orthodontix, as to their views concerning the future of the delivery of orthodontic services generally and the concept of practice management or orthodontic practices. Messrs. Halpryn and Stein generally understood from such acquaintances that, from the orthodontist's perspective, there existed growth prospects for businesses engaged in providing practice management services to orthodontic practices.

On May 2, 1997, all of the members of the Embassy Board met with Mr. Guilford to assess the Orthodontix information theretofore received. At a May 5, 1997 meeting among the members of the Embassy Board, the fundamental terms of the Merger were reached, subject to the preparation of an appropriate letter of intent (the "Letter of Intent").

A Letter of Intent was executed on the morning of May 6, 1997. Embassy and Orthodontix announced their execution of the Letter of Intent by a joint press release later that day. Pursuant to the Letter of Intent, among other things, Orthodontix represented to Embassy that at the closing of the business combination, if any, the Practices acquired would, in the aggregate, have generated gross revenue (unaudited) of no less than \$20.0 million for the year ended December 31, 1996. In addition, the Letter of Intent provided that if a definitive agreement had not been executed by 5:00 P.M. Eastern Standard Time on August 30, 1997 (the "Termination Date") the Letter of Intent would automatically terminate.

Subsequent thereto, Embassy commenced its initial "due diligence" review of Orthodontix and the preparation of the Merger Agreement and related documentation. Meetings in these regards were held among the principals of Embassy and Orthodontix and, in certain instances with their respective professional advisors, on several occasions in June, July and August, 1997. Of particular concern to Embassy was whether Orthodontix had entered into agreements to acquire a sufficient number of orthodontic practices. On August 30, 1997, at a meeting between the Embassy Board and Mr. Guilford, Mr. Guilford requested that Embassy extend the Termination Date primarily because, although Orthodontix had understandings to acquire certain orthodontic practices, Orthodontix had not, at that point entered into definitive agreements with practices which had generated in the aggregate \$20.0 million in practice revenue as of December 31, 1996. On August 30, 1997, Embassy and Orthodontix entered into an amendment to the Letter of Intent providing for the Termination Date to be extended until October 30, 1997.

On October 10, 1997, Dr. Dresnick and Mr. Guilford met regarding the status of Orthodontix' execution of definitive acquisition agreements with practices. Dr. Dresnick informed Mr. Halpryn of his conversation with Mr. Guilford. On October 27, 1997, the material terms of the Merger Agreement were reviewed by the Embassy Board. Following discussions, the Embassy Board voted without dissent or abstention to approve and adopt the Merger Agreement and the transactions contemplated thereby, but subject to the negotiation and execution of a definitive version of the Merger Agreement.

On October 27, 1997, representatives of Embassy and Orthodontix, together with their respective counsel, agreed to finalize the terms of the Merger Agreement. The Merger Agreement was then entered into by Embassy and Orthodontix on November 7, 1997 and announced that day through a joint press release issued by Embassy and Orthodontix.

The material difference between the Letter of Intent and the Merger Agreement is that pursuant to the Merger Agreement, Orthodontix represented that at the closing of the business combination, if any, Orthodontix will provide practice management services to orthodontic practices which in the aggregate generated at least \$15 million in revenue as of December 31, 1996. This change was made to accommodate Orthodontix, to secure the business combination for Embassy and to avoid any further delay in the execution of the Merger Agreement.

#### RECOMMENDATIONS OF THE BOARDS OF DIRECTORS AND REASONS FOR THE MERGER

Embassy. The Embassy Board has determined that the Merger is in the best interests of Embassy and the Embassy Shareholders. The Embassy Board without dissent or abstention approved and adopted the Merger Agreement and the transactions contemplated thereby and recommends that the Embassy Shareholders vote for approval and adoption of the Merger Agreement and the transactions contemplated thereby.

Each non-affiliated Embassy Shareholder as of the Embassy Record Date will have the right until April 15, 1998 to offer his or her shares of Embassy Common Stock to Embassy for redemption (the "Redemption") at a price equal to approximately \$5.35 per share as of September 30, 1997 (the "Redemption Value"). As per the terms of Embassy's prospectus dated April 2, 1996, the Redemption Value is equal to Embassy's book value divided by the number of shares of Embassy Common Stock held by all non-affiliated

Embassy Shareholders, as determined by Embassy and audited by its independent public accountants, calculated as of the Embassy Record Date. If less than 30% in interest of Embassy Common Stock held by non-affiliated Embassy Shareholders who vote against approval of the Merger also elect to have their shares of Embassy Common Stock redeemed, and if the Merger is consummated, Embassy will redeem shares of Embassy Common Stock at the Redemption Value from those Embassy Shareholders who affirmatively requested such redemption and who actually voted against approval of the Merger. If 30% or more in interest of Embassy Common Stock held by non-affiliated Embassy Shareholders actually vote against approval of the Merger, the proposed Merger will be terminated, Embassy will not proceed with the Merger and will not redeem such shares. See "PROPOSAL 1: THE MERGER -- Redemption Rights."

The Embassy Board concluded that a business combination with Orthodontix was a better alternative than the other companies that had been theretofore evaluated by Embassy as possible candidates for a business combination because of Embassy's belief that Orthodontix would provide a higher net income per share and more attractive growth prospects due to management's business plan to grow primarily through acquisition of additional orthodontic practices and Embassy's belief that investors have generally been receptive to orthodontic practice management companies. Furthermore, Embassy believes that Orthodontix is positioned to increase its market share and withstand competitive pressure more ably once it is a public company. With respect to the other factors listed above, Embassy believed (i) the costs associated with effecting a business combination with Orthodontix or the Other Two Candidates were substantially similar; (ii) neither Orthodontix nor the Other Two Candidates was agreeable to relinquishing control; (iii) Orthodontix' growth potential was greater than that of the Other Two Candidates due to Embassy's belief that Orthodontix' business had greater market appeal than that of the Other Two Candidates; (iv) Orthodontix' management's experience and skill, when combined with Dr. Dresnick's agreement to serve as Chairman of the combined company was equivalent to that of the management of the Other Two Candidates; and (v) the capital requirements of Orthodontix were less than that of the Other Two Candidates because the Other Two Candidates had significant debt. The Embassy Board gave considerable weight to the experience of Dr. Dresnick in the practice management field and concluded that Dr. Dresnick's experience combined with the industry in which Orthodontix will engage presented the best opportunity of the business combination candidates evaluated by the Embassy Board. Consequently, the Embassy Board has determined that the Merger is in the best interests of the Embassy Shareholders. In addition, the Embassy Board considered the dilutive effect the Merger would have on the Embassy Shareholders.

With respect to the valuation of Orthodontix, the Embassy Board considered the Founding Practices' pre-tax profit (unaudited), anticipated growth over a five-year period, comparable price earnings ratios of public companies competitive with Orthodontix. There is no established trading market for Orthodontix securities.

In considering whether or not to approve the Merger, the Embassy Board reviewed all of the criteria for a prospective Acquired Business as set forth under "Background of the Merger" elsewhere herein, excluding only the opportunity for acquiring operating control of Orthodontix in view of management of Orthodontix' unwillingness to relinquish such control and the Embassy Board's lack of expertise in these regards. Significant import was given by the Embassy Board to Dr. Dresnick's agreement to serve as Chairman of the combined company. The Embassy Board concluded that a Business Combination with Orthodontix would satisfy Embassy's business objective of effecting a Business Combination which afforded the possibility of growth potential. See "RISK FACTORS" and "BUSINESS OF ORTHODONTIX."

Consideration was given by the Embassy Board to securing an opinion (a "Fairness Opinion") of an independent investment banker or other financial advisor to the effect that the Merger would be fair, from a financial point of view, to the Embassy Shareholders. The Embassy Board decided not to obtain a Fairness Opinion due to the fact that the Merger requires the approval of a majority of the outstanding Embassy Common Stock entitled to vote at the Special Meeting and accordingly, the vote of the executive officers and directors of Embassy in the Merger is effectively neutralized by their agreement to vote consistent with the vote of a majority of the non-affiliated Embassy Shareholders and that each non-affiliated Embassy Shareholder will have certain redemption rights with respect to the Merger. In addition, the cost and expense of procuring a Fairness Opinion factored into the Embassy Board's decision not to obtain a Fairness Opinion.



Furthermore, the Embassy Board took note of the fact that no Embassy executive officer, director or principal shareholder is to become a salaried employee of Orthodontix subsequent to the consummation of the Merger.

Orthodontix. The Orthodontix Board has determined that the Merger is in the best interests of Orthodontix and its shareholders. The Orthodontix Board and all its shareholders, without dissent or abstention have approved and adopted the Merger Agreement and the transactions contemplated thereby.

In considering the Merger, the Orthodontix Board noted that the Merger would afford Orthodontix access to approximately \$7.0 million (after payment of Embassy's expenses in consummating the Merger), and that Embassy's status as a company whose securities are publicly traded would afford Embassy's post-Merger management the opportunity to utilize Embassy's authorized but unissued securities to attempt to acquire other orthodontic practices rather than expend its cash resources for any such purpose, in each instance without the anticipated uncertainty attendant to Orthodontix' own public offering of securities and the possibility that any such offering might not be successfully consummated in view of then prevailing market conditions or, alternatively, the negotiation and uncertain consummation of additional commercial lending arrangements. The Orthodontix Board also took into account the fact that if all of the Underwriter Warrants were to be exercised subsequent to the Merger, as to which there can be no assurances, Embassy would derive proceeds of approximately \$936,000 upon the exercise of the Underwriter Warrants. In addition, the Orthodontix Board also noted that the current public market for Embassy Common Stock would afford potential liquidity for the Embassy Common Stock to be acquired by the Orthodontix Shareholders in exchange for the Orthodontix Common Stock.

#### THE MERGER AGREEMENT

Set forth below is a description of the material provisions of the Merger Agreement. This description does not purport to be complete and is qualified in its entirety by reference to the full text of the Merger Agreement, which is attached as Appendix A to this Proxy Statement/Prospectus. As discussed below, the Merger will be effected by the merger of Embassy Sub with and into Orthodontix. To effect the Merger, Embassy formed Embassy Sub as a wholly-owned subsidiary.

General. Upon consummation of the Merger, the Orthodontix Shareholders, including the persons receiving Merger Stock in connection with the Practice Acquisitions, will own approximately 57.9% of the then outstanding shares of Embassy Common Stock. Upon the exercise of the Underwriter Warrants, an aggregate of 6,147,940 shares of Embassy Common Stock will be outstanding upon consummation of the Merger, without giving effect to the issuance of 959,944 shares of Embassy Common Stock upon the exercise of the Closing Stock Options.

None of the shares of Embassy Common Stock then outstanding on the Effective Date will be converted or otherwise modified in the Merger and all of such shares will continue to be outstanding capital stock of Embassy after the Effective Date. The Merger Agreement also provides that the Articles of Incorporation of Embassy will be amended on the Effective Date to change Embassy's name to "Orthodontix, Inc." and to revise Embassy's authorized capital stock to include the Preferred Stock.

The Merger Agreement also provides that on the Effective Date the Embassy Board shall consist of (i) Dr. Dresnick, (ii) Dr. Grussmark, (iii) Mr. Guilford, (iv) Mr. Halpryn, (v) Dr. Thompson, (vi) Mr. Gottlieb and (vii) Mr. Gerson.

Closing. The closing of the transactions contemplated by the Merger Agreement (the "Closing") will take place no later than the fifth business day immediately following the date on which the last of the conditions set forth in the Merger Agreement is satisfied or waived, or at such other time as Embassy and Orthodontix agree (the "Closing Date").

Representations and Warranties. The Merger Agreement contains various representations and warranties of Orthodontix and Embassy relating to, among other things: (i) each of Embassy's and Orthodontix' organization and similar corporate matters; (ii) each of Embassy's and Orthodontix' capital structure; (iii) the authorization, execution, delivery, performance and enforceability of the Merger Agreement and related documentation; (iv) title to assets and properties; (v) the absence of any governmental or regulatory

authorization, consent or approval required to consummate the Merger; (vi) the documents and reports filed by Embassy with the Commission, including this Proxy Statement/Prospectus; (vii) the absence of certain liabilities; (viii) the absence of certain material events, changes or defaults; (ix) litigation; (x) the accuracy of the information provided by Orthodontix and Embassy; (xi) intellectual property of Orthodontix; (xii) compliance with laws and material agreements; (xiii) taxes; (xiv) environmental matters; (xv) certain accounting matters; and (xv) employee matters.

**Certain Covenants.** Pursuant to the Merger Agreement, Orthodontix has agreed that, during the period from the date of the Merger Agreement until the Closing Date, except as permitted by the Merger Agreement (including those provisions set forth or described in this Proxy Statement/Prospectus) or as consented to in writing by Embassy, Orthodontix will, among other things: (i) use reasonable efforts to cause the Founding Practices to be operated and maintained in the usual and ordinary course of business and in material compliance with the terms of the Agreement, and to preserve the goodwill and business relationships with suppliers, customers and others; (ii) use reasonable efforts to cause the Founding Practices not to dispose of any material assets or properties other than in the ordinary course of business; and (iii) not declare any dividend or other distribution, sell or issue, redeem or otherwise acquire any shares of its capital stock or other securities.

Pursuant to the Merger Agreement, Embassy has agreed that, during the period from the date of the Merger Agreement until the Closing Date or the earlier termination of the Merger Agreement, except as permitted by the Merger Agreement or consented to in writing by Orthodontix, Embassy will, among other things, (i) conduct its business in the ordinary and usual course and in material compliance with the Merger Agreement; (ii) not declare any dividend or other distribution, sell or issue, redeem or otherwise acquire any shares of its capital stock or other securities other than with respect to the Underwriter Warrants; and (iii) not make any payments or incur costs aggregating more than \$30,000, exclusive of costs relating to the transactions contemplated by the Merger Agreement or costs relating to shares offered for redemption pursuant to this Proxy Statement/Prospectus.

**No Solicitation of Other Transactions.** The Merger Agreement provides that Orthodontix, its officers, directors, representatives and agents will not solicit any proposal or offer to acquire all or any substantial part of the business or capital stock of Orthodontix or any of its subsidiaries from any person other than Embassy. The Merger Agreement also provides for similar restrictions on Embassy and its officers, directors, representatives and agents.

**Indemnification.** The Merger Agreement provides indemnification to Orthodontix and Embassy for any costs or expenses, judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement arising out of, relating to or in connection with any misrepresentation or breach of representations, warranties or covenants contained in the Merger Agreement.

**Conditions to the Merger.** The respective obligations of Embassy and of Orthodontix to effect the Merger are subject to a number of conditions, any or all of which may be waived by the party for whom the condition was established, including among others: (i) Orthodontix shall have consummated the Practice Acquisitions on the Effective Date; (ii) the Merger shall have been approved and adopted by the Embassy Shareholders, and no more than 30% in interest of the Embassy Common Stock held by Embassy Shareholders actually vote against the Merger; (iii) no preliminary or permanent injunction or other order or decree by any federal or state court or any action by any state or federal governmental agency preventing the consummation of the Merger shall have been issued or taken and remain in effect; and (iv) all consents, orders and approvals legally required shall have been obtained and be in effect on the Effective Date.

In addition to the conditions set forth above, the obligations of Embassy to effect the Merger are subject to the following conditions, any or all of which may be waived by Embassy: (i) Orthodontix shall have performed in all material respects its agreements contained in the Merger Agreement and all representations and warranties of Orthodontix contained in the Merger Agreement shall be true and correct in all material respects on and as of the date made and the Closing Date (as defined in the Merger Agreement); (ii) the receipt of a written opinion from counsel to Orthodontix as to certain matters; (iii) the absence of material adverse changes in the business, operations, properties, assets, condition (financial or otherwise), results of

operations or prospects of Orthodontix; (iv) Orthodontix' capitalization shall be as set forth in the Merger Agreement; and (v) the receipt of all consents, orders and approvals required to consummate the Merger.

In addition to the conditions set forth in the first paragraph of this subsection, the obligations of Orthodontix to effect the Merger are subject to the following conditions, any or all of which may be waived by Orthodontix: (i) Embassy shall have cash assets of no less than \$7.2 million as of the Closing; (ii) Embassy shall have performed in all material respects its agreements contained in the Merger Agreement and all representations and warranties of Embassy contained in the Merger Agreement shall be true and correct in all material respects on and as of the date made and the Closing Date; (iii) Embassy's outstanding securities shall be unchanged in amount except as contemplated by the Merger Agreement; and (iv) an application to have the Embassy Common Stock quoted on the Nasdaq SmallCap Stock Market shall have been filed by Embassy.

**Termination.** The Merger Agreement may be terminated prior to the Closing Date, whether before or after approval by the Embassy Shareholders: (i) at any time by the mutual consent of the Boards of Directors of Embassy and of Orthodontix; (ii) by either Orthodontix or Embassy after May 1, 1998 if the Merger shall not have been consummated on or before such date (so long as the party terminating has not breached its obligations under the Merger Agreement), unless such date is extended by mutual consent of the parties; or (iii) by either Orthodontix or Embassy if the other party is unable to satisfy any condition to the obligations of that party (other than by reason of a breach by that party of its obligations under the Merger Agreement).

In the event of termination of the Merger Agreement by either Orthodontix or Embassy as provided above, the Merger Agreement shall become void and there will be no further obligation on the part of any of Orthodontix or Embassy except for certain nondisclosure obligations, unless such termination arises from a willful breach of the Merger Agreement.

**Expenses.** The Merger Agreement provides that, whether or not the transactions contemplated by Merger are consummated, Orthodontix and Embassy shall each pay its own expenses incident to the negotiation, preparation and carrying out of the Merger Agreement, including all fees and expenses of its counsel and accountants for actions taken pursuant to the Merger Agreement.

**Amendment.** Subject to applicable law, the Merger Agreement may not be amended except by the written agreement of Orthodontix and Embassy. Under applicable law, neither Orthodontix nor Embassy may amend the Merger Agreement subsequent to obtaining approval of their respective shareholders if such amendments would: (i) alter or change the amount or kind of shares, securities, cash, property and/or rights to be received in exchange for shares of such corporation; (ii) alter or change any term of the Articles of Incorporation of Embassy following the Merger; or (iii) alter or change any of the terms and conditions of the Merger Agreement if such alteration or change would adversely affect the Embassy Shareholders.

#### EFFECTIVE DATE

The Merger will become effective on such date as Articles of Merger together with a Plan of Merger reflecting the Merger shall be accepted for filing by the Secretary of State of Florida. Such filing will be made simultaneously with or as soon as practicable after the Closing.

#### INTERESTS OF CERTAIN PERSONS IN THE MERGER

Embassy has agreed to cause Dr. Grussmark, Mr. Guilford, Dr. Thompson and Mr. Gerson to be elected as directors of Embassy, such election to become effective on the Effective Date. Such persons will comprise four of the seven members of the Embassy Board after the Merger and, consequently, will then control the business and affairs of Embassy. In consideration for Dr. Dresnick's efforts in the negotiation of the Merger on behalf of Embassy, on the Effective Date, Dr. Dresnick shall be granted the option to purchase, for a period of five years from the Effective Date, 200,000 shares of Common Stock, at a per share purchase price of \$8.00 (the "Dresnick Options").

In addition, Mr. Guilford, the President and Chief Operating Officer of Orthodontix will be granted the option for a period of five years from the Effective Date, to purchase at a per share purchase price equal to the

Average Price 150,000 shares. Richard L. Alfonso, Vice President -- Operations of Orthodontix, will be granted on the Effective Date the option to purchase at a per share purchase price equal to the Average Price 25,000 shares (the "Alfonso Options"), 20% of which shares may be purchased commencing on the Effective Date through the date which is 60 months from the Effective Date (the "60 Month Date"), an additional 20% of which may be purchased commencing on the date which is 12 months from the Effective Date through the 60 Month Date, an additional 20% of which may be purchased commencing on the date which is 24 months from the Effective Date through the 60 Month Date, an additional 20% of which may be purchased commencing on the date which is 36 months from the Effective Date through the 60 Month Date, and the remainder of which may be purchased commencing on the date which is 48 months from the Effective Date through the 60 Month Date. In the event Mr. Alfonso resigns or is terminated for cause by Orthodontix from his employment with Orthodontix, the Alfonso Options shall terminate.

On the Effective Date, William Thompson, D.D.S., who will become a director of Embassy upon the closing of the Merger, shall be granted the option to acquire for a period of three years from the Effective Date, 40,000 shares of Common Stock at a purchase price equal to 80% of the Average Price (the "William Thompson Options").

In connection with the Merger, in addition to the Dresnick Options, the Guilford Options, the Alfonso Options and the William Thompson Options, on the Effective Date, members of the law firm of Berman Wolfe & Rennert, P.A., counsel to Embassy, Jack Greenman, and Ed Strongin, both advisors to Orthodontix, shall be granted options to acquire an aggregate of 50,000, 50,000 and 10,000 shares of Common Stock, respectively, at any time and from time to time for a period of five years from the Effective Date at the per share purchase price equal to the Average Price (collectively the "Merger Options"). In addition, in connection with the Practice Acquisitions, options to acquire 327,444 shares of Common Stock at the Average Price per share, based on an assumed Average Price of \$8.5625 per share, shall be granted to five Affiliated Orthodontists (the "Affiliated Orthodontists Options"). The Affiliated Orthodontists Options shall be granted to (i) John A. Benkovich, III, D.D.S., M.S., (ii) Clifford Marks, D.D.S., (iii) Bradley A. Taylor, D.M.D., (iv) Ronald Taylor, D.M.D., M.S., and (v) Roger Taylor, D.M.D., as follows:

On the Effective Date, Dr. Benkovich shall be granted the option to acquire an aggregate of 40,000 shares of Common Stock, at a per share purchase price equal to the Average Price, the exerciseability of which is subject to his generating certain levels of revenue from his orthodontic practice.

On the Effective Date, Dr. Marks shall be granted the option to acquire for a period of three years from the Effective Date, 20,000 shares of Common Stock at a per share purchase price equal to 80% of the Average Price.

On the Effective Date, Dr. Bradley Taylor shall be granted the option to acquire, in the aggregate, that amount of shares of Common Stock equal to the quotient obtained by dividing 1,340,000 by the Average Price, at a per share purchase price equal to the Average Price, the exerciseability of which is subject to his generating certain levels of revenue from his orthodontic practice.

On the Effective Date, Dr. Ronald Taylor shall be granted the option to acquire, in the aggregate 50% of that amount of shares of Common Stock equal to the quotient obtained by dividing 950,000 by the Average Price, at a per share purchase price equal to the Average Price, the exerciseability of which is subject to his generating certain levels of revenue from his orthodontic practice.

On the Effective Date, Dr. Roger Taylor shall be granted the option to acquire, in the aggregate, 50% of that amount of shares of Common Stock equal to the quotient obtained by dividing 950,000 by the Average Price, the exerciseability of which is subject to his generating certain levels of revenue from his orthodontic practice.

The Dresnick Options, the Guilford Options, the Alfonso Options, the William Thompson Options, the Merger Options, and the Affiliated Orthodontists Options, together with options to be granted to 13 Affiliated Orthodontists in connection with their tenure on the Advisory Board (the "Advisory Board Options") are collectively referred to herein as the "Closing Stock Options." See "MANAGEMENT OF ORTHODONTIX -- Advisory Board."

## EXCHANGE OF STOCK CERTIFICATES

Any stock certificate that, prior to the Effective Date, represented outstanding shares of Orthodontix Common Stock will, on the Effective Date and prior to surrender, be deemed to evidence ownership of the Merger Stock for which such shares of Orthodontix Common Stock were exchanged in the Merger. From and after the Effective Date, certificates representing Embassy Common Stock will continue to represent such securities and will not be exchanged, notwithstanding the Name Change of Embassy to "Orthodontix, Inc."

EMBASSY SHAREHOLDERS WILL NOT BE REQUIRED TO SURRENDER CERTIFICATES EVIDENCING SHARES OF EMBASSY COMMON STOCK FOLLOWING THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND THE SUBSEQUENT IMPLEMENTATION OF THE MERGER.

## NO FRACTIONAL SHARES

No certificates or scrip for fractional shares of Embassy Common Stock will be issued in connection with the Merger.

## ABSENCE OF APPRAISAL RIGHTS

Florida law does not afford appraisal rights to the Embassy Shareholders with respect to the Merger. However, see "Redemption Rights" below.

## REDEMPTION RIGHTS

Each non-affiliated Embassy Shareholder as of the Embassy Record Date will have the right until April 15, 1998 to offer his or her shares of Embassy Common Stock for redemption (the "Redemption") at a price equal to approximately \$5.35 per share as of September 30, 1997 (the "Redemption Value"). The Redemption Value is equal to Embassy's book value divided by the number of shares of Embassy Common Stock held by all non-affiliated Embassy Shareholders, as determined by Embassy and audited by its independent public accountants, calculated as of the Embassy Record Date. If less than 30% in interest of Embassy Common Stock held by non-affiliated Embassy Shareholders who vote against approval of the Merger, and the Merger is consummated, Embassy will redeem shares of Embassy Common Stock at the Redemption Value from those Embassy Shareholders who affirmatively requested such redemption and who actually voted against approval of the Merger. If 30% or more in interest of Embassy Common Stock held by non-affiliated Embassy Shareholders actually vote against approval of the Merger, the proposed Merger will be terminated, Embassy will not proceed with the Merger and will not redeem any shares.

A non-affiliated Embassy Shareholder wishing to exercise his or her redemption rights (i) must deliver to Embassy, prior to or at the Special Meeting but before the vote is taken on the Merger, a written objection to the Merger (the "Notice of Election"), which shall include a notice of his or her election to redeem his or her Embassy Common Stock, his or her name and residence address, the number of shares of Embassy Common Stock which he or she owns and demand for payment of the Redemption Value of his or her shares of Embassy Common Stock (which Notice of Election must be in addition to and separate from any proxy or vote against the Merger); and (ii) must vote against the Merger. A vote against the Merger, in person or by proxy, will in and of itself not constitute a written objection to the Merger satisfying the requirements for exercise of the redemption rights. In addition, a proxy directing such vote for an abstention, even if accompanied by a Notice of Election, will not meet the requirements for exercise of the redemption rights. A non-affiliated Embassy Shareholder, who elects to redeem his or her shares of Embassy Common Stock, may not redeem less than all of the shares of Embassy Common Stock beneficially owned by such Embassy Shareholder as of the Embassy Record Date. Embassy Shareholders, who timely file a Notice of Election and who vote their Embassy Common Stock against the Merger, are hereinafter referred to as "Redeeming Shareholders."

ALL NOTICES OF ELECTION SHOULD BE ADDRESSED TO EMBASSY ACQUISITION CORP., 1428 BRICKELL AVENUE, SUITE 105, MIAMI, FLORIDA 33131, ATTENTION: GLENN HALPRYN.

On the Effective Date, each Redeeming Shareholder will cease to have any of the rights of an Embassy Shareholder, except the right to be paid the Redemption Value for his or her shares of Embassy Common Stock. To maintain his or her position as a Redeeming Shareholder, each Embassy Shareholder must submit the certificate representing his or her shares of Embassy Common Stock to Embassy or its transfer agent as noted below. A Notice of Election may be withdrawn by an Embassy Shareholder, with the written consent of Embassy, prior to 20 days following the Effective Date.

Within 10 days after the date on which the Embassy Shareholders approve the Merger, Embassy will send written notice of such approval ("Notice of Approval of Merger"), including the per share Redemption Value, by certified or registered mail to each Embassy Shareholder who filed a Notice of Election and who voted his shares against adoption of the Merger. Within 20 days following the date of mailing of the Notice of Approval of Merger, Redeeming Shareholders must submit certificates representing their shares of Embassy Common Stock to Embassy or its transfer agent. Within 30 days following the date of mailing of the Notice of Approval of Merger, Embassy will pay each Redeeming Shareholder who has submitted the certificates representing his or her shares of Embassy Common Stock to Embassy or its transfer agent, the Redemption Value for such shares. ANY REDEEMING SHAREHOLDER WHO FAILS TO SUBMIT HIS OR HER CERTIFICATES REPRESENTING EMBASSY COMMON STOCK WITHIN 20 DAYS FOLLOWING THE DATE OF MAILING OF THE NOTICE OF APPROVAL OF MERGER SHALL LOSE HIS REDEMPTION RIGHTS.

#### ACCOUNTING TREATMENT

Embassy and Orthodontix believe that the Merger will be treated as a capital transaction equivalent to the issuance of stock by Orthodontix for Embassy's net monetary assets of approximately \$7.4 million as of September 30, 1997, accompanied by a recapitalization of Orthodontix.

In accordance with Staff Accounting Bulletin No. 48, "Transfers of Nonmonetary Assets by Promoters and Shareholders" ("SAB 48"), the acquisition of the tangible and intangible assets and assumption of certain liabilities of the Founding Practices from certain promoters of the transaction (the orthodontists who own the Founding Practices) will be accounted for by Orthodontix, at the transferor's historical cost basis. The Orthodontix Common Stock being issued in connection with the acquisition of the Founding Practices will be recorded at the historical net book value of the net assets being acquired, net of liabilities assumed, as reflected on the books of the Founding Practices.

#### CERTAIN TAX CONSEQUENCES OF THE MERGER

The Merger is intended to be a "reorganization" for federal income tax purposes under Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"). As a consequence, other than with respect to the Redemption: (i) Embassy will not recognize any gain or loss in the Merger; and (ii) the Embassy Shareholders will not recognize any gain or loss in the Merger.

THE TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND IS BASED UPON PRESENT LAW. EACH EMBASSY SHAREHOLDER SHOULD CONSULT HIS OR HER TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES OF THE MERGER, INCLUDING THE APPLICATION AND EFFECT OF FEDERAL STATE, LOCAL AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL LAW OR OTHER TAX LAWS.

#### RESTRICTIONS ON SALES BY AFFILIATES

The shares of Merger Stock to be issued to Orthodontix Shareholders in connection with the Merger have been registered under the Securities Act, and, subject to applicable law and certain lock-up agreements described below, will be freely transferable under the Securities Act, except for shares issued to any person who may be deemed an "Affiliate" (as defined below) of Orthodontix within the meaning of Rule 145 under the Securities Act ("Rule 145"). "Affiliates" are generally defined as persons who control, are controlled by, or are under common control with Orthodontix at the time of the Special Meeting (generally, directors, certain executive officers and major shareholders). Affiliates of Orthodontix may not sell their shares of

Embassy Common Stock acquired in connection with the Merger, except pursuant to an effective registration statement under the Securities Act covering such shares or in compliance with Rule 145 or another applicable exemption from the registration requirements of the Securities Act. In general, under Rule 145, for one year following the Effective Date, an Affiliate (together with certain related persons) would be entitled to sell shares of Embassy Common Stock acquired in connection with the Merger only through unsolicited "broker transactions" or in transactions directly with a "market maker," as such terms are defined in Rule 144 under the Securities Act. Additionally, the number of shares to be sold by an Affiliate (together with certain related persons and certain persons acting in concert) during such one-year period within any three-month period for purposes of Rule 145 may not exceed the greater of 1% of the outstanding shares of Embassy Common Stock or the average weekly trading volume of such stock during the four calendar weeks preceding such sale. Rule 145 would remain available to Affiliates only if Embassy remained current with its information filings with the Commission under the Exchange Act. One year after the Effective Date, an Affiliate would be able to sell such Embassy Common Stock without such manner of sale or volume limitations, provided that Embassy was current with its Exchange Act information filings and such Affiliate was not then an Affiliate of Embassy. Two years after the Effective Date, an Affiliate would be able to sell such shares of Embassy Common Stock without any restrictions provided such Affiliate has not been an Affiliate of Embassy for at least three months prior thereto.

Under the terms of a lock-up agreement between each of the Affiliated Orthodontists who are issued Merger Stock (the "Practitioner Holders") and Embassy, all of the shares of Merger Stock to be issued to the Practitioner Holders in connection with acquisition of the Affiliated Practices as well as shares underlying stock options received by the Practitioner Holders (the "Practitioner Merger Stock") will not be permitted to be sold, transferred or otherwise disposed of for a period of six months from the Effective Date. Thereafter, the Practitioner Holders will not be permitted to sell, transfer or otherwise dispose of the Practitioner Merger Stock other than in amounts equal to: (i) 20% of the Practitioner Holder's Practitioner Merger Stock during the period of time commencing on the 181st day and ending on the 270th day after the Effective Date; (ii) 40% of the Practitioner Holder's Practitioner Merger Stock during the period of time commencing on the 271st day and ending on the 365th day following the Effective Date; and (iii) 60% of the Practitioner Holder's Merger Stock during the period of time commencing on the 366th day and ending on the 456th day following the Effective Date, and thereafter the Practitioner Holders' Practitioner Merger Stock will be transferable by the Practitioner Holders not deemed to be "Affiliates" of Embassy subject to applicable law. Affiliates are generally defined as persons who control, are controlled by, or under common control with Embassy (generally certain executive officers, directors and principal shareholders).

Under the terms of a lock-up agreement executed by each of the Orthodontix Shareholders who receive Merger Stock other than the Practitioner Holders (the "Non-Practitioner Holders"), the Non-Practitioner Holders are not permitted to sell, transfer or otherwise dispose of any shares of Embassy Common Stock received in connection with the Merger or issuable upon exercise of any stock options for a period of 15 months from the Effective Date. Thereafter, such persons, not affiliates of Embassy, will be able to sell, transfer or otherwise dispose of such shares subject to applicable law.

Under the terms of a lock-up agreement executed by each of Dr. Dresnick and Messrs. Halpryn, Stein, and Brumfield, they are not permitted to sell, transfer, or otherwise dispose of any shares of Embassy Common Stock currently owned by them or issuable upon exercise of any stock options for a period of six months following the Effective Date. Thereafter, for a period of nine months, Dr. Dresnick and Mr. Halpryn will only be permitted to sell, transfer or otherwise dispose of their shares in 20% increments per quarter. Under the terms of a lock-up agreement executed by Mr. Marshak, he is only permitted to sell, transfer, or otherwise dispose of 20,000 shares of Embassy Common Stock currently owned by him or issuable upon exercise of any stock options for a period of six months following the Effective Date, subject to applicable law.

While no assurances can be made, it is contemplated that subsequent to the Effective Date, Embassy expects to file a registration statement on Form S-8 (the "S-8 Registration Statement") covering the resale of the shares of Embassy Common Stock issuable upon exercise of options to be granted under the Stock Option Plan (assuming it is approved) (the "S-8 Registration Statement"). The effect of filing such S-8 Registration Statement is that, subject to applicable law, upon the effectiveness of the S-8 Registration Statement, the

shares of Embassy Common Stock underlying stock options to be granted under the Stock Option Plan, when properly issued, will be freely transferable under the Securities Act in accordance with the terms and conditions of the Stock Option Plan.

#### CERTAIN REGULATORY MATTERS

No federal or state regulatory requirements remain to be complied with in connection with the Merger, except for certain required notifications and closing and post-closing filings.

#### OPERATIONS AFTER THE MERGER

General. As a result of the Merger, Orthodontix will become a wholly-owned subsidiary corporation of Embassy. The Articles of Incorporation of Embassy will be amended on the Effective Date to, among other things, change Embassy's name to "Orthodontix, Inc."

Directors and Executive Officers. In accordance with the Merger Agreement, all members of the Embassy Board will, immediately prior to the Effective Date, resign from the Embassy Board, other than Dr. Dresnick and Mr. Halpryn and, following the Merger, the Embassy Board shall elect four new members of the Embassy Board selected by Orthodontix, namely, Mr. Guilford, Dr. Grussmark, Dr. Thompson and Mr. Gerson and one new member selected by Embassy, namely, Mr. Gottlieb. In addition, all of Embassy's executive officers will resign effective on the Effective Date, to be replaced by Orthodontix' current executive officers. See "MANAGEMENT OF ORTHODONTIX -- Executive Officers and Directors."

Dividends. Embassy does not presently intend to pay any cash dividends for the foreseeable future, as all available cash will be utilized to further the growth of Embassy's business subsequent to the Effective Date and for the proximate future thereafter. The payment of any subsequent cash dividends will be in the discretion of the Embassy Board and will be dependent upon Embassy's results of operations, financial condition, and other factors deemed relevant by the Embassy Board. See "DESCRIPTION OF EMBASSY'S SECURITIES."

THE PROPOSAL TO APPROVE THE MERGER REQUIRES THE AFFIRMATIVE VOTE OF A MAJORITY OF THE OUTSTANDING EMBASSY SHARES HELD BY NONAFFILIATED SHAREHOLDERS AND NO MORE THAN 30% IN INTEREST OF THE EMBASSY COMMON STOCK HELD BY NON-AFFILIATED SHAREHOLDERS ACTUALLY VOTE AGAINST THE MERGER. UNLESS OTHERWISE SPECIFIED BY SUCH SHAREHOLDER, A VOTE AGAINST THE MERGER WILL NOT CONSTITUTE A REQUEST BY SUCH SHAREHOLDER FOR REDEMPTION OF HIS SHARES. IF A SHAREHOLDER VOTES AGAINST THE MERGER BUT SPECIFICALLY CHOOSES NOT TO REDEEM HIS SHARES, SUCH SHAREHOLDER WILL CONTINUE TO BE A SHAREHOLDER OF EMBASSY. THE EMBASSY BOARD BELIEVES THAT APPROVAL OF THE MERGER IS IN THE BEST INTERESTS OF EMBASSY AND THE EMBASSY SHAREHOLDERS AND UNANIMOUSLY RECOMMEND A VOTE FOR APPROVAL AND ADOPTION OF THE MERGER.



PROPOSAL 2: RESTATEMENT OF THE  
ARTICLES OF INCORPORATION OF EMBASSY

The Embassy Shareholders are being asked to consider and vote upon a proposal to amend and restate Embassy's Articles of Incorporation (the "Restated Articles") to provide for (i) an authorized class of Preferred Stock, consisting of 100,000,000 shares, par value \$.0001 per share (the "Preferred Stock"), with rights, preferences and designations to be determined by the Embassy Board (the "Preferred Stock Amendment"); and (ii) a change in the corporate name from Embassy Acquisition Corp. to "Orthodontix, Inc."

The following summary of the Preferred Stock Amendment is, in all respects, qualified and amplified by the actual language of the Restated Articles, a copy of which is attached as Appendix B to this Proxy Statement/Prospectus.

AUTHORIZATION TO ISSUE PREFERRED STOCK

Under Florida law and under the terms of the proposed Restated Articles of Embassy, preferred stock may be issued in series established from time to time by the Board of Directors. In this connection, the Board of Directors has broad discretion to set the terms of the Preferred Stock, and, if it decided to, may fix for each series, without further shareholder approval (i) the rate of dividend; (ii) the price at and the terms and conditions on which shares may be redeemed; (iii) the amount payable upon shares in the event of voluntary or involuntary liquidation; (iv) sinking fund provisions, if any, for the redemption or purchase of shares; (v) the terms and conditions on which shares may be converted, if the shares of any series are issued with the privilege of conversion; and (vi) voting rights, if any.

The Embassy Board may fix the number of votes to which each share of Preferred Stock is entitled, or deny voting rights to the shares of any series, except to the extent voting rights are expressly granted by applicable law. Depending upon the terms of voting rights granted to any series of Preferred Stock, issuance thereof could result in a reduction in the voting power of the holders of Common Stock or other Preferred Stock.

It is not possible to state the actual effect of the authorization of the Preferred Stock or other classes of stock upon the rights of holders of Embassy Common Stock until the Embassy Board determines the respective rights of the holders of one or more series of the Preferred Stock. However, such effects might include, without limitation: (a) restrictions on dividends on Common stock if Preferred Stock is issued with a preferential (and possibly cumulative) dividend right and dividends on the Preferred Stock are in arrears; (b) substantial dilution of the voting power of the Common Stock to the extent that the Preferred Stock has voting rights or to the extent that any Preferred Stock is given conversion rights into Common Stock; and (c) the holders of Common Stock not being entitled to share in Embassy's assets upon liquidation or dissolution until satisfaction of any liquidation preference granted to the Preferred Stock, which the Embassy Board may set at its discretion. The Embassy Board could also authorize holders of the Preferred Stock to vote, either separately as a class or with the holders of Common Stock, on any merger, sale or exchange of assets by Embassy or other extraordinary corporate transaction. Shares of Preferred Stock could even be privately placed with purchasers who might ally themselves with the Embassy Board in opposing a hostile takeover bid, diluting the stock ownership or voting power of persons seeking to obtain control of Embassy. The Preferred Stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of Embassy, thereby having an anti-takeover effect. The ability to issue Preferred Stock could be beneficial to management in a hostile tender offer while it may have an adverse impact on shareholders who may want to participate in such a tender offer.

In addition, Embassy may be affected to the extent that Preferred Stock is issued which is, by its terms, redeemable, either at the option of Embassy or the holders of Preferred Stock, in accordance with such terms and conditions as may be designated by the Board of Directors in creating such series. The amount payable by Embassy upon redemption of the Preferred Stock will be the redemption price fixed for the shares of each series by the Board of Directors and may also include payment of all accumulated and unpaid dividends. There are many other potential effects not mentioned here.

Although Embassy does not presently intend to issue any of the additional shares of Preferred Stock to be authorized, this approval is being sought in order to allow the Embassy Board to authorize the issuance of such shares when opportunities arise without delay, which would result from holding a meeting of the Embassy Shareholders to authorize the issuance of such additional shares.

In approving the proposed Restated Articles of Embassy, Embassy Shareholders will also be authorizing the Embassy Board to take all such actions and execute and/or file all such documents as the Board deems necessary or appropriate to effectuate the purposes of the proposed Restated Articles, including, without limitation, the making of any technical or non-material changes to the Restated Articles. Furthermore, the Embassy Board reserves the right, notwithstanding approval of the proposed Restated Articles by the Embassy Shareholders, at any time prior to the filing of the Restated Articles, with the Secretary of State of Florida, to terminate all or any part of the provisions made a part of the Restated Articles and all transactions contemplated by or incident thereto.

THE PROPOSAL TO AMEND AND RESTATE THE ARTICLES REQUIRES THE AFFIRMATIVE VOTE OF A MAJORITY OF THE SHARES OF EMBASSY COMMON STOCK VOTING IN PERSON OR BY PROXY AT THE SPECIAL MEETING. THE EMBASSY BOARD BELIEVES THAT APPROVAL OF THE RESTATED ARTICLES IS IN THE BEST INTERESTS OF EMBASSY AND THE EMBASSY SHAREHOLDERS AND UNANIMOUSLY RECOMMENDS A VOTE FOR APPROVAL.

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PROPOSAL 3: RATIFICATION AND APPROVAL OF THE  
1997 EMBASSY ACQUISITION CORP. STOCK OPTION PLAN

The Embassy Shareholders are being asked to consider the proposal to ratify and approve the 1997 Embassy Acquisition Corp. Stock Option Plan (the "Stock Option Plan"). The following summary of the Stock Option Plan is, in all respects, qualified and amplified by the actual language of the Stock Option Plan.

DESCRIPTION OF THE STOCK OPTION PLAN

The Stock Option Plan was unanimously approved by the Embassy Board in November 1997 to become effective on the Effective Date, to provide Embassy with an effective means to attract, retain and motivate persons affiliated with Embassy. The Stock Option Plan is designed to comply with the requirements of Section 16(b) the Exchange Act. A maximum of 500,000 shares of Embassy Common Stock (the "Option Shares") may be issued under the Stock Option Plan. No options may be granted under the Plan after November 18, 2007. Pursuant to the Merger Agreement, Embassy shall file with the Commission a Registration Statement on Form S-8 (the "Form S-8") covering the Option Shares. The effect of filing the Form S-8 is that, subject to applicable law, the Option Shares when properly issued by Embassy, shall be freely tradeable securities.

The Stock Option Plan is to be administered by a compensation and stock option committee of the Embassy Board (the "Committee"), which, under the terms of the Stock Option Plan, must consist of at least two "Non-Employee Directors, within the meaning of Rule 16b-3 promulgated by the Commission under the Exchange Act. The Committee has the authority to interpret the provisions of the Stock Option Plan and to make all determinations deemed necessary or advisable for its administration. On the Effective Date, Mr. Gottlieb and Mr. Gerson shall serve on the Committee.

The Stock Option Plan provides for the issuance of incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986 (the "Code") and non-qualified stock options not intended to meet the requirements of Section 422 of the Code. Incentive stock options may be granted to employees of Embassy and its subsidiaries, and non-qualified stock options may be granted to employees, directors, independent contractors and agents of Embassy and its subsidiaries. Subject to the Stock Option Plan, the Committee determines the persons to whom grants are made and the vesting, timing, amounts and other terms of such grants. An optionee may not receive incentive stock options exercisable in one calendar year for shares with a fair market value on the date of grant in excess of \$100,000. No quantity limitations apply to the grant of nonqualified stock options.

The exercise price of options may not be less than the fair market value of the Embassy Common Stock on the date of grant, except that the exercise price of any incentive stock option granted to the holder of more than 10% of the outstanding Embassy Common Stock may not be less than 110% of the fair market value of the Embassy Common Stock on the date of grant. The term of each option may not exceed ten years, except the term of any incentive stock option granted to the holder of more than 10% of the outstanding Embassy Common Stock may not exceed five years. The Stock Option Plan sets forth additional provisions with respect to the exercise of options by optionees upon the termination of their employment and upon their death.

The number of shares of Embassy Common Stock covered by outstanding options, the number of shares of Embassy Common Stock available for issuance under the Stock Option Plan, and the exercise price per share of outstanding options, are proportionately adjusted for any increase or decrease in the number of issued shares of Embassy Common Stock resulting from a stock split or stock dividend. In the event of a merger, sale of all or substantially all of the assets or other "change in control" of Embassy (as defined in the Stock Option Plan), all stock options will become immediately exercisable.

The Committee may amend or terminate the Stock Option Plan, except that shareholder approval is required to increase the number of shares of Embassy Common Stock subject to the Stock Option Plan, to change the class of persons eligible to participate in the Stock Option Plan, or to materially increase the benefits accruing to participants under the Stock Option Plan.

## FEDERAL INCOME TAX CONSEQUENCES

**Incentive Stock Options.** It is intended that certain options granted under the Stock Option Plan will qualify as "incentive stock options" to the degree possible under the Code. This means that the optionee will not realize taxable income upon the grant or exercise of the option subject to compliance with the Code. However, any excess of the fair market value of the option stock on the date of exercise over the option price will constitute an item of adjustment for purposes of the alternative minimum tax and may cause the optionee to incur a liability for such tax in the year of exercise.

If the optionee holds the stock purchased on exercise of the option until at least (a) one year after it is purchased and (b) two years after the option is granted, any profit or loss recognized on disposition of the stock will be treated as capital gain or loss. If, however, the optionee disposes of the stock within either the one or two-year period, the optionee generally will be required to include in ordinary taxable income upon disposition of the stock an amount equal to the lesser of (a) the amount, if any, by which the fair market value of such stock on the date the option was exercised exceeded the option price, or (b) the amount, if any, by which the amount realized from such disposition exceeds the option price; any additional gain would be long-term or short-term capital gain, depending upon how long the stock was held. But, for certain dispositions of stock made within either the one or two-year period by way of gift or by way of sale to a person or entity related to the optionee, the optionee may be required to include in ordinary taxable income the full amount described in (a), regardless of the amount realized from such disposition.

The one and two-year requirements do not apply to the disposition of stock after an optionee's death by (a) the optionee's estate or (b) a person who acquires the right to exercise the option by reason of the optionee's death. In such cases, the stock may be disposed of any time after receipt and receive preferential tax treatment subject to the general holding period rules for capital gains.

Options granted under the Stock Option Plan may be exercised by the transfer to Embassy of shares of Embassy's Common Stock with a fair market value equal to the option's exercise price. If the optionee transfers incentive stock option shares to Embassy before both the one and two-year holding periods have expired, the transfer will be treated as a disposition of such shares with the tax consequences described above. If the shares so transferred are not incentive stock option shares or, if they are such shares and both the one and two-year periods have expired, such transfer to Embassy will not be a taxable event.

Generally, Embassy will not be entitled to any tax deduction in connection with the grant or exercise of an incentive stock option. If, however, the optionee disposes of stock acquired upon exercise of an option before the one and two-year periods have expired, Embassy will be entitled to deduct, when the optionee disposes of the stock, any amount the optionee is required to include in ordinary taxable income.

**Non-Qualified Stock Options.** The grant by Embassy of non-qualified stock options is not a taxable event to the optionee. Generally, an optionee recognizes ordinary income on the date unrestricted option shares are issued to him pursuant to the exercise of the option in an amount equal to the "spread" or the excess of the fair market value of the shares on that date over the exercise price. Any further gain or loss on disposition of the shares will be capital gain or loss if the shares are held by the optionee for investment.

In certain circumstances, Embassy will be entitled to deduct, as an expense, for federal income tax purposes any amount the optionee is required to include in ordinary income at the time such amount is so includable, provided that such amount is not deemed to be an "excess parachute payment" (i.e., payment payable upon a change of control of Embassy that is in excess of reasonable compensation).

## OPTIONS OUTSTANDING

As of the date of this Proxy Statement/Prospectus, no options have been granted under the Stock Option Plan. However, in connection with the Merger, Closing Stock Options to purchase approximately 959,944 shares of Embassy Common Stock shall be outstanding as of the Closing Date.

## RECOMMENDATION OF THE BOARD OF DIRECTORS

The Embassy Board believes that the best interests of Embassy will be served by Embassy implementing the Stock Option Plan. The Embassy Board believes that awards made under the Stock Option Plan will enable Embassy to better compete for qualified personnel, to retain such personnel in the employ of Embassy, and to motivate such personnel and align their long-term interests with those of the Embassy Shareholders. To remain competitive in attracting and retaining qualified personnel and to continue to provide such personnel proper motivation and incentives, the Embassy Board believes that the proposal to ratify and approve the Stock Option Plan should be approved.

THE BOARD OF DIRECTORS RECOMMENDS THAT THE EMBASSY SHAREHOLDERS VOTE FOR THE PROPOSAL TO RATIFY AND APPROVE THE STOCK OPTION PLAN.

## PRICE RANGES OF EMBASSY'S SECURITIES

Embassy's Common Stock, par value \$.0001 per share, has been quoted in the over-the-counter market under the symbol "MBCA" since April 2, 1996. The following table shows the reported low bid and high bid quotations for the Embassy Common Stock for the periods indicated below. The high and low bid prices for the periods indicated are interdealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions. These quotations have been obtained from the OTC Bulletin Board.

	LOW BID (PER SHARE)	HIGH BID (PER SHARE)
	-----	-----
1996		
April 2 through June 30.....	\$6.00	\$6.25
Third Quarter.....	\$6.00	\$6.25
Fourth Quarter.....	\$6.00	\$6.25
1997		
First Quarter.....	\$6.00	\$8.375
Second Quarter.....	\$7.125	\$9.25
Third Quarter.....	\$8.00	\$8.00
Fourth Quarter.....	\$5.25	\$8.75
1998		
January 1 through March 25, 1998.....	\$8.00	\$8.75

On May 5, 1997 (the last day prior to the public announcement of the letter of intent relating to the Merger the Embassy Common Stock was quoted), the last reported closing bid price of the Embassy Common Stock was \$9.25.

On November 6, 1997 (the last day prior to the public announcement of the execution of the Merger Agreement the Embassy Common Stock was quoted), the last reported closing bid price was \$8.00.

On March 25, 1998 (the last day prior to the date of this Proxy Statement/Prospectus), the last reported closing bid price of the Embassy Common Stock was \$8.75. On that date, there were 46 record holders of Embassy Common Stock, inclusive of those brokerage firms and/or clearing houses holding shares of Embassy Common Stock for their clientele (with each such brokerage house and/or clearing house being considered as one holder).

Embassy has not paid or declared any dividends upon its Common Stock since its inception and, by reason of its present financial status and its contemplated financial requirements, does not contemplate or anticipate paying any dividends upon its Common Stock in the foreseeable future.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR  
PLAN OF OPERATION OF EMBASSY

Embassy Acquisition Corp. was formed in November 1995 to seek to effect a merger, exchange of capital stock, asset acquisition or similar business combination (a "Business Combination") with a business (an "Acquired Business"). In connection with its initial capitalization, Embassy issued 1,160,000 shares of its Embassy Common Stock to its officers, directors and other shareholders for an aggregate sum of \$76,078. On April 2, 1996, Embassy's Registration Statement on Form SB-2 (the "SB-2 Registration Statement") was declared effective by the Commission. Pursuant to the SB-2 Registration Statement, Embassy, in its initial public offering of securities, offered and sold 1,380,000 shares of Common Stock, par value \$.0001 per share, at a purchase price of \$6.00 per share (the "Offering"). The Offering was a "blank check" offering. In connection with the closing of the Offering, Embassy issued 1,380,000 shares of Common Stock and received gross proceeds of \$8,280,000.

Embassy, as a result of the offering had net proceeds of approximately \$7,052,000 (the "Net Proceeds"). Approximately 90% of such proceeds (\$6,346,800) was placed in escrow (the "Escrow Fund") immediately following the Offering.

For the three and nine month periods ended September 30, 1997, Embassy incurred \$16,609 and \$67,019, respectively, of operating expenses and derived interest income of \$91,140 and \$258,793, respectively, as compared with the three and nine month periods ended September 30, 1996 when Embassy incurred \$11,655 and \$26,247, respectively, of operating expenses and derived interest income of \$58,517 and \$116,100, respectively. For the period from inception (November 30, 1995) through September 30, 1997, Embassy incurred \$111,077 of operating expenses and derived interest income of \$502,536.

At December 31, 1996 and September 30, 1997, Embassy had cash and cash equivalents of \$763,965 and \$655,033, respectively, restricted short-term investments of \$6,566,206 and \$6,800,767, respectively, long-term assets of \$8,472 and \$8,472, respectively, and liabilities of \$79,963 and \$77,748, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OR  
PLAN OF OPERATION OF ORTHODONTIX

The following discussion and analysis contains certain statements of a forward-looking nature relating to future events or the future financial performance of Orthodontix. Such statements are only predictions, and the actual events or results may differ materially from the results discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in "RISK FACTORS," as well as those discussed elsewhere in this Proxy Statement/Prospectus. The historical results set forth in this discussion and analysis are not indicative of trends with respect to any actual or projected future financial performance of Orthodontix. The following should be read in conjunction with the financial statements and related notes thereto appearing elsewhere in this Proxy Statement/Prospectus.

#### OVERVIEW

Orthodontix has conducted no operations to date other than entering into agreements to acquire the Founding Practices. Immediately subsequent to the consummation of the Practice Acquisitions, Orthodontix will provide practice management services to the Founding Practices pursuant to long-term administrative services agreements (the "Administrative Services Agreements") with separately organized PA Contractors. The PA Contractors directly employ Affiliated Orthodontists or affiliate with other separately formed professional associations owned by practicing orthodontists (the "Practitioner PAs") pursuant to employment agreements (the "PA Contractor Employment Agreements") or service agreements, as the case may be (the "Service Agreements") with terms ranging from two to ten years. In those practices where the PA Contractors do not directly employ the Affiliated Orthodontists, the Practitioner PAs directly employ orthodontists pursuant to employment agreements (the "Practitioner PA Employment Agreements") with substantially similar terms. In all cases Orthodontix directly employs all non-orthodontic personnel and subject to applicable law directly owns the tangible equipment and other assets utilized in the practice.

#### ADMINISTRATIVE SERVICES AGREEMENTS

**General.** Pursuant to the Administrative Services Agreements, Orthodontix provides and has control over all non-orthodontic functions of the PA Contractors including all administrative, management, billing and support functions, while the PA Contractors and the Affiliated Orthodontists they employ or affiliate with, have control over all functions relating to the provision of orthodontic services. Orthodontix receives a management fee for the services. Subject to applicable state law the management fee (the "Management Fee") is either equal to (i) 15% percent of the accrued revenue derived by the PA Contractor and a percentage of the net income earned by the PA Contractor; or (ii) a flat based fee, which is determined on an annual basis.

**Services Provided by Orthodontix.** Pursuant to the Administrative Services Agreements, Orthodontix provides practice management services to the PA Contractors, which include consultation and other activities regarding the suitability of facilities and equipment, nonprofessional staffing, regulatory compliance, productivity improvements, inventory and supplies management, information systems management, marketing services, site selection and layout, billing and financial services, malpractice insurance, and, subject to applicable law, other services as Orthodontix deems necessary to meet the day to day requirements of the PA Contractors. Under the Administrative Services Agreements, Orthodontix has responsibility over billing of professional services, claims for reimbursement or indemnification from third parties, collection of accounts receivable, custody of checks, notes, and other forms of payment and funds deposited.

**Advisory Board.** Orthodontix will establish an advisory board (the "Advisory Board") consisting of licensed orthodontists designated by Orthodontix and the PA Contractors who will meet to review, evaluate and make recommendations concerning capital improvements and expenditures, ancillary services, provider-payor relationships, strategic planning, fee-dispute resolution, and other management issues. In addition, the members of the Advisory Board who are licensed healthcare professionals shall have exclusive authority to review and resolve issues regarding the type and levels of healthcare services to be provided, fee schedules, any

orthodontic or dental related functions and any other decisions required by applicable law to be made solely by dentists and orthodontists.

Term and Termination. The Administrative Services Agreements have initial terms of 40 years, subject to prior termination by either party in the event the other party (i) becomes subject to bankruptcy proceedings or (ii) materially breaches the Administrative Services Agreement and such party fails to cure the breach within 30 days. In addition, the Administrative Services Agreement may be terminated by either party upon the occurrence of adverse legislative, regulatory or administrative change.

#### SERVICE AGREEMENTS AND PA CONTRACTOR EMPLOYMENT AGREEMENTS

Under the Service Agreements and the PA Contractor Employment Agreements, the PA Contractor owns and operates each Affiliated Practice and has the exclusive right to bill and receive payment for orthodontic services rendered by the Affiliated Orthodontist. In exchange, the PA Contractor pays to the Practitioner PA in the case of a Service Agreement, or directly to the Affiliated Orthodontist, in the case of a PA Contractor Employment Agreement, a monthly base amount (the "Base Compensation") equal to a percentage (ranging from a low of 15% to a high of 48% of the practice's Accrued Revenue. "Accrued Revenue" is defined as: (i) 24% of the Initial Contract Amount; plus (ii) the Monthly Contract Residual Amount; plus (iii) Additional Non-Contract Service Charges. "Initial Contract Amount" for a given month is defined as the total value of any contracts to provide orthodontic services between a patient or third party payor on the one hand and the Affiliated Orthodontist, the Practitioner PA, or the PA Contractor on the other, for the provision of orthodontic services at a pre-determined fee-for service amount (whether or not payable in cash) which contract was generated by the Affiliated Orthodontist after the Effective Date (the "Contract"), entered into on or prior to the last business day of each month. "Monthly Contract Residual Amount" is defined as that amount equal to the amounts remaining to be paid by the patient or third party payor under a Contract (the "Remaining Amounts Payable") divided by the number of months remaining in the term of such Contract; except that the Remaining Amounts Payable shall not be in excess of 76% (other than for a Contract entered into prior to the Effective Date) of the total amounts payable by the patient or third party payor under the Contract. "Additional Non-Contract Service Charges" is defined as that amount charged for orthodontic services which are not included in a patient contract. Such orthodontic services include, but are not limited to, diagnosis charges, observation charges, retention charges and office visit charges.

In addition to the Base Compensation, under certain conditions, a Service Fee (the "Service Fee"), equal to 70% of the "Net Operating Income" generated from the delivery of orthodontic services by the Affiliated Orthodontist is paid to the Practitioner PA in the case of a Service Agreement and directly to the Affiliated Orthodontist in the case of a PA Contractor Employment Agreement. "Net Operating Income" is defined as that amount, if any, equivalent to the percentage by which Practice Overhead declines as a percentage of Accrued Revenue annually; multiplied by the annual Accrued Revenue. "Practice Overhead" is generally defined as the sum of:

- (i) an agreed upon allocable share of salaries, benefits, and other direct costs of all employees other than licensed healthcare professional at the practice location (the "Location");
- (ii) an agreed upon allocable share of direct costs of all patient care and office supplies purchased in connection with the operation of the Location;
- (iii) an agreed upon allocable share of personal property and real property leasehold obligations entered into in connection with the performance of orthodontic services at the Location;
- (iv) an agreed upon allocable share of personal property and intangible taxes assessed against the assets used in connection with the operation of the orthodontic practice at the Location;
- (v) an agreed upon allocable share of malpractice insurance expenses and orthodontist recruitment expenses;
- (vi) the annual Base Compensation; and
- (vii) the Management Fee.



## PRACTICE ACQUISITIONS

In accordance with SAB 48, the acquisition of the tangible and intangible assets and assumption of certain liabilities of the Founding Practices from certain promoters of the transactions (the orthodontists who own the Founding Practices) pursuant to the Practice Acquisitions will be accounted for by Orthodontix at the transferors' historical cost basis, with the shares of Embassy Common Stock to be issued in connection with the acquisition of the Founding Practices recorded at the historical net book value of net assets being acquired, as reflected on the books of the Founding Practices. Future acquisitions of certain of the assets and liabilities of Affiliated Practices accounted for as purchases may result in substantial annual noncash amortization charges for intangible assets in Orthodontix' statements of operations.

Subsequent to the Effective Date, Orthodontix intends to implement a growth strategy focused on (i) affiliating with additional orthodontic practices that have a high quality practice with strong financial performance; (ii) expanding Affiliated Practices by providing capital, support and consultation for satellite office expansion; (iii) assisting the Affiliated Practices with their internal growth by increasing gross revenues through increased patient volume; and (iv) enhancing profitability through operational efficiencies.

## RESULTS OF OPERATIONS

Orthodontix has conducted no significant operations to date and will not conduct significant operations until the Practice Acquisitions and the Merger are consummated on the Effective Date. From inception through September 30, 1997, Orthodontix incurred general and administrative expenses of \$515,700. See Orthodontix' Financial Statements and the notes thereto.

## LIQUIDITY AND CAPITAL RESOURCES

If the Practice Acquisitions and Merger had occurred on September 30, 1997, Orthodontix would have had pro forma working capital of approximately \$3.3 million, including the payment of \$3.4 million in cash to the Founding Practices.

Orthodontix anticipates the primary uses of capital will include affiliation with orthodontic practices and funding working capital needs of Orthodontix and the Affiliated Practices. Orthodontix anticipates that it will incur approximately \$535,000 of operating expenses for the year ending December 31, 1997, which does not include any expenses associated with the Merger or the acquisition of the Founding Practices. As part of its growth strategy, Orthodontix intends to enter into affiliations with additional orthodontic practices that will involve the payment of cash and issuance of capital stock.

## YEAR 2000 COMPUTER COMPLIANCE

The Commission has issued Staff Legal Bulletin No. 5 (CF/IM) stating that public operating companies should consider whether they will suffer any anticipated costs, problems or uncertainties as a result of the "Year 2000" issue, which affects existing computer programs that use only two digits to identify a year in the date field. Orthodontix anticipates that its business operations will electronically interact with third parties very minimally, and the issues raised by Staff Legal Bulletin No. 5 are not applicable in any material way to its contemplated business or operations. Additionally, Orthodontix intends that any computer systems that it will purchase or lease will have already addressed the "Year 2000" issue.

## BUSINESS OF ORTHODONTIX

## GENERAL

Orthodontix was organized in August 1996 to provide practice management services to orthodontic practices. Upon consummation of the Merger, Orthodontix intends to manage the business aspects of the Affiliated Practices and may provide capital for the development and growth of such practices. Orthodontix will affiliate with Affiliated Practices and will generate revenues by providing management, marketing and development services to Affiliated Practices. Orthodontix presently intends to seek to expand its network of Affiliated Practices by acquiring certain operating assets of and entering into long-term management services agreements with additional orthodontic practices. Orthodontix has no current plans, arrangements, understandings or agreements to acquire any orthodontic practices other than the Founding Practices.

The Founding Practices and Their Affiliated Orthodontists. Orthodontix has entered into definitive agreements, to be consummated concurrently with the closing of the Merger, to acquire certain operating assets of the Founding Practices, and enter into Service Agreements or PA Contractor Employment Agreements with the Founding Practices or the Affiliated Orthodontists, as the case may be, which include 28 orthodontists operating 41 offices located in 12 states. Management believes that the Founding Practices are leading practices in their markets and the Founding Practices were selected based upon a variety of factors, including size, profitability, historical growth and reputation for high quality care, among local consumers of orthodontic services and within the orthodontic services industry. Management intends to capitalize on the reputations and relationships of the Founding Practices and their Affiliated Orthodontists to assist Orthodontix in affiliating with additional orthodontic practices. Management believes that Orthodontix' management, marketing, recruiting and growth strategies, as applied to the Founding Practices, will maximize Orthodontix' revenues.

Services of Orthodontix. Orthodontix will provide practice management services to the Affiliated Practices. Orthodontix will not practice orthodontics or dentistry, but generally will acquire certain tangible and intangible assets of an orthodontic practice, employ the non-orthodontic employees, and cause the PA Contractors to enter into Service Agreements or PA Contractor Employment Agreements with the Affiliated Practices or the Affiliated Orthodontists, as the case may be. Where state law allows and upon request by an Affiliated Practice, Orthodontix may lease equipment or office space to the Affiliated Practices. Each Affiliated Practice, in its sole discretion, determines the fees to be charged for services provided to patients based upon market conditions in the service area and other factors deemed appropriate by the Affiliated Practice.

Orthodontix will generate revenues by providing practice management services to the Affiliated Practices, including billing and collections, cash management, purchasing, inventory management, payroll processing, employee benefits administration, advertising and marketing, financial reporting and analysis, productivity reporting and analysis. Management believes, based on its experience with the Founding Practices and data available to it, that Orthodontix' emphasis on high quality patient care and its business, marketing, technological and practice-growth support systems will appeal to orthodontists inclined to affiliate with Orthodontix.

## THE ORTHODONTIC INDUSTRY

Orthodontics historically has been one of the more profitable specialties in dentistry. According to the JCO Study, in 1994, orthodontists in the United States conducted examinations of nearly 2.5 million potential new patients and initiated treatment for approximately 1.5 million patients. The typical orthodontist initiated treatment for approximately 170 patients in 1994 and maintained approximately 380 active cases.

The primary target market for orthodontic treatment is children ages 8 to 18. In 1994, approximately 80%, or 1.2 million, of all patients treated were children. The U.S. Census Bureau estimates that as of July 1, 1996, there were approximately 37.6 million children and adolescents between the ages of 10 and 19. Management believes that as many as 50% of these children and adolescents could benefit from orthodontic treatment, presenting an attractive opportunity for Orthodontix. In addition to the traditional juvenile market,

the adult market has been a rapidly growing market for orthodontic services. Management believes the market for adults has grown rapidly over the last 15 years as a result of several factors. Adults today are more conscious about their appearance, which may be improved by orthodontic treatment they may not have received as children. Moreover, many adults today are more willing to undergo orthodontic treatment in light of the development of new orthodontic materials and techniques that allow the orthodontist largely to conceal the bands and brackets used during treatment because they match the color of the teeth. Based on statistics obtained from the JCO Study, management believes that the adult market for orthodontic services remains untapped, as the number of adults who need or want orthodontic treatment substantially exceeds the number of patients currently seeking treatment. In 1994, standard case fees averaged approximately \$3,500 for children and \$3,800 for adults. On an individual practice basis, the 1997 Study reported median annual revenues of \$518,800 and median operating income of \$224,000 in 1996. Median overhead as a percentage of revenues was 55%. Median down payments were equal to approximately 25% of the total treatment cost. Median case starts and active treatment cases, according to the 1997 Study, were 180 and 400 per practice in 1996, respectively.

Currently, there are approximately 9,000 practicing orthodontists in the United States. The industry is highly fragmented, with approximately 90% of the practicing orthodontists acting as sole practitioners and the balance practicing in multiple-doctor practices (generally two orthodontists) or in groups affiliated with competitors of Orthodontix. The training and qualification of an orthodontist is rigorous.

#### OPERATING STRATEGY

Management believes that Orthodontix' operating strategy will enable Affiliated Practices to compete more effectively and realize significantly greater profitability than other orthodontic practices, thereby providing an inducement for additional orthodontists to affiliate with Orthodontix. Key elements of Orthodontix' operating strategy are anticipated to include:

**Emphasizing Quality Patient Care.** Management believes that the services and support it provides to Affiliated Orthodontists will positively impact the level of patient care by increasing the Affiliated Orthodontists' time to concentrate on patient care. Management believes that the primary hindrances to consistent delivery of quality patient care are (i) the discrepancy in qualifications among practicing orthodontists and (ii) the amount of time each orthodontist spends on patient care. The qualifications of providers of orthodontic services vary from general dentists who have taken certain courses in orthodontics to graduates of accredited three-year programs.

**Capitalizing on the Best Demonstrated Practices of Affiliated Orthodontists.** Orthodontix believes that it will be positioned to identify practice-level strategies that have proven successful for individual Affiliated Practices and share this information among other Affiliated Practices. Management will routinely evaluate the policies and procedures of the Affiliated Practices, including such critical areas as treatment quality, delivery of patient care, practice-building, marketing, patient financing programs and expense control. Orthodontix will provide Affiliated Orthodontists with comparative operating and financial data that will enable Affiliated Orthodontists to detect areas of their practices that could be improved. Orthodontix will provide its own analysis of such operating and financial data and recommend changes to improve performance. Orthodontix expects that a primary means of identifying and implementing solutions to particular practice issues will be to consult with Affiliated Practices that have had demonstrated success in a certain area. Orthodontix generally will seek to facilitate communication among Affiliated Practices through periodic conferences and meetings and, ultimately, through an intranet system. In addition, Orthodontix will establish an Advisory Board whose members are licensed orthodontists designated by Orthodontix and the PA Contractors, which will meet to review, evaluate and make recommendations concerning capital improvements and expenditures, ancillary services, provider-payor relationships, strategic planning, fee-dispute resolution, and other management issues. The Advisory Board shall have authority to review and resolve issues regarding the type and levels of healthcare services to be provided, fee schedules, any orthodontic or dental related functions and any other decisions required by applicable law to be made solely by dentists and orthodontists.

Achieving Operating Efficiencies and Economies of Scale. Orthodontix intends to implement a variety of operating procedures and systems designed to improve the productivity and profitability of each orthodontic practice which becomes an Affiliated Practice and to achieve economies of scale. Orthodontix intends to implement centralized payroll processing, inventory control and national group purchasing contracts. Orthodontix plans to implement appropriate credit and collection policies which will accommodate specific needs of the target market of each Affiliated Practice. Management believes that patient flow and work flow could be enhanced by physical improvements in designs to facilities, which should result in an increase in the number of patients seen and an increase in employee and orthodontist productivity. If such physical improvement in design is supported by an adequate return on investment, the Affiliated Practice and Orthodontix may undertake such design changes. Operating efficiencies and economies will be instituted on a per market or per Affiliated Practice need basis after thorough analysis, including review of work flow, patient flow, aged accounts receivable history, facilities, employee work load and productivity, and employee and patient satisfaction.

Increasing the Affordability of Orthodontic Care through Flexible Payment Plans. Orthodontix will assist Affiliated Practices in developing and implementing payment plans designed to make orthodontic services more affordable to prospective patients, thereby making orthodontic services available to a larger segment of the population in their respective markets. Many of the Founding Practices have historically received a down payment of approximately 20% of the total cost of services, which is typical in the orthodontics industry and is based on the costs incurred by an orthodontic practice at the time treatment is initiated. Recognizing that orthodontic services are largely discretionary and that a significant down payment is often a deterrent to prospective patients, Orthodontix believes that flexible payment plans are an effective means of increasing patient volume. Management believes that the markets in which Affiliated Practices are located are different and payment plans should be tailored to respond to the various market demands and opportunities. Orthodontix will make general recommendations to all Affiliated Practices with respect to instituting flexible payment plans and will develop and implement market-tailored plans upon the request of individual Affiliated Practices. In addition, Orthodontix will provide the working capital necessary for the Affiliated Practices to implement flexible payment plans which may result in the reduction or elimination of down payments.

Stimulating Demand in Local Markets Through Aggressive Marketing. In consultation with and upon approval of the Affiliated Practices, Orthodontix may develop and implement marketing plans to augment each Affiliated Practice's referral and other marketing systems currently in place. Management believes that the orthodontic industry has not taken advantage of the gains that can be achieved through strategic direct marketing and intends to, upon request of an Affiliated Practice, may implement direct marketing campaigns. Upon the request of an Affiliated Practice and in appropriate markets, Orthodontix may attempt to reach potential patients through print, local television and radio advertising.

#### GROWTH STRATEGY

Management believes the continued growth of the Founding Practices and the affiliation of new Affiliated Practices are key components of the future success of Orthodontix. To increase Orthodontix' revenues and profits and gain market share, management intends to initiate a growth strategy designed to increase the number of Affiliated Practices and Affiliated Orthodontists over time. Management's expansion strategy includes:

Affiliations with Orthodontic Practices. Management believes that Orthodontix' target market for affiliations includes approximately half of the orthodontic practices in the United States (approximately 4,500 practices), because these practices offer quality orthodontic services and opportunity for revenue and earnings growth. Management believes that affiliation will be an attractive option for many orthodontists because Orthodontix intends to (i) identify and recruit qualified associate orthodontists for the Affiliated Practices, (ii) offer business systems for each Affiliated Practice, (iii) with the approval of the Affiliated Orthodontist, hire the necessary business and non-orthodontic personnel for each new Affiliated Practice, (iv) help increase each Affiliated Practice's market share and the number of new patients seen by recommending successful

marketing and advertising strategies, and (vi) reduce the time Affiliated Orthodontists spend on administrative and business related tasks, allowing them to focus on delivering quality patient care.

Internal Growth through Improved Operating Efficiencies. An element of management's growth strategy is internal Affiliated Practice growth through improving each practice's operating efficiencies. Orthodontix plans to implement payroll processing, employee benefits administration, financial reporting and analysis, inventory management and national group purchasing discounted contracts and intends to implement appropriate credit and collection policies which accommodate specific needs of the general target markets of each Affiliated Practice. Operating efficiencies and economies may be instituted on a per market or per Affiliated Practice need basis after thorough analysis, including review of work flow, patient flow, aged accounts receivable history, facilities, employee work load and productivity, employee satisfaction and patient satisfaction.

#### AFFILIATED PRACTICE OPERATIONS AND LOCATIONS

Payment Plan; Case Fees. At the initial orthodontic treatment, the patient signs a contract outlining the terms of the treatment, including the anticipated length of treatment and the total fees. Each Affiliated Orthodontist determines the appropriate fee to charge for services to patients based upon market conditions in the area served by that Affiliated Orthodontist. Generally, the amount of fees charged by the Affiliated Orthodontists are independent of the patient's source of payment. The number of required monthly payments is estimated at the beginning of the case and generally corresponds to the anticipated number of months of treatment. Depending on the patient's credit history, the down payment will range from a substantial down payment to no down payment. Patients are typically required to pay equal monthly installments although each Affiliated Practice will offer a payment plan tailored to its market and patients.

If the treatment period exceeds the period originally estimated by the orthodontist, the patient and the Affiliated Orthodontist will determine whether payment for additional treatment will be required. If the treatment is completed prior to the scheduled completion date, the patient is required to pay the remaining balance of the contract. If a patient terminates the treatment prior to the completion of the treatment period, the patient is required to pay the balance due for services rendered to date. Other payment plans with lower monthly payments are available for patients who have insurance coverage for the treatment. Payments for patients with insurance may be lower, depending upon the amount of the fee paid on behalf of the patient by insurance policies. For patients with insurance coverage, the portion of the fee not covered by insurance is paid by the patient and is not generally waived or discounted by the Affiliated Practice.

Information Systems ("IS"). Orthodontix plans to implement a comprehensive IS strategy over the next several years. Orthodontix may implement a communications and data transmission program utilizing an intranet system and commercially available integration technology. Typically, an orthodontic practice utilizes an accounting and general ledger system as well as a production system. The accounting and general ledger system will be implemented promptly upon the Affiliated Practice's affiliation with Orthodontix. The production system, which provides patient and practice management functions, will take more time to implement. While it is Orthodontix' stated objective to protect the computer system and applications investment of each Affiliated Practice, management intends to use a combination of integration and interface technologies to tie together the disparate systems.

Purchasing. Orthodontix plans to coordinate quantity discounts of equipment, office furniture, inventory and supplies for the Affiliated Practices in order to reduce per unit costs. In addition, Orthodontix will negotiate arrangements with other suppliers, such as casualty insurance carriers, that should provide cost savings to the Affiliated Practices.

Locations. Upon consummation of the Practice Acquisitions, Orthodontix will provide management services to the following locations:

STATE	NUMBER OF ORTHODONTISTS(1)	NUMBER OF OFFICES	NUMBER OF CITIES
California	1	1	1
Florida	14	21	19
Georgia	1	1	1
Illinois	4	6	5
Kentucky	1	2	2
Louisiana	1	1	1
Maryland	1	1	1
Massachusetts	1	2	2
Ohio	1	2	2
Pennsylvania	1	1	1
Texas	1	1	1
Virginia	1	2	2
	--	--	--
Total	28	41	38

(1) The 27 Founding Practices include an aggregate of 28 Affiliated Orthodontists, operating in 12 states.

#### AFFILIATED ORTHODONTIST, PA CONTRACTOR AND OTHER CONTRACTUAL RELATIONSHIPS

Orthodontix contracts with the PA Contractors who employ Affiliated Orthodontists pursuant to PA Contractor Employment Agreements or affiliate with Affiliated Orthodontists pursuant to Service Agreements to provide orthodontic services. The PA Contractor Employment Agreements and Service Agreements typically have terms ranging from two to ten years. The Affiliated Orthodontists generally receive a percentage of the gross revenue generated at the Affiliated Practice as well as a percentage of the Net Operating Income derived from the Affiliated Practice. The Affiliated Orthodontists are required to hold a valid license to practice orthodontics in the jurisdiction in which the Affiliated Orthodontist practices. Orthodontix is responsible for billing patients and third party payors for services rendered by the Affiliated Orthodontist. All of the Affiliated Orthodontists have agreed, for a period of one to two years after the termination of employment or affiliation, not to compete with Orthodontix or the PA Contractor within a defined geographic area and not to solicit Affiliated Orthodontists, other employees or patients of the Affiliated Practices.

Orthodontix has Administrative Services Agreements with the PA Contractors. Under the Administrative Services Agreements, Orthodontix has control over all non-orthodontic functions of the PA Contractors, including all administrative, management, billing and support functions. The PA Contractors pay Orthodontix a management fee for its services. In certain states, the fee is equal to a percentage of the gross revenue generated by the underlying Affiliated Practices contracting with the PA Contractors as well as a percentage of the Net Operating Income of such underlying Affiliated Practices. In other states, the management fee consists of a flat base fee, which is determined on an annual basis. Each of the Administrative Services Agreements has a term of 40 years and is subject to renegotiation at the end of such term.

#### GOVERNMENT REGULATION

General. The business of Orthodontix is subject to a variety of governmental and regulatory requirements relating to healthcare matters as well as laws and regulations which relate to business corporations in general. In general, regulation of healthcare companies is increasing. Every state imposes licensing requirements on individual orthodontists and on facilities operated by and services rendered by orthodontists. In addition, federal and state laws regulate health maintenance organizations and other managed care organizations for which orthodontists may be providers. In connection with the entry into new markets, Orthodontix, the Affiliated Practices and the Affiliated Orthodontists may become subject to compliance with additional regulations.

The operations of the Affiliated Practices must meet federal, state and local regulatory standards in the areas of safety and health. Historically, compliance with those standards has not had any material adverse effect on the operations of the Founding Practices. Based on its familiarity with the historical operations of the Founding Practices and the activities of Orthodontix' Affiliated Orthodontists, management believes that the Affiliated Practices are in compliance in all material respects with all applicable federal, state and local laws and regulations relating to safety and health.

**State Legislation.** The laws of several states prohibit orthodontists from splitting fees with non-orthodontists. Furthermore, many states prohibit non-orthodontic entities from practicing orthodontics, employing orthodontists, or in some circumstances, employing orthodontic assistants. The laws of some states prohibit advertising orthodontic services under a trade or corporate name and require that all advertising be in the name of the orthodontist. A number of states also regulate the content of advertisement of orthodontic services and the use of promotional gift items. A number of states limit the ability of a non-licensed dentist or non-orthodontist to own equipment or offices used in an orthodontic practice. Some of these states allow leasing of equipment and office space to an orthodontic practice, under a bona-fide lease, if the equipment and office remain in the complete care and custody of the orthodontist. Management believes, based on its familiarity with the historical operations of the Founding Practices, the activities of Orthodontix' Affiliated Orthodontists and applicable regulations, that Orthodontix' planned activities do not constitute the prohibited practices contemplated by these statutes and regulations. There can be no assurance, however, that future interpretations of such laws, or the enactment of more stringent laws, will not require structural and organizational modifications of Orthodontix' initial relationships with its Affiliated Orthodontists or the operation of the Affiliated Practices. In addition, statutes in some states could restrict expansion of Orthodontix operations in those jurisdictions.

**Regulatory Compliance.** Orthodontix may be required to modify its agreements, operations and marketing strategies from time to time in response to changes in the business and regulatory environment. Orthodontix intends to structure all of its agreements, operations and marketing in accordance with applicable law, although there can be no assurance that its arrangements will not be successfully challenged or that required changes may not materially affect Orthodontix' business, financial condition and results of operations.

#### COMPETITION

Orthodontix anticipates facing substantial competition from other entities as Orthodontix seeks to affiliate with additional orthodontic practices. Orthodontix is aware of several practice management companies that are focused in the area of orthodontics. Additional entities may enter this market and compete with Orthodontix. Certain of these competitors have greater financial or other resources than Orthodontix.

The business of providing orthodontic services is highly competitive in each market in which the Affiliated Practices and other practices operate. Founding Practices compete with orthodontists who maintain single offices or operate a single satellite office, as well as with orthodontists that maintain group practices or operate in multiple offices. Founding Practices also compete with general dentists and pedodontists who provide certain orthodontic services, some of whom have more established practices. The provision of orthodontic services by such dentists and pedodontists has increased in recent years. There can be no assurance that Orthodontix or the Affiliated Practices will be able to compete effectively within their markets.

#### EMPLOYEES

Upon completion of the Practice Acquisitions and the Merger, Orthodontix will employ an aggregate of approximately 220 employees. None of Orthodontix' employees are represented by a collective bargaining agreement.

#### PROPERTIES

Orthodontix currently subleases, on a month to month basis, approximately 1,200 square feet of office space in Coral Gables, Florida from Guilford & Associates, P.A., a firm wholly owned by F.W. Mort Guilford, the President and Chief Operating Officer of Orthodontix, for a monthly rental amount of approximately

\$1,000. In addition to the monthly rental amount, Orthodontix is liable to pay to Guilford & Associates, P.A. Orthodontix' pro-rata share of office expenses. Upon consummation of the Merger, it is presently anticipated that Orthodontix shall rent approximately 3,000 square feet of office space in the Miami-Dade County, Florida area. In addition, upon consummation of the Practice Acquisitions, Orthodontix will become obligated under 41 separate lease agreements relating to the office space of the Founding Practices.

#### INTELLECTUAL PROPERTY

Orthodontix has not applied for or obtained any registrations of its trademarks or service marks. Orthodontix is aware of one other orthodontic practice management company in the United States that uses, in part the name "Orthodontix." There can be no assurances that actions taken by Orthodontix will be adequate to protect Orthodontix' intellectual property rights, if any.

#### LITIGATION AND INSURANCE

Orthodontix does not have any pending litigation. The Affiliated Practices provide orthodontic services to the public and are exposed to the risk of professional liability and other claims. Such claims, if successful, could result in substantial damage awards to the claimants that may exceed the limits of any applicable insurance coverage. Although Orthodontix does not control the practice of orthodontics by the Affiliated Practices, it could be asserted that Orthodontix should be held liable for malpractice of an Affiliated Orthodontist.

Orthodontix intends to maintain general liability insurance for itself and on behalf of the Affiliated Practices and it is anticipated that, where permitted by applicable law and insurers, Orthodontix will be named as an additional insured under the policies of the Affiliated Practices. There can be no assurance that any claims against Orthodontix or any of the Affiliated Practices will not be successful, or if successful, will not exceed the limits of available insurance coverage or that such coverage will continue to be available at acceptable rates.

#### MANAGEMENT OF ORTHODONTIX

##### EXECUTIVE OFFICERS AND DIRECTORS

The current and contemplated position (subsequent to the consummation of the Merger) of each executive officer and director of Orthodontix is listed below.

NAME - - - - -	AGE ---	CURRENT POSITION -----	CONTEMPLATED POSITION AFTER THE MERGER -----
Stephen Grussmark, D.D.S., M.S.D.	57	Chief Executive Officer and Chief Clinical Officer	Chief Executive Officer and Chief Clinical Officer, Director of Embassy (responsibilities include new business development and liaison with orthodontic practices)
F.W. Mort Guilford	70	President, Chief Operating Officer, Director	President, Chief Operating Officer, Director of Embassy, President of Orthodontix
Richard L. Alfonso	34	Vice President-Operations, Secretary	Vice President-Operations, Secretary of Embassy, Secretary

Stephen Grussmark, D.D.S., M.S.D. has been Chief Executive Officer and Chief Clinical Officer of Orthodontix since its inception. Since 1968, Dr. Grussmark has been a practicing orthodontist in the Miami, Florida area. Since 1990, Dr. Grussmark has been an Assistant Clinical Professor of Graduate Orthodontics at the University of Florida Dental School and has been a staff member at Miami Children's Hospital since 1969. Since 1997, Dr. Grussmark has been a Clinical Instructor at Nova University Dental School -- Graduate Department of Orthodontics. Dr. Grussmark is a member of the Dade County Dental Research Group, the American Dental Association, the American Association of Orthodontists, the Southern Association of Orthodontists, and is Past President of both the Florida Cleft Palate Association and the South Florida Academy of Orthodontists.



F.W. Mort Guilford has been President, Chief Operating Officer and a director of Orthodontix since its inception. Since 1956, Mr. Guilford has been practicing business, real estate and land use law in the Miami, Florida area and has been an investor in numerous business ventures, including real estate, banking and food franchises. Mr. Guilford has served as Chairman of The Alma Jennings Foundation, a charitable foundation, since 1984, and from 1989 through 1994 he served on the Florida Public Service Nominating Committee, which makes recommendations to the Governor of Florida for appointees to the Florida Public Service Commission. In addition, Mr. Guilford served on the State of Florida Finance and Bond Council, was a member of the University of Miami Board of Trustees, and was Chairman of the Economic Development Committee and Code Enforcement Board for the City of Coral Gables, Florida. Since 1995, Mr. Guilford has been a member of the Coral Gables Foundation.

Richard L. Alfonso has been Vice President -- Operations and Secretary of Orthodontix since November 1996. From April 1996 through October 1996 and from June 1994 through December 1995, Mr. Alfonso was Director of Mergers and Acquisitions at Sterling Healthcare Group, Inc. ("Sterling"), a firm engaged in providing practice management services to emergency room physicians. From January 1996 through March 1996, Mr. Alfonso was Vice President -- Mergers and Acquisitions at Lifeway, Inc., a firm engaged in providing practice management services to physicians. From December 1993 through May 1994, Mr. Alfonso was Director of Medical Staff Services at Sterling. From May 1990 through November 1993, Mr. Alfonso was employed by the Federal Reserve Bank of Atlanta, Miami Branch, as a supervisor in the security services department.

#### COMPENSATION OF OFFICERS AND DIRECTORS

Other than Mr. Alfonso, who was paid \$10,000 during the year ended December 31, 1996 and \$60,000 during the year ended December 31, 1997, no executive officer of Orthodontix has received any cash compensation from Orthodontix since inception.

Directors of Orthodontix receive no compensation for their services as directors, other than accountable reimbursement for any reasonable business expenses incurred in connection with their activities on behalf of Orthodontix; however, they will be entitled to receive stock options under the Stock Option Plan. See "PROPOSAL 3: RATIFICATION AND APPROVAL OF THE 1997 EMBASSY ACQUISITION CORP. STOCK OPTION PLAN."

#### ADVISORY BOARD

Upon consummation of the Merger, it is currently anticipated that Orthodontix will establish an advisory board (the "Advisory Board") consisting of the following licensed orthodontists:

Donald E. Adams, D.D.S.	Brent W. Bernard, D.M.D.
John A. Benkovich, III, D.D.S., M.S.	Steve A. Chapman, D.M.D.
Robert L. Edgerton, D.D.S.	C. Lynn Hurst, D.D.S., M.S.
Alan W. Kaplin, D.D.S.	E. Joseph LeCompte, D.D.S., M.S.
Clifford Marks, D.D.S.	Ernest H. McDowell, D.M.D.
Stephen Paige, D.D.S.	Bradley A. Taylor, D.M.D.
Jeffrey Thompson, D.M.D.	

The Advisory Board will meet to review, evaluate and make recommendations concerning capital improvements and expenditures, ancillary services, provider-payor relationships, strategic planning, fee-dispute resolution, and other management issues. In addition, the members of the Advisory Board shall have exclusive authority to review and resolve issues regarding the type and levels of healthcare services to be provided, fee schedules, any orthodontic or dental related functions and any other decisions required by applicable law to be made solely by dentists and orthodontists.

Each member of the Advisory Board shall be granted, on the Effective Date, the option to acquire 7,500 shares of Embassy Common Stock at the Average Price per share for a three year period commencing on the

date which is three years from the Effective Date, so long as such member maintains continuous service on the Advisory Board.

#### ANTICIPATED EMPLOYMENT ARRANGEMENTS

Upon consummation of the Merger it is currently anticipated that Dr. Grussmark, Mr. Guilford, and Mr. Alfonso will become Embassy's Chief Executive Officer and Chief Clinical Officer; President and Chief Operating Officer; Chief Financial Officer, Vice President -- Operations, Treasurer and Secretary, respectively. Immediately following the Merger, it is contemplated that Dr. Grussmark, an Affiliated Orthodontist, will not receive a salary in his capacity as Chief Executive Officer but will be provided with health insurance benefits for himself and his dependants. Further, Dr. Grussmark's responsibilities will include business development and acting as a liaison between Embassy and the orthodontic practices. It is not anticipated that Dr. Grussmark will be involved in the day to day operations of Embassy following the Merger. Upon consummation of the Merger, it is anticipated that Messrs. Guilford and Alfonso will receive base annual salaries of \$80,000 and \$70,000, respectively, as well as be provided with health insurance benefits for themselves and their dependents. It is presently anticipated that Messrs. Guilford and Alfonso shall enter into written employment agreements with Embassy subsequent to the Effective Date. Orthodontix is currently in the process of interviewing several candidates to replace Mr. Alfonso as Chief Financial Officer. Upon the retention of a Chief Financial Officer, it is contemplated that Mr. Alfonso will retain his other executive officer positions with Orthodontix but will resign from the Chief Financial Officer position.

In addition, Mr. Guilford will be granted the option for a period of five years from the Effective Date, to purchase at a per share purchase price equal to the Average Price 150,000 shares. Richard L. Alfonso, Vice President -- Operations of Orthodontix, will be granted on the Effective Date the option to purchase at a per share purchase price equal to the Average Price 25,000 shares (the "Alfonso Options"), 20% of which shares may be purchased commencing on the Effective Date through the date which is 60 months from the Effective Date (the "60 Month Date"), an additional 20% of which may be purchased commencing on the date which is 12 months from the Effective Date through the 60 Month Date, an additional 20% of which may be purchased commencing on the date which is 24 months from the Effective Date through the 60 Month Date, an additional 20% of which may be purchased commencing on the date which is 36 months from the Effective Date through the 60 Month Date, and the remainder of which may be purchased commencing on the date which is 48 months from the Effective Date through the 60 Month Date. In the event Mr. Alfonso resigns or is terminated for cause by Orthodontix from his employment with Orthodontix, the Alfonso Options shall terminate.

#### CERTAIN TRANSACTIONS RELATING TO ORTHODONTIX

Orthodontix has met its cash requirements in its developmental stage from bank financing and from personal loans made by F.W. Mort Guilford (the "Guilford Loans"). In July 1997, Orthodontix obtained a credit facility from a bank which enables Orthodontix to borrow up to \$500,000 for working capital purposes (the "Bank Credit Facility"). The repayment obligations of Orthodontix under the Bank Credit Facility have been secured by the pledge of certain collateral by Dr. Dresnick. The Guilford Loans and the borrowings under the Bank Credit Facility bear interest at the prime rate plus 1%. As of March 20, 1998, the amounts outstanding under the Guilford Loans and the Bank Credit Facility are approximately \$331,000 and \$487,000, respectively. The amounts outstanding under the Guilford Loans are contemplated to be satisfied in full upon the Effective Date with the working capital of Embassy. In February 1998, Stephen Grussmark, D.D.S., M.S.D., the Chief Executive Officer and Chief Clinical Officer of Orthodontix, loaned to the Orthodontix \$100,000 (the "Grussmark Loan"). The Grussmark Loan bears interest at the prime rate plus 1%. The amounts outstanding under the Grussmark Loan are contemplated to be satisfied in full upon the Effective Date with the working capital of Embassy.

Concurrently with the closing of the Merger, Orthodontix will consummate the Practice Acquisitions pursuant to which it will acquire certain operating assets of 27 separate Founding Practices in exchange for cash and shares of Embassy Common Stock and enter into long-term practice management services

agreements with the Founding Practices. The acquisition of each of the Founding Practices was individually negotiated between Orthodontix and each Founding Practice with respect to all material terms, including without limitation, valuation. The aggregate consideration to be paid to the Founding Practices is approximately \$22.1 million, consisting of 2,187,940 shares of Embassy Common Stock at a price of \$8.5625 per share and \$3.4 million in cash, all of which is payable upon the closing of the Practice Acquisitions. The aggregate consideration to be paid for the Founding Practices will not change; however, the actual number of shares of Embassy Common Stock issued to the Founding Practices will increase or decrease depending upon the average of the closing bid and ask price, as reported on the OTC Bulletin Board, of Embassy Common Stock for the 15 trading days immediately preceding the date of the closing of the Practice Acquisitions (the "Average Price"). The exact number of shares will be determined by dividing \$18.7 million by the Average Price.

Dr. Grussmark, who will become an officer and a director of Embassy at the closing of the Merger, will receive 102,774 shares of Embassy Common Stock and \$220,000 in cash as a result of the Practice Acquisitions. The analysis used to determine the consideration to be paid to Dr. Grussmark in connection with the sale of his orthodontic practice is consistent with the analysis used to calculate the consideration to be paid in the other Practice Acquisitions.

Attorneys in the law firm of Berman Wolfe & Rennert, P.A., counsel to Embassy, are shareholders of Embassy and Orthodontix. Berman Wolfe & Rennert, P.A. has provided legal services in the past to Orthodontix. Upon closing of the Merger, attorneys in Berman Wolfe & Rennert, P.A. shall own, in the aggregate, 104,567 shares of Common Stock of Embassy and options to acquire 50,000 shares of Embassy Common Stock. Jack Greenman, advisor to Orthodontix, is a shareholder of Embassy and Orthodontix and has provided services in the past to Orthodontix. Upon closing of the Merger, Mr. Greenman shall own, in the aggregate, 69,712 shares of Common Stock of Embassy and options to acquire 50,000 shares of Embassy Common Stock. "PROPOSAL 1 -- THE MERGER -- Interest of Certain Persons in the Merger."

The following table provides certain information concerning each of the Founding Practices and each person who has an ownership interest in a Founding Practice, all of whom are deemed to be promoters of the transaction:

CONSIDERATION TO BE RECEIVED BY FOUNDING PRACTICES

FOUNDING PRACTICE SHAREHOLDER	ASSETS CONTRIBUTED(1)(2)	CASH	VALUE OF DISTRIBUTION	SHARES(3)
Adams, Donald E., D.D.S.....	\$ 66,035	\$ 127,378	\$ 849,184	84,299
Aguirre, Michael, D.D.S.....	\$ 40,470	\$ 163,917	\$ 1,092,779	108,480
Aylward, Gerry, D.D.S.....	\$ 16,647	\$ 73,898	\$ 492,653	48,906
Benkovich, John A., III, D.D.S., M.S.....	\$ 80,539	\$ 102,000	\$ 510,000	47,650
Bernard, Brent, D.M.D.....	\$ 42,571	\$ 123,000	\$ 615,000	57,460
Chapman, Steve, D.M.D.....	\$ 91,126	\$ 263,688	\$ 1,318,440	123,183
Downs, Maurice, D.D.S.....	\$ 31,336	\$ 93,120	\$ 465,600	43,501
Edgerton, Robert, D.D.S.....	\$ 12,352	\$ 126,000	\$ 840,000	83,387
Gray, James, D.M.D.....	\$ 40,608	\$ 53,713	\$ 537,127	56,457
Grosser, Scott, D.M.D.....	\$ 11,620	\$ 114,614	\$ 764,097	75,852
Grussmark, Stephen, D.D.S.....	\$ 58,835	\$ 220,000	\$ 1,100,000	102,774
Herzberg, Robert, D.D.S., M.D.S.....	\$ 15,960	\$ 43,701	\$ 218,504	20,415
Hurst, Lynn, C., D.M.D.....	\$ 62,515	\$ 190,926	\$ 954,630	89,192
Kaplin, Alan, D.D.S.....	\$ 28,246	\$ 235,200	\$ 1,176,000	109,874
Kopf, Joseph, D.D.S.....	\$ 43,649	\$ 33,328	\$ 333,278	35,031
Krop, Michael, D.D.S.....	\$ 50,135	\$ 99,000	\$ 660,000	65,518
LeCompte, Joseph, E., D.D.S., M.S.....	\$ 56,765	\$ 240,000	\$ 1,200,000	112,117
Marks, Clifford, D.D.S.....	\$ 11,596	\$ 58,213	\$ 582,134	61,188
McAdams Gilbert, D.D.S.....	\$ 10,242	\$ 57,044	\$ 380,291	37,751

FOUNDING PRACTICE SHAREHOLDER	ASSETS CONTRIBUTED(1)(2)	CASH	VALUE OF DISTRIBUTION	SHARES(3)
McDowell, Ernest H., D.M.D.....	\$ 248,832	\$ 179,204	\$ 1,792,041	188,361
Paige, Stephen, D.D.S.....	\$ 139,362	\$ 221,603	\$ 1,108,016	103,523
Rosenstein, Sheldon W., D.D.S.....	\$ 30,526	\$ 94,485	\$ 472,427	44,139
Smith, James B., D.D.S.....	\$ 104,351	\$ 95,367	\$ 635,777	63,114
Starr, Stanley, D.D.S.....	\$ 73,614	\$ 169,442	\$ 1,129,616	112,137
Taylor, Bradley A., D.M.D.....	\$ 71,632	\$ 139,000	\$ 1,390,000	146,102
Taylor, Ronald, D.M.D., M.S.....	\$ 53,427	\$ 50,000	\$ 500,000	52,555
& Taylor, Roger, D.M.D.				
Thompson, Jeffrey, D.M.D.....	\$ 27,371	\$ 18,000	\$ 1,002,466	114,974
TOTAL.....	\$1,520,362	\$3,385,841	\$22,120,060	2,187,940

- (1) Assets to be contributed reflect the historical book value of the nonmonetary assets of each practice. These nonmonetary assets are reflected at historical cost in accordance with SAB 48. All monetary assets, including patient receivable balances, are recorded at fair value, which is approximated by the historical costs recorded by the practices.
- (2) In addition, in connection with the Practice Acquisitions, certain operating lease obligations of the Founding Practices will be assumed.
- (3) Based on the Average Price as of March 26, 1998 of \$8.5625.

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## PRINCIPAL SHAREHOLDERS OF ORTHODONTIX

The following table sets forth information as of the date of this Proxy Statement/Prospectus and as of such date, giving effect to the Merger, based on information from the persons below with respect to the beneficial ownership of shares of Orthodontix Common Stock, in the aggregate, and upon consummation of the Merger, the number of shares of Embassy Common Stock expected to be held by (i) each person known by Orthodontix to be the owner of more than 5% of the outstanding shares of Orthodontix Common Stock; (ii) each current officer and director of Orthodontix; and (iii) all executive officers and directors as a group:

NAME AND ADDRESS OF BENEFICIAL OWNER -----	AMOUNT, NATURE AND PERCENTAGE OF BENEFICIAL OWNERSHIP OF ORTHODONTIX COMMON STOCK PRIOR TO THE MERGER(1)		AMOUNT, NATURE AND PERCENTAGE OF BENEFICIAL OWNERSHIP OF EMBASSY COMMON STOCK AFTER THE MERGER(2)	
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Stephen Grussmark, D.D.S., M.S.D.(3)..... 2222 Ponce de Leon Blvd., 3(rd) Floor Coral Gables, FL 33134	795,385	61.2%	898,159(3)	13.6%
F.W. Mort Guilford..... 2222 Ponce de Leon Blvd., 3(rd) Floor Coral Gables, FL 33134	347,980	26.8%	497,980(4)	7.6%
Richard L. Alfonso..... 2222 Ponce de Leon Blvd., 3(rd) Floor Coral Gables, FL 33134	24,856	1.9%	29,856(4)	0.5%
All Officers and Directors..... as a Group (3 persons before Merger)	1,168,221	89.9%	1,425,995	21.6%

- (1) As used herein, "beneficial ownership" means the sole or shared power to vote, or direct the voting of, a security, or the sole or shared power to dispose, or direct the disposition, of a security. Except as otherwise indicated, all persons named herein and therein have (i) sole voting power and investment power with respect to their shares of Orthodontix Common Stock, except to the extent that authority is shared by spouses under applicable law; and (ii) record and beneficial ownership with respect to their shares of Orthodontix Common Stock. For purposes of this table, beneficial ownership is computed pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"); the inclusion of shares as beneficially owned should not be construed as an admission that such shares are beneficially owned for purposes of the Exchange Act. Under the rules of the Securities and Exchange Commission a person is deemed to be a "beneficial owner" of a security if he or she has or shares the power to vote or direct the voting of such security or the power to dispose of or direct the disposition of such security. Accordingly, more than one person may be deemed to be a beneficial owner of the same security. Shares of Common Stock subject to options to be held by persons listed in the table that are exercisable within 60 days of the closing of the Merger are deemed beneficially owned by such person and outstanding for the purposes of computing such person's beneficial ownership and to the extent held by officers and directors listed in the table, the beneficial ownership of all directors and executive officers beneficial ownership as a group. 1,300,000 shares of Common Stock of Orthodontix were outstanding as of the close of business on the date of this Proxy Statement/Prospectus.
- (2) Assumes the issuance of the Merger Stock on the Effective Date, includes shares of Embassy Common Stock issuable upon exercise of the Underwriter Warrants and includes shares of Embassy Common Stock issuable upon exercise of the Closing Stock Options which will become exercisable upon the Effective Date. See "PROPOSAL 1: THE MERGER" and "DESCRIPTION OF EMBASSY'S SECURITIES."
- (3) Represents (i) 795,385 shares of Embassy Common Stock to be issued in connection with the closing of the Merger; and (ii) 102,774 shares issuable in connection with the acquisition of Dr. Grussmark's practice, based on an Average Price per share of \$8.5625.

- (4) Represents (i) shares of Common Stock to be issued to Mr. Guilford (347,980) and Mr. Alfonso (24,856) in connection with the Merger; and (ii) shares of Common Stock issuable upon the exercise by Mr. Guilford (150,000) and Mr. Alfonso (5,000) of stock options to be granted in connection with the Merger, which options will be currently exercisable as of the Effective Date.

#### DESCRIPTION OF ORTHODONTIX' SECURITIES

Orthodontix is authorized to issue 100,000,000 shares of Orthodontix Common Stock, \$.0001 par value per share, of which 1,300,000 shares are issued and outstanding as of the date of this Proxy Statement/ Prospectus, excluding the 2,187,940 shares of Orthodontix Stock issuable in connection with the Practice Acquisitions, and 1,000,000 shares of Preferred Stock, par value \$.0001 per share, none of which are issued or outstanding. The holders of Orthodontix Common Stock are entitled to one vote per share. There is no established public trading market for Orthodontix Common Stock.

#### BUSINESS OF EMBASSY

Embassy was formed in November 1995 to serve as a vehicle to effect a merger, exchange of capital stock, asset acquisition or other similar business combination (a "Business Combination") with an operating business (an "Acquired Business"). Embassy's business objective has been to seek a Business Combination with an Acquired Business which Embassy believes has growth potential. In April 1996, Embassy successfully consummated an initial public offering of its equity securities ("IPO") from which it derived net proceeds of approximately \$7,052,000 (the "Net Proceeds"). Approximately 90% of the Net Proceeds (inclusive of interest earned thereon, less operating expenses to date) is presently held in escrow pending the consummation of a Business Combination and will be released to Embassy upon consummation of the Merger. The balance of the Net Proceeds is currently held by Embassy, less operating expenses to date. Embassy's executive offices are located at 1428 Brickell Avenue, Suite 105, Miami, Florida 33131; its telephone number is (305)374-6700.

Embassy is not presently a party to any material litigation nor to the knowledge of management of Embassy is any such litigation presently threatened.

#### MANAGEMENT OF EMBASSY

##### EXECUTIVE OFFICERS AND DIRECTORS

The current executive officers and directors of Embassy are as follows:

NAME	AGE	POSITION
Glenn L. Halpryn.....	36	President, Director
Craig A. Brumfield(1).....	46	Vice President, Treasurer, Director
Ronald M. Stein(1).....	36	Vice President, Secretary, Director
Stephen J. Dresnick, M.D.(2).....	47	Director
Andrew H. Marshak(1).....	29	Director
William Thompson, D.D.S.....	65	(3)
Mel Gottlieb.....	52	(3)
Gary Gerson, CPA.....	64	(3)

- (1) These persons shall resign their positions as officers and directors of Embassy upon the closing of the Merger.
- (2) Dr. Dresnick will become the Chairman of the Board of Directors upon the closing of the Merger.
- (3) These persons shall become directors of Embassy upon the closing of the Merger.

Glenn L. Halpryn has been the President and a member of the Embassy Board since Embassy's inception. Since 1985, Mr. Halpryn has been engaged in real estate investment and development activities,

including the management, finance and leasing of commercial real estate. Since April 1988, Mr. Halpryn has been Vice Chairman of Central Bank, a Florida state-chartered bank. Since June 1987, Mr. Halpryn has been the President of and beneficial holder of stock of United Security Corporation, a broker-dealer registered with the NASD. From June 1992 through May 1994, Mr. Halpryn served as the Vice President, Secretary -- Treasurer of Frost Hanna Halpryn Capital Group, Inc., a "blank check" company whose business combination was effected in May 1994 with Sterling Healthcare Group, Inc. From June 1995 through October 1996, Mr. Halpryn served as a member of the Board of Directors of Sterling Healthcare Group, Inc.

Craig A. Brumfield has been the Vice President, Treasurer and a member of the Embassy Board since Embassy's inception. Since April 1995, Mr. Brumfield has been President and Chief Executive Officer of Pinecrest Capital, Inc., a private investment firm that initiates structures and negotiates acquisitions and provides advisory and consulting services to middle market companies in diverse industries. From October 1984 through March 1995, Mr. Brumfield was an executive officer of Trivest, Inc. ("Trivest"), a sponsor of middle market corporate acquisitions. Mr. Brumfield has served as a member of the Board of Directors of three public companies; Atlantis Plastics, Inc. (May 1991 through March 1995), Loewenstein Furniture Group, Inc. (December 1990 through December 1994) and WinsLoew Furniture, Inc. (December 1994 through March 1995). Prior to joining Trivest, Mr. Brumfield was a Senior Manager with KPMG Peat Marwick.

Ronald M. Stein has been the Vice President, Secretary and a member of the Embassy Board since Embassy's inception. Since October 1992, Mr. Stein has been a vice president and account executive with First Equity Corporation of Florida, a broker-dealer registered with the NASD. From April 1988 through October 1992, Mr. Stein was an associate vice president and accountant executive with Prudential Securities, a broker-dealer registered with the NASD.

Stephen J. Dresnick, M.D. has been a member of the Embassy Board since Embassy's inception. Dr. Dresnick has served as President, Chief Executive Officer and Chairman of the Board of Directors of Sterling Healthcare Group, Inc. and its predecessor corporations since 1987. Dr. Dresnick currently serves as the Vice Chairman of the Board of Directors of FPA Medical Management, Inc., the parent corporation of Sterling Healthcare Group, Inc. Dr. Dresnick is a Diplomat of the National Board of Medical Examiners and is certified by the American Board of Emergency Medicine. Dr. Dresnick is licensed to practice medicine in 12 states. Dr. Dresnick currently holds an appointment as Assistant Professor at University of Miami, School of Nursing; is on the Dean's Advisory Committee at University of Miami, School of Business; is an Advisory Board Member at the Center for the Advancement of Service Management, University of Florida, College of Business Administration; is a Clinical Associate Professor for the Department of Surgery, University of Florida, School of Medicine; and is a member of the Board of Trustees of Florida International University.

Andrew H. Marshak has been a member of the Embassy Board since Embassy's inception. Since November 1997, Mr. Marshak has been a Managing Director of First Dominion Capital, L.L.P., a merchant banking and asset management firm. From June 1994 through October 1997, Mr. Marshak was a Vice President of Indosuez Capital, the North American merchant banking arm of Credit Agricales Indosuez, a Paris-based banking institution. From July 1992 through June 1994, Mr. Marshak was an associate with Indosuez Capital. From July 1990 through June 1992, Mr. Marshak was a Financial Analyst with Donaldson, Lufkin and Jenrette, an investment bank.

William Thompson, D.D.S. has agreed to become a director of Embassy upon consummation of the Merger. Dr. Thompson has been a consultant to Orthodontix since its inception. Since 1960, Dr. Thompson has been a practicing orthodontist in the Bradenton, Florida area. He is currently the Chairman of the Council on Orthodontic Education of the American Association of Orthodontics. From 1985 through 1992, Dr. Thompson was a Director and from 1991 through 1992 was the President of the American Board of Orthodontics. Dr. Thompson has received numerous professional appointments as well as published numerous articles concerning orthodontics. Dr. Thompson has been a member of the Board of Directors of the First National Bank of Manatee since 1989.

Mel Gottlieb has agreed to become a director of Embassy upon consummation of the Merger. Since August, 1995, Mr. Gottlieb has been the President and sole shareholder of Gottlieb & Associates, a firm

engaged in providing investment management services. From November 1995 through October 1996, Mr. Gottlieb served as a director and a member of the Audit Committee of Sterling Healthcare Group, Inc. From 1978 through August 1995, he was Chief Executive Officer of Gottlieb's Financial Services, Inc. ("GAS"), which was acquired by Metaphase Corporation in September 1993 and provides billing and accounts receivable management services to emergency physicians and physician practice management companies.

Gary Gerson, CPA has agreed to become a director of Embassy upon consummation of the Merger. Mr. Gerson is a founding partner, shareholder of and practicing accountant with Gerson Preston & Co., an accounting firm located in Miami Beach, Florida since 1958, with offices in Boca Raton and Tampa. Mr. Gerson was former President and Chairman of the Board of Mount Sinai Medical Center in Miami Beach, Florida, General Chairman of the Israel Bonds Organization for Florida, Member of the Board of Directors of the Greater Miami Jewish Federation, University of Florida Foundation and the Concert Association of Florida. Mr. Gerson was the recipient of an Honorary Doctorate of Laws Degree from St. Thomas University, the Distinguished Alumnus Award from the University of Florida and the 1996 Man of the Year award from the City of Miami Beach Chamber of Commerce.

#### COMPENSATION OF OFFICERS AND DIRECTORS

No executive officer or director has received any cash compensation from Embassy since inception for services rendered. Embassy's officers and directors receive no compensation, including salaries, for their services other than accountable reimbursement for any reasonable business expenses incurred in connection with their activities on behalf of Embassy.

There are no agreements, agreements in principle or understandings with regard to compensation to be paid by Embassy to any officer or director of Embassy other than the Dresnick Options. The Escrow Fund (including any interest earned thereon) shall not be used to reimburse Embassy's officers and directors for expenses incurred by such persons on behalf of Embassy. No funds (including any interest earned thereon) will be disbursed from the Escrow Fund for reimbursement of expenses. Other than the foregoing, there is no limit on the amount of such reimbursable expenses, and there will be no review of the reasonableness of such expenses by anyone other than the Board of Directors, three of five members of which are officers. None of Embassy's executive officers or directors or their respective affiliates will receive any consulting or finder's fees in connection with a Business Combination. Furthermore, none of such persons will receive any other payments or assets, tangible or intangible, unless received by all other shareholders on a proportionate basis.

#### CERTAIN TRANSACTIONS RELATING TO EMBASSY

Embassy currently maintains a \$1,000,000 "key man" policy insuring the life of Mr. Halpryn. There can be no assurances that such "key man" insurance will be maintained at reasonable rates, if at all. Upon the closing of the Merger, the "key man" policy is presently intended to be terminated.

Embassy currently maintains, at no cost to Embassy, its executive offices in approximately 500 square feet of office space located at 1428 Brickell Avenue, Suite 105, Miami, Florida 33131. This office space is leased by Embassy from Ivenco, Inc., a firm of which Ernest Halpryn, the father of Glenn L. Halpryn, is an officer. Embassy considers this space adequate for its current operations. Upon consummation of the Merger, Embassy will no longer occupy this space.

Upon consummation of the Merger, the Embassy Board will consist of seven persons, namely, Dr. Dresnick as Chairman, Mr. Halpryn, Mr. Guilford, Dr. Grussmark, Dr. Thompson, Mr. Gottlieb and Mr. Gerson. Furthermore, upon consummation of the Merger, it is presently contemplated that Messrs. Gottlieb and Gerson shall serve on the Audit Committee of the Embassy Board, Dr. Dresnick, Messrs. Gottlieb and Gerson shall serve on the Compensation and Stock Option Committee of the Embassy Board and Mr. Halpryn, Mr. Guilford and Dr. Grussmark will serve on the nominating committee of the Embassy Board.



## PRINCIPAL SHAREHOLDERS OF EMBASSY

The following table sets forth information as of the date of this Proxy Statement/Prospectus, and as of such date, giving effect to the Merger, based on information obtained from the persons named below, with respect to the beneficial ownership of shares of Embassy Common Stock by (i) each person known by Embassy to be the owner of more than 5% of its outstanding shares of Common Stock, (ii) each officer and director prior to and subsequent to the Merger and (iii) all executive officers and directors as a group prior to and subsequent to the Merger:

NAME AND ADDRESS OF BENEFICIAL OWNER -----	AMOUNT, NATURE AND PERCENTAGE OF BENEFICIAL OWNERSHIP PRIOR TO THE MERGER(1) -----		AMOUNT, NATURE AND PERCENTAGE OF BENEFICIAL OWNERSHIP AFTER THE MERGER(1) -----	
Glenn L. Halpryn(2)..... 1428 Brickell Avenue, Suite 105 Miami, FL 33131	330,000	13.0%	330,000	5.5%
Ronald M. Stein..... 1428 Brickell Avenue, Suite 105 Miami, Florida 33131	170,000	6.7%	170,000	2.8%
Stephen J. Dresnick, M.D.(3)..... 5835 Blue Lagoon Drive, 4th Floor Miami, Florida 33126	160,000	6.3%	360,000	5.8%
Andrew H. Marshak..... 1428 Brickell Avenue, Suite 105 Miami, Florida 33131	60,000	2.4%	60,000	1.0%
Craig A. Brumfield..... 1428 Brickell Avenue, Suite 105 Miami, Florida 33131	60,000	2.4%	60,000	1.0%
Stephen Grusmark, D.D.S., M.S.D..... 2222 Ponce de Leon Blvd., 3rd Floor Coral Gables, FL 33134	0	0.0%	898,159(4)	14.9%
F.W. Mort Guilford..... 2222 Ponce de Leon Blvd., 3rd Floor Coral Gables, FL 33134	0	0.0%	497,980(5)	8.1%
Richard L. Alfonso..... 2222 Ponce de Leon Blvd., 3rd Floor Coral Gables, FL 33134	0	0.0%	29,856(5)	0.5%
William Thompson, D.D.S..... 2222 Ponce de Leon Blvd., 3rd Floor Coral Gables, FL 33134	0	0.0%	47,500(6)	0.8%
Mel Gottlieb..... 2222 Ponce de Leon Blvd., 3rd Floor Coral Gables, FL 33134	0	0.0%	0	0.0%

NAME AND ADDRESS OF BENEFICIAL OWNER -----	AMOUNT, NATURE AND PERCENTAGE OF BENEFICIAL OWNERSHIP PRIOR TO THE MERGER(1) -----		AMOUNT, NATURE AND PERCENTAGE OF BENEFICIAL OWNERSHIP AFTER THE MERGER(1) -----	
Gary Gerson..... 2222 Ponce de Leon Blvd., 3rd Floor Coral Gables, FL 33134 All Officers and Directors as a Group (5 persons before the Merger, 9 persons after the Merger).....	0	0.0%	0	0.0%
	780,000	30.7%	2,453,495	38.2%

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- (1) As used herein, "beneficial ownership" means the sole or shared power to vote, or direct the voting of, a security, or the sole or shared power to dispose, or direct the disposition, of a security. Except as otherwise indicated, all persons named herein and therein have (i) sole voting power and investment power with respect to their shares of Embassy Common Stock, except to the extent that authority is shared by spouses under applicable law; and (ii) record and beneficial ownership with respect to their shares of Embassy Common Stock. For purposes of this table, beneficial ownership is computed pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended, (the "Exchange Act"); the inclusion of shares as beneficially owned should not be construed as an admission that such shares are beneficially owned for purposes of the Exchange Act. Under the rules of the Securities and Exchange Commission a person is deemed to be a "beneficial owner" of a security if he or she has or shares the power to vote or direct the voting of such security or the power to dispose of or direct the disposition of such security. Accordingly, more than one person may be deemed to be a beneficial owner of the same security. Shares of Common Stock subject to options to be held by persons listed in the table that are exercisable within 60 days of the closing of the Merger are deemed beneficially owned by such person and outstanding for the purposes of computing such person's beneficial ownership and to the extent held by officers and directors listed in the table, the beneficial ownership of all directors and executive officers beneficial ownership as a group. 2,540,000 shares of Common Stock of Embassy were outstanding as of the close of business on the date of this Proxy Statement/Prospectus. Does not include any shares issuable upon the exercise of the Underwriter Warrants.
- (2) Does not include shares of Common Stock owned by Ernest Halpryn, Glenn L. Halpryn's father, of which Glenn L. Halpryn disclaims beneficial ownership.
- (3) Represents 160,000 shares held by Kinserd Limited Partnership ("KLP"). Dr. Dresnick is the sole limited partner of KLP and the sole shareholder, sole director and an officer of Kinserd, Inc., the general partner of KLP. With respect to beneficial ownership subsequent to the Merger, includes 200,000 shares of Embassy Common Stock underlying certain stock options to be granted to Dr. Dresnick in connection with the Merger.
- (4) Represents (i) 795,385 shares of Embassy Common Stock to be issued in connection with the closing of the Merger; and (ii) 102,774 shares issuable in connection with the acquisition of Dr. Grussmark's practice, based on an Average Price per share of \$8.5625.
- (5) Represents (i) shares of Common Stock to be issued to Mr. Guilford (347,980) and Mr. Alfonso (24,856) in connection with the Merger; and (ii) shares of Common Stock issuable upon the exercise by Mr. Guilford (150,000) and Mr. Alfonso (5,000) of stock options to be granted in connection with the Merger, which options will be currently exercisable as of the Effective Date.
- (6) Represents (i) 7,500 shares of Common Stock to be issued in connection with the Merger, and (ii) 40,000 shares of Common Stock issuable upon the exercise of stock options to be granted in connection with the Merger. Does not include shares held by Jeffrey Thompson, D.M.D., William Thompson's adult son, over which William Thompson disclaims beneficial ownership.

#### DESCRIPTION OF EMBASSY'S SECURITIES

##### GENERAL

Embassy is authorized to issue 100,000,000 shares of Common Stock, par value \$.0001 per share. As of

the date hereof, 2,540,000 shares of Embassy Common Stock are outstanding, held of record by 46 persons. If approved by the Embassy Shareholders, Embassy will be authorized to issue 100,000,000 shares of Preferred Stock, par value \$.0001 per share.

#### COMMON STOCK

The holders of Embassy Common Stock are entitled to one vote for each share held of record on all matters to be voted on by shareholders. There is no cumulative voting with respect to the election of Directors, with the result that the holders of more than 50% of the shares voted for the election of Directors can elect all of the Directors. The holders of Embassy Common Stock are entitled to receive dividends when, as and if declared by the Board of Directors out of funds legally available therefor. In the event of liquidation, dissolution or winding up of Embassy, the holders of Embassy Common Stock (except for the existing shareholders who have agreed to waive their rights to share in any distribution relating to a liquidation of Embassy due to the failure of Embassy to effect the Merger by October 1, 1998), are entitled to share ratably in all assets remaining available for distribution to them after payment of liabilities and after provision has been made for each class of stock, if any, having preference over the Embassy Common Stock. Holders of shares of Embassy Common Stock, as such, have no conversion, preemptive or other subscription rights, and there are no redemption provisions applicable to the Embassy Common Stock. All of the outstanding shares of Embassy Common Stock are, and the shares of Embassy Common Stock issuable in the Merger, when delivered in accordance with the terms of the Merger Agreement, will be, fully paid and nonassessable.

#### PREFERRED STOCK

Embassy's proposed Restated Articles authorizes the issuance of 100,000,000 shares of preferred stock (the "Preferred Stock") with such designation, rights and preferences as may be determined from time to time by the Embassy Board. Accordingly, the Embassy Board is empowered, without shareholder approval, to issue Preferred Stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of Embassy Common Stock. The Preferred Stock could be utilized, under certain circumstances, as a method of discouraging, delaying or preventing a change in control of Embassy subsequent to the Effective Date of the Merger. Although Embassy does not currently intend to issue any shares of Preferred Stock, there can be no assurance that Embassy will not do so subsequent to the consummation of the Merger.

Embassy does not presently intend to pay any cash dividends for the foreseeable future as all available cash will be utilized to further the growth of Embassy business subsequent to the Effective Date of the Merger for the proximate future thereafter. The payment of any subsequent cash dividends will be in the discretion of the Embassy Board and will be dependent upon Embassy's results of operations, financial condition, contractual restrictions and other factors deemed relevant by the Embassy Board.

#### TRANSFER AGENT

The transfer agent for the Embassy Common Stock is American Stock Transfer & Trust Company, 40 Wall Street, New York, New York 10005.

#### UNDERWRITER WARRANTS

In connection with Embassy's IPO, Embassy sold to Barron Chase Securities, Inc., for nominal consideration, warrants to purchase up to 120,000 shares of Common Stock, par value \$.0001 per share of Embassy (the "Underwriter Warrants"). The Underwriter Warrants are exercisable at \$7.80 per share (the "Exercise Price") for a period of five years commencing on April 2, 1996. The Underwriter Warrants contain anti-dilution provisions providing for adjustment of the Exercise Price upon the occurrence of certain events including the issuance of shares of Embassy Common Stock or other securities convertible into or exercisable for shares of Embassy Common Stock at a price per share less than the Exercise Price, or in the event of any recapitalization, reclassification, stock dividend, stock split, stock combination or similar transaction.

Embassy also agreed at the time of the issuance of the Underwriter Warrants to use its best efforts to maintain an effective registration statement with respect to the Underwriter Warrants and the underlying Embassy Common Stock. In addition, the Underwriter Warrants granted to the holders thereof certain "piggyback" and "demand" rights with respect to the registration under the Securities Act of the securities issuable upon exercise of the Underwriter Warrants.

#### COMPARISON OF RIGHTS OF EMBASSY SHAREHOLDERS AND ORTHODONTIX SHAREHOLDERS

On the Effective Date, Orthodontix Shareholders will automatically become Embassy Shareholders, and their rights as shareholders will be governed by applicable Florida law, the Embassy Articles of Incorporation and Embassy Bylaws. Holders of Embassy Common Stock immediately prior to the Effective Date will continue as Embassy Shareholders subsequent to the Effective Date, and although their ownership in Embassy will suffer significant dilution, their rights as Embassy Shareholders will remain substantially unchanged and will continue to be governed by applicable Florida law, the Embassy Articles of Incorporation, as amended, and the Embassy Bylaws from and after the Effective Date. As both Embassy and Orthodontix are incorporated under the laws of the State of Florida, each of Embassy and Orthodontix are governed by Florida law. The following sets forth the rights of an Embassy Shareholder under Embassy's Articles of Incorporation.

Embassy's Articles of Incorporation provide, among other things, that (i) officers and directors of Embassy will be indemnified to the fullest extent permitted under Florida law; and (ii) Embassy has elected not to be governed by Sections 607.0901 and 607.0902 of the Florida Business Corporation Act and other laws relating thereto (the "Anti-Takeover Sections").

As a result of Embassy's election not to be governed by the Anti-Takeover Sections, Embassy will not be subject to the provisions of Florida law which provides that certain transactions between Embassy and an "interested shareholder" or any affiliate of the "interested shareholder" be approved by two-thirds of Embassy's outstanding shares. An "interested shareholder" as defined in Section 607.0901 of the Florida Business Corporation Act is any person who is the beneficial owner of more than 10% of the outstanding shares of Embassy who is entitled to vote generally in the election of directors. Since neither Orthodontix nor any of its shareholders own 10% or more of the outstanding Embassy Common Stock, these provisions of the Anti-Takeover Sections would, nevertheless, not impact the Merger or the required role thereon. In addition, because of Embassy's election not to be governed by the Anti-Takeover Sections, Embassy will not be subject to the provisions of Florida law which provide that a person who acquires shares in an issuing public corporation in excess of certain specified thresholds will generally not have any voting rights with respect to such shares unless the voting rights are approved by a majority of the shares entitled to vote, excluding the interested shares.

#### LEGAL MATTERS

The validity of the Embassy common Stock offered hereby will be passed upon on behalf of Embassy by Berman Wolfe & Rennert, P.A., Miami, Florida. Berman Wolfe & Rennert, P.A. has provided legal services in the past to Orthodontix. Upon closing of the Merger, attorneys in Berman Wolfe & Rennert, P.A. shall own, in the aggregate, 104,567 shares of Common Stock of Embassy and options to acquire 50,000 shares of Embassy Common Stock.

#### EXPERTS

The balance sheets of Embassy as of December 31, 1996 and 1995 and the statements of income, retained earnings and cash flows for the year ended December 31, 1996 and the period November 30, 1995 (date of inception) to December 31, 1995 included in this Prospectus, have been incorporated herein in reliance on the report of Coopers & Lybrand L.L.P., independent accountants, given on the authority of said firm as experts in accounting and auditing.

The balance sheet of Orthodontix as of December 31, 1996 and the statement of income, retained earnings and cash flows for the period August 14, 1996 (date of inception) to December 31, 1996 included in this Prospectus, have been incorporated herein in reliance on the report of Coopers & Lybrand L.L.P., independent accountants, given on the authority of said firm as experts in accounting and auditing.

It is expected that representatives of Coopers & Lybrand L.L.P. will be present at the Special Meeting and will be available to respond to questions. They will be given an opportunity to make a statement at the Special Meeting if they so desire.

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## UNAUDITED PRO FORMA BALANCE SHEET

The unaudited pro forma balance sheet dated September 30, 1997 of Orthodontix, Inc. (the "Company") has been prepared as if (a) the acquisition by the Company of certain assets and assumption of certain liabilities of 27 orthodontic practices (the "Founding Practices") for consideration consisting of a combination of cash and shares of its common stock, par value \$.0001 per share (the "Common Stock"), and the execution of agreements to provide management services to the Founding Practices (collectively, the "Acquisitions") and (b) the merger and recapitalization of the Company with and into Embassy Acquisition Corp. ("Embassy") in exchange for Embassy common stock (the "Merger Transaction") all had been completed and those transactions had occurred on September 30, 1997. The Acquisition and the Merger Transaction are each contingent on the occurrence of the other.

The Company will not employ orthodontic professionals or control the practice of orthodontics by the orthodontists. As the Company will not be acquiring the future patient revenues to be earned by the Founding Practices, the Acquisitions are not deemed to be business combinations. In accordance with the Securities and Exchange Commission's Staff Accounting Bulletin No. 48, "Transfers of Nonmonetary Assets by Promoters or Shareholders," the Acquisitions will be accounted for at their historical cost basis with the shares of Common Stock to be issued in the Acquisitions being valued at the historical net book value of the nonmonetary assets acquired, net of liabilities assumed.

The Merger Transaction will be treated as a capital transaction equivalent to the issuance of stock by the Company for the net monetary assets of Embassy accompanied by a recapitalization.

The unaudited pro forma balance sheet has been prepared by the Company based on the unaudited historical financial statements of the Company and Embassy included elsewhere in this Prospectus, including the unaudited combined financial information of the Founding Practices included in the notes to the Company's financial statements, and assumptions deemed appropriate by the Company.

ORTHODONTIX, INC.  
UNAUDITED PRO FORMA BALANCE SHEET  
SEPTEMBER 30, 1997

	EMBASSY ACQUISITION CORP. ----- (UNAUDITED)	ORTHODONTIX, INC. ----- (UNAUDITED)	PRO FORMA ADJUSTMENTS -----	PRO FORMA AS ADJUSTED -----
ASSETS				
Current assets:				
Cash and cash equivalents.....	\$ 655,033	\$ 9,320	\$ 6,800,767 (b) (3,385,841) (c) (311,940) (f)	\$3,767,339
Restricted cash and cash equivalents.....	6,800,767	--	(6,800,767) (b)	--
Accounts receivable, net.....	--	--	593,947 (c)	593,947
Accrued interest and other receivables...	--	130	--	130
Total current assets.....	7,455,800	9,450	(3,103,834)	4,361,416
Property, plant and equipment:				
Property, plant and equipment, net.....	--	--	764,185 (c)	764,185
Total property, plant and equipment.....	--	--	764,185	764,185
Other assets:				
Other assets.....	8,472	932	162,230 (c)	171,634
Total other assets.....	8,472	932	162,230	171,634
Total assets	\$7,464,272 =====	\$ 10,382 =====	\$(2,177,419) =====	\$5,297,235 =====
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Accrued expenses and other payables.....	\$ --	\$ 31,701	\$ 660,000 (d)	\$ 691,701
Income taxes payable.....	77,748	--	59,395 (e)	137,143
Bank line of credit.....	--	186,283	--	186,283
Total current liabilities.....	77,748	217,984	719,395	1,015,127
Long-term liabilities:				
Other long-term liabilities.....	--	--	178,184 (e)	178,184
Due to shareholder.....	--	311,940	(311,940) (f)	--
Total long-term liabilities.....	--	311,940	(133,756)	178,184
Total liabilities.....	77,748	529,924	585,639	1,193,311
Common stock subject to redemption.....	7,386,524		(7,386,524) (a)	--
Commitments and contingencies				
Stockholders' equity:				
Common stock.....	--	130	254 (a) 219 (c)	603
Paid-in-capital.....	--	--	7,386,270 (a) (1,865,698) (c) (660,000) (d) (237,579) (e)	4,622,993
Accumulated deficit.....		(519,672)	--	(519,672)
Total stockholders' (deficit) equity.....	--	(519,542)	4,623,466	4,103,924
Total liabilities and stockholders' equity.....	\$7,464,272 =====	\$ 10,382 =====	\$(2,177,419) =====	\$5,297,235 =====

See accompanying notes to unaudited pro forma balance sheet.



## ORTHODONTIX, INC.

NOTES TO UNAUDITED PRO FORMA BALANCE SHEET  
SEPTEMBER 30, 1997

## UNAUDITED PRO FORMA BALANCE SHEET ADJUSTMENTS

The accompanying unaudited pro forma balance sheet as of September 30, 1997 gives effect to the Acquisitions and the Merger Transaction, as if those transactions had occurred on September 30, 1997. The unaudited pro forma balance sheet does not represent the historical or future financial position of the Company.

(a) To record the issuance of 1,300,000 shares of Embassy common stock for 1,300,000 shares of the Company in connection with the Merger Transaction which for financial reporting purposes is treated as a capital transaction of the Company for the net monetary assets of Embassy.

(b) To reclassify the restricted cash and cash equivalents which are no longer subject to restrictions as a result of the Merger Transaction.

(c) Reflects completion of the Acquisitions, which will involve the issuance of 2,187,940 shares of common stock (based upon the average closing bid and asked price of Embassy for the 15 trading days prior to March 26, 1998), valued at the historical net book value of the assets transferred from the Founding Practices, and cash distributions to be treated as dividends aggregating \$3,385,841. The historical net book value of the assets transferred from the Founding Practices are as follows:

Accounts receivable, net of allowance for doubtful accounts.....	\$593,947
Property and equipment transferred.....	764,185
Other assets.....	162,230

(d) Reflects the estimated expenses to be incurred with completion of the Acquisitions and Merger Transaction.

(e) Reflects the recording of a current liability in the amount of \$59,395 and a long-term liability in the amount of \$178,184 for income taxes as a result of the acquisition of certain accounts receivable which were previously taxed on a cash basis for the Founding Practices. As a result of the Acquisitions and Merger Transaction, the tax on such amounts will be paid by the Company over a four year period.

(f) Reflects the repayment of the amounts due to stockholder with the proceeds of the Merger Transaction.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of  
Embassy Acquisition Corp.

We have audited the accompanying balance sheets of Embassy Acquisition Corp. (a Florida Corporation in the development stage) as of December 31, 1996 and 1995, and the related statements of operations, changes in stockholders' equity and cash flows for the year ended December 31, 1996 and the related statements of changes in stockholders' equity and cash flows for the period from November 30, 1995 (date of inception) to December 31, 1995. 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 audits.

We conducted our audits 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 audits provide 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 Embassy Acquisition Corp. as of December 31, 1996 and 1995, and the results of its operations and its cash flows for the year ended December 31, 1996 and the period from November 30, 1995 (date of inception) to December 31, 1995, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Miami, Florida  
March 19, 1997

EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)

BALANCE SHEETS

	DECEMBER 31, 1995	DECEMBER 31, 1996	SEPTEMBER 30, 1997
	-----	-----	-----
			(UNAUDITED)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents.....	\$ 76,078	\$ 763,965	\$ 655,033
Restricted cash and cash equivalents.....	--	6,566,206	6,800,767
Accrued interest receivable.....	--	1,342	--
	-----	-----	-----
Total current assets.....	76,078	7,331,513	7,455,800
	-----	-----	-----
Other assets:			
Deferred registration costs.....	28,144	--	--
Deferred tax assets.....	--	8,472	8,472
	-----	-----	-----
Total other assets.....	28,144	8,472	8,472
	-----	-----	-----
Total assets.....	\$104,222	\$7,339,985	\$7,464,272
	=====	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Accrued expenses.....	\$ 28,144	\$ 3,487	\$ --
Income taxes payable.....	--	76,476	77,748
	-----	-----	-----
Total liabilities.....	28,144	79,963	77,748
	-----	-----	-----
Common stock subject to redemption.....	--	7,260,022	7,386,524
Commitments and contingencies			
Stockholders' equity:			
Common stock, \$.0001 par value, 100,000,000 shares authorized, 1,160,000, 2,540,000 and 2,540,000 issued and outstanding at December 31, 1995, December 31, 1996 and September 30, 1997, respectively.....	116	--	--
Additional paid-in-capital.....	75,962	--	--
Retained earnings accumulated during the development stage.....	--	--	--
	-----	-----	-----
Total stockholders' equity.....	76,078	--	--
	-----	-----	-----
Total liabilities and stockholders' equity...	\$104,222	\$7,339,985	\$7,464,272
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)

STATEMENT OF OPERATIONS

	FOR THE YEAR ENDED DECEMBER 31, 1996	FOR THE THREE MONTHS ENDED SEPTEMBER 30, ----- 1997      1996 ----- (UNAUDITED)		FOR THE NINE MONTHS ENDED SEPTEMBER 30, ----- 1997      1996 ----- (UNAUDITED)		FOR THE PERIOD FROM NOVEMBER 30, 1995 (DATE OF INCEPTION) TO SEPTEMBER 30, 1997 ----- (UNAUDITED)
Operating revenues.....	\$    --	\$    --	\$    --	\$    --	\$    --	\$    --
Operating expenses:						
General and administrative.....	44,058	16,609	11,655	67,019	26,247	111,077
Total operating expenses.....	44,058	16,609	11,655	67,019	26,247	111,077
Loss from operations.....	(44,058)	(16,609)	(11,655)	(67,019)	(26,247)	(111,077)
Other income:						
Interest income.....	243,743	91,140	58,517	258,793	116,100	502,536
Other income.....	243,743	91,140	58,517	258,793	116,100	502,536
Income before income tax provision.....	199,685	74,531	46,862	191,774	89,853	391,459
Income tax provision.....	68,004	25,340	17,620	65,271	33,798	133,275
Net income.....	\$ 131,681	\$ 49,191	\$ 29,242	\$ 126,503	\$ 56,055	\$258,184
Net income per share.....	\$ 0.06	\$ 0.02	\$ 0.01	\$ 0.05	\$ 0.03	
Weighted average common and common stock equivalent shares outstanding.....	2,164,670	2,540,000	2,540,000	2,540,000	2,039,560	

The accompanying notes are an integral part of these financial statements.

EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE PERIOD FROM NOVEMBER 30, 1995 (DATE OF INCEPTION) TO DECEMBER 31, 1995,  
FOR THE YEAR ENDED DECEMBER 31, 1996, AND FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 1997

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT			
Issuance of stock to original stockholders...	1,160,000	\$ 116	\$ 75,962	\$ --	\$ 76,078
Balance, December 31, 1995.....	1,160,000	116	75,962	--	76,078
Issuance of stock to Public Stockholders in connection with initial public offering....	1,380,000	--	--	--	--
Net income for the year ended December 31, 1996.....	--	--	--	131,681	131,681
Amounts accruing to the benefit of Public Stockholders.....	--	(116)	(75,962)	(131,681)	(207,759)
Balance, December 31, 1996.....	2,540,000	--	--	--	--
Net income for the nine months ended September 30, 1997 (unaudited).....	--	--	--	126,503	126,503
Amounts accruing to the benefit of Public Stockholders (unaudited).....	--	--	--	(126,503)	(126,503)
Balance, September 30, 1997 (unaudited).....	2,540,000	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)

STATEMENTS OF CASH FLOWS

	FOR THE PERIOD FROM NOVEMBER 30, 1995 (DATE OF INCEPTION) TO DECEMBER 31, 1995	FOR THE YEAR ENDED DECEMBER 31, 1996	FOR THE NINE MONTHS ENDED SEPTEMBER 30, ----- 1997                      1996 ----- (UNAUDITED)            (UNAUDITED)		FOR THE PERIOD FROM NOVEMBER 30, 1995 (DATE OF INCEPTION) TO SEPTEMBER 30, 1997 ----- (UNAUDITED)
Cash flows from operating activities:					
Net income.....	\$ --	\$ 131,681	\$ 126,503	\$ 56,055	\$ 258,184
Adjustment to reconcile net income to net cash used in operating activities:					
Deferred income taxes.....	--	(8,472)	--	--	(8,472)
Net interest on restricted cash and cash equivalents.....	--	(243,743)	(258,794)	(116,100)	(502,537)
Changes in certain assets and liabilities:					
Accrued interest receivable....	--	--	1,342	(1,461)	1,342
Accrued expenses.....	--	3,487	(3,487)	246	--
Income taxes payable.....	--	76,476	1,272	33,798	77,748
	-----	-----	-----	-----	-----
Net cash used in operating activities.....	--	(40,571)	(133,164)	(27,462)	(173,735)
	-----	-----	-----	-----	-----
Cash flows from investing activities:					
(Decrease) increase in restricted cash and cash equivalents.....	--	(6,323,805)	24,232	(6,331,602)	(6,299,573)
	-----	-----	-----	-----	-----
Net cash (used in) provided by investing activities...	--	(6,323,805)	24,232	(6,331,602)	(6,299,573)
	-----	-----	-----	-----	-----
Cash flows from financing activities:					
Net proceeds from issue of common stock.....	76,078	7,052,263	--	7,052,263	7,128,341
	-----	-----	-----	-----	-----
Net cash provided by financing activities.....	76,078	7,052,263	--	7,052,263	7,128,341
	-----	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	76,078	687,887	(108,932)	693,199	655,033
Cash and cash equivalents at beginning of period.....	--	76,078	763,965	76,078	--
	-----	-----	-----	-----	-----
Cash and cash equivalents at end of period.....	\$76,078	\$ 763,965	\$ 655,033	\$ 769,277	\$ 655,033
	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1996

(INFORMATION AS OF SEPTEMBER 30, 1997 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 IS UNAUDITED)

1. ORGANIZATION

Embassy Acquisition Corp. (the "Company") was incorporated in the State of Florida on November 30, 1995 for the purpose of raising capital and to seek to effect a merger, exchange of capital stock, asset acquisition or other similar business combination (a "Business Combination") with an operating business, which the Company believes has significant growth potential. The Company had no operations from November 30, 1995, date of inception, to December 31, 1995. The Company is currently in the development stage. On April 2, 1996, the Company's Registration Statement (the "Registration Statement") on Form SB-2 was declared effective by the U.S. Securities and Exchange Commission. Pursuant to the Registration Statement the Company, in its initial public offering of securities, offered and sold 1,380,000 shares of its common stock, \$.0001 par value, at a purchase price of \$6 per share (the "Offering"). Proceeds totaled \$7,052,263, which was net of \$1,227,737 in underwriting and other expenses (the "Net Proceeds").

In connection with the Offering, the Company sold to the managing underwriter (the "Underwriter") and its designees, for total consideration of \$10, stock purchase options ("the "Underwriter Options") to purchase up to 120,000 shares of the Company's common stock at an exercise price of \$7.80 per share. The Underwriter Options will be exercisable for a period of five years from the effective date of the Company's Registration Statement. The Company has also agreed to certain registration rights with respect to the shares underlying the Underwriter Options.

The Offering can be considered a "blind pool/blank check" offering which is characterized by an absence of substantive disclosures related to the use of the Net Proceeds of the Offering. Consequently, although substantially all of the Net Proceeds of the Offering are intended to be utilized to effect a Business Combination, the Net Proceeds are not being designated for a specific Business Combination at this time.

In accordance with the Offering, 90% of the Net Proceeds therefrom were placed in an interest bearing escrow account (the "Escrow Fund") subject to the earlier of (i) written notification by the Company of its need for all or substantially all of the Escrow Fund for the purpose of implementing a Business Combination, (ii) the exercise by certain shareholders of the Redemption Offer, as hereinafter defined, or (iii) the expiration of no more than 30 months from the date of the Offering.

Amounts in the Escrow Fund, including interest earned thereon, are prohibited from being used for any purpose other than a Business Combination. Such amounts are included in restricted cash at December 31, 1996.

The Company, prior to the consummation of any Business Combination, will submit such transaction to the Company's stockholders for their approval. In the event, however, that the holders of 30% or more of the shares sold in the Offering which are outstanding (the "Public Stockholders") vote against approval on any Business Combination, the Company will not consummate such Business Combination. All of the officers and directors of the Company, who own in aggregate 30.7% of the common stock outstanding, have agreed to vote their respective shares of common stock in accordance with the vote of the Public Stockholders with respect to any such Business Combination.

At the time the Company seeks stockholder approval of any potential Business Combination, the Company will offer (the "Redemption Offer") to each of the Public Stockholders the right, for a specified period of time of not less than 20 days, to redeem all, but not a portion of, their shares of common stock at a per share price equal to the Company's liquidation value on the record date for determination of stockholders entitled to vote upon the proposal to approve such Business Combination (the "Record Date") divided by the number of shares held by all of the Public Stockholders. The Company's liquidation value will be equal to the Company's book value, as determined by the Company (the "Company's Liquidation Value"), calculated as

EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)

## NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

of the Record Date. In no event, however, will the Company's Liquidation Value be less than the Escrow Fund, inclusive of any net income thereon. If holders of less than 30% of the shares held by the Public Stockholders elect to have their shares redeemed, the Company may, but will not be required to, proceed with such Business Combination. If the Company elects to so proceed, it will redeem shares, based upon the Company's Liquidation Value, from those Public Stockholders who affirmatively requested such redemption and who voted against the Business Combination. If the holders of 30% or more of the shares held by the Public Stockholders vote against approval of any potential Business Combination, the Company will not proceed with such Business Combination and will not redeem such shares. The Escrow Fund will be released to stockholders voting against a Business Combination only if such proposed Business Combination is consummated.

As a result of its limited resources, the Company will, in all likelihood, have the ability to effect only a single Business Combination. Accordingly, the prospects for the Company's success will be entirely dependent upon the future performance of a single business.

The Company has not and will not receive any revenues, other than interest income, until, at the earliest, the consummation of a Business Combination. Although the Company believes that the Net Proceeds will be sufficient to effect a Business Combination, the Company has not yet identified any prospective business candidates. Accordingly, the Company cannot ascertain with any degree of certainty the capital requirements for any particular transaction. In the event that the Net Proceeds prove to be insufficient for purposes of effecting a Business Combination, the Company will be required to seek additional financing. In the event no Business Combination is identified, negotiations are incomplete or no Business Combination has been consummated, and all of the Net Proceeds other than the Escrow Fund have been expended, the Company currently has no plans or arrangements with respect to the possible acquisition of additional financing which may be required to continue the operations of the Company.

Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. In the event that the Company does not effect a Business Combination within 24 months (or in certain circumstances 30 months) from the date of the consummation of the Offering, the Company will submit to the stockholders a proposal to liquidate the Company. If the proposal is approved by a majority of the Public Stockholders, the Company will distribute to the Public Stockholders, in proportion to their respective equity interest in the Company, an aggregate sum equal to the Company's Liquidation Value.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Cash and Cash Equivalents.** Cash and cash equivalents are defined as all highly liquid financial instruments with maturities of 90 days or less at the date of purchase. The Company maintains its cash and cash equivalents which consist principally of demand deposits and repurchase agreements with one financial institution.

**Restricted Cash and Cash Equivalents.** Ninety percent of the Net Proceeds were placed in the Escrow Fund, as described above. As of December 31, 1996, there was \$6,566,206 in the Escrow Fund which was invested in United States government-backed securities with maturities of 90 days or less at the date of purchase.

**Common Stock Subject to Redemption.** In the event that the Company does not successfully effect a Business Combination within 24 months (or in certain circumstances 30 months) from the date of consummation of the Offering, the Company will submit a proposal to liquidate the Company. If such proposal is approved, the Company will distribute the Company's Liquidation Value to the Public Stockholders. Since the Company may be required to refund all available equity to the Public Stockholders, such



EMBASSY ACQUISITION CORP.  
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NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

amounts have been classified in the accompanying balance sheet as common stock subject to redemption. Periodic changes in the Liquidation Value are reflected as adjustments to stockholders' equity.

**Fair Value of Financial Instruments.** The carrying amount of cash and cash equivalents, restricted cash and cash equivalents and accrued expenses approximate fair value due to the short maturities of these items.

**Use of Estimates.** The preparation of 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 amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Net Income Per Share.** Net income per share is calculated by dividing net income by the weighted average number of common and common equivalent shares outstanding during the period. Common stock subject to redemption is treated as common shares for purposes of calculating net income per share. Common equivalent shares consist of the Underwriter Options which are not considered in the calculation of net income per share since the impact of such is antidilutive.

**Recent Accounting Pronouncements.** In February 1997, Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" was issued. SFAS No. 128 establishes new standards for computing and presenting earnings per share ("EPS"). This statement replaces the presentation of primary EPS and will require a dual presentation of basic and diluted EPS. SFAS No. 128 is effective for financial statements issued for periods ended after December 15, 1997 and requires restatement of all prior-period EPS data presented. The Company does not believe the adoption of SFAS No. 128 will have a material impact on the Company's financial statements when adopted.

### 3. COMMON STOCK

The Company's Articles of Incorporation authorize the issuance of 100,000,000 shares of common stock. The Company's Board of Directors has the power to issue any or all of the authorized but unissued common stock without stockholder approval. The Company currently has no commitments to issue any shares of common stock; however, the Company will, in all likelihood, issue a substantial number of additional shares in connection with a Business Combination. To the extent that additional shares of common stock are issued, dilution of the interests of the Public Stockholders may occur.

### 4. RELATED PARTIES

None of the Net Proceeds have been nor will be used to pay any compensation to the Company's officers or directors. In addition, no funds, including interest earned thereon, have been nor will be disbursed from the Escrow Fund for the reimbursement of expenses incurred on the Company's behalf by the Company's officers and directors.

Currently, the officers and directors and the other non-public stockholders own 30.7% and 15.0%, respectively, of the issued and outstanding shares of the Company's common stock.

### 5. INCOME TAXES

The Company is a C Corporation under the provisions of the Internal Revenue Code and related state income tax statutes.

EMBASSY ACQUISITION CORP.  
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NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

The components of the provision for income taxes for the year ended December 31, 1996 are as follows:

Current provision:	
Federal.....	\$64,507
State.....	11,969
	-----
	76,476
	-----
Deferred provision:	
Federal.....	(7,616)
State.....	(856)
	-----
	(8,472)
	-----
Total.....	\$68,004
	=====

The following reconciles the federal statutory rate with the effective rate for the year ended December 31, 1996:

Federal statutory rate.....	34.0%
State taxes, net of federal effect.....	3.7
Benefit of graduated tax rates.....	(3.6)
	-----
Effective tax rate.....	34.1%
	=====

At December 31, 1996, the Company had a deferred tax asset relating to amortization of organizational and start-up costs.

#### 6. INTERIM FINANCIAL INFORMATION

Interim Unaudited Financial Statements. The financial statements as of September 30, 1997 and for the three and nine months ended September 30, 1997 and 1996 are unaudited; however, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the unaudited financial statements for this interim period have been included. The results of interim periods are not necessarily indicative of the results of operations to be obtained for the full year.

On May 6, 1997, the Company entered into a letter of intent with Orthodontix, Inc., a Florida corporation ("Orthodontix"), regarding a business combination of the Company or a newly formed wholly-owned subsidiary and Orthodontix (the "Transaction"). The intended principal business activity of Orthodontix is providing practice management services to orthodontic practices. Orthodontix has conducted no operations to date other than in connection with its agreements to acquire certain assets, assume certain liabilities, and provide long-term management services to certain orthodontic practices (the "Practices") in exchange for cash and shares of common stock (the "Practice Acquisitions").

On August 29, 1997, the Company and Orthodontix amended the terms of the Letter of Intent to provide that either party can terminate the Letter of Intent if a definitive agreement had not been executed by October 30, 1997. The Letter of Intent had previously provided that either party could terminate the Letter of Intent if a definitive agreement regarding the Transaction had not been executed by August 30, 1997. As of October 30, 1997, the Company and Orthodontix entered into an Agreement and Plan of Merger and Reorganization (the "Agreement") regarding the Transaction. Pursuant to the Agreement, the parties shall engage in the Transaction, which at the closing of the Transaction (the "Closing") will result in Orthodontix becoming a wholly owned subsidiary corporation of the Company in exchange for that number of shares of Common Stock of the Company (the "Merger Stock") representing approximately 56% of the Company's outstanding shares of Common Stock after giving effect to the Transaction but without giving effect to any

EMBASSY ACQUISITION CORP.  
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NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

options or warrants to acquire shares of Common Stock which are contemplated to be outstanding at the Closing. The actual number of shares to be issued in connection with the Transaction is subject, in part, to the average of the closing bid and ask price, as reported on the OTC Electronic Bulletin Board or similar quotation board of the Company's shares of Common Stock for the 15 trading days immediately preceding the date of the Closing (the "Share Value").

Pursuant to the terms of the Agreement, the recipients of 1,300,000 shares of the Merger Stock (approximately 23% of the Company's outstanding shares of Common Stock after giving effect to the Transaction, assuming an Embassy Share Value of \$8.00 per share) and the shares of Merger Stock to be issued in connection with the Practice Acquisitions (approximately 33% of Embassy's outstanding shares of Common Stock after giving effect to the Transaction assuming an Embassy Share Value of \$8.00 per share), respectively, have agreed, for a period of 15 months and six months, respectively, from the date of the Closing, not to make any offer, sale or disposition of any of the Merger Stock to be issued to them in connection with the Transaction. The Transaction is contemplated to be tax-free to the Company and its shareholders.

Based on information received from Orthodontix, at the Closing, Orthodontix shall provide practice management services to approximately 24 orthodontic practices, which practices generate gross revenue of approximately \$16 million annually.

The Closing is subject to, among other conditions, the closing of the Transaction by April 1, 1998 (unless that date is extended by mutual agreement of the parties), approval of the Transaction by the shareholders of the Company and Orthodontix, certain regulatory and third party approvals and consents, and the closing of the Practice Acquisitions. There can be no assurance that the proposed Transaction will be consummated on these or any other terms.

Based upon the price per share of the common stock of the Company as of October 30, 1997, at the closing of the Practice Acquisitions (assuming the Practice Acquisitions represent orthodontic practices totaling \$16 million of revenue) and the Transaction, the Company would be obligated to issue approximately 3.3 million shares of Common Stock and expend up to approximately \$3.0 million in consideration for the Transaction. The Company currently has outstanding 2,540,000 shares of Common Stock and warrants entitling the holder to purchase an additional 120,000 shares of Common Stock. Upon effectiveness of the Transaction, the Company will change its name to "Orthodontix, Inc.," Stephen J. Dresnick, M.D., a member of the Company's Board of Directors, President and Chief Executive Officer of Sterling Healthcare Group, Inc. and Vice Chairman of the Board of FPA Medical Management, Inc. and Glenn Halpryn, Chairman of the Company would continue to be members of the Board of Directors of the Company with Dr. Dresnick assuming the role of Chairman of the Company. There can be no assurance that the proposed Transaction will be consummated on these or any other terms.

## REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of  
Orthodontix, Inc.

We have audited the accompanying balance sheet of Orthodontix, Inc. (a Florida corporation in the development stage) as of December 31, 1996, and the related statements of operations, changes in stockholders' equity, and cash flows for the period from August 14, 1996 (date of inception) to December 31, 1996. 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 Orthodontix, Inc. as of December 31, 1996, and the results of its operations and its cash flows for the period from August 14, 1996 (date of inception) to December 31, 1996, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND L.L.P.

Miami, Florida  
December 19, 1997

ORTHODONTIX, INC.  
(A DEVELOPMENT STAGE CORPORATION)

BALANCE SHEETS

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
	-----	-----
		(UNAUDITED)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 2,682	\$ 9,320
Due from shareholder.....	130	130
	-----	-----
Total current assets.....	2,812	9,450
Other assets.....	--	932
	-----	-----
Total assets.....	\$ 2,812	\$ 10,382
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable.....	\$ 28,259	\$ 26,628
Accrued expenses and other payables.....	--	5,073
Bank line of credit.....	--	186,283
	-----	-----
Total current liabilities.....	28,259	217,984
	-----	-----
<b>LONG-TERM LIABILITIES:</b>		
Due to shareholder.....	48,598	311,940
	-----	-----
Total long-term liabilities.....	48,598	311,940
	-----	-----
Total liabilities.....	76,857	529,924
	-----	-----
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' DEFICIT:</b>		
Preferred stock, \$.0001 par value, 1,000,000 shares authorized, none issued and outstanding at December 31, 1996 and at September 30, 1997.....	--	--
Common stock, \$.0001 par value, 100,000,000 shares authorized, 1,300,000 issued and outstanding at December 31, 1996 and September 30, 1997.....	130	130
Deficit accumulated during the development stage.....	(74,175)	(519,672)
	-----	-----
Total stockholders' deficit.....	(74,045)	(519,542)
	-----	-----
Total liabilities and stockholders' deficit.....	\$ 2,812	\$ 10,382
	=====	=====

The accompanying notes are an integral part of these financial statements.

ORTHODONTIX, INC.  
(A DEVELOPMENT STAGE CORPORATION)

STATEMENTS OF OPERATIONS

	FOR THE PERIOD FROM AUGUST 14, 1996 (DATE OF INCEPTION) TO DECEMBER 31, 1996 -----	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 ----- (UNAUDITED)	FOR THE PERIOD FROM AUGUST 14, 1996 (DATE OF INCEPTION) TO SEPTEMBER 30, 1997 ----- (UNAUDITED)
OPERATING REVENUES.....	\$ --	\$ --	\$ --
OPERATING EXPENSES:			
General and administrative.....	74,175	441,525	515,700
Total operating expenses.....	74,175	441,525	515,700
Loss from operations.....	(74,175)	(441,525)	(515,700)
Other income (expense):			
Interest income.....	--	29	29
Interest expense.....	--	(4,001)	(4,001)
Other income.....	--	(3,972)	(3,972)
Net loss.....	\$ (74,175)	\$(445,497)	\$(519,672)
Net loss per share.....	\$ (0.06)	\$ (0.34)	\$ (0.40)
Common stock outstanding.....	1,300,000	1,300,000	1,300,000

The accompanying notes are an integral part of these financial statements.

ORTHODONTIX, INC.  
(A DEVELOPMENT STAGE CORPORATION)

STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT  
FOR THE PERIOD FROM AUGUST 14, 1996 (DATE OF INCEPTION) TO DECEMBER 31, 1996  
AND FOR THE NINE MONTH ENDED SEPTEMBER 30, 1997

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	DEFICIT ACCUMULATED DURING DEVELOPMENT STAGE	TOTAL
	SHARES	AMOUNT			
Issuance of stock to original stockholders...	1,300,000	\$130	\$ --	\$ --	\$ 130
Net loss for the period from August 14, 1996 (date of inception) to December 31, 1996...	--	--	--	(74,175)	(74,175)
Balance, December 31, 1996.....	1,300,000	130	--	(74,175)	(74,045)
Net loss for the nine months ended September 30, 1997 (unaudited).....	--	--	--	(445,497)	(445,497)
Balance, September 30, 1997 (unaudited).....	1,300,000	\$130	\$0	\$(519,672)	\$(519,542)
	=====	=====	==	=====	=====

The accompanying notes are an integral part of these financial statements.

ORTHODONTIX, INC.  
(A DEVELOPMENT STAGE CORPORATION)

STATEMENTS OF CASH FLOWS

	FOR THE PERIOD FROM AUGUST 14, 1996 (DATE OF INCEPTION) TO DECEMBER 31, 1996 -----	FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 ----- (UNAUDITED)	FOR THE PERIOD FROM AUGUST 14, 1996 (DATE OF INCEPTION) TO SEPTEMBER 30, 1997 ----- (UNAUDITED)
Cash flows from operating activities:			
Net loss.....	\$(74,175)	\$(445,497)	\$(519,672)
Adjustments to reconcile net loss to net cash used in operating activities:			
Changes in assets and liabilities			
Other assets.....	--	(932)	(932)
Accounts payable, accrued expenses and other payables.....	28,259	3,442	31,701
Net cash used in operating activities.....	(45,916)	(442,987)	(488,903)
Cash flows from financing activities:			
Proceeds from bank line of credit.....	--	186,283	186,283
Advances from shareholder.....	48,598	263,342	311,940
Net cash provided by financing activities.....	48,598	449,625	498,223
Net increase in cash.....	2,682	6,638	9,320
Cash at beginning of period.....	--	2,682	--
Cash at end of period.....	\$ 2,682	\$ 9,320	\$ 9,320
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.



ORTHODONTIX, INC.  
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 1996  
(INFORMATION AS OF SEPTEMBER 30, 1997 AND FOR THE NINE MONTHS  
ENDED SEPTEMBER 30, 1997 IS UNAUDITED)

1. BUSINESS AND ORGANIZATION

Orthodontix, Inc. (the "Company") was incorporated in the State of Florida on August 14, 1996 for the purpose of creating a practice management services company to manage orthodontic practices in the United States. The Company has had no operations to date except seeking affiliations with orthodontic practices, negotiating to acquire the tangible assets of those practices, and negotiating agreements to provide management services to those practices. (See Notes 3 and 6).

The financial statements have been prepared on the basis that the proposed transactions will occur, although no assurance can be made that the proposed transactions described in Notes 3 and 6 will be completed or that the Company will be successful in completing future acquisitions. The Company intends to expand through the acquisition of management rights to practices throughout the United States. In order to expand, the Company will need further acquisition financing in the form of debt or equity financing. There can be no assurance that such financing will be available.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Income Taxes.** The Company utilizes the liability method of accounting for income taxes. Under this method, deferred taxes are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted marginal tax rates currently in effect when the differences reverse.

As reflected in the accompanying statement of operations, the Company incurred a net loss of \$74,175 during the period from its inception, August 14, 1996 through December 31, 1996. The Company has recognized no tax benefit from this loss. Due to the limited operations of the Company since its inception, a valuation allowance has been established to offset the deferred tax asset related to these losses that have been capitalized for tax purposes. There is no other significant difference in the tax and book bases of the Company's assets or liabilities that would give rise to deferred tax balances.

**Use of Estimates.** The preparation of 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 amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Advertising.** Costs incurred for advertising are expensed when incurred.

**Net Loss Per Share.** Net loss per share is calculated by dividing net loss for the period by the weighted average number of common shares outstanding during the period.

**Recent Pronouncements.** In February 1997, Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share" was issued. SFAS No. 128 establishes new standards for the computation, presentation and disclosure requirements of earnings per share ("EPS") and replaces Accounting Principles Board Opinion No. 15, "Earnings per Share." This statement replaces the presentation of primary EPS and will require a dual presentation of basic and diluted EPS. Basic EPS excludes the impact of common stock equivalents. Diluted EPS utilizes the average market price per share as opposed to the greater of the average market price or ending market price per share when applying the treasury stock method in determining common stock equivalents. SFAS No. 128 is effective for both interim and annual periods ending after December 15, 1997.

ORTHODONTIX, INC.  
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Fair Value of Financial Instruments. The carrying value of cash, accounts payable, accrued expenses and amounts due to shareholder approximates fair values principally because of the short-term maturities of these instruments.

Recent Pronouncements. In November 1997, the Emerging Issues Task Force of the FASB (the "EITF") reached a consensus relating to the conditions under which a physician practice management company would consolidate the accounts of an affiliated physician practice. The Company believes that its accounting policies conform to the EITF consensus.

Interim Unaudited Financial Statements. The financial statements as of September 30, 1997 and for the nine months ended September 30, 1997 are unaudited; however, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the unaudited financial statements for this interim period have been included. The results of interim periods are not necessarily indicative of the results of operations to be obtained for the full year.

### 3. PLANNED TRANSACTIONS

The Company plans to complete, through a series of mergers and asset transfers, the acquisition of certain assets and assumption of certain liabilities of 27 orthodontic practices (the "Founding Practices") (collectively the "Affiliations Acquisitions"). Owners of the Founding Practices (the "Promoters") will receive shares of common stock and cash as consideration in the Affiliations Acquisitions. In connection with the Affiliations Acquisitions, the Promoters selling orthodontists and their professional corporations or other entities (collectively, the "PCs") will enter into long-term service agreements with the Company. Additionally, those Promoters orthodontists will enter into employment and noncompete agreements with the PCs.

The Company will not employ orthodontists or control the practice of orthodontics by the orthodontists employed by the PCs. The Company will be executing management service agreements and will not hold any equity ownership interest in the PCs, therefore, the Affiliations Acquisitions are deemed not to be business combinations. Because each of the owners of the Founding Practices is a Promoter of the transaction, Securities and Exchange Commission's Staff Accounting Bulletin ("SAB") No. 48, "Transfers of Nonmonetary Assets by Promoters or Shareholders" each Founding Practice will be deemed a promoter of the Merger. Pursuant to SAB No. 48, requires the transferred nonmonetary assets and assumed liabilities will be accounted for at the historical cost basis of the Founding Practices and any monetary assets assumed and any monetary liabilities included in the Affiliations Acquisitions will be recorded at fair value, and cash consideration paid in excess of net assets transferred, to be reflected as a dividend paid by the Company.

The information set forth below assumes all the Founding Practices will participate in the Affiliations Acquisitions. Although management expects that all the practices will participate, there is no assurance that will be the case.

The net assets to be transferred and the liabilities to be assumed from the Founding Practices are summarized, on a combined basis, in the following table:

	DECEMBER 31, 1996	SEPTEMBER 30, 1997
	----- (UNAUDITED)	----- (UNAUDITED)
Patient receivables, net of allowance.....	\$ 611,166	\$ 593,947
Property, equipment and improvements, net.....	753,653	764,185
Other assets.....	123,355	162,230
	-----	-----
Assets transferred.....	\$1,488,174	\$1,520,362
	=====	=====

ORTHODONTIX, INC.  
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

Upon consummation of the Affiliations Acquisitions, the Company will enter into a service agreement with each Founding Practice under which the Company will provide management services which include consultation and other activities regarding the suitability of facilities and equipment, nonprofessional staffing, regulatory compliance, productivity improvements, inventory and supplies management, information systems management, marketing services, site selection and layout, billing and financial services, malpractice insurance, and, subject to applicable law, other services as the Company deems necessary to meet the day to day requirements of the Founding Practices.

In general, the resulting fee will be based primarily on the practice's accrued revenue (the "Standard Contract"). In those instances where the Standard Contract may not be permitted by applicable law, an alternative form of agreement (the "Alternative Contract") will be used.

Founding Practices are summarized, on a combined basis, in the following tables for the year ended December 31, 1996 and the nine months ended September 30, 1997:

	YEAR ENDED DECEMBER 31, 1996	
	PATIENT REVENUE	OPERATING EXPENSES
	(UNAUDITED)	
Practices participating under the Standard Contract.....	\$14,267,596	\$ 9,467,699
Practices participating under the Alternative Contract.....	877,375	626,794
	-----	-----
Totals for Founding Practices.....	\$15,144,971	\$10,094,493
	=====	=====

	NINE MONTHS ENDED SEPTEMBER 30, 1997	
	PATIENT REVENUE	OPERATING EXPENSES
	(UNAUDITED)	
Practices participating under the Standard Contract.....	\$11,304,128	\$7,144,675
Practices participating under the Alternative Contract.....	749,816	456,076
	-----	-----
Totals for Founding Practices.....	\$12,053,944	\$7,600,751
	=====	=====

Subsequent to the Affiliations Acquisitions, the operating expenses of the Founding Practices will be the responsibility of the Company. The Company will have the discretion to control the level of those expenses in conjunction with providing the related expenses to the PCs. The historical operating expenses of the Founding Practices for the year ended December 31, 1996 and the nine months ended September 30, 1997 that will assumed by the Company in the future are summarized, on a combined basis, excluding those employment

ORTHODONTIX, INC.  
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

expenses for the orthodontist or other employee that the Company is prohibited from employing by law, in the following table:

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1997
	----- (UNAUDITED)	----- (UNAUDITED)
Salaries, wages and benefits of non-orthodontic personnel.....	\$ 3,455,894	\$2,608,538
Orthodontic supplies.....	1,353,786	860,973
Rent.....	1,006,589	786,797
Advertising and marketing expenses.....	203,502	171,588
General and administrative expenses.....	3,731,018	2,940,004
	-----	-----
Total operating expenses.....	9,750,789	7,367,900
Depreciation and amortization.....	343,704	232,851
	-----	-----
Total expenses.....	\$10,094,493	\$7,600,751
	=====	=====

The combined historical financial information of the Founding Practices presented herein is not related to the financial position or results of operations of the Company. This information is presented solely for the purpose of providing disclosures regarding the group of entities with which the Company will be contracting to provide future services. The Founding Practices were not operated under common control or management during the fiscal year ended December 31, 1996 or the nine months ended September 30, 1997.

#### UNAUDITED PRO FORMA MANAGEMENT SERVICES FEES

The unaudited pro forma management service fee pursuant to the service agreements for the Founding Practices, based on the historical patient revenues set forth above is summarized in the following table for the year ended December 31, 1996 and the nine months ended September 30, 1997:

	YEAR ENDED DECEMBER 31, 1996	NINE MONTHS ENDED SEPTEMBER 30, 1997
	----- (UNAUDITED)	----- (UNAUDITED)
Practices participating under the Standard Contract.....	\$2,140,139	\$1,695,619
Practices participating under the Alternative Contract.....	155,500	116,625
	-----	-----
Total pro forma service agreement revenues.....	\$2,295,639	\$1,812,244
	=====	=====

Management has concluded that the changes in the orthodontists' incentive structure are unlikely to affect the conduct of the orthodontists' practices.

#### 4. RELATED PARTY TRANSACTIONS

The Company currently shares office space and several support employees with one of its shareholders. The shareholder has advanced the pro rata share of these costs to the Company. Such amounts which are \$8,598 and \$48,642 for the period August 14, 1996, date of inception, to December 31, 1996 and for the nine month period ending September 30, 1997, respectively, have been reflected in general and administrative expenses in the accompanying statement of operations. The Company believes that the consideration being paid to this related party reflects the fair market value of the services being provided to the Company.

One of the Company's shareholders has funded expenses of the Company from the date of inception to date. Such amounts are classified as a long-term liability in the accompanying balance sheets as the

ORTHODONTIX, INC.  
(A DEVELOPMENT STAGE CORPORATION)

NOTES TO FINANCIAL STATEMENTS -- (CONTINUED)

shareholder has agreed not to demand repayment of such amounts until the Company completes the Transaction as described in Note 6.

5. CONTINGENCIES

The Company will be subject to certain government regulation at the federal and state levels. In compliance with certain regulatory requirements, the Company will not control the practice of orthodontics. Long-term service agreements may be challenged by certain states as to their legality. There can also be no assurance that the laws and regulations of the states in which the Company will maintain operations will not change or be interpreted in the future to restrict the Company's relationships with orthodontists.

Although the Company will not employ orthodontists or control the practice of orthodontists, the Company intends to acquire certain liability insurance for itself since the orthodontists may be subject to legal liability suits while under service agreement with the Company.

6. SUBSEQUENT EVENT

On May 6, 1997, the Company entered into a letter of intent with Embassy Acquisition Corp., a Florida corporation ("Embassy"), regarding a business combination of the Company and Embassy (the "Transaction").

Embassy was formed in November 1995 to serve as a vehicle to effect a merger, exchange of capital stock, asset acquisition or other similar business combination with an operating company. In April 1996, Embassy consummated an initial public offering of its equity securities from which it derived net proceeds of approximately \$7.1 million of which \$6.8 million was held in escrow at September 30, 1997 pending the consummation of a business combination. Embassy has conducted no operations to date other than in connection with its efforts to effect a business combination.

As of October 30, 1997, the Company and Embassy entered into an Agreement and Plan of Merger and Reorganization (the "Agreement") regarding the Transaction. Pursuant to the Agreement, the parties shall engage in the Transaction, which at closing will result in the Company becoming a wholly owned subsidiary corporation of Embassy. The Transaction will be treated as a capital transaction equivalent to the issuance of stock by the Company for the net monetary assets of Embassy accompanied by a recapitalization.

Concurrently with the consummation of the Merger, the Company will exchange cash and shares of Embassy common stock for certain assets and liabilities of the Founding Practices as discussed in Note 3.

In July 1997, the Company entered into a loan agreement with a bank for a \$500,000 line of credit to fund the Company's permanent working capital. The Company may borrow, repay and reborrow from time to time as long as the total indebtedness does not exceed the principal amount. All amounts outstanding are due and payable on demand. The line of credit will accrue interest, payable monthly, on the unpaid balance at the LIBOR market index rate plus 2% (7.6250% at September 30, 1997). As of September 30, 1997, the Company had approximately \$314,000 available under the line of credit. A limited partnership, the sole limited partner of which is Stephen J. Dresnick, M.D., who, upon consummation of the Merger is contemplated to be the Chairman of the Company, collateralized the Company's repayment obligation under the line of credit.

AGREEMENT AND PLAN OF MERGER AND REORGANIZATION dated as of October 30, 1997 (the "Agreement") by and among Embassy Acquisition Corp., a Florida corporation ("Embassy") and Orthodontix, Inc., a Florida corporation ("Orthodontix").

#### R E C I T A L S

The respective Boards of Directors of Embassy and Orthodontix deem it desirable and in the best interests of their respective corporations, and of their respective shareholders, that prior to the Closing (as defined in Section 6.1), Embassy form a wholly owned subsidiary corporation, namely, Orthodontix Acquisition Corp., a Florida corporation ("Acquisition") and that at the Closing, subject to, among other things, the approval of the shareholders of Embassy and Orthodontix, Acquisition merge with and into Orthodontix; as a result of which Orthodontix will become a wholly owned subsidiary corporation of Embassy, and the holders of shares of capital stock of Orthodontix will, in the aggregate, receive the consideration hereinafter set forth (collectively, the "Merger"). Upon the terms and subject to the conditions of this Agreement, at the Effective Date (as defined in Section 2.3 of this Agreement) in accordance with the Florida Business Corporation Act ("BCA"), Acquisition shall be merged with and into Orthodontix and the separate existence of Acquisition shall thereupon cease. Orthodontix shall be the surviving corporation in the Merger and is hereinafter sometimes referred to as the "Surviving Corporation." As a result of the Merger, among other things, Orthodontix will become a wholly owned subsidiary corporation of Embassy.

NOW, THEREFORE, in consideration of the terms, conditions, agreements and covenants contained herein, and in reliance upon the representations and warranties contained in this Agreement, the parties hereto agree as follows:

#### I. RECITALS; TRUE AND CORRECT

The above stated recitals are true and correct and are incorporated into this Agreement.

#### II. MERGER

2.1 Merger. In the manner and subject to the terms and conditions set forth herein, Embassy shall cause Acquisition to merge with and into Orthodontix, and Orthodontix shall be the surviving corporation after the Merger and shall continue to exist as a corporation created and governed by the laws of Florida.

2.2 Name Change. Upon the Closing of the Merger, Embassy shall change its name to Orthodontix, Inc. and Orthodontix, Inc. shall change its name to Orthodontix Subsidiary, Inc. (the "Name Change").

2.3 Effective Date. If all of the conditions precedent to the obligations of each of the parties hereto as hereinafter set forth shall have been satisfied or shall have been waived, the Merger shall become effective on the date (the "Effective Date") the Articles of Merger, together with Plans of Merger reflecting the Merger, shall be accepted for filing by the Secretary of State of Florida.

2.4 Securities of the Corporations. The authorized capital stock of Orthodontix is comprised of 100,000,000 shares of Common Stock, par value \$.0001 per share (the "Orthodontix Stock"), of which 1,300,000 shares are issued and outstanding, excluding the approximately 2,000,000 shares of Orthodontix Stock, assuming an Embassy share value of \$8.00 per share, issuable in connection with the Practice Acquisitions (as defined in Section 2.7 of this Agreement). The authorized capital stock of Embassy is comprised of 100,000,000 shares of Common Stock, par value \$.0001 per share (the "Embassy Stock"), of which 2,540,000 shares are issued and outstanding. In addition, Embassy has issued and outstanding, warrants to purchase 120,000 shares of Embassy Stock for a period of five years at any time and from time to time commencing April 2, 1996 at a purchase price of \$7.80 per share (the "Embassy Warrants").

2.5 Shares of the Constituent and Surviving Corporations. The manner and basis of converting the shares of Orthodontix Stock into shares of Embassy Stock shall be as follows:

Consideration. At the Effective Date, by virtue of the Merger and without any action on the part of any holder of any capital stock of either Embassy or Orthodontix, each share of Orthodontix Stock issued and outstanding shall be converted into the right to receive one share of Embassy Stock (the "Exchange Ratio"). In connection with the consummation of the Practice Acquisitions, Embassy shall issue shares of Embassy Stock as required under the agreements regarding the Practice Acquisitions.

2.6 Effect of the Merger. As of the Effective Date, all of the following shall occur:

(a) The separate existence and corporate organization of Acquisition shall cease (except insofar as it may be continued by statute), and Orthodontix shall continue to exist as the surviving corporation, a wholly owned subsidiary corporation of Embassy, which shall also continue to exist as a surviving corporation.

(b) Except as otherwise specifically set forth herein, the corporate identity, existence, purposes, powers, franchises, rights and immunities of Orthodontix shall continue unaffected and unimpaired by the Merger, and the corporate identity, existence, purposes, powers, franchises and immunities of Acquisition shall be merged with and into Orthodontix as the surviving corporation, shall be fully vested therewith.

(c) Neither the rights of creditors nor any liens upon or security interests in the property of any of Acquisition or Orthodontix shall be impaired by the Merger.

(d) All corporate acts, plans, policies, agreements approvals and authorizations of the shareholders and Board of Directors of Acquisition and of its respective officers, directors and agents, which were valid and effective immediately prior to the Effective Date, shall be the acts, plans, policies, agreements, approvals and authorizations of Orthodontix and shall be as effective and binding on Orthodontix as the same were on Acquisition.

(e) Orthodontix shall be liable for all of the obligations and liabilities of Acquisition.

(f) The rights, privileges, goodwill, inchoate rights, franchises and property, real, personal and mixed, and debts due on whatever account and all other things in action belonging to Acquisition, shall be, and they hereby are, bargained, conveyed, granted, confirmed, transferred, assigned and set over to and vested in Orthodontix, without further act or deed.

(g) No claim pending at the Effective Date by or against any of Acquisition or Orthodontix, or any stockholder, officer or director thereof, shall abate or be discontinued by the Merger, but may be enforced, prosecuted, settled or compromised as if the Merger had not occurred.

(h) All rights of employees and creditors and all liens upon the property of each of Acquisition and Orthodontix shall be preserved unimpaired, limited in lien to the property affected by such liens at the Effective Date, and all the debts, liabilities and duties of each of Acquisition shall attach to Orthodontix and shall be enforceable against Orthodontix, respectively, to the same extent as if all such debts, liabilities and duties had been incurred or contracted by Orthodontix.

(i) The Articles of Incorporation of Embassy, as in effect on the Effective Date, shall continue to be the Articles of Incorporation of Embassy without change or amendment, except (i) to change the name of Embassy to "Orthodontix, Inc."; and (ii) to authorize the issuance of 100,000,000 shares of Preferred Stock, par value \$.0001 per share (the "Preferred Stock"), with rights, preferences and designations to be determined by the Board of Directors of Embassy until such time, if ever, as it is amended thereafter in accordance with the provisions thereof and applicable laws. The Articles of Incorporation of Orthodontix, as in effect on the Effective Date, shall continue to be the Articles of Incorporation of Orthodontix without change or amendment, except to change the name of Orthodontix to "Orthodontix Subsidiary, Inc."

(j) The Bylaws of Embassy, as in effect on the Effective Date, shall continue to be the Bylaws of Embassy without change or amendment until such time, if ever, as it is amended thereafter in accordance with the provisions thereof and applicable laws.

(k) Upon the Effective Date, the Board of Directors of Embassy shall consist of four designees of Orthodontix, Stephen J. Dresnick ("Dresnick"), Glenn L. Halpryn ("Halpryn"), and one designee of Embassy to be specified in the Proxy Statement hereinafter referred to, and the officers of Embassy shall be the officers specified by Orthodontix to hold such offices, as set forth in the Proxy Statement hereinafter defined. Subsequent to the Effective Date, the management of Embassy shall be conducted in accordance with that certain Agreement attached hereto as Schedule 2.6(k).

2.7 Disclosure Schedules. Prior to the execution of this Agreement, (a) Orthodontix delivered to Embassy a schedule relating to Orthodontix and the several pending acquisitions of orthodontic practices (the "Practices") contemplated to be consummated on or prior to the Effective Date (the "Practice Acquisitions") as well as other due diligence information (collectively, the "Orthodontix Disclosure Schedule") incorporated by reference hereby; and (b) Embassy delivered to Orthodontix, Embassy's (i) Annual Report on Form 10-KSB for the fiscal year ended December 31, 1996; (ii) Quarterly Report on Form 10-QSB for the quarters ended June 30, 1997, March 31, 1997, June 30, 1996 and September 30, 1996; and (iii) Prospectus dated April 2, 1996 (collectively, the "Embassy Disclosure Schedule" and together with the Orthodontix Disclosure Schedule (the "Disclosure Schedules", referred to as Exhibit "A") setting forth the matters required to be set forth in the Disclosure Schedules as described elsewhere in this Agreement. The Disclosure Schedules shall be deemed to be a part of this Agreement.

2.8 Practice Acquisitions. On the Effective Date, the Practice Acquisitions shall be consummated, which practices had generated, gross cash collections, in the aggregate, no less than \$15 million for the twelve month period ended December 31, 1996 (unaudited). Pursuant to the terms of the various agreements regarding the Practice Acquisitions, in connection with the Practice Acquisitions, at the Closing, Embassy shall (i) provide to Orthodontix sufficient cash (the "Cash Consideration") for the purpose of consummating the Practice Acquisitions; and (ii) issue that aggregate number of shares of Embassy Stock equal to the quotient of (x) the difference between the aggregate purchase price of the Practices less the Cash Consideration divided by (y) the Share Value. The term Share Value shall mean the average of the closing bid and ask price, as reported on the OTC Electronic Bulletin Board or similar quotation board of Embassy Stock for the 15 trading days immediately preceding the date of the Closing.

### III. CONDUCT OF BUSINESS PENDING CLOSING; STOCKHOLDER APPROVAL

Orthodontix and Embassy covenant that between the date hereof and the date of the Closing:

3.1 Access to Orthodontix. Orthodontix shall (a) give to Embassy and to Embassy's counsel, accountants and other representatives reasonable access, during normal business hours, throughout the period prior to the Closing Date (as defined in Section 6.1), to all of the books, contracts, commitments and other records of Orthodontix and shall furnish Embassy during such period with all information concerning Orthodontix that Embassy may reasonably request; and (b) afford to Embassy and to Embassy's representatives, agents, employees and independent contractors reasonable access, during normal business hours, to the properties of Orthodontix, in order to conduct inspections at Embassy's expense to determine that Orthodontix is operating in compliance with all applicable federal, state, local and foreign statutes, rules and regulations, and all material building, fire and zoning laws or regulations and that the assets of Orthodontix, including any assets to be acquired in connection with the Practice Acquisitions, are substantially in the condition and of the capacities represented and warranted in this Agreement; provided, however, that in every instance described in (a) and (b), Embassy shall make arrangements with Orthodontix reasonably in advance and shall use its best efforts to avoid interruption and to minimize interference with the normal business and operations of Orthodontix. Any such investigation or inspection by Embassy shall not be deemed a waiver of, or otherwise limit, the representations, warranties or covenants of Orthodontix contained herein.



3.2 Conduct of Business. During the period from the date hereof to the Closing Date, Orthodontix shall and shall use reasonable efforts, to the extent such efforts are within Orthodontix's control, to cause the practices to be acquired in connection with the Practice Acquisitions (the "Practices") to be operated in the usual and ordinary course of business and in material compliance with the terms of this Agreement. Without limiting the generality of the foregoing:

(a) Orthodontix shall and shall use reasonable efforts, to the extent such efforts are within Orthodontix's control, to cause the Practices to use reasonable efforts consistent with past practices to preserve the respective businesses and organizations of Orthodontix and the Practices, respectively, including using reasonable efforts to cause the Practice Acquisitions to close, so as to (i) keep available the services of their present employees and agents; (ii) complete or maintain all of the Orthodontix Contracts (as hereinafter defined) in full force and effect in accordance with their existing terms, materially unimpaired by litigation; (iii) maintain the integrity of all confidential information; (iv) maintain in full force and effect the existing insurance policies (or policies providing substantially the same coverage, copies of which shall be made available to Embassy) insuring the business and properties of Orthodontix and the Practices, respectively; and (v) preserve the goodwill of, and business and contractual relationships with, suppliers, customers and others having business relationships with Orthodontix and the Practices respectively; except for such changes which, in the aggregate, would not have a material adverse effect on the business, prospects or financial condition of Orthodontix and the Practices, respectively, taken as a whole; and

(b) Orthodontix shall not and shall use reasonable efforts, to the extent such efforts are within Orthodontix's control, to cause the Practices not to (i) sell or transfer any of their material assets or property except (A) as set forth in the Orthodontix Disclosure Schedule, or (B) in the usual and ordinary course of business; or, (ii) except for cash applied in payment of liabilities or credits given in the usual and ordinary course of business, make any distribution, whether by dividend or otherwise, to any of its shareholders or employees except for (A) compensation to employees in the usual and ordinary course of business; (B) payments on the Orthodontix Indebtedness (as hereinafter defined). Without limiting the generality of the foregoing, Orthodontix shall: (i) comply in all material respects with all laws applicable to it; and (ii) except as provided above or otherwise in this Agreement, not declare any dividend or other distribution, redeem or otherwise acquire any shares of its capital stock or other securities, sell or issue any shares of its capital stock or other securities or agree to do any of the foregoing.

3.3 Exclusivity to Embassy. Neither Orthodontix nor its respective officers, directors, representatives or agents, as appropriate, from the date hereof until the Closing or the earlier termination of this Agreement, shall solicit any inquiries, proposals or offers to purchase the business of Orthodontix or the shares of capital stock of Orthodontix, from any person other than Embassy. Any person inquiring as to the availability of the business or shares of capital stock of Orthodontix or making an offer therefor shall be told that Orthodontix is bound by the provisions of this Agreement. Orthodontix as well as its officers, directors, representatives or agents further agree to advise Embassy promptly of any such inquiry or offer.

3.4 Access to Embassy. Embassy shall (a) give to Orthodontix and to Orthodontix's counsel, accountants and other representatives reasonable access, during normal business hours, throughout the period prior to the Closing Date, to all of the books, contracts, commitments and other records of Embassy and shall furnish Orthodontix during such period with all information concerning Embassy that Orthodontix may reasonably request; and (b) afford to Orthodontix and to Orthodontix's representatives, agents, employees and independent contractors reasonable access, during normal business hours, to the properties of Embassy in order to conduct inspections at Orthodontix's expense to determine that Embassy is operating in compliance with all applicable federal, state, local and foreign statutes, rules and regulations, and all material building, fire and zoning laws or regulations and that the assets of Embassy are substantially in the condition and of the capacities represented and warranted in this Agreement; provided, however, that in every instance described in (a) and (b), Orthodontix shall make arrangements with Embassy reasonably in advance and shall use its best efforts to avoid interruption and to minimize interference with the normal business and operations of Embassy. Any such investigation or inspection by Orthodontix shall not be deemed a waiver of, or otherwise limit, the representations, warranties or covenants of Embassy contained herein.

3.5 Conduct of Business. During the period from the date hereof to the Closing Date, the business of Embassy shall be operated by Embassy in the usual and ordinary course of such business and in material compliance with the terms of this Agreement. Without limiting the generality of the foregoing:

(a) Embassy shall (i) comply in all material respects with all laws applicable to it; (ii) not declare any dividend or other distribution, redeem or otherwise acquire any shares of its capital stock or other securities, sell or issue any shares of its capital stock or other securities other than with respect to the Embassy Warrants, or agree to do any of the foregoing; (iii) not make any payments to any of its employees other than reimbursement of accountable expenses in the ordinary course of business in accordance with past practices; (iv) not make any payments, loans or other distribution to any officer, director, employee or agent or prepay any obligations due to any of the foregoing; and (v) not expend nor incur any liabilities or indebtedness, direct or indirect, or enter into any agreements or commitments with respect to same, aggregating more than \$30,000 during the period between the date hereof and the Closing Date exclusive of (i) costs and expenses relating to the consummation of the transactions contemplated by this Agreement; (ii) any understandings relating to funding the purchase of shares of Embassy Stock offered for redemption to Embassy by its non-affiliated shareholders in the manner contemplated by the Proxy Statement; and (iii) liabilities based on applications for directors' and officers' liability insurance; and

(b) Embassy shall timely file all reports required to be filed by it with the Securities and Exchange Commission (the "SEC").

3.6 Exclusivity to Orthodontix. Embassy and its officers, directors, representatives or agents, as appropriate, shall not, from the date hereof until the Closing or the earlier termination of this Agreement, solicit any inquiries, proposals or offers to purchase the business of Embassy or the shares of capital stock of Embassy from any person other than Orthodontix. Any person inquiring as to the availability of the business or shares of capital stock of Embassy or making an offer therefor shall be told that Embassy is bound by the provisions of this Agreement. Each of Embassy and its officers, directors, representatives or agents further agree to advise Orthodontix promptly of any such inquiry or offer.

3.7 Stockholder Approval. (a) As promptly as reasonably practicable following the date of this Agreement, Embassy shall take all action reasonably necessary in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the laws of the State of Florida and its Articles of Incorporation and Bylaws to call, give notice of and convene a meeting (the "Meeting") of its shareholders to consider and vote upon the approval and adoption of (i) the Merger; (ii) the amendment to Embassy's Articles of Incorporation effectuating the Name Change and the authorization to issue the Preferred Stock; (iii) the 1997 Embassy Acquisition Corp. Stock Option Plan (the "Stock Option Plan"); and (iv) such other matters as shall properly come before the Meeting in connection with this Agreement. The approval and adoption of this Agreement and the Merger by the Board of Directors and the shareholders of Orthodontix in accordance with the laws of the State of Florida, Articles of Incorporation and Bylaws and the receipt of the approvals and consents referred to in Section 7.9 is a condition precedent to the undertaking and obligation of Embassy to mail its definitive Proxy Statement (as hereinafter defined) subject to, among other things, approval by the shareholders of Embassy to its shareholders and to hold the Meeting. The Board of Directors of Embassy shall unanimously recommend that Embassy's shareholders vote to approve and adopt the Merger, this Agreement and any other matters to be submitted to Embassy's shareholders in connection therewith. Embassy shall, subject as aforesaid, use its best efforts to solicit and secure from shareholders of Embassy such approval and adoption.

(b) Certain shareholders of Embassy, as evidenced by their signature on the signature page of this Agreement, agree that if a majority of the non-affiliated shareholders of Embassy approve and adopt the Merger and this Agreement, they will each vote all of their respective shares of Embassy Stock for the approval and adoption of the Merger and this Agreement.

(c) As promptly as reasonably practicable following the date of this Agreement, Embassy shall prepare and file with the SEC under the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations promulgated by the SEC thereunder: a registration statement on Form S-4 (or other form of

registration statement as agreed by the parties) covering (i) all shares of Embassy Stock issuable as a consequence of the Merger, including the shares issuable in connection with the Practice Acquisitions (the "Initial Registration Statement"). Prior to such filing, Orthodontix shall supply to Embassy, for inclusion in the Initial Registration Statement, the Financial Statements (as hereinafter defined). Concurrent with the filing of the Initial Registration Statement, Embassy shall also prepare and file with the SEC under the Securities Act and the rules and regulations promulgated by the SEC thereunder, a preliminary proxy statement (the "Proxy Statement"; the Proxy Statement and the Initial Registration Statement are collectively referred to as the "Registration Statement") pertaining to the Merger. Orthodontix shall cooperate fully with Embassy in the preparation and filing of the Registration Statement and any amendments and supplements thereto, including, without limitation, the furnishing to Embassy of such information regarding Orthodontix as shall be required by each of the Securities Act and the Exchange Act and the respective rules and regulations promulgated by the SEC thereunder. The Registration Statement shall not be filed, and no amendment or supplement thereto shall be made by Embassy, without prior consultation with and the consent of Orthodontix, which consent shall not be unreasonably withheld or delayed. As promptly as reasonably practicable following the date of this Agreement, Embassy shall cause to be mailed a definitive Proxy Statement to its shareholders entitled to vote at the Meeting promptly following completion of any review by, or in the absence of such review, the termination of any applicable waiting period of, the SEC and the SEC's declaration of effectiveness of the Registration Statement under the Securities Act.

(d) As promptly as practicable but in no event later than the Effective Date, Embassy shall prepare and file with the NASDAQ Small Cap Market ("Nasdaq"), an application to have the Embassy Stock listed for trading on Nasdaq.

(e) As promptly as practicable, Embassy shall prepare and file with the SEC under the Securities Act and the rules and regulations promulgated by the SEC thereunder, a Registration Statement on Form S-8 covering the Embassy Stock issuable upon the exercise of certain stock options to be granted under the Stock Option Plan (the "S-8 Registration Statement").

3.8 Formation and Acts of Acquisition. No later than the date of the Meeting, Embassy shall cause Acquisition to be incorporated under the laws of Florida. Prior to the Closing Date, Embassy shall cause Acquisition to engage in no activity other than activity in anticipation of the Merger. At the Closing, following satisfaction of the conditions precedent set forth in this Agreement, Embassy shall cause Acquisition to execute Articles of Merger referred to in Section 2.1.

#### IV. REPRESENTATIONS AND WARRANTIES OF ORTHODONTIX

Orthodontix represents and warrants to Embassy as follows, with the knowledge and understanding that Embassy is relying materially upon such representations and warranties:

4.1 Organization and Standing. Orthodontix is a corporation duly organized, validly existing and in good standing under the laws of the state of Florida. Orthodontix has all requisite corporate power to carry on its business as it is now being conducted and is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary under applicable law, except where the failure to qualify (individually or in the aggregate) does not have any material adverse effect on the assets, business or financial condition of Orthodontix, and all states in which each is qualified to do business as of the date hereof, are listed in the Orthodontix Disclosure Schedule. The copies of the Articles of Incorporation and Bylaws of Orthodontix, as amended to date, delivered to Embassy, are true and complete copies of these documents as now in effect. Except as otherwise set forth in the Orthodontix Disclosure Schedule, Orthodontix does not own any interest in any other corporation, business trust or similar entity. The minute book of Orthodontix contains accurate records of all meetings of its respective Board of Directors and shareholders since its incorporation.

4.2 Capitalization. The authorized capital stock of Orthodontix, the number of shares of capital stock which are issued and outstanding and par value thereof are as set forth in the Orthodontix Disclosure Schedule. All of such shares of capital stock are duly authorized, validly issued and outstanding, fully paid and

nonassessable, and were not issued in violation of the preemptive rights of any person. There are no subscriptions, options, warrants, rights or calls or other commitments or agreements to which Orthodontix is a party or by which it is bound, calling for any issuance, transfer, sale or other disposition of any class of securities of Orthodontix. There are no outstanding securities convertible or exchangeable, actually or contingently, into shares of common stock or any other securities of Orthodontix. Orthodontix has no subsidiaries.

4.3 Authority. This Agreement constitutes, and all other agreements contemplated hereby will constitute, when executed and delivered by Orthodontix in accordance therewith (and assuming due execution and delivery by the other parties hereto), the valid and binding obligation of Orthodontix, enforceable in accordance with their respective terms, subject to general principles of equity and bankruptcy or other laws relating to or affecting the rights of creditors generally.

4.4 Properties. Except as set forth on the Orthodontix Disclosure Schedule, Orthodontix has good title to all of the assets and properties which it purports to own as reflected on the balance sheet included in the Financial Statements (as hereinafter defined), or thereafter acquired. Orthodontix has a valid leasehold interest in all material property of which it is the lessee and each such lease is valid, binding and enforceable against Orthodontix, as the case may be, and, to the knowledge of Orthodontix, the other parties thereto in accordance with its terms. Neither Orthodontix nor the other parties thereto are in material default in the performance of any material provisions thereunder. Neither the whole nor any material portion of the assets of Orthodontix is subject to any governmental decree or order to be sold or is being condemned, expropriated or otherwise taken by any public authority with or without payment of compensation therefor, nor, to the knowledge of Orthodontix, any such condemnation, expropriation or taking been proposed. None of the assets of Orthodontix is subject to any restriction which would prevent continuation of the use currently made thereof or materially adversely affect the value thereof.

4.5 Contracts Listed; No Default. All contracts, agreements, licenses, leases, easements, permits, rights of way, commitments, and understandings, written or oral, connected with or relating in any respect to present or proposed future operations of Orthodontix (except employment or other agreements terminable at will and other agreements which, in the aggregate, are not material to the business, properties or prospects of Orthodontix and except governmental licenses, permits, authorizations, approvals and other matters referred to in Section 4.17), which would be required to be listed as exhibits to a Registration Statement on Form S-4 or an Annual Report on Form 10-K if Orthodontix were subject to the reporting requirements of the Exchange Act (individually, the "Orthodontix Contract" and collectively, the "Orthodontix Contracts"), are listed and described in the Orthodontix Disclosure Schedule. Orthodontix is the holder of, or party to, all of the Orthodontix Contracts. To the knowledge of Orthodontix, the Orthodontix Contracts are valid, binding and enforceable by the signatory thereto against the other parties thereto in accordance with their terms. Neither Orthodontix nor any signatory thereto is in default or breach of any material provision of the Orthodontix Contracts. Orthodontix's operation of its business has been, is, and will, between the date hereof and the Closing Date, continue to be, consistent with the material terms and conditions of the Orthodontix Contracts. Attached hereto as Schedule 4.5 is a list of those Orthodontix Contracts regarding the Practice Acquisitions which contain termination dates earlier than the Termination Date (as defined in Section 10.1 of this Agreement).

4.6 Litigation. Except as disclosed in the Orthodontix Disclosure Schedule, there is no claim, action, proceeding or investigation pending or, to the knowledge of Orthodontix, threatened against or affecting Orthodontix before or by any court, arbitrator or governmental agency or authority which, in the reasonable judgment of Orthodontix, could have any materially adverse effect on Orthodontix. There are no decrees, injunctions or orders of any court, governmental department, agency or arbitration outstanding against Orthodontix.

4.7 Taxes. For purposes of this Agreement, (A) "Tax" (and, with correlative meaning, "Taxes") shall mean any federal, state, local or foreign income, alternative or add-on minimum, business, employment, franchise, occupancy, payroll, property, sales, transfer, use, value added, withholding or other tax, levy, impost, fee, imposition, assessment or similar charge, together with any related addition to tax, interest, penalty or fine

thereon; and (B) "Returns" shall mean all returns (including, without limitation, information returns and other material information), reports and forms relating to Taxes or to any benefit plans.

Orthodontix has duly filed all Returns required by any law or regulation to be filed by it, except for extensions duly obtained. All such Returns were, when filed, and to the knowledge of Orthodontix are, accurate and complete in all material respects and were prepared in conformity with applicable laws and regulations in all material respects. Orthodontix has paid or will pay in full or has adequately reserved against all Taxes otherwise assessed against it through the Closing Date, and the assessment of any material amount of additional Taxes in excess of those paid and reported is not reasonably expected.

Orthodontix is not a party to any pending action or proceeding by any governmental authority for the assessment of any Tax, and no claim for assessment or collection of any Tax has been asserted against Orthodontix that has not been paid. There are no Tax liens upon the assets (other than the lien of property taxes not yet due and payable) of Orthodontix. There is no valid basis, to the knowledge of Orthodontix, except as set forth in the Orthodontix Disclosure Schedule, for any assessment, deficiency, notice, 30-day letter or similar intention to assess any Tax to be issued to Orthodontix by any governmental authority.

4.8 Compliance with Laws and Regulations. To its knowledge, Orthodontix is in compliance, in all material respects, with all laws, rules, regulations, orders and requirements (federal, state and local) applicable to it in all jurisdictions where the business of Orthodontix is currently conducted or to which Orthodontix is currently subject which has a material impact on Orthodontix, including, without limitation, all applicable civil rights and equal opportunity employment laws and regulations, and all state and federal antitrust and fair trade practice laws and the Federal Occupational Health and Safety Act. Orthodontix knows of no assertion by any party that Orthodontix is in violation of any such laws, rules, regulations, orders, restrictions or requirements with respect to its current operations, and no notice in that regard has been received by Orthodontix. To the knowledge of Orthodontix, there is not presently pending any proceeding, hearing or investigation with respect to the adoption of amendments or modifications to existing laws, rules, regulations, orders, restrictions or requirements which, if adopted, would materially adversely affect the current operations of Orthodontix.

4.9 Compliance with Laws. (a) To its knowledge, the business, operations, property and assets of Orthodontix and the Practices (and, to the knowledge of Orthodontix, the business of any sub-tenant or licensee which is occupying or has occupied any space on any premises of Orthodontix and the activities of which could result in any material adverse liability to Orthodontix) (i) conform with and are in compliance in all material respects with all, and are not in material violation of any applicable federal, state and local laws, rules and regulations, including, but not limited to, the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (including the 1986 Amendments thereto and the Superfund Amendments and Reauthorization Act) ("CERCLA"), and the Resource Conservation and Recovery Act ("RCRA"), as well as any other laws, rules or regulations relating to tax, product liability, controlled substances, product registration, environmental protection, hazardous or toxic waste, employment, or occupational safety matters; and (ii) have been conducted and operated in a manner such that, to Orthodontix's knowledge, Orthodontix has foreseeable potential liabilities for environmental clean-up under CERCLA, RCRA or under any other law, rule, regulation or common or civil law doctrine.

(b) To its knowledge, no predecessor-in-title to any real property now or previously owned or operated by Orthodontix, nor any predecessor operator thereof conducted its business or operated such property in violation of CERCLA and RCRA or any other applicable federal, state and local laws, rules and regulations relating to environmental protection or hazardous or toxic waste matters.

(c) Except as disclosed in the Orthodontix Disclosure Schedule, no suit, action, claim, proceeding, nor investigation, review or inquiry by any court or federal, state, county, municipal or local governmental department, commission, board, bureau, agency or instrumentality, including, without limitation, any state or local health department (all of the foregoing collectively referred to as "Governmental Entity") concerning any such possible violations by Orthodontix is pending or, to the knowledge of Orthodontix, threatened, including, but not limited to, matters relating to diagnostic tests and products and product liability, environmental protection, hazardous or toxic waste, controlled substances, employment, occupational safety or

tax matters. Orthodontix does not know of any reasonable basis or ground for any such suit, claim, investigation, inquiry or proceeding. For purposes of this Section 4.9, the term "inquiry" includes, without limitation, all pending regulatory issues (whether before federal, state, local or inter-governmental regulatory authorities) concerning any regulated product, including, without limitation, any diagnostic drugs and products.

#### 4.10 Reserved.

4.11 Condition of Assets. The equipment, fixtures and other personal property of Orthodontix, including the assets to be acquired in connection with the Practice Acquisitions, taken as a whole, is in good operating condition and repair (ordinary wear and tear excepted) for the conduct of the business of Orthodontix as is contemplated to be conducted.

4.12 No Breaches. To its knowledge, the making and performance of this Agreement and the other agreements contemplated hereby by Orthodontix will not (i) conflict with or violate the Articles of Incorporation or the Bylaws of Orthodontix; (ii) violate any material laws, ordinances, rules or regulations, or any order, writ, injunction or decree to which Orthodontix is a party or by which Orthodontix or any of its respective assets, businesses, or operations may be bound or affected; or (iii) result in any breach or termination of, or constitute a default under, or constitute an event which, with notice or lapse of time, or both, would become a default under, or result in the creation of any encumbrance upon any asset of Orthodontix under, or create any rights of termination, cancellation or acceleration in any person under, any Orthodontix Contract.

4.13 Employees. Except as set forth in the Orthodontix Disclosure Schedule, none of the employees of Orthodontix is represented by any labor union or collective bargaining unit and, to the knowledge of Orthodontix, no discussions are taking place with respect to such representation.

4.14 Financial Statements. To its knowledge, the Orthodontix Disclosure Schedule contains, as to Orthodontix, an unaudited balance sheet as of December 31, 1996 and related statements of operations, statements of cash flows and statements of shareholders' equity of Orthodontix for the one-year period ended December 31, 1996 and an unaudited balance sheet as of September 30, 1997 and related statements of operations, statements of cash flows and statement of shareholders' equity for the nine-month period ended September 30, 1997 (collectively, the "Financial Statements"). The Financial Statements present fairly, in all respects, the consolidated financial position and results of operations of Orthodontix as of the dates and periods indicated, prepared in accordance with generally accepted accounting principles consistently applied ("GAAP"). The Financial Statements, when submitted to Embassy for inclusion in the Registration Statement, will have been prepared in accordance with Regulation S-X of the SEC and, in particular, Rules 1-02 and 3-05 promulgated thereunder. Without limiting the generality of the foregoing, (i) there is no basis for any assertion against Orthodontix as of the date of the Financial Statements of any debt, liability or obligation of any nature not fully reflected or reserved against in the Financial Statements; and (ii) there are no assets of Orthodontix as of the date of the Financial Statements, the value of which is overstated in the Financial Statements. Except as disclosed in the Financial Statements, Orthodontix has no known contingent liabilities (including liabilities for Taxes), forward or long-term commitments or unrealized or anticipated losses from unfavorable commitments other than in the ordinary course of business. Orthodontix is not a party to any contract or agreement for the forward purchase or sale of any foreign currency that is material to Orthodontix taken as a whole.

4.15 Absence of Certain Changes or Events. Except as set forth in the Orthodontix Disclosure Schedule, since December 31, 1996, there has not been:

(a) any material adverse change in the financial condition, properties, assets, liabilities or business of Orthodontix;

(b) any material damage, destruction or loss of any material properties of Orthodontix, whether or not covered by insurance;

(c) any material change in the manner in which the business of Orthodontix has been conducted;

(d) any material change in the treatment and protection of trade secrets or other confidential information of Orthodontix;

(e) any material change in the business or contractual relationship of Orthodontix with any customer or supplier which might reasonably be expected to materially and adversely affect the business or prospects of Orthodontix;

(f) any agreement by Orthodontix, whether written or oral, to do any of the foregoing; and

(g) any occurrence not included in paragraphs (a) through (f) of this Section 4.16 which has resulted, or which Orthodontix has reason to believe, in its reasonable judgment, might be expected to result, in a material adverse change in the business or prospects of Orthodontix.

4.16 Governmental Licenses, Permits, Etc. To its knowledge, Orthodontix and the Practices each have all governmental licenses, permits, authorizations and approvals necessary for the conduct of its business as currently conducted ("Licenses and Permits"). The Orthodontix Disclosure Schedule includes a list of all Licenses and Permits. All Licenses and Permits are in full force and effect, and no proceedings for the suspension or cancellation of any thereof is pending or threatened.

4.17 Employee Agreements. (a) For purposes of this Agreement, the following definitions apply:

(1) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and any regulations promulgated thereunder.

(2) "Multi-employer Plan" means a plan, as defined in ERISA Section 3(37), to which Orthodontix contributes or is required to contribute.

(3) "Employee Plan" means any pension, retirement, profit sharing, deferred compensation, vacation, bonus, incentive, medical, vision, dental, disability, life insurance or any other employee benefit plan as defined in Section 3(3) of ERISA other than a Multi-employer Plan to which Orthodontix contributes, sponsors, maintains or otherwise is bound to with regard to any benefits on behalf of the employees of Orthodontix.

(4) "Employee Pension Plan" means any Employee Plan for the provision of retirement income to employees or which results in the deferral of income by employees extending to the termination of covered employment or beyond as defined in Section 3(2) of ERISA.

(5) "Employee Welfare Plan" means any Employee Plan other than an Employee Pension Plan.

(6) "Compensation Arrangement" means any plan or compensation arrangement other than an Employee Plan, whether written or unwritten, which provides to employees of Orthodontix, former employees, officers, directors or shareholders of Orthodontix any compensation or other benefits, whether deferred or not, in excess of base salary or wages, including, but not limited to, any bonus or incentive plan, stock rights plan, deferred compensation arrangement, life insurance, stock purchase plan, severance pay plan and any other employee fringe benefit plan.

(b) The Orthodontix Disclosure Schedule hereto lists, all (1) employment agreements and collective bargaining agreements to which Orthodontix is a party; (2) Compensation Arrangements of Orthodontix; (3) Employee Welfare Plans; (4) Employee Pension Plans; and (5) consulting agreements under which Orthodontix has or may have any monetary obligations to employees or consultants of Orthodontix or their beneficiaries or legal representatives or under which any such persons may have any rights. Orthodontix has previously made available to Embassy true and complete copies of all of the foregoing employment contracts, collective bargaining agreements, Employee Plans and Compensation Arrangements, including descriptions of any unwritten contracts, agreements, Compensation Arrangements or Employee Plans, as amended to date. In addition, with respect to any Employee Plan which continues after the Closing Date, Orthodontix has previously delivered or made available to Embassy (1) any related trust agreements, master trust agreements, annuity contracts or insurance contracts; (2) certified copies of all Board of Directors' resolutions adopting such plans and trust documents and amendments thereto; (3) current investment management agreements; (4) custodial agreements; (5) fiduciary liability insurance policies; (6) indemnification agreements; (7) the

most recent determination letter (and underlying application thereof and correspondence and supplemental material related thereto) issued by the Internal Revenue Service with respect to the qualification of each Employee Plan under the provisions of Section 401(a) of the Code; (8) copies of all "advisory opinion letters," "private letter rulings," "no action letters," and any similar correspondence (and the underlying applications therefor and correspondence and supplemental material related thereto) that was issued by any governmental or quasigovernmental agency with respect to the last plan year; (9) Annual Reports (Form 5500 Series) and Schedules A and B thereto for the last plan year; (10) all actuarial reports prepared for the last plan year; (11) all certified Financial Statements for the last plan year; and (12) all current Summary Plan Descriptions, Summaries of Material Modifications and Summary Annual Reports. All documents delivered by Orthodontix to Embassy as photocopies faithfully reproduce the originals thereof, such originals are authentic and were, to the extent execution was required, duly executed.

(c) Except as otherwise disclosed in the Orthodontix Disclosure Schedule:

(1) It is not a party to and has, in effect or to become effective after the date of this Agreement, any bonus, cash or deferred compensation, severance, medical, health or hospitalization, pension, profit sharing or thrift, retirement, stock option, employee stock ownership, life or group insurance, death benefit, welfare, incentive, vacation, sick leave, cafeteria, so-called "golden parachute" payment, disability or trust agreement or arrangement.

4.18 Brokers. Orthodontix has not made any agreement or taken any action with any person or taken any action which would cause any person to be entitled to any agent's, broker's or finder's fee or commission in connection with the transactions contemplated by this Agreement.

4.19 Business Locations. Orthodontix does not nor shall it in connection with the Practice Acquisitions own or lease any real or personal property in any state except as set forth on the Orthodontix Disclosure Schedule. Orthodontix does not have a place of business (including, without limitation, Orthodontix's executive offices or place where Orthodontix's books and records are kept) except as otherwise set forth on the Orthodontix Disclosure Schedule.

4.20 Intellectual Property. The Orthodontix Disclosure Schedule lists all of the Intellectual Property (as hereinafter defined) used by Orthodontix which constitutes a material patent, trade name, trademark, service mark or application for any of the foregoing. "Intellectual Property" means all of Orthodontix's right, title and interest in and to all patents, trade names, assumed names, trademarks, service marks, and proprietary names, copyrights (including any registration and pending applications for any such registration for any of them), together with all the goodwill relating thereto and all other intellectual property of Orthodontix. Other than as disclosed in the Orthodontix Disclosure Schedule, Orthodontix does not have any licenses granted by or to it or other agreements to which it is a party, relating in whole or in part to any Intellectual Property, whether owned by Orthodontix or otherwise. All of the patents, trademark registrations and copyrights listed in the Orthodontix Disclosure Schedule that are owned by Orthodontix are valid and in full force and effect. To the knowledge of Orthodontix, it is not infringing upon, or otherwise violating, the rights of any third party with respect to any Intellectual Property. No proceedings have been instituted against or claims received by Orthodontix, nor to its knowledge are any proceedings threatened alleging any such violation, nor does Orthodontix know of any valid basis for any such proceeding or claim. To the knowledge of Orthodontix, there is no infringement or other adverse claims against any of the Intellectual Property owned or used by Orthodontix. To the knowledge of Orthodontix, its use of software does not violate or otherwise infringe the rights of any third party.

4.21 Warranties. The Orthodontix Disclosure Schedule sets forth a true and complete list of the forms of all express warranties and guaranties made by Orthodontix to third parties with respect to any services rendered by Orthodontix.

4.22 Suppliers. Except as set forth in the Orthodontix Disclosure Schedule, Orthodontix knows and has no reason to believe that, either as a result of the transactions contemplated hereby or for any other reason (exclusive of expiration of a contract upon the passage of time), any present material supplier of Orthodontix



or the Practices will not continue to conduct business with Orthodontix or the Practices, as the case may be as applicable, after the Closing Date in substantially the same manner as it has conducted business prior thereto.

4.23 Accounts Receivable. The accounts receivable reflected on the balance sheets included in the Financial Statements, or thereafter acquired by Orthodontix, consists, in the aggregate in all material respects, of items which are collectible in the ordinary and usual course of business.

4.24 Governmental Approvals. To its knowledge, other than as set forth herein, no authorization, license, permit, franchise, approval, order or consent of, and no registration, declaration or filing by Orthodontix with, any governmental authority, federal, state or local, is required in connection with Orthodontix's execution, delivery and performance of this Agreement.

4.25 No Omissions or Untrue Statements. None of the information relating to Orthodontix supplied or to be supplied in writing by it specifically for inclusion in the Registration Statement, at the respective times that the Registration Statement becomes effective (or any registration statement included therein), the Proxy Statement is first mailed to Embassy's shareholders and the meeting of Embassy's shareholders takes place, as the case may be, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Embassy shall give notice to Orthodontix in advance of the dates of such effectiveness, mailing and meeting sufficient to permit Orthodontix to fulfill its obligations under the second sentence of this Section.

4.26 Orthodontix Disclosure Schedule Complete. Orthodontix shall promptly supplement the Orthodontix Disclosure Schedule if events occur prior to the Closing Date that would have been required to be disclosed had they existed at the time of executing this Agreement. The Orthodontix Disclosure Schedule, as supplemented prior to the Closing Date, will contain a true, correct and complete list and description of all items required to be set forth therein. The Orthodontix Disclosure Schedule, as supplemented prior to the Closing Date, is expressly incorporated herein by reference. Notwithstanding the foregoing, any such supplement to the Orthodontix Disclosure Schedule following the date hereof shall not in any way affect Embassy's right not to consummate the transactions contemplated hereby as set forth in Section 8.2 hereof.

#### V. REPRESENTATIONS AND WARRANTIES OF EMBASSY

Embassy represents and warrants to Orthodontix as follows, with the knowledge and understanding that Orthodontix is relying materially on such representations and warranties:

5.1 Organization and Standing of Embassy. Embassy is a corporation duly organized, validly existing and in good standing under the laws of the State of Florida, and has the corporate power to carry on its business as now conducted and to own its assets and it not required to qualify to transact business as a foreign corporation in any state or other jurisdiction. The copies of the Articles of Incorporation and Bylaws of Embassy, delivered to Orthodontix, are true and complete copies of those documents as now in effect. Embassy does not own any capital stock in any other corporation, business trust or similar entity, and is not engaged in a partnership, joint venture or similar arrangement with any person or entity. The minute books of Embassy contain accurate records of all meetings of its incorporator, shareholders and Board of Directors since its date of incorporation.

5.2 Acquisition. Acquisition when formed by Embassy for the purposes hereinabove set forth, will be a corporation duly organized, validly existing and in good standing under the laws of Florida, respectively, and will have the corporate power to carry on its business as herein contemplated and to own its assets. True and correct copies of the Articles of Incorporation and Bylaws of Acquisition will be delivered to Orthodontix prior to the Closing. The authorized capital stock of Acquisition will consist of 1,000 shares of Common Stock, par value \$.0001 per share of which 100 shares of Acquisition will be issued and outstanding on the Closing Date and owned of record and beneficially by Embassy. Other than as stated in this section, on the Closing Date there will be no outstanding securities convertible or exchangeable, actually or contingently, into shares of Common Stock or other stock of Acquisition. Prior to the Merger Acquisition will not engage in any business

other than to serve as a vehicle to implement the Merger, and will have no assets, operations or liabilities of any kind.

5.3 Embassy's Authority. Embassy's Board of Directors has approved and adopted this Agreement and the Merger and has resolved to recommend approval and adoption of this Agreement and the Merger by Embassy's shareholders. This Agreement constitutes, and all other agreements contemplated hereby will constitute, when executed and delivered by Embassy in accordance herewith (and assuming due execution and delivery by the other parties hereto), the valid and binding obligations of Embassy, enforceable in accordance with their respective terms, subject to general principles of equity and bankruptcy or other laws relating to or affecting the rights of creditors generally.

5.4 No Breaches. To its knowledge, the making and performance of this Agreement (including, without limitation, the issuance of the Embassy Stock) by Embassy will not (i) conflict with the Articles of Incorporation or the Bylaws of Embassy; (ii) violate any order, writ, injunction, or decree applicable to Embassy; or (iii) result in any breach or termination of, or constitute a default under, or constitute an event which, with notice or lapse of time, or both, would become a default under, or result in the creation of any encumbrance upon any asset of Embassy under, or create any rights of termination, cancellation or acceleration in any person under, any agreement, arrangement or commitment, or violate any provisions of any laws, ordinances, rules or regulations or any order, writ, injunction or decree to which Embassy is a party or by which Embassy or any of its assets may be bound.

5.5 Capitalization. The Embassy Stock consists of 100,000,000 shares of common stock, par value \$.0001 per share, of which 2,540,000 shares are issued and outstanding; and Embassy Warrants to purchase 120,000 shares of Embassy Stock for a period of five years at any time and from time to time commencing April 2, 1996 at a purchase price of \$7.80 per share. All of the outstanding Embassy Stock is duly authorized, validly issued, fully paid and nonassessable, and was not issued in violation of the preemptive rights of any person. The Embassy Stock to be issued upon effectiveness of the Merger, when issued in accordance with the terms of this Agreement, as well as the Embassy Stock to be issued upon the exercise of Embassy's outstanding Embassy Warrants, when issued in accordance with the terms of the agreements governing each issuance, shall be duly authorized, validly issued, fully paid and nonassessable. Other than as stated in this Section 5.5, there are no outstanding subscriptions, options, warrants, calls or rights of any kind issued or granted by, or binding upon, Embassy, to purchase or otherwise acquire any shares of capital stock of Embassy, or other equity securities or equity interests of Embassy or any debt securities of Embassy. There are no outstanding securities convertible or exchangeable, actually or contingently, into shares of Embassy Stock or other stock of Embassy, and as to the Embassy Warrants, there are no additional shares of Embassy Stock issuable upon exercise thereof as a result of Embassy's issuance of its shares delivered in connection with the Merger. Notwithstanding the foregoing, the parties acknowledge that the Options granted hereunder contain certain anti-dilution provisions.

5.6 Business. Embassy, since its formation, has engaged in no business other than to seek to serve as a vehicle for the acquisition of an operating business, and, except for this Agreement, is not a party to any contract or agreement for the acquisition of an operating business.

5.7 Governmental Approval; Consents. To its knowledge, except for the reports required to be filed in the future by Embassy, as a reporting company, under the Exchange Act, and under the Securities Act with respect to the shares of Embassy Stock issuable upon exercise of the Embassy Warrants, the filing of the Registration Statement under the Securities Act, the Proxy Statement under the Exchange Act for the purpose of seeking stockholder approval of the Merger referred to in Section 2.1 and the issuance of the Embassy Stock pursuant to the Merger and the filing of the S-4 Registration Statement (or other form of registration statement as agreed by the parties), no authorization, license, permit, franchise, approval, order or consent of, and no registration, declaration or filing by Embassy with, any governmental authority, federal, state or local, is required in connection with Embassy's execution, delivery and performance of this Agreement. No consents of any other parties are required to be received by or on the part of Embassy to enable Embassy to enter into and carry out this Agreement.

5.8 Financial Statements. To its knowledge, the financial statements of Embassy included in Embassy's SEC Reports, as hereinafter defined (collectively, the "Embassy Financial Statements") present fairly, in all material respects, the financial position of Embassy as of the respective dates and the results of its operations for the periods covered in accordance with GAAP. Without limiting the generality of the foregoing, (i) except as set forth in the Embassy Disclosure Schedule, there is no basis for any assertion against Embassy as of the date of said balance sheets of any material debt, liability or obligation of any nature not fully reflected or reserved against in such balance sheets or in the notes thereto; and (ii) there are no assets of Embassy, the value of which (in the reasonable judgment of Embassy) is materially overstated in said balance sheets. Except as disclosed therein, Embassy has no known material contingent liabilities (including liabilities for taxes), unusual forward or long-term commitments or unrealized or anticipated losses from unfavorable commitments. Embassy is not a party to any contract or agreement for the forward purchase or sale of any foreign currency.

5.9 Adverse Developments. Except as expressly provided or set forth in, or required by, this Agreement, or as set forth in the Embassy Financial Statements, since December 31, 1995, there have been no materially adverse changes in the assets, liabilities, properties, operations or financial condition of Embassy, and no event has occurred other than in the ordinary and usual course of business or as set forth in Embassy's SEC Reports or in the Embassy Financial Statements which could be reasonably expected to have a materially adverse effect upon Embassy, and Embassy does not know of any development or threatened development of a nature that will, or which could be reasonably expected to, have a materially adverse effect upon Embassy's operations or future prospects.

5.10 Embassy's U.S. Securities and Exchange Commission Reports. The Embassy Stock was registered under Section 12 of the Exchange Act on Form 8-A. Since its inception, Embassy and each of its officers and directors has filed all reports, registrations and other documents, together with any amendments thereto, required to be filed under the Securities Act and the Exchange Act, including, but not limited to, proxy statements and reports on Form 10-KSB, Form 10-QSB and Form 8-K, and Embassy and each of its officers and directors will file all such reports, registrations and other documents required to be filed by it from the date of this Agreement to the Closing Date (all such reports, registrations and documents, including registrations and documents voluntarily filed or to be filed with the SEC, with the exception of the Registration Statement and the Proxy Statement, are collectively referred to as "Embassy's SEC Reports"). As of their respective dates, Embassy's SEC Reports complied or will comply in all material respects with all rules and regulations promulgated by the SEC and did not or will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. As part of the Embassy Disclosure Schedule, Embassy has provided to Orthodontix a true and complete copy of all of Embassy's SEC Reports filed on or prior to the date hereof, and will promptly provide to Orthodontix a true and complete copy of any such reports filed after the date hereof and on or prior to the Closing Date.

5.11 Contracts Listed; No Default. All material contracts, agreements, licenses, leases, easements, permits, rights of way, commitments, and understandings, written or oral, connected with or relating in any respect to the present operations of Embassy are, with the exception of this Agreement, described in Embassy's SEC Reports. All of such contracts, agreements, leases, commitments and understandings, written or oral, and any other contract, agreement, lease, commitment or understanding, written or oral, binding upon Embassy, are listed in the Embassy Disclosure Schedule (the "Embassy Contracts"). To the knowledge of Embassy, the Embassy Contracts are valid, binding and enforceable by Embassy against the other parties thereto in accordance with their terms. Neither Embassy nor, to the knowledge of Embassy, any of the other parties thereto is in default or breach of any material provision of the Embassy Contracts. Embassy has furnished Orthodontix with a true and complete copy of each Embassy Contract, as amended.

5.12 Taxes. Embassy has duly filed all Returns required by any law or regulation to be filed by it except for extensions duly obtained. All such Returns were, when filed, and to the best of Embassy's knowledge are, accurate and complete in all material respects and were prepared in conformity with applicable laws and regulations. Embassy has paid or will pay in full or has adequately reserved against all Taxes otherwise

assessed against it through the Closing Date, and the assessment of any material amount of additional Taxes in excess of those paid and reported is not reasonably expected.

Embassy is not a party to any pending action or proceeding by any governmental authority for the assessment of any Tax, and no claim for assessment or collection of any Tax has been asserted against Embassy that has not been paid. There are no Tax liens upon the assets of Embassy (other than the lien of personal property taxes not yet due and payable). There is no valid basis, to the best of Embassy's knowledge, except as set forth in the Embassy Disclosure Schedule, for any assessment, deficiency, notice, 30-day letter or similar intention to assess any Tax to be issued to Embassy by any governmental authority.

5.13 Litigation. Except as disclosed in the Embassy Disclosure Schedule, there is no claim, action, proceeding or investigation pending or, to Embassy's knowledge, threatened against or affecting Embassy before or by any court, arbitrator or governmental agency or authority which, in the reasonable judgment of Embassy, could have a materially adverse effect on Embassy. There are no decrees, injunctions or orders of any court, governmental department, agency or arbitration outstanding against Embassy.

5.14 Compliance with Laws and Regulations. To its knowledge, Embassy is in compliance, in all material respects, with all laws, rules, regulations, orders and requirements (federal, state and local) applicable to it in all jurisdictions in which the business of Embassy is currently conducted or to which Embassy is currently subject, which may have a material impact on Embassy, including, without limitation, all applicable civil rights and equal opportunity employment laws and regulations, all state and federal antitrust and fair trade practice laws and the Federal Occupational Health and Safety Act. Embassy does not know of any assertion by any party that Embassy is in violation of any such laws, rules, regulations, orders, restrictions or requirements with respect to its current operations, and no notice in that regard has been received by Embassy. To Embassy's knowledge, there is not presently pending any proceeding, hearing or investigation with respect to the adoption of amendments or modifications of existing laws, rules, regulations, orders, restrictions or requirements which, if adopted, would materially adversely affect the current operations of Embassy.

5.15 Compliance with Laws. (a) To its knowledge, the business operations, property and assets of Embassy (and to the knowledge of Embassy, the business of any sub-tenant or license which is occupying or has occupied any space on any premises of Embassy and the activities of which could result in any material adverse liability to Embassy) (i) conform with and are in compliance in all material respects with all, and are not in material violation of any applicable federal, state and local laws, rules and regulations, including, but not limited to, CERCLA and RCRA, as well as any other laws, rules or regulations relating to tax, product liability, controlled substances, product registration, environmental protection, hazardous or toxic waste, employment, or occupational safety matters; and (ii) have been conducted and operated in a manner such that, to Embassy's knowledge, Embassy has no foreseeable potential liabilities for environmental clean-up under CERCLA, RCRA or under any law, rule, regulation or common or civil law doctrine.

(b) To its knowledge, no predecessor-in-title to any real property now or previously owned or operated by Embassy, nor any predecessor operator thereof conducted its business or operated such property in violation of CERCLA and RCRA or any other applicable, federal, state and local laws, rules and regulations relating to environmental protection or hazardous or toxic waste matters.

(c) Except as disclosed in the Embassy Disclosure Schedule, no suit, action, claim, proceeding nor investigation review or inquiry by any Government Entity (as defined in Section 4.9) concerning any such possible violations by Embassy is pending or, to Embassy's knowledge, threatened, including, but not limited to, matters relating to diagnostic tests and products and product liability, environmental protection, hazardous or toxic waste, controlled substances, employment, occupational safety or tax matters. Embassy does not know of any reasonable basis or ground for any such suit, claim, investigation, inquiry or proceeding.

5.16 Governmental Licenses, Permits, Etc. To its knowledge, Embassy has all governmental licenses, permits, authorizations and approvals necessary for the conduct of its business as currently conducted. All such licenses, permits, authorizations and approvals are in full force and effect, and no proceedings for the suspension or cancellation of any thereof is pending or threatened.

5.17 Brokers. Embassy has not made any agreement or taken any action with any person or taken any action which would cause any person to be entitled to any agent's, broker's or finder's fee or commission in connection with the transactions contemplated by this Agreement.

5.18 Employee Plans. Except as listed in Embassy's SEC Reports, Embassy has no employees, consultants or agents, and Embassy has no Employee Plans or Compensation Arrangements.

5.19 Registration Statement and Proxy Statement. To its knowledge, the Registration Statement and the Proxy Statement will comply with, and will be distributed in accordance with, as applicable, the BCA, the Securities Act and the Exchange Act and all rules and regulations of the SEC promulgated under such acts, and state securities or blue sky laws. At the time that the Registration Statement (or any registration statement included therein) becomes effective, the Proxy Statement is first mailed to Embassy's shareholders and the meeting of Embassy's shareholders takes place, as the case may be, neither the Registration Statement nor the Proxy Statement will contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that this representation shall not be deemed to apply to information included in the Registration Statement or the Proxy Statement relating to Orthodontix which was furnished by Orthodontix to Embassy for use in the Registration Statement and the Proxy Statement and which was made in conformity with the information so furnished.

5.20 Accounts. Embassy has previously disclosed to Orthodontix a list of all banks and other institutions in which Embassy maintains an account (including checking, savings, cash management, brokerage, money market or any other type of account) or safe deposit box, the address and telephone of such bank or other institution, the name of Embassy's contact person with respect to such account or safe deposit box, the account number of each such account, and the names of all person authorized to make draws on such accounts or who have access to such safe deposit boxes.

5.21 OTC Bulletin Board. The Embassy Stock is quoted on the OTC Bulletin Board (the "Bulletin Board") under the symbol "MBCA," and Embassy is in compliance in all material respects with all rules and regulations of the Bulletin Board applicable to Embassy and the inclusion for quotation of such securities on the Bulletin Board.

5.22 Nasdaq SmallCap Market. Embassy shall prepare and file with the Nasdaq Small Cap Market no later than the Effective Date, an application to have the Embassy Stock listed for trading on Nasdaq SmallCap.

5.23 No Omissions or Untrue Statements. No representations or warranties made by Embassy to Orthodontix in this Agreement or in any certificate of a Embassy officer required to be delivered to Orthodontix pursuant to the terms of this Agreement contains or will contain any untrue statement of a material fact, omits or will omit to state a material fact necessary to make the statement contained herein or therein not misleading as of the date hereof and as of the Closing Date.

5.24 Embassy Disclosure Schedule Complete. Embassy shall promptly supplement the Embassy Disclosure Schedule if events occur prior to the Closing Date that would have been required to be disclosed had they existed at the time of executing this Agreement. The Embassy Disclosure Schedule, as supplemented prior to the Closing Date, will contain a true, correct and complete list and description of all items required to be set forth therein. The Embassy Disclosure Schedule, as supplemented prior to the Closing Date, is expressly incorporated herein by reference. Notwithstanding the foregoing, any such supplement to the Embassy Disclosure Schedule following the date hereof shall not in any way affect Orthodontix's right not to consummate the transactions contemplated hereby as set forth in Section 6.2 hereof.

## VI. STOCKHOLDER APPROVAL; CLOSING DELIVERIES

6.1 Stockholder Approval. Embassy shall submit the Merger and this Agreement to its shareholders for approval and adoption at the Meeting to be held as soon as practicable following the date or this Agreement in accordance with Section 3.7 hereof. Subject to the Merger and this Agreement receiving all approvals of

Embassy and Orthodontix shareholders and regulatory approvals and the absence of 30% or more of the non-affiliated shareholders of Embassy (i) voting against the Merger; and (ii) requesting redemption of their shares of Embassy Stock in the manner to be set forth in the Proxy Statement, and subject to the other provisions of this Agreement, the parties shall hold a closing (the "Closing") no later than the fifth business day (or such later date as the parties hereto may agree) following the later of (a) the date of the Meeting of Shareholders of Embassy to consider and vote upon the Merger and this Agreement and the Name Change or (b) the business day on which the last of the conditions set forth in Articles VII and VIII hereof is fulfilled or waived (such later date, the "Closing Date"), at 10:00 A.M. at the offices of Berman Wolfe & Rennert, P.A., or at such other time and place as the parties may agree upon.

6.2 Closing Deliveries of Orthodontix. At the Closing, Orthodontix shall deliver, or cause to be delivered, to Embassy:

(a) a certificate dated as of the Closing Date, to the effect that the representations and warranties of Orthodontix contained in this Agreement are true and correct in all material respects at and as of the Closing Date and that Orthodontix has complied with or performed in all material respects all terms, covenants and conditions to be complied with or performed by Orthodontix on or prior to the Closing Date;

(b) an opinion of Orthodontix's counsel, Atlas, Pearlman, Trop & Borkson, P.A., in form and substance reasonably satisfactory to Embassy, in a form to be mutually agreed to prior to the Closing;

(c) a certificate, dated as of the Closing Date, certifying as to the Articles of Incorporation and Bylaws of Orthodontix, the incumbency and signatures of the officers of each of Orthodontix and copies of the directors' and shareholders' resolutions of Orthodontix approving and authorizing the execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby;

(d) the First Union Consent (as defined in Section 7.9) as well as any other applicable consents contemplated by the Orthodontix Disclosure Schedule;

(e) an agreement, in a form reasonably satisfactory to Orthodontix and to Embassy and in substantially the form as Exhibit "B" (the "Orthodontix Lock-Up Agreement"), prohibiting, for a period of fifteen months from the Effective Date, all holders of the outstanding shares of Orthodontix Stock, exclusive of the shares issuable in connection with the Practice Acquisitions, from selling, transferring or otherwise disposing of the Embassy Stock received by each of them pursuant to the Merger (the "Embassy Acquired Stock");

(f) a letter executed by an authorized representative of Orthodontix listing those persons who may be deemed "affiliates" of Orthodontix within the meaning of Rule 145 under the Securities Act of 1933; and

(g) such other documents, at the Closing or subsequently, as may be reasonably requested by Embassy as necessary for the implementation and consummation of this Agreement and the transactions contemplated hereby.

6.3 Closing Deliveries of Embassy. At the Closing, Embassy shall deliver to Orthodontix:

(a) a certificate of Embassy, dated as of the Closing Date, to the effect that the representations and warranties of Embassy contained in this Agreement are true and correct in all material respects and that Embassy has complied with or performed in all material respects all terms, covenants and conditions to be complied with or performed by Embassy on or prior to the Closing Date;

(b) a certificate, dated as of the Closing Date, executed by the Secretary of Embassy, certifying the Articles of Incorporation, Bylaws, incumbency and signatures of officers of Embassy and copies of Embassy's directors' and shareholders' resolutions approving and authorizing the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby;

(c) an opinion of Embassy's counsel, Berman Wolfe & Rennert, P.A., in form and substance reasonably satisfactory to Orthodontix, in a form to be mutually agreed to prior to the Closing;

(d) the written resignations of all officers, and all directors of Embassy other than Halpryn and Dresnick.

(e) certificates representing the Embassy Stock issuable upon consummation of the Merger;

(f) agreements, in form reasonably satisfactory to Orthodontix and to Embassy and in substantially the form of Exhibits "C" and "D" attached hereto (the "Embassy Lock-Up Agreements") prohibiting, for a period of six months from the Effective Date (the "Six Month Period"), Dresnick, Halpryn, Ronald M. Stein, Craig A. Brumfield and Andrew H. Marshak from selling, transferring or otherwise disposing their shares of Embassy Common Stock, and limiting the transfer or other disposition of the Embassy Common Stock by Dresnick and Halpryn for a period of nine months following the Six Month Period;

(g) the books and records of Embassy; and

(h) documentation satisfactory to Orthodontix evidencing the fact that the signatories on all relevant bank accounts of Embassy have been changed to signatories designated by Orthodontix.

#### VII. CONDITIONS TO OBLIGATIONS OF ORTHODONTIX

The obligation of Orthodontix to consummate the Closing is subject to the following conditions, any of which may be waived by Orthodontix in its sole discretion:

7.1 Compliance by Embassy. Embassy shall have performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with by Embassy prior to or on the Closing Date.

7.2 Accuracy of Embassy's Representations. Embassy's representations and warranties contained in this Agreement (including the Embassy Disclosure Schedule) or any schedule, certificate or other instrument delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby shall be true and correct in all material respects at and as of the Closing Date (except for such changes permitted by this Agreement) and shall be deemed to be made again as of the Closing Date.

7.3 Material Adverse Change. No material adverse change shall have occurred subsequent to December 31, 1996 in the financial position, results of operations, assets, liabilities or prospects of Embassy, nor shall any event or circumstance have occurred which would result in a material adverse change in the financial position, results of operations, assets, liabilities or prospects of Embassy within the reasonable discretion of Orthodontix.

7.4 Documents. All documents and instruments delivered by Embassy to Orthodontix at the Closing shall be in form and substance reasonably satisfactory to Orthodontix and its counsel.

7.5 Capitalization. At the Closing Date, Embassy shall have, other than with respect to the issuance of shares underlying the Embassy Warrants, not more than 2,540,000 shares of Embassy Stock issued and outstanding.

7.6 Effectiveness of Registration Statement; No Stop Order. The Registration Statement shall be effective under the Securities Act and shall not be subject to a stop order or any threatened stop order.

7.7 Reorganization. The Merger shall qualify as a tax-free reorganization under Section 368 of the Code.

7.8 Litigation. No litigation seeking to enjoin the transactions contemplated by this Agreement or to obtain damages on account hereof shall be pending or, to Orthodontix's knowledge, be threatened.

7.9 Certain Consents. Orthodontix shall have received from First Union Bank (the "First Union Consent") (and any other applicable consents contemplated by the Embassy Disclosure Schedule) a consent in writing, in form and substance reasonably satisfactory to Embassy and its counsel, to Orthodontix's entry into this Agreement and consummation of the Merger.

7.10 Nasdaq SmallCap Market. An application to have the shares of Embassy Stock quoted for trading on the Nasdaq SmallCap Stock Market shall have been filed by Embassy.

7.11 Cash Assets. Embassy shall have cash assets of no less than \$7.2 million at the Closing, exclusive of any amounts payable in connection with the Practice Acquisitions and inclusive of any redemption amounts payable to Embassy shareholders.

#### VIII. CONDITIONS TO EMBASSY'S OBLIGATIONS

Embassy's obligation to consummate the closing is subject to the following conditions, any of which may be waived by Embassy in its sole discretion:

8.1 Compliance by Orthodontix. Orthodontix shall have performed and complied in all material respects with all agreements and conditions required by this Agreement to be performed or complied with prior to or on the Closing Date.

8.2 Accuracy of Orthodontix's Representations. Orthodontix's representations and warranties contained in this Agreement (including the exhibits hereto and the Embassy Disclosure Schedule) or any schedule, certificate or other instrument delivered pursuant to the provisions hereof or in connection with the transactions contemplated hereby shall be true and correct in all material respects at and as of the Closing Date (except for such changes permitted by this Agreement) and shall be deemed to be made again as of the Closing Date.

8.3 Material Adverse Change. No material adverse change shall have occurred subsequent to December 31, 1996 in the financial position, results of operations, assets, liabilities or prospects of Orthodontix taken as a whole, nor shall any event or circumstance have occurred which would result in a material adverse change in the business, assets or condition, financial or otherwise, of Orthodontix taken as a whole, within reasonable discretion of Embassy.

8.4 Litigation. No litigation seeking to enjoin the transactions contemplated by this Agreement or to obtain damages on account hereof shall be pending or, to Embassy's knowledge, be threatened.

8.5 Reorganization. The Merger shall qualify as a tax-free reorganization under Section 368 of the Code and there are no material adverse tax consequences to the Merger.

8.6 Documents. All documents and instruments delivered by Orthodontix to Embassy at the Closing shall be in form and substance reasonably satisfactory to Embassy and its counsel.

8.7 Practice Acquisitions. Immediately after the Merger has been effected, on the Effective Date, Orthodontix shall have consummated the acquisition of certain tangible and intangible assets of certain orthodontic practices, which, in the aggregate, generated no less than \$15.0 million in gross revenues for the twelve month period ended December 31, 1996 (the "Practice Gross Revenue Amount") in consideration for the delivery of cash (the "Practice Acquisition Cash Amount"); and (ii) that number of shares of Orthodontix Stock equal to the quotient obtained by (x) the difference between 1.2 times the Practice Gross Revenue Amount and the Practice Cash Amount divided by (y) the Embassy Share Value. For purposes of this calculation, the Embassy Share Value shall mean the average over a period of 15 trading days of the closing prices of Embassy Stock as reflected on the OTC Bulletin Board.

8.8 Liabilities. At the Closing Date, Orthodontix shall have no more than \$500,000 in total liabilities, exclusive of the Practice Acquisition Cash Amount.

#### IX. INDEMNIFICATION

9.1 By Orthodontix. Subject to Section 9.4, Orthodontix shall indemnify, defend and hold Embassy, its directors, officers, shareholders, attorneys, agents and affiliates, harmless from and against any and all losses, costs, liabilities, damages, and expenses (including legal and other expenses incident thereto) of every kind, nature and description, including any undisclosed liabilities (collectively, "Losses") that result from or arise



out of (i) the breach of any representation or warranty of Orthodontix set forth in this Agreement or in any certificate delivered to Embassy pursuant hereto; or (ii) the breach of any of the covenants of Orthodontix contained in or arising out of this Agreement or the transactions contemplated hereby.

9.2 By Embassy. Subject to Section 9.4, Embassy shall indemnify, defend, and hold Orthodontix its directors, officers, shareholders, attorneys, agents and affiliates harmless from and against any and all Losses that arise out of (i) the breach of any representation or warranty of Embassy set forth in this Agreement or in any certificate delivered to Orthodontix pursuant hereto; or (ii) the breach of any of the covenants of Embassy contained in or arising out of this Agreement or the transactions contemplated hereby.

9.3 Claims Procedure. Should any claim covered by Sections 9.1 or 9.2 be asserted against a party entitled to indemnification under this Article (the "Indemnitee"), the Indemnitee shall promptly notify the party obligated to make indemnification (the "Indemnitor"); provided, however, that any delay or failure in notifying the Indemnitor shall not affect the Indemnitor's liability under this Article if such delay or failure was not prejudicial to the Indemnitor. The Indemnitor upon receipt of such notice shall assume the defense thereof with counsel reasonably satisfactory to the Indemnitee and the Indemnitee shall extend reasonable cooperation to the Indemnitor in connection with such defense. No settlement of any such claim shall be made without the consent of the Indemnitor and Indemnitee, such consent not to be unreasonably withheld or delayed, nor shall any such settlement be made by the Indemnitor which does not provide for the absolute, complete and unconditional release of the Indemnitee from such claim. In the event that the Indemnitor shall fail, within a reasonable time, to defend a claim, the Indemnitee shall have the right to assume the defense thereof without prejudice to its rights to indemnification hereunder.

9.4 Limitations on Liability. Neither Orthodontix nor Embassy shall be liable hereunder as a result of any misrepresentation or breach of such party's representations, warranties or covenants contained in this Agreement unless and until the Losses incurred by each, as the case may be, as a result of such misrepresentations or breaches under this Agreement shall exceed, in the aggregate, \$200,000 (in which case the party liable therefor shall be liable for the entire amount of such claims, including the first \$200,000).

#### X. TERMINATION

10.1 Termination Prior to Closing. (a) If the Closing has not occurred by March 1, 1998, subject to a 30 day extension by Orthodontix, or any other extension as agreed by the parties (the "Termination Date"), any of the parties hereto may terminate this Agreement at any time thereafter by giving written notice of termination to the other parties; provided, however, that no party may terminate this Agreement if such party has willfully or materially breached any of the terms and conditions hereof.

(b) Prior to the Termination Date either party to this Agreement may terminate this Agreement following the insolvency or bankruptcy of the other, or if any one or more of the conditions to Closing set forth in Article VI, Article VII or Article VIII shall become incapable of fulfillment and shall not have been waived by the party for whose benefit the condition was established, then either party may terminate this Agreement.

(c) Notwithstanding anything contained herein to the contrary, Embassy acknowledges that certain of the Practice Acquisitions which in the aggregate had generated approximately no less than \$5.2 million in gross revenues for the twelve-month period ended December 31, 1996 are required to close on or prior to March 1, 1998.

10.2 Consequences of Termination. Upon termination of this Agreement pursuant to this Article X or any other express right of termination provided elsewhere in this Agreement, the parties shall be relieved of any further obligation to the others except as specified in Section 12.3. No termination of this Agreement, however, whether pursuant to this Article X hereof or under any other express right of termination provided elsewhere in this Agreement, shall operate to release any party from any liability to any other party incurred before the date of such termination or from any liability resulting from any willful misrepresentation made in connection with this Agreement or willful breach hereof.

## XI. ADDITIONAL COVENANTS

11.1 Mutual Cooperation. The parties hereto will cooperate with each other, and will use all reasonable efforts to cause the fulfillment of the conditions to the parties' obligations hereunder and to obtain as promptly as possible all consents, authorizations, orders or approvals from each and every third party, whether private or governmental, required in connection with the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, Orthodontix shall obtain, prior to the Closing, the consent of all of the recipients of Orthodontix Stock in connection with the Practice Acquisitions as a condition to closing the Practice Acquisitions.

11.2 Changes in Representations and Warranties of Orthodontix. Between the date of this Agreement and the Closing Date, Orthodontix shall not, directly or indirectly, except as contemplated in the Orthodontix Disclosure Schedule, enter into any transaction, take any action, or by inaction permit an event to occur, which would result in any of the representations and warranties of Orthodontix herein contained not being true and correct at and as of (a) the time immediately following the occurrence of such transaction or event or (b) the Closing Date. Orthodontix shall promptly give written notice to Embassy upon becoming aware of (i) any fact which, if known on the date hereof, would have been required to be set forth or disclosed pursuant to this Agreement and (ii) any impending or threatened breach in any material respect of any of the representations and warranties of Orthodontix contained in this Agreement and with respect to the latter shall use all reasonable efforts to remedy same.

11.3 Changes in Representations and Warranties of Embassy. Between the date of this Agreement and the Closing Date, Embassy shall not, directly or indirectly, enter into any transaction, take any action, or by inaction permit an event to occur, which would result in any of the representations and warranties of Embassy herein contained not being true and correct at and as of (a) the time immediately following the occurrence of such transaction or event or (b) the Closing Date. Embassy shall promptly give written notice to Orthodontix upon becoming aware of (i) any fact which, if known on the date hereof, would have been required to be set forth or disclosed pursuant to this Agreement and (ii) any impending or threatened breach in any material respect of any of the representations and warranties of Embassy contained in this Agreement and with respect to the latter shall use all reasonable efforts to remedy same.

## XII. MISCELLANEOUS

12.1 Expenses. Orthodontix and Embassy shall each pay its own expenses incident to the negotiation, preparation and carrying out of this Agreement, including all fees and expenses of its counsel and accountants for all activities of such counsel and accountants undertaken pursuant to this Agreement, whether or not the transactions contemplated hereby are consummated.

12.2 Survival of Representations, Warranties and Covenants. All statements contained in this Agreement or in any certificate delivered by or on behalf of Orthodontix or Embassy pursuant hereto or in connection with the transactions contemplated hereby shall be deemed representations, warranties and covenants by Orthodontix or Embassy, as the case may be, hereunder. All representations, warranties and covenants made by Orthodontix and by Embassy in this Agreement, or pursuant hereto, shall survive through the Closing Date.

12.3 Nondisclosure. Embassy will not at any time after the date of this Agreement, without Orthodontix' consent, divulge, furnish to or make accessible to anyone (other than to its representatives as part of its due diligence or corporate investigation) any knowledge or information with respect to confidential or secret processes, inventions, discoveries, improvements, formulae, plans, material, devices or ideas or know-how, whether patentable or not, with respect to any confidential or secret aspects (including, without limitation, customers or suppliers) ("Confidential Information") of Orthodontix.

Orthodontix will not at any time after the date of this Agreement, without Embassy's consent (except as may be required by law), use, divulge, furnish to or make accessible to anyone any Confidential Information (other than to its representatives as part of its due diligence or corporate investigation) with respect to Embassy.

The undertakings set forth in the preceding two paragraphs of this Section 12.3 shall lapse if the Closing takes place as to Embassy and Orthodontix, but shall not lapse as to the officers and directors of Embassy, individually.

Any information, which (i) at or prior to the time of disclosure by either of Orthodontix or Embassy was generally available to the public through no breach of this covenant, (ii) was available to the public on a non-confidential basis prior to its disclosure by either of Orthodontix or Embassy or (iii) was made available to the public from a third party, provided that such third party did not obtain or disseminate such information in breach of any legal obligation to Orthodontix or Embassy, shall not be deemed Confidential Information for purposes hereof, and the undertakings in this covenant with respect to Confidential Information shall not apply thereto.

12.4 Succession and Assignments; Third Party Beneficiaries. This Agreement may not be assigned (either voluntarily or involuntarily) by any party hereto without the express written consent of the other party. Any attempted assignment in violation of this Section shall be void and ineffective for all purposes. In the event of an assignment permitted by this Section, this Agreement shall be binding upon the heirs, successors and assigns of the parties hereto. Except as expressly set forth in this Section, there shall be no third party beneficiaries of this Agreement.

12.5 Notices. All notices, requests, demands or other communications with respect to this Agreement shall be in writing and shall be (i) sent by facsimile transmission, (ii) sent by the United States Postal Service, registered or certified mail, return receipt requested, or (iii) personally delivered by a nationally recognized express overnight courier service, charges prepaid, to the following addresses (or such other addresses as the parties may specify from time to time in accordance with this Section):

(a) To Embassy:

Embassy Acquisition Corp.  
1428 Brickell Avenue, Suite 105  
Miami, Florida 33131  
Attn: Glenn Halpryn, President

With a copy to:

Charles J. Rennert, Esq.  
Berman Wolfe & Rennert, P.A.  
NationsBank Tower At International Place  
100 Southeast 2nd Street, 35th Floor  
Miami, Florida 33131

(b) To Orthodontix:

Orthodontix, Inc.  
2222 Ponce de Leon Blvd., PH  
Coral Gables, Florida 33134  
Attn: F.W. "Mort" Guilford

With a copy to:

Charles Pearlman  
Atlas, Pearlman, Trop & Borkson, P.A.  
New River Center, Suite 1900  
200 East Las Olas Boulevard  
Fort Lauderdale, Florida 33301

Any such notice shall, when sent in accordance with the preceding sentence, be deemed to have been given and received on the earliest of (i) the day delivered to such address or sent by facsimile transmission, (ii) the fifth (5th) business day following the date deposited with the United States Postal Service, or (iii) twenty-four (24) hours after shipment by such courier service.

12.6 Construction. This Agreement shall be construed and enforced in accordance with the internal laws of the State of Florida without giving effect to the principles of conflicts of law thereof, except to the extent that the Securities Act or the Exchange Act applies to the Registration Statements and the Proxy Statement.

12.7 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same Agreement.

12.8 No Implied Waiver; Remedies. No failure or delay on the part of the parties hereto to exercise any right, power or privilege hereunder or under any instrument executed pursuant hereto shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. All rights, powers and privileges granted herein shall be in addition to other rights and remedies to which the parties may be entitled at law or in equity.

12.9 Entire Agreement. This Agreement, including the Exhibits and Schedules attached hereto, sets forth the entire understandings of the parties with respect to the subject matter hereof, and it incorporates and merges any and all previous communications, understandings, oral or written, as to the subject matter hereof, and cannot be amended or changed except in writing, signed by the parties.

12.10 Headings. The headings of the Sections of this Agreement, where employed, are for the convenience of reference only and do not form a part hereof and in no way modify, interpret or construe the meanings of the parties.

12.11 Severability. To the extent that any provision of this Agreement shall be invalid or unenforceable, it shall be considered deleted herefrom and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

12.12 Public Disclosure. From and after the date hereof through the Closing Date, Embassy shall not issue a press release or any other public announcement with respect to the transactions contemplated hereby without the prior consent of Orthodontix, which consent shall not be unreasonably withheld or delayed. It is understood by Orthodontix that Embassy is required under the Exchange Act to make prompt disclosure of any material transaction.

THE PARTIES TO THIS AGREEMENT HAVE READ THIS AGREEMENT, HAVE HAD THE OPPORTUNITY TO CONSULT WITH INDEPENDENT COUNSEL OF THEIR OWN CHOICE, AND UNDERSTAND EACH OF THE PROVISIONS OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

EMBASSY ACQUISITION CORP.

By: /s/ GLENN L. HALPRYN  
-----  
Glenn L. Halpryn  
President

ORTHODONTIX, INC.

By: /s/ F.W. MORT GUILFORD  
-----  
F.W. Mort Guilford  
President

The undersigned agree to the provisions of Section 3.7(b) and Section 12.3 hereof:

/s/ GLENN L. HALPRYN  
-----  
Glenn L. Halpryn

/s/ RONALD M. STEIN  
-----  
Ronald M. Stein

/s/ CRAIG A. BRUMFIELD  
-----  
Craig A. Brumfield

/s/ STEPHEN J. DRESNICK, M.D.  
-----  
Stephen J. Dresnick, M.D.

/s/ ANDREW H. MARSHAK  
-----  
Andrew H. Marshak

RESTATED ARTICLES OF INCORPORATION  
OF  
EMBASSY ACQUISITION CORP.

Pursuant to Section 607.1007 of the Florida Business Corporation Act, the undersigned corporation on this date hereby restates its Articles of Incorporation by deleting therefrom in their entirety Article I through Article XII and by substituting in their place Article I through Article XI below.

ARTICLE I

NAME

The name of the corporation is Orthodontix, Inc. (the "Corporation").

ARTICLE II

PURPOSE

The Corporation is organized for the purposes of transacting any or all lawful business for which corporations may be organized under the laws of the United States and the laws of the State of Florida.

ARTICLE III

CAPITAL STOCK

The Corporation is authorized to issue the following shares of capital stock: (a) 100,000,000 shares of common stock, par value \$.0001 per share (the "Common Stock"); and (b) 100,000,000 shares of preferred stock, par value \$.0001 per share (the "Preferred Stock"). The voting rights, the rights of redemption and other relative rights and preferences of the Preferred Stock shall be established by the Board of Directors.

The Board of Directors may authorize the issuance of such stock to such persons upon such terms and for such consideration in cash, property or services as the Board of Directors may determine and as may be allowed by law. The just valuation of such property or services shall be fixed by the Board of Directors. All such stock when issued shall be fully paid and exempt from assessment.

ARTICLE IV

REGISTERED OFFICE AND AGENT

The name of the registered agent of the Corporation and the street address of the registered office of this Corporation is:

Berman, Wolfe & Rennert, P.A.  
100 S.E. Second Street, 35th Floor  
Miami, FL 33131  
Attention: Charles J. Rennert, Esq.

ARTICLE V

CORPORATE MAILING ADDRESS

The principal office and mailing address of the Corporation is:

2222 Ponce de Leon, 3rd Floor  
Coral Gables, FL 33134

## ARTICLE VI

## POWERS

The Corporation shall have all of the corporate powers enumerated under Florida law.

## ARTICLE VII

## DIRECTOR-CONFLICTS OF INTEREST

No contract or other transaction between the Corporation and one or more of its directors, or between the Corporation and any other corporation, firm, association or other entity in which one or more of the directors are directors or officers, or are financially interested, shall be either void or voidable because of such relationship or interest or because such director or directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction or because his or her votes are counted for such purpose, if:

(a) The fact of such relationship or interest is disclosed or known to the Board of Directors, or a duly empowered committee thereof, which authorizes, approves or ratifies the contract or transaction by a vote or consent sufficient for such purpose without counting the vote or votes of such interested director or directors; or

(b) The fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve or ratify such contract or transaction by vote or written consent; or

(c) The contract or transaction is fair and reasonable as to the Corporation at the time it is authorized by the Board, committee or the shareholders.

A director of the Corporation may transact business, borrow, lend, or otherwise deal or contract with the Corporation to the full extent and subject only to the limitations and provisions of the laws of the State of Florida and the laws of the United States.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction.

## ARTICLE VIII

## NO ANTI-TAKEOVER LAW GOVERNANCE

The Corporation shall not be governed by Sections 607.0901 or 607.0902 of the Florida Business Corporation Act or any laws related thereto.

## ARTICLE IX

## INDEMNIFICATION

The Corporation shall indemnify and shall advance expenses on behalf of its officers and directors to the fullest extent permitted by law in existence either now or hereafter.

## ARTICLE X

## FISCAL YEAR

The fiscal year of this Corporation shall be the calendar year, unless otherwise established by the Board of Directors.

ARTICLE XI

DURATION

The duration of the Corporation is perpetual, unless sooner liquidated or dissolved in accordance with law.

The foregoing Restated Articles of Incorporation were approved by unanimous written consent of the Board of Directors and by a majority of the stockholders at a special meeting of stockholders. The number of stockholder votes cast were sufficient for approval of the Restated Articles of Incorporation.

The undersigned has executed these Restated Articles of Incorporation this  
th day of \_\_\_\_\_, 199 .

EMBASSY ACQUISITION CORP.

By:

-----

Glenn L. Halpryn,  
President

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## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## ITEM 20. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Embassy Acquisition Corp. (the "Registrant") has authority under Section 607.0850 of the Florida Business Corporation Act (the "MBCA") to indemnify its directors and officers to the extent permitted in such statute. With respect to the indemnification of the Registrant's directors and officers, the Registrant's Restated Articles of Incorporation provide that the Registrant shall indemnify its directors and officers to the fullest extent permitted by law in existence now or hereafter. In addition, the Registrant carries insurance permitted by the laws of the State of Florida on behalf of its directors and officers which may cover liabilities under the Securities Act of 1933, as amended (the "Securities Act").

The provisions of the MBCA that authorize indemnification do not eliminate the duty of care of a director, and in appropriate circumstances equitable remedies such as injunctive or other forms of nonmonetary relief will remain available under Florida law. In addition, each director will continue to be subject to liability for (a) violations of the criminal law, unless the director had reasonable cause to believe his conduct was lawful or had no reasonable cause to believe his conduct was unlawful; (b) deriving an improper personal benefit from a transaction; (c) voting for or assenting to an unlawful distribution; and (d) willful misconduct or a conscious disregard for the best interests of the Registrant in a proceeding by or in the right of the Registrant to procure a judgment in its favor or in a proceeding by or in the right of a shareholder. These provisions do not affect a director's responsibilities under any other law, such as the federal securities laws or state or federal environmental laws.

## ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following is a list of Exhibits filed herewith as part of the Registration Statement:

EXHIBIT	DESCRIPTION
-----	-----
2.1	-- Agreement and Plan of Merger and Reorganization, dated October 30, 1997, between Registrant and Orthodontix, Inc. ("Orthodontix") (included as Appendix A to the Proxy Statement-Prospectus which forms a part of this Registration Statement).
3.1*	-- Articles of Incorporation of Registrant.
3.2	-- Form of Restated Articles of Incorporation of Registrant (included as Appendix B to the Proxy Statement/Prospectus which forms a part of this Registration Statement).
3.3*	-- Bylaws of Registrant as amended.
3.4	-- Articles of Incorporation of Orthodontix.
3.5	-- Bylaws of Orthodontix.
4.1*	-- Form of certificate representing shares of Common Stock of Registrant.
5.1	-- Opinion of Berman Wolfe & Rennert, P.A. as to the legality of the securities being issued.
10.1	-- 1997 Embassy Acquisition Corp. Stock Option Plan
10.2	-- Form of Administrative Services Agreement for Orthodontix.
10.3	-- Forms of Services Agreement for Orthodontix.
10.4	-- Form of Agreement and Plan of Reorganization for Orthodontix.
10.5	-- Forms of Lock-Up Agreement.
23.1	-- Consent of Coopers & Lybrand L.L.P.
23.2	-- Consent of Berman Wolfe & Rennert, P.A. (included in Exhibit 5.1).

EXHIBIT	DESCRIPTION
24.1	-- Power of Attorney (included on the signature page of Part II of this Registration Statement).
99.1	-- Form of Proxy of Registrant.
99.2	-- Consent of Stephen Grussmark, D.D.S., M.S.D.
99.3	-- Consent of F.W. Mort Guilford.
99.4	-- Consent of William Thompson, D.D.S.
99.5	-- Consent of Mel Gottlieb.
99.6	-- Consent of Gary Gerson.

\* Incorporated by reference from the Registrant's Registration Statement on Form SB-2 declared effective by the Securities and Exchange Commission on April 2, 1996.

#### ITEM 22. UNDERTAKINGS

The undersigned Registrant hereby undertakes:

(1) to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement: (i) to include any prospectus required by section 10(a)(3) of the Securities Act of 1933, as amended (the "Act"); (ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and (iii) to include any additional or changed material information with respect to the plan of distribution;

(2) that, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof; and

(3) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Act, each filing of the Registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (and where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned Registrant hereby undertakes as follows: that prior to any public offering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by

any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such raftering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.

The Registrant undertakes that every prospectus (i) that is filed pursuant to the immediately preceding paragraph, or (ii) that purports to meet the requirements of section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the Registration Statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

The undersigned Registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing on Form S-4 and has duly caused this Registration Statement on Form S-4 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on March 25, 1998.

EMBASSY ACQUISITION CORP.

By: /s/ GLENN L. HALPRYN

-----  
 Glenn L. Halpryn,  
 President

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Glenn L. Halpryn acting alone, his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments, including post-effective amendments, to this Registration Statement, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities indicated on March 25, 1998.

SIGNATURE -----	TITLE -----	DATE ----
/s/ GLENN L. HALPRYN ----- Glenn L. Halpryn	President, Director	March 25, 1998
/s/ CRAIG A. BRUMFIELD ----- Craig A. Brumfield	Vice President, Treasurer, Principal Financial Officer and Director	March 25, 1998
/s/ RONALD M. STEIN ----- Ronald M. Stein	Vice President, Secretary and Director	March 25, 1998
/s/ ANDREW H. MARSHAK ----- Andrew H. Marshak	Director	March 25, 1998
/s/ STEPHEN J. DRESNICK, M.D. ----- Stephen J. Dresnick, M.D.	Director	March 25, 1998

## LIST OF EXHIBITS

EXHIBIT	DESCRIPTION
2.1	-- Agreement and Plan of Merger and Reorganization, dated October 30, 1997, between Registrant and Orthodontix, Inc. ("Orthodontix") (included as Appendix A to the Proxy Statement-Prospectus which forms a part of this Registration Statement).
3.2	-- Form of Restated Articles of Incorporation of Registrant (included as Appendix B to the Proxy Statement/Prospectus which forms a part of this Registration Statement).
3.4	-- Articles of Incorporation of Orthodontix.
3.5	-- Bylaws of Orthodontix.
5.1	-- Opinion of Berman Wolfe & Rennert, P.A. as to the legality of the securities being issued.
10.1	-- 1997 Embassy Acquisition Corp. Stock Option Plan.
10.2	-- Form of Administrative Services Agreement for Orthodontix.
10.3	-- Forms of Services Agreement for Orthodontix.
10.4	-- Form of Agreement and Plan of Reorganization for Orthodontix.
10.5	-- Forms of Lock-Up Agreement.
23.1	-- Consent of Coopers & Lybrand L.L.P.
23.2	-- Consent of Berman Wolfe & Rennert, P.A. (included in Exhibit 5.1).
24.1	-- Power of Attorney (included on the signature page of Part II of this Registration Statement).
99.1	-- Form of Proxy of Registrant.
99.2	-- Consent of Stephen Grussmark, D.D.S., M.S.D.
99.3	-- Consent of F.W. Mort Guilford.
99.4	-- Consent of William Thompson, D.D.S.
99.5	-- Consent of Mel Gottlieb.
99.6	-- Consent of Gary Gerson.

ARTICLES OF INCORPORATION  
OF  
ORTHODONTIX, INC.

The undersigned incorporator hereby forms a corporation under Chapter 607 of the laws of the State of Florida.

ARTICLE I - NAME

The name of the corporation is Orthodontix, Inc. (the "Corporation").

ARTICLE II - PURPOSE

The Corporation is organized for the purposes of transacting any or all lawful business for which corporations may be organized under the laws of the United States and the laws of the State of Florida or any other state, country, territory or nation.

ARTICLE III - CAPITAL STOCK

The Corporation is authorized to issue the following shares of capital stock: (a) 100,000,000 shares of common stock, par value \$.0001 per share (the "Common Stock"); and (b) 1,000,000 shares of preferred stock, par value \$.0001 per share (the "Preferred Stock"). The voting rights, the rights of the redemption and other relative rights and preferences of the Preferred Stock shall be established by the Board of Directors. The Board of Directors may authorize the issuance of such stock to such persons upon such terms and for such consideration in cash, property or services as the Board of Directors may determine and as may be allowed by law. The just valuation of such property or services shall be fixed by the Board of Directors. All such stock when issued shall be fully paid and exempt from assessment.

ARTICLE IV - REGISTERED OFFICE AND AGENT

The name of the initial registered agent of the Corporation and the street address of the initial registered office of the Corporation is:

Berman Wolfe & Rennert, P.A.  
100 Southeast Second Street, 35th Floor  
Miami, Florida 33131-2130  
Attention: Charles J. Rennert

ARTICLE V - CORPORATE MAILING ADDRESS

The principal office and mailing address of the Corporation is:

9920 SOUTHWEST 129TH STREET  
MIAMI, FLORIDA, 33176

ARTICLE VI - INCORPORATOR

The name and street address of the incorporator of the Corporation are as follows:

Berman Wolfe & Rennert, P.A.  
100 Southeast Second Street, 35th Floor  
Miami, Florida 33131-2130  
Attention: Charles J. Rennert

ARTICLE VII - DIRECTORS

All corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed under the direction of, its Board of Directors, subject to any limitation set forth in these Articles of Incorporation.

ARTICLE VIII - POWERS

The Corporation shall have all of the corporate powers enumerated under Florida law.

ARTICLE IX - DIRECTOR-CONFLICTS OF INTEREST

No contract or other transaction between the Corporation and one or more of its directors, or between the Corporation and any other corporation, firm, association or other entity in which one or more of its directors are directors or officers, or are financially interested, shall be either void or voidable because of such relationship or interest, because such director or directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction, or because his or her votes are counted for such purpose, if:

(a) The fact of such relationship or interest is disclosed or known to the Board of Directors or committee which authorizes, approves, or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors; or

(b) The fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve, or ratify such contract or transaction by vote or

written consent; or

(c) The contract or transaction is fair and reasonable as to the Corporation at the time it is authorized by the Board of Directors, committee, or the shareholders.

A director of the Corporation may transact business, borrow, lend, or otherwise deal or contract with the Corporation to the full extent permitted under, and subject only to the limitations and provisions of, the laws of the State of Florida and the laws of the United States.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves or ratifies such contract or transaction, and the presence or vote of common or interested directors may be counted for purposes of determining whether the transaction is approved under provisions of Florida law other than those relating to director conflicts of interest.

#### ARTICLE X - NO ANTI-TAKEOVER LAW GOVERNANCE

The Corporation shall not be governed by Sections 607.0901 or 607.0902 of the Florida Business Corporation Act or any laws related thereto.

#### ARTICLE XI - INDEMNIFICATION

The Corporation shall indemnify and shall advance expenses on behalf of its officers and directors to the fullest extent permitted by law in existence either now or hereafter.

#### ARTICLE XII - FISCAL YEAR

The fiscal year of this Corporation shall be the calendar year, unless otherwise established by the Board of Directors.



ARTICLE XIII - DURATION

The duration of the Corporation is perpetual, unless sooner liquidated or dissolved in accordance with law.

The undersigned has executed these Articles of Incorporation this 13th day of August, 1996.

BERMAN WOLFE & RENNERT, P.A.

By:/s/ Charles J. Rennert

-----  
Charles J. Rennert

ACCEPTANCE OF REGISTERED AGENT

Having been named to accept service of process for Orthodontix, Inc., at the place designated in the Articles of Incorporation, the undersigned, a Florida professional association having a business office at 100 Southeast Second Street, 35th Floor, Miami, Florida, 33131, agrees to act in this capacity, and is familiar with and accepts the obligations of the position of registered agent under the provisions of Section 607.0505, Florida Statutes.

Dated this 13th day of August, 1996.

BERMAN WOLFE & RENNERT, P.A.

By:/s/ Charles J. Rennert

-----  
Charles J. Rennert

BYLAWS  
OF  
ORTHODONTIX, INC.

ARTICLE I

IDENTIFICATION

SECTION 1. SEAL. The seal of the Corporation shall be circular in form and mounted upon a metal die, suitable for impressing upon paper, and shall bear the name of the Corporation and such symbols or words as the Board of Directors of the Corporation may decide.

SECTION 2. FISCAL YEAR. The fiscal year of the Corporation shall be December 31 of each year and may be changed from time to time by the Board of Directors.

SECTION 3. PLACE OF BUSINESS. The Corporation may have offices and do business at any place in any of the states, districts or territories of the United States and in any and all foreign countries.

ARTICLE II

STOCK CERTIFICATES, TRANSFER AND RECORDS

SECTION 1. FORMS OF SHARE CERTIFICATES. The shares of the Corporation shall be represented by certificates, in such forms as the Board of Directors may prescribe, signed by the President or a Vice President and the Secretary or an Assistant Secretary and sealed with the seal of the Corporation or a facsimile thereof. The signatures of the officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a Transfer Agent or a Registrar other than the Corporation or its employees. In case any officer who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer before such certificate is issued, it may be issued by the Corporation with the same effect as if that person were such officer at the date of issue.

Each certificate representing shares shall state upon the face thereof:

- (1) The name of the Corporation;
- (2) That the Corporation is formed under the laws of the State of Florida;
- (3) The name of the person or persons to whom issued;

(4) The number and class of shares, and the designation of the series, if any, which such certificate represents; and

(5) The par value of each share represented by such certificate, or a statement that the shares are without par value.

Should the Articles of Incorporation authorize, or be amended to authorize, the issuance of shares of more than one class or more than one series, in that event each certificate representing shares issued by the Corporation shall set forth or fairly summarize upon the face or back of the certificate, or shall state that the Corporation will furnish to any shareholder upon request and without charge, a full statement of:

(1) The designations, preferences, limitations, and relative rights of each class or series of authorized shares to be issued.

(2) The variations in the relative rights and preferences between the shares of each such series so far as the same have been fixed and determined and the authority of the Board of Directors to fix and determine the relative rights and preferences of subsequent series.

Every certificate representing shares which are restricted as to sale, disposition or other transfer of such shares shall state that such shares are restricted as to transfer and shall set forth or fairly summarize upon the certificate or shall state that the Corporation will furnish to any shareholder upon request and without charge a full statement of such restrictions.

SECTION 2. TRANSFER OF SHARES. The rights against the Corporation inherent in the shares represented by any stock certificate of the Corporation are transferable only by registration of such shares in the name of the assignee as the registered holder on the Stock Transfer Books of the Corporation. The Board of Directors may appoint one or more Transfer Agents or Registrars, jointly or severally, of the certificates representing the shares of stock of the Corporation and the Board of Directors may adopt such rules and regulations concerning the issue, transfer and registration of the stock of the Corporation as it may deem expedient, consistent with law, and may delegate the maintenance of the Stock Transfer Books and Record of Shareholders and Shareholders' Meeting Ledger derived therefrom to any duly appointed Transfer Agent of the Corporation.

SECTION 3. BOOKS AND RECORDS. The Corporation shall keep at its registered office or principal place of business or at the office of its Transfer Agent or Registrar, among other records, a Record of Shareholders setting forth, among other things, the names and addresses of the holders of all issued shares of the Corporation, the number, class and series, if any, of shares held by each, the certificate numbers representing such shares and the date of issue of the certificates representing such shares, and a Stock Register setting forth the total number of shares which the Corporation is authorized to issue, and the total number of shares actually issued.

The officer or agent having charge of the Stock Transfer Books for shares of the Corporation shall make, at least ten days before each meeting of shareholders, a Shareholders' Meeting Ledger which shall be a complete list of the shareholders entitled to vote at such meeting or any adjournment thereof, with the address of and the number and class and series, if any, of shares held by each. Such list shall be kept on file at the registered office of the Corporation, at the principal place of business of the Corporation or at the office of the Transfer Agent or Registrar for a period of ten days prior to such meeting and shall be subject to inspection by any shareholder at any time during usual business hours during that period and continuing through the meeting. Shareholders shall be responsible for notifying the Corporation or the Transfer Agent or Registrar, in writing, of any changes in their names or addresses from time to time, and failure so to do will relieve the Corporation, its other shareholders, directors, officers, agents and attorneys, of liability for failure to direct notices or other documents, or to pay over or transfer dividends or other property or rights to a name or address other than the name and address appearing in the Stock Transfer Books or Record of Shareholders.

The original Stock Transfer Books shall be PRIMA FACIE evidence as to who are the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders.

Any person who shall have been a holder of record of shares or of voting trust certificates therefor immediately preceding her demand, or shall be the holder of record of shares or the holder of record of voting trust certificates of the outstanding shares of any class or series of the Corporation, upon written demand stating the purpose thereof, shall have the right to examine, in person or by agent or attorney, at any reasonable times, for any proper purpose, its relevant books and records of accounts, minutes and record of shareholders. Persons so entitled to inspect books and records of accounts, minutes and records of shareholders of the Corporation, may make extracts therefrom at their own expense. This right of inspection shall not extend to any person who has within two years sold or offered for sale any list of shareholders of the Corporation or any other corporation, has aided or abetted any person in procuring any list of shareholders or holders of voting trust certificates for any such purpose, has improperly used any information secured through any prior examination of the books and records of account, minutes or records of shareholders or of holders of voting trust certificates for shares of the Corporation or any other corporation, or was not acting in good faith or for a proper purpose in making the demand.

If the requirements of this section have not been substantially complied with, the meeting, on demand of any shareholder in person or by proxy, shall be adjourned until the requirements are complied with. If no such demand is made, failure to comply with the requirements of this section shall not affect the validity of any action taken at such meeting.

SECTION 4. LOSS OF CERTIFICATE. In case of loss or destruction of any certificate of stock, the Board of Directors may authorize the issuance of another certificate in its place upon proof, satisfactory to the Board, of such loss or destruction. If the directors deem it advisable they may require the advertisement of such loss or destruction or the giving of a satisfactory bond of indemnity to the Corporation in such sum as they may require before issuing such duplicate certificate.

## ARTICLE III

## MEETING OF SHAREHOLDERS

SECTION 1. PLACE OF MEETING. All meetings of the shareholders of the Corporation shall be held either at the principal office of the Corporation, or at such other place within or without the United States as shall be designated by the Board of Directors.

SECTION 2. ANNUAL MEETING AND MEETINGS FOR THE ELECTION OF DIRECTORS. The annual meeting of the shareholders for the election of directors and transaction of other business shall be held at any time on any day of any month of each year so noticed, if such day is not a legal holiday, and if a legal holiday, then on the first following business day that is not a legal holiday.

SECTION 3. SPECIAL MEETINGS. Special meetings of the shareholders may be called by or at the request of the President or the Board of Directors, or the holders of not less than 10% of all of the shares entitled to vote at the meeting.

SECTION 4. NOTICE OF MEETINGS - WAIVER. Written notice stating the place, day and time of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered to each shareholder of record entitled to vote at such meeting not less than ten nor more than 60 days before the date of the meeting, either personally or by first class mail, by or at the direction of the President, the Secretary or the officer or persons calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at the shareholder's address as it appears on the Stock Transfer Books of the Corporation, with postage thereon prepaid. A shareholder may waive notice in writing of a shareholders meeting either before or after the time of such meeting, and the business or purpose of such meeting need not be specified in the waiver. Attendance by a shareholder at a shareholders meeting shall also constitute a waiver of notice of such meeting, except when the person attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 5. CLOSING OF TRANSFER BOOKS AND FIXING OF RECORD DATE. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the Stock Transfer Books shall be closed for a stated period but not to exceed, in any case, 60 days. If the Board of Directors determines that the Stock Transfer Books shall be closed before a meeting of shareholders, then the Stock Transfer Books shall be closed for at least ten days immediately preceding each meeting.

In lieu of closing the Stock Transfer Books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more

than 60 days, and, in case of a meeting of shareholders, not less than ten days, prior to the date on which the particular action requiring such determination of shareholders is to be taken.

If the Stock Transfer Books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof, unless the Board of Directors fixes a new record date under this section for the adjourned meeting.

#### SECTION 6. VOTING AT MEETINGS.

A. VOTING RIGHTS. At each election of directors, every shareholder entitled to vote at such meeting shall have the right to vote, in person or by proxy, the number of shares owned by that shareholder on the record date for as many persons as there are directors to be elected. At each shareholders' meeting every shareholder entitled to vote at such meeting shall have the right to vote, in person or by proxy, the number of shares owned by her on the record date upon each proposal duly presented at the meeting.

Shares held by an administrator, executor, guardian, conservator, committee, or other fiduciary, except a trustee, may be voted by that person, either in person or by proxy, without transfer of such shares into that person's name. Shares held by a trustee may be voted by that person, either in person or by proxy, only after the shares have been transferred into that person's name as trustee, or into the name of that person's nominee. The Corporation shall not be entitled to vote treasury shares. In all cases, a resolution shall be considered to be adopted by the shareholders if approved by the affirmative vote of a majority of the shares represented and entitled to vote on the question at a meeting duly held at which a quorum is present.

B. QUORUM. A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. When a specified item of business is required to be voted on by a class or series of stock, a majority of the shares of such class or series shall constitute a quorum for the transaction of such item of business by that class or series. After a quorum has been established at a shareholders' meeting, the subsequent withdrawal of any shareholders, so as to reduce the number of shares entitled to vote at the meeting below the number required for a quorum, shall not affect the validity of any action taken at the meeting or any adjournment thereof.

C. PROXIES. A shareholder may vote either in person or by proxy executed in writing by the shareholder, or by the shareholder's duly authorized attorney-in-fact.

D. JUDGES OF ELECTIONS. The Board of Directors at its annual meeting may appoint one or more Judges of Elections to serve until the final adjournment of the next annual shareholders' meeting. If they fail to make such appointment, or if their appointees, or any of them, fail to appear at any meeting of shareholders, the Chairman of the meeting of the shareholders may appoint another Judge to serve for the meeting.

Each Judge, before entering upon the discharge of the Judge's duties, shall take and sign an oath to execute faithfully the duties of a Judge at such meeting with strict impartiality and according to the best of the Judge's ability.

The Judges shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote, with fairness to all shareholders. On request of the person presiding at the meeting or any shareholder entitled to vote thereat, the Judges shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them. Any report or certificate made by them shall be PRIMA FACIE evidence of the facts stated and of the vote as certified by them.

SECTION 7. ADJOURNMENT OF MEETINGS. If a meeting is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken, and any business may be transacted at the adjourned meeting that might have been transacted on the original date of the meeting. If, however, after the adjournment the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record on the new record date who is entitled to vote at such meeting.

SECTION 8. ACTION WITHOUT A MEETING. When shareholders owning not less than a majority of the voting shares entitled to vote on or authorize any action shall determine to take such action without a meeting, they shall sign a written consent on the record of the action taken and such action shall be as valid as if a meeting had been legally called and noticed.

SECTION 9. MINUTES. Minutes shall be made of all shareholder proceedings, which minutes shall be taken and kept by the Secretary of the Corporation.

#### ARTICLE IV

##### THE BOARD OF DIRECTORS

SECTION 1. NUMBER, TENURE AND QUALIFICATIONS. The business and affairs of the Corporation shall be managed by the Board of Directors. The number of directors may be increased or decreased from time to time by vote of the Board of Directors but in no case shall the number of directors be



less than one. Each director shall hold office until the next annual meeting of shareholders and until his or her successor shall have been elected and qualified or until her earlier resignation, removal from office, or death. Directors need not be residents of the State of Florida or shareholders of the corporation.

SECTION 2. ELECTION. At the annual meeting of shareholders, the shareholders shall elect directors, by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present, to hold office until the next succeeding annual meeting or until their successors have been elected and qualified. If directors are not elected at the annual meeting, the incumbent directors shall continue in office until their successors are elected and qualified.

SECTION 3. VACANCIES. Whenever any vacancies shall occur in the Board of Directors by death, resignation, removal, increase in the number of directors or otherwise, the same may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors, and the director so elected shall hold office only until the next election of directors by shareholders.

SECTION 4. PLACE, CALL AND ADJOURNMENT OF DIRECTORS' MEETINGS. Meetings of the Board of Directors may be held either within or without the United States. Meetings of the Board of Directors may be called by the Chairman of the Board, by the President of the Corporation or by any director. The President shall preside at all directors' meetings.

A majority of the directors present at a meeting, whether or not a quorum is present, may adjourn any meeting to another time and place. Notice of any adjournment of a meeting to another time or place shall be given, in the manner described above, to the directors who were not present at the time of the adjournment and, unless such time and place are announced at the meeting, to the other directors.

SECTION 5. ANNUAL MEETING. The Board of Directors shall meet each year immediately after the annual meeting of shareholders for the purpose of organization, election of officers and consideration of any other business that may properly be brought before the meeting. No notice of any kind to either old or new members of the Board of Directors for such annual meeting shall be necessary.

SECTION 6. OTHER MEETINGS. Other meetings of the Board of Directors may be held upon written notice by mail, telegram or personal delivery actually received at least two days prior to the day for such meeting. Notice of any meeting of the Board of Directors may be waived in writing signed by the person or persons entitled to such notice, whether before or after the time of such meeting. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. The purpose or purposes of such meeting of the Board of Directors need not be specified in the notice or waiver of notice of such meeting.

SECTION 7. QUORUM AND ACTION. A majority of the members of the Board of Directors then in office shall constitute a quorum for the transaction of business. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, except that any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if a consent in writing, setting forth the action so to be taken, signed by all of the directors or a majority thereof, to the extent permitted by law, is filed in the minutes of the proceedings of the Board. Members of the Board of Directors or any committee thereof shall be deemed present at any meeting of the Board or the committee if a conference telephone or other similar communications equipment by means of which all persons participating in the meeting can hear each other is used. No contract or other transaction between this corporation and one or more of its directors or any other corporation, firm, association, or entity in which one or more of the directors are directors or officers or are financially interested, shall be either void or voidable because of such relationship or interest or because such director or directors are present at the meeting of the Board of Directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction or because her or their votes are counted for such purpose, if:

(a) The fact of such relationship or interest is disclosed or known to the Board of Directors or committee which authorizes, approves, or ratifies the contract or transaction by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors; or

(b) The fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve, or ratify such contract or transaction by vote or written consent; or

(c) The contract or transaction is fair and reasonable as to the Corporation at the time it is authorized by the Board of Directors, a committee or the shareholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction.

SECTION 8. REMOVAL. At a meeting of shareholders called expressly for that purpose, any director or the entire Board of Directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at an election of directors.

SECTION 9. RESIGNATION. Any director of the Corporation may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary of the Corporation. Such resignation shall take effect at the time specified therein; and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 10. COMMITTEES. The Board of Directors, by resolution adopted by a majority of the full Board, may designate from among its members an executive committee and one or more other committees, each of which, to the extent provided in the resolution, shall have and may

exercise all the authority of the Board of Directors, except that no such committee shall have authority to:

(1) approve or recommend to shareholders actions or proposals required by law to be approved by shareholders;

(2) designate candidates for the office of director, for purposes of proxy solicitation or otherwise;

(3) fill vacancies on the Board of Directors or any committee thereof;

(4) amend or repeal the Bylaws of the Corporation;

(5) authorize or approve the reacquisition of shares unless pursuant to a general formula or method specified by the Board of Directors; and

(6) authorize or approve the issuance or sale of, or any contract to issue or sell, shares or designate or determine relative rights, preferences, and limitations of a series of a class of shares or other voting group, except that the Board of Directors, having acted regarding general authorization for the issuance or sale of shares, or any contract therefor and, in the case of a series or other voting group, the designation thereof, may, pursuant to a general formula or method specified by the Board of Directors by resolution or by adoption of a stock option or other plan, authorize a committee or a senior executive officer of the Corporation to fix the terms of any contract for the sale of the shares and to fix the terms upon which such shares may be issued or sold, including, without limitation, the price, the rate or manner of payment of dividends, provisions for redemption, sinking fund, conversion, and voting or preferential rights, and provisions for other features of a class of shares, a series of a class of shares, or other voting group, with full power in such committee to adopt any final resolution setting forth all the terms thereof and to authorize the statement of the terms of a series for filing with the Florida Department of State.

The Board of Directors may designate one or more directors as alternate members or any such committee, who may replace any absent member or members at any meeting of such committee. The Board of Directors also may, at any meeting of the Board of Directors, fill vacancies on any such committee.

Committee meetings will be held pursuant to notice or waiver of notice in accordance with the provisions of Article IV, Section 6 hereof, as though the references in those provisions to meetings of the Board of Directors were references to committee meetings.

Unless a greater proportion is required by the resolution designating a committee, a majority of the members of such committee then in office shall constitute a quorum for the transaction of business, and the vote of a majority of the members present at a meeting at the time of such vote, if a quorum is then present, shall be the act of such committee, except that any action which may be

taken at a meeting of such committee may be taken without a meeting if consent in writing, setting forth the action so to be taken, signed by all of the members of the committee, is filed with the minutes of the proceedings of the committee.

Each such committee shall serve at the pleasure of the Board of Directors.

SECTION 11. COMPENSATION. The Board of Directors shall have authority to fix the compensation of directors for services in any capacity, including services as members of committees. The directors shall be reimbursed by the Corporation for their actual out-of-pocket expenses, if any, for their attendance at each meeting of the Board of Directors upon presentation of such vouchers or other documentation as the Secretary or the Treasurer may require. No payment hereunder shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

## ARTICLE V

### THE OFFICERS

SECTION 1. OFFICERS. The Board of Directors at their annual meeting each year shall elect a President, Secretary, and a Treasurer, and such other officers and assistant officers and agents as may be deemed necessary by the Board of Directors. Any two or more offices may be held by the same person. All officers shall serve until the next annual meeting of the Board of Directors or until their respective successors are elected and qualified.

SECTION 2. VACANCIES. Whenever any vacancies shall occur in any office by death, resignation, removal, increase in the number of officers of the Corporation, or otherwise, the same shall be filled by the Board of Directors, and the officer so elected shall hold office until his or her successor is elected and qualified.

### SECTION 3. DUTIES.

CHAIRMAN OF THE BOARD. If such officer is appointed, the Chairman shall preside at all meetings of the Directors and by virtue of his or her office shall be a member of all standing committees. He or she shall have such other duties and powers as may be assigned thereto by the Board of Directors.

PRESIDENT. The President shall be the chief executive officer and a director of the Corporation, and in the recess of the Board of Directors, shall have the general control and management of its business and affairs, subject, however, to the right of the Board of Directors to delegate any specific power, except such as may by statute be exclusively conferred upon the President, to any other officer or officers of the Corporation. He or she shall

preside at all meetings of the shareholders in the absence of the Chairman of the Board, if any, unless otherwise determined by a majority of all the shares of the capital stock issued and outstanding, present in person or by proxy. He or she shall preside at all meetings of the Board of Directors in the absence of the Chairman of the Board, if any. The President shall have authority to appoint all officers below the ranks of the officers referenced in this Section 3.

VICE PRESIDENT. In case of the office of the President becoming vacant by death, resignation, or otherwise, or in case of the absence of the President, or his or her disability to discharge the duties of her office, such duties shall, for the time being, devolve upon the Vice President, first in order of election, who shall do and perform such other acts as the Board of Directors may, from time to time, authorize him or her to do, but a Vice President who is not a director cannot succeed to or fill the office of President.

SECRETARY. The Secretary of the Corporation shall keep the minutes of all the meetings of the shareholders and Board of Directors in books provided for that purpose; he or she shall sign, with the President or Vice President, in the name of the Corporation, all contracts authorized by the Board of Directors, and when necessary shall affix the corporate seal of the Corporation thereto; he or she shall have charge of the certificate books, Stock Transfer Books and such other books and papers as the Board of Directors may direct, all of which shall, at all reasonable times, be open to the examination of any director upon application at the office of the Secretary; he or she shall distribute notices of meetings of shareholders and the Board of Directors; and, in addition, he or she shall have such other duties as may be delegated to him or her by the Board of Directors.

TREASURER. The Treasurer shall have custody and keep account of all money, funds and property of the Corporation unless otherwise determined by the Board of Directors, and he or she shall render such accounts and present such statements to the directors as they shall request from time to time.

SECTION 4. COMPENSATION. The compensation of the officers shall be fixed, from time to time, by the Board of Directors. The fact that an officer is also a director shall not preclude such person from receiving compensation as either a director or officer, nor shall it affect the validity of any resolution by the Board of Directors fixing such compensation. The President shall have authority to fix the salaries of all officers and other employees of the Corporation other than officers elected or appointed by the Board of Directors.

SECTION 5. REMOVAL. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby. Removal shall be without prejudice to the contract rights, if any, of the person removed. Election or appointment of an officer shall not of itself create contract rights.

SECTION 6. RESIGNATION. Any officer of the Corporation may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary of the Corporation. Such resignation shall take effect at the time specified therein and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

SECTION 7. CORPORATE INSTRUMENTS. All checks and drafts on, and withdrawals from, the Corporation's accounts with banks or other financial institutions, and all bills of exchange, notes and other instruments for the payment of money, drawn, made, endorsed, or accepted by the Corporation, shall be signed on its behalf by the person or persons thereunto authorized by, or pursuant to resolution of, the Board of Directors.

SECTION 8. DELEGATION OF DUTIES. In the absence of or disability of any officer of the Corporation or for any other reason, the Board of Directors may delegate the powers or duties thereof to any other officer or director for the time being.

#### ARTICLE VI

##### EMPLOYEE INSURANCE AND PENSION PLANS

The Board of Directors may, from time to time, establish, amend or revoke a plan or plans which would furnish to any or all employees, at the expense of the Corporation, insurance against disability, accident, sickness, or death, and provide for satisfactory retirement benefits, in such a manner and upon such terms and conditions as shall be determined by the Board of Directors.

#### ARTICLE VII

##### INDEMNIFICATION OF DIRECTORS AND OFFICERS

Without limiting the indemnification power of the Corporation, the Corporation indemnifies its directors, officers, employees and agents who are from time to time parties to any proceeding (regardless whether by or in the right of the Corporation), and agrees to advance expenses incurred by its directors, officers, employees and agents in connection with any proceeding, to the maximum extent and under all circumstances permitted by law.

#### ARTICLE VIII

##### AMENDMENTS

The Board of Directors of the Corporation shall have the power to alter, amend or repeal the Bylaws or adopt new Bylaws. Notwithstanding the foregoing, any Bylaw, whether adopted by the Board of Directors or by the shareholders, may be repealed or changed by the shareholders and new Bylaws may be adopted by the shareholders. The shareholders may prescribe in any Bylaw made by them that such Bylaw shall not be altered, amended or repealed by the Board of Directors.

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CHARLES J. RENNERT

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March 24, 1998

Embassy Acquisition Corp.  
1428 Brickell Avenue, Suite 105  
Miami, Florida 33131

Re: Registration Statement on Form S-4  
Under the Securities Act of 1933

Gentlemen:

In our capacity as counsel to Embassy Acquisition Corp., a Florida corporation (the "Company"), we have been asked to render this opinion in connection with a Registration Statement on Form S-4, filed by the Company with the U.S. Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Registration Statement"), covering (i) 3,487,940 shares of Common Stock, par value \$.0001 per share (the "Merger Stock"), of the Company to be issued by the Company pursuant to the Agreement and Plan of Merger and Reorganization dated as of October 30, 1997 between the Company and Orthodontix, Inc. (the "Merger Agreement"), in connection with (a) the merger (the "Merger") of Orthodontix Acquisition Corp., a Florida corporation wholly owned by the Company ("Embassy Sub"), with and into Orthodontix, Inc. upon the terms and conditions described therein.

In rendering the opinion expressed herein, we have examined the following documents and instruments:

1. The Registration Statement, the exhibits filed in connection therewith, and the form of Proxy Statement and Prospectus (the "Prospectus") contained therein;
2. The Company's Articles of Incorporation, as certified by the Secretary of State of the State of Florida;
3. The Company's Bylaws; and

Embassy Acquisition Corp.  
March 24, 1998  
Page 2

4. The resolutions adopted by the Board of Directors of the Company authorizing the Registration Statement and the issuance of the Merger Stock pursuant to the terms contained in the Registration Statement and the Merger Agreement.

In making the aforesaid examination, we have assumed the genuineness of all signatures and the conformity to original documents of all copies furnished to us as original or photostatic copies.

In addition, we have obtained from public officials and from officers of the Company certificates, agreements and assurances and have examined originals or copies, identified to our satisfaction, of such other certificates, agreements and other assurances as we considered necessary for the purposes of rendering the opinion hereinafter expressed.

We have also consulted with officers and directors of the Company and have obtained such representations with respect to the matters of fact as we have deemed necessary or advisable for purposes of rendering the opinion hereinafter expressed. We have not independently verified the factual statements made to us in connection therewith, nor the veracity of such representations.

After the Commission has declared the Registration Statement to be effective and when the applicable provisions of the "Blue Sky" or other state securities laws shall have been complied with, the Company's securities covered by the Registration Statement, when issued pursuant to the Merger Agreement, will constitute legally issued securities of the Company, fully paid and non-assessable.

We hereby consent to the use of our opinion as herein set forth as an exhibit to the Registration Statement and to the reference of this law firm under the caption "Legal Matters." In giving this consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Act or the rules and regulations of the Commission promulgated thereunder.

Respectfully yours,

/s/ Berman Wolfe & Rennert, P.A.

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BERMAN WOLFE & RENNERT, P.A.



## EMBASSY ACQUISITION CORP.

## STOCK OPTION PLAN

## ARTICLE I

## Purpose

The purpose of the Stock Option Plan (the "Plan") is to enable Embassy Acquisition Corp. (the "Company") to offer employees, directors, and consultants and affiliated professionals to the Company and its subsidiaries, options to acquire equity interests in the Company, thereby attracting, retaining and rewarding such persons, and strengthening the mutuality of interests between such persons and the Company's stockholders.

## ARTICLE II

## Definitions

For purposes of the Plan, the following terms shall have the following meanings:

2.1 "AWARD" shall mean an award under the Plan of any Stock Option.

2.2 "BOARD" shall mean the Board of Directors of the Company.

2.3 "CHANGE OF CONTROL" shall mean the occurrence of any one of the following: (i) the Company sells substantially all of its assets to a purchaser other than a Subsidiary, (ii) the sale of all outstanding shares of capital stock of the Company for cash, or (iii) the merger or consolidation of the Company in which the holders of the Company's outstanding capital stock possessing the voting power (under ordinary circumstances) to elect the Company's Board of Directors immediately prior to the merger do not continue to own a majority of the capital stock possessing the voting (under ordinary circumstances) to elect the surviving entity's Board of Directors immediately after such transaction.

2.4 "CODE" shall mean the Internal Revenue Code of 1986, as amended.

2.5 "COMMITTEE" shall mean the Compensation and Stock Option Committee of the Board consisting of two or more Non-Employee Directors of the Company.

2.6 "COMMON STOCK" shall mean the Common Stock, par value \$.0001 per share, of the Company.

2.7 "CONSULTANT" shall mean any individual who is a consultant or advisor to the Company or a Subsidiary.

2.8 "DIRECTOR" shall mean any individual who is a member of the Board or member of the Committee of the Board of Directors of the Company or a Subsidiary.

2.9 "DISABILITY" shall mean a disability that results in the termination of a Participant's employment with the Company or a Subsidiary, as determined pursuant to standard Company procedures.

2.10 "FAIR MARKET VALUE" for purposes of the Plan, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, shall mean, as of any date, the average of the high and low sales prices of a share of Common Stock as reported on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if not listed or traded on any such exchange, The Nasdaq Stock Market ("Nasdaq"), or, if such sales prices are not available, the average of the bid and asked prices per share reported on Nasdaq, or, if such quotations are not available, the fair market value as determined by the Board, which determination shall be conclusive.

2.11 "INCENTIVE STOCK OPTION" shall mean any Stock Option awarded under the Plan intended to be and designated as an Incentive Stock Option" within the meaning of Section 422 of the Code.

2.12 "LICENSED PROFESSIONALS" persons who are licensed to practice general dentistry or orthodontics and who have become affiliated with the Company.

2.13 "NON-EMPLOYEE DIRECTOR" shall have the meaning as set forth in Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

2.14 "NON-QUALIFIED STOCK OPTION" shall mean any Stock Option awarded under the Plan that is not an Incentive Stock Option.

2.15 "PARTICIPANT" shall mean any person, including an employee, Director or Consultant to whom an Award has been made pursuant to the Plan.

2.16 "STOCK OPTION" or "OPTION" shall mean any option to purchase shares of Common Stock granted pursuant to Article VI.

2.17 "SUBSIDIARY" shall mean any subsidiary of the Company, 51 or more of the voting stock of which is owned, directly or indirectly, by the Company.

2.18 "TERMINATION FOR CAUSE" shall mean a Termination of Employment that has been designated as a "termination for cause" pursuant to standard Company procedures.

2.19 "TERMINATION OF EMPLOYMENT" shall mean a termination of employment with, or service as a Director or Consultant of or affiliation as a Licensed Professional with the Company and all of its Subsidiaries for reasons other than a military or personal leave of absence granted by the Company or any Subsidiary.

### ARTICLE III Administration

3.1 THE COMMITTEE. The Plan shall be administered and interpreted by the Committee.

3.2 AWARDS. The Committee shall have full authority to grant Stock Options, pursuant to the terms of the Plan, to persons eligible under Article V. In particular, the Committee shall have the authority:

(a) to select the persons to whom Stock Options may from time to time be granted hereunder;

(b) to determine whether and to what extent Incentive Stock Options and Non-Qualified Stock Options, or any combination thereof, are to be granted hereunder to one or more persons eligible to receive Awards under Article V;

(c) to determine the number of shares of Common Stock to be covered by each such Award granted hereunder; and

(d) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, the option price, the term of the option, and any provision affecting the exercisability or acceleration of, any Award.

3.3 GUIDELINES. Subject to Article VII hereof, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan as it shall, from time to time, deem advisable; to interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award granted in the manner and to the extent it shall deem necessary to carry the Plan into effect. Notwithstanding the foregoing, no action of the Committee under this Section 3.3 shall impair the rights of any Participant without the Participant's consent, unless otherwise required by law.

3.4 DECISIONS FINAL. Any decision, interpretation or other action made or taken in good faith by the Committee arising out of or in connection with the Plan shall be final, binding and conclusive on the Company, all Participants and their respective heirs, executors, administrators, successors and assigns.

#### ARTICLE IV Share Limitation

4.1 SHARES. The maximum aggregate number of shares of Common Stock which may be issued under the Plan shall be 500,000 shares of Common Stock (subject to any increase or decrease pursuant to Section 4.2), which may be either authorized and unissued Common Stock or issued Common Stock reacquired by the Company. If any Option granted, under the Plan shall expire, terminate or be canceled for any reason without having been exercised in full, the number of unpurchased shares shall again be available for the purposes of the Plan.

4.2 CHANGES. In the event of any merger, reorganization, consolidation, recapitalization, dividend (other than a dividend or its equivalent which is credited to a Participant or a regular cash dividend), stock split, or other change in corporate structure affecting the Common Stock, such substitution or adjustment shall be made in the maximum aggregate number of shares which may

be issued under the Plan, in the number and option price of shares subject to outstanding Options granted under the Plan as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of shares subject to any Award shall always be a whole number.

ARTICLE V  
Eligibility

5.1 EMPLOYEES. Employees, Officers and other employees of the Company and its Subsidiaries are eligible to be granted Awards under the Plan.

5.2 DIRECTORS, CONSULTANTS AND LICENSED PROFESSIONALS. Directors, Consultants and Licensed Professionals are eligible to be granted Awards under the Plan, provided that Directors, Consultants and Licensed Professionals who are not employees of the Company or a Subsidiary may not be granted Incentive Stock Options.

ARTICLE VI  
Stock Options

6.1 OPTIONS. Each Stock Option granted under the Plan shall be either an Incentive Stock Option or a Non-Qualified Stock Option.

6.2 GRANTS. The Committee shall have the authority to grant to any person eligible under Article V one or more Incentive Stock Options, Non-Qualified Stock Options, or both types of Stock Options. To the extent that any Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Stock Option or the portion thereof which does not qualify as an Incentive Stock Option shall constitute a separate Non-Qualified Stock Option.

6.3 INCENTIVE STOCK OPTIONS. Anything in the Plan to the contrary notwithstanding, no term of the Plan relating to Incentive Stock Options shall be interpreted, amended or altered, nor shall any discretion or authority granted under the Plan be exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consent of the Participants affected, to disqualify any Incentive Stock Option under such Section 422.

6.4 TERMS OF OPTIONS. Options granted under the Plan shall be subject to the following terms and conditions and shall contain such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

(a) STOCK OPTION CONTRACT. Each Stock Option shall be evidenced by, and subject to the terms of, a Stock Option Contract executed by the Company and the Participant. The Stock option Contract shall specify whether the Option is an Incentive Stock Option or a Non-Qualified Stock Option, the number of shares of Common Stock subject to the Stock Option, the option price, the option term, and the other terms and conditions applicable to the Stock Option.

(b) OPTION PRICE. Subject to section (1) below, the option price per share of Common Stock purchasable upon exercise of a Stock Option shall be determined by the Committee at the time of grant but shall be not less than 100% of the Fair Market Value of the Common Stock on the date of grant if the Stock Option is intended to be an Incentive Stock Option.

(c) OPTION TERM. Subject to section (1) below, the term of each Stock Option shall be fixed by the Committee, but no Stock Option shall be exercisable more than ten years after the date it is granted.

(d) EXERCISABILITY. Stock Options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Committee at the time of grant; provided, however, that the Committee may waive any installment exercise or waiting period provisions, in whole or in part, at any time after the date of grant, based on such factors as the Committee shall deem appropriate in its sole discretion.

(e) METHOD OF EXERCISE. Subject to such installment exercise and waiting period provisions as may be imposed by the Committee, Stock Options may be exercised in whole or in part at any time during the option term by giving written notice of exercise to the Company specifying the number of shares of Common Stock to be purchased and the option price therefor. The notice of exercise shall be accompanied by payment in full of the option price in such form as the Committee may accept and, if requested, by the representation described in Section 9.2. The option price may be paid in cash or check acceptable to the Company or by any other consideration as the Committee deems acceptable. Unless otherwise determined by the Committee in its sole discretion at or after grant, payment in full or in part may be made in the form of Common Stock duly owned by the Participant (and for which the Participant has good title free and clear of any liens and encumbrances), based on the Fair Market Value of the Common Stock on the last trading date preceding payment. Upon payment in full of the option price, as provided herein, a stock certificate or stock certificates representing the number of shares of Common Stock to which the Participant is entitled shall be issued and delivered to the Participant. A Participant shall not be deemed to be the holder of Common Stock, or to have the rights of a holder of Common Stock, with respect to shares subject to the Option, unless and until a stock certificate or stock certificates representing such shares of Common Stock are issued to such Participant.

(f) DEATH. If a Participant's association with the Company or a Subsidiary terminates by reason of death, unless otherwise determined by the Committee at the time of grant, any Stock Option held by such Participant which was exercisable at the date of death may be exercised by the legal representative of the Participant's estate at any time or times during the period beginning on the date of death and ending one year after the date of death or until the expiration of the stated term of such Stock Option, whichever period is shorter, and any Stock Option not exercisable at the date of death shall be forfeited.

(g) DISABILITY. If a Participant's association with the Company or a Subsidiary terminates by reason of Disability, unless otherwise determined by the Committee at the time of grant, any Stock Option held by such Participant which was exercisable on the date of such Termination of Employment may thereafter be exercised by the Participant at any time or times during the period beginning on the date of such termination and ending one year after the date of such termination or until the expiration of the stated term of such Stock Option, whichever period is shorter, and any Stock Option not exercisable on the date of such Termination of Employment

shall be forfeited. If an Incentive Stock Option is exercised after the expiration of the exercise period that applies for purposes of Section 422 of the Code, such Stock Option will thereafter be treated as a Non-Qualified Stock option.

(h) TERMINATION OF EMPLOYMENT. In the event of a Termination of Employment by reason of retirement or for any reason other than death, Disability, Termination for Cause or in accordance with paragraph (k) below, unless otherwise determined by the Committee at the time of grant, any Stock Option held by such Participant which was exercisable on the date of such Termination of Employment may be exercised by the Participant at any time or times during the period beginning on the date of such Termination of Employment and ending one month after such date or until the expiration of the stated term of such Stock Option, whichever period is shorter, and any Stock Option not exercisable on the date of such Termination of Employment shall be forfeited.

(i) TERMINATION FOR CAUSE. In the event of a Termination for Cause, any Stock Option held by the Participant which was not exercised prior to the date of such Termination for Cause shall be forfeited.

(j) CHANGE OF CONTROL. In the event of a Change of Control, all outstanding Stock Options shall immediately become fully exercisable, and upon payment by the Participant of the option price (and, if requested, delivery of the representation described in Section 9.2), a stock certificate or certificates representing the Common Stock covered thereby shall be issued and delivered to the Participant.

(k) TERMINATION IN CONNECTION WITH CHANGE OF CONTROL. In the event of a Termination of Employment (i) by the Company or any surviving or successor entity in connection with or within six months after a Change of Control (other than a Termination for Cause) or (ii) by any Participant within six months after a Change of Control as a result of any material adverse change in the compensation or employment responsibilities of such Participant, all outstanding Stock Options held by the terminated Participant shall become fully exercisable, and upon payment by the Participant of the option price (and, if requested, delivery of the representation described in Section 9.2), a stock certificate or certificates representing the Common Stock covered thereby shall be issued and delivered to the Participant.

(l) INCENTIVE STOCK OPTION LIMITATIONS. To the extent that the aggregate Fair Market Value (determined as of the date of grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year under the Plan and/or any other stock option plan of the Company or any subsidiary or parent corporation (within the meaning of Section 424 of the Code) exceeds \$100,000, such Options shall be treated as Options which are not Incentive Stock Options.

Should the foregoing provisions not be necessary in order for the Stock Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company.

(m) TEN-PERCENT STOCKHOLDER RULE.

Notwithstanding any other provision of the Plan to the contrary, no Incentive Stock

Option shall be granted to any person who, immediately prior to the grant, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Company, unless the option price is at least 110% of the Fair Market Value of the Common Stock on the date of grant and the Option, by its terms, expires no later than five years after the date of grant.

ARTICLE VII  
Termination or Amendment

7.1 TERMINATION OR AMENDMENT OF THE PLAN. The Committee may at any time amend, discontinue or terminate the Plan or any part thereof (including any amendment deemed necessary to ensure that the Company may comply with any regulatory requirement referred to in Article IX); provided, however, that, unless otherwise required by law, the rights of a Participant with respect to Awards granted prior to such amendment, discontinuance or termination, may not be impaired without the consent of such Participant and, provided further, without the approval of the Company's stockholders, no amendment may be made that would (i) materially increase the aggregate number of shares of Common Stock that may be issued under the Plan (except by operation of Section 4.2); (ii) materially modify the requirements as to eligibility to participate in the Plan; or (iii) materially increase the benefits accruing to Participants.

7.2 AMENDMENT OF AWARDS. The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but, subject to Article IV, no such amendment or other action by the Committee shall impair the rights of any holder without the holder's consent. The Committee may also substitute new Stock Options for previously granted Stock Options having higher option prices.

ARTICLE VIII  
Unfunded Plan

8.1 UNFUNDED STATUS OF PLAN. The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payment not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company.

ARTICLE IX  
General Provisions

9.1 NON-ASSIGNMENT. Except as otherwise provided in the Plan or under applicable law, Awards made hereunder and the rights and privileges conferred thereby shall not be sold, transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise), and shall not be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of such Award, right or privilege contrary to the provisions hereof, or upon the levy of any attachment or similar process thereon, such Award and the rights and privileges conferred hereby shall immediately terminate and the Award shall immediately be forfeited to the Company.

9.2 LEGEND. The Committee may require each person acquiring shares pursuant to an Award under the Plan to represent to the Company in writing that the Participant is acquiring the shares without a view to distribution thereof. The stock certificates representing such shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

All certificates representing shares of Common Stock delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange or stock market upon which the Common Stock is then listed or traded, any applicable Federal or state securities law, and any applicable corporate law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

9.3 OTHER PLANS. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

9.4 NO RIGHT TO EMPLOYMENT. Neither the Plan nor the grant of any Award hereunder shall give any Participant or other employee any right with respect to continuance of employment by the Company or any Subsidiary, nor shall there be a limitation in any way on the right of the Company or any Subsidiary by which a Participant is employed to terminate such Participant's employment at any time. Neither the Plan nor the grant of any Award hereunder shall give any Director or Consultant any right with respect to continued service as a director or consultant, nor shall the Plan impose any limitation on the right of the Company to terminate a Consultant's services at any time or constitute evidence of any agreement or understanding by the Company's stockholders that the Company will nominate any director for reelection.

9.5 WITHHOLDING OF TAXES. The Company shall have the right to reduce the number of shares of Common Stock otherwise deliverable pursuant to the Plan by an amount that would have a Fair Market Value equal to the amount of all Federal, state and local taxes required to be withheld, or to deduct the amount of such taxes from any cash payment otherwise to be made to the Participant. In connection with such withholding, the Committee may make such arrangements are consistent with the Plan as it may deem appropriate.

#### 9.6 LISTING AND OTHER CONDITIONS.

(a) If the Common Stock is listed on a national securities exchange, the issuance of any shares of Common Stock pursuant to an Award shall be conditioned upon such shares being listed on such exchange. The Company SHALL HAVE NO obligation to issue such shares unless and until such shares are so listed, and the right to exercise any Option shall be suspended until such listing has been effected.

(b) If at any time counsel to the Company shall be of the opinion that any sale or delivery of shares of Common Stock pursuant to an Award is or may in the circumstances be unlawful or result in the imposition of excise taxes under the statutes, rules or regulations of any applicable jurisdiction, the Company shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration under the Securities



Act of 1933, as amended, or otherwise with respect to shares of Common Stock or Awards, and the right to exercise any Option shall be suspended until, in the opinion of such counsel, such sale or delivery shall be lawful or shall not result in the imposition of excise taxes.

(c) Upon termination of any period of suspension under this Section 9.6, any Award affected by such suspension which shall not then have expired or terminated shall be reinstated as to all shares available before such suspension and as to shares which would otherwise have become available during the period of such suspension, but no such suspension shall extend the term of any Option.

9.7 GOVERNING LAW. The Plan and actions taken in connection herewith shall be governed and construed in accordance with the laws of the State of Florida.

9.8 CONSTRUCTION. Wherever any words are used in the Plan in the masculine gender they shall be construed as though they were also used in the feminine gender in all cases where they would so apply, and wherever any words are used herein in the singular form they shall be construed as though they were also used in the plural form in all cases where they would so apply.

9.9 LIABILITY OF THE BOARD AND THE COMMITTEE. No member of the Board or the Committee nor any employee of the Company or any of its subsidiaries shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of the Plan have been delegated or, except in circumstances involving bad faith, gross negligence or fraud, for anything done or omitted to be done by himself.

9.10 OTHER BENEFITS. No payment pursuant to an Award under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or any Subsidiary nor affect any benefits under any other benefit plan now or hereafter in effect under which the availability or amount of benefits is related to the level of compensation.

9.11 COSTS. The Company shall bear all expenses incurred in administering the Plan, including expenses of issuing Common Stock upon the exercise of Options granted.

9.12 SEVERABILITY. If any part of the Plan shall be determined to be invalid or void in any respect, such determination shall not affect, impair, invalidate or nullify the remaining provisions of the Plan which shall continue in full force and effect.

9.13 SUCCESSORS. The Plan shall be binding upon and inure to the benefit of any successor or successors of the Company.

9.14 HEADINGS. Article and section headings contained in the Plan are included for convenience only and are not to be used in construing or interpreting the Plan.

ARTICLE X  
Effective Date of Plan

10.1 The Plan shall be effective as of the date of its approval by the Company's stockholders.

ARTICLE XI  
Term of Plan

11.1 No Stock Option shall be granted pursuant to the Plan on or after the tenth anniversary of its approval by the Company's stockholders, but Awards granted prior to such tenth anniversary may extend beyond that date.

## ADMINISTRATIVE SERVICES AGREEMENT

This Agreement ("Agreement") is made and entered into this \_\_\_ day of \_\_\_\_\_, 1998, by and between ORTHODONTIX, INC., a Florida corporation ("OTX"), and ORTHODONTIX PROFESSIONAL FLORIDA, P.A., a Florida professional corporation (the "Orthodontix Professional").

## RECITALS

A. OTX is a Florida corporation which has developed systems, procedures, and strategies to maximize the productivity, efficiency and profitability of orthodontists and orthodontic practices. OTX is experienced in providing equipment, capital investments, business, administrative and related services to orthodontic practices. In connection with providing these services to orthodontic practices, OTX owns certain assets, provides equipment and nonprofessional personnel to, and manages certain business affairs of orthodontic practices.

B. The Orthodontix Professional is a Florida professional corporation performing orthodontic and related services through the services of appropriately licensed health care professionals, including, but not limited to, orthodontists and dentists (the "Orthodontist(s)" or "Health Care Professionals") employed by or affiliated with the Orthodontix Professional (the "Professional Services"). The Orthodontix Professional operates at offices located in the facilities identified in Exhibit 2.2, as amended from time to time (the "Premises").

C. OTX's services are designed to improve the efficiency and profitability of orthodontic practices. The Orthodontix Professional and OTX each desire to enter into an arrangement with the other party that: benefits those seeking Professional Services as patients; facilitates the effective use of the Orthodontix Professional's resources; facilitates consistency of service, both in the orthodontic

care provided by the Orthodontists employed by or affiliated with the Orthodontix Professional and in the administrative and business services provided by OTX; and ensures that the Orthodontix Professional and the Orthodontists employed by or affiliated with the Orthodontix Professional will owe their first duty of care to the patient and will preserve the nature of the orthodontist-patient relationship.

D. The Orthodontix Professional desires to focus its energies, expertise and time on the practice of orthodontics and the delivery of orthodontic services to patients and to accomplish this goal it desires that the increasingly more complex business functions of its orthodontic practice be conducted by persons with business expertise. OTX desires to provide such administrative and business services as are necessary and appropriate for the day-to-day administration of the non-orthodontic aspects of the Orthodontix Professional's orthodontic practice all upon the terms and conditions hereinafter set forth.

E. The Orthodontix Professional and OTX have determined a fair market value for the services to be rendered by OTX, and based on this fair market value, have developed a formula for OTX and the Orthodontix Professional to earn revenue that will allow the parties to establish a relationship permitting each party to devote its skills and expertise to the appropriate responsibilities and functions.

F. This Agreement is being entered into in connection with anticipated transactions involving the acquisition of certain assets of orthodontic practices (the "Transactions"), as set forth in Agreements and Plans of Reorganization or similar agreements between orthodontic practices and OTX to be entered into from time to time (the "Reorganization Agreement").

NOW, THEREFORE, for and in consideration of the mutual covenants and promises contained herein, the parties agree as follow:

I. AUTHORITY OF PARTIES

1. AUTHORITY OF OTX. Consistent with the provisions of this Agreement and Florida law, OTX shall have the responsibility and sole and complete authority to provide exclusive full service practice business management services for the Orthodontix Professional, such services to include, consultation and other activities regarding (i) the suitability of office space, furnishings and equipment; (ii) nonprofessional staffing required by the Orthodontix Professional; (iii) regulatory compliance; (iv) methods relating to increasing of productivity; (v) inventory and supplies management; (vi) information systems management; (vii) marketing services; (viii) site selection, relocation, design and physical layout of the Orthodontix Professional; (ix) financial services related to accounting and bookkeeping, monitoring of accounts receivable, payment of leases and subleases, payroll and benefits, administration, billing and collection services, payment of federal and/or state income taxes, personal property or intangible taxes, administration of interest expense or indebtedness incurred to finance the operation of the Orthodontix Professional; (x) administration of malpractice insurance expenses; and, (xi) subject to applicable law, other services as OTX deems necessary and in any manner OTX deems appropriate in its discretion to meet the day to day requirements of the business functions of the Orthodontix Professional. The parties acknowledge that OTX is not authorized or qualified to engage in any activity that may be construed or deemed to constitute the practice of orthodontics nor shall OTX now or in the future be regarded as practicing orthodontics or dentistry within the meaning of applicable Florida law and Florida Statutes Section 466.003(3). To the extent any act or service herein required by OTX should be construed by a court of competent jurisdiction or by the State Board of Dentistry to constitute the

practice of dentistry or orthodontics, the requirement to perform that act or service by OTX shall be deemed waived and unenforceable and shall not constitute a breach or default by OTX under this Agreement, and the parties shall take the actions contemplated by Section 5.2(e); hereof.

1.2 RESERVED.

1.3 AUTHORITY OF THE ORTHODONTIX PROFESSIONAL. The Orthodontix Professional, through the Orthodontists, shall be solely responsible for and have sole and complete authority, supervision and control over the provision of Professional Services and other related healthcare services performed for patients of the Orthodontix Professional. In this regard, the Orthodontix Professional shall provide or cause to be provided through the Orthodontists all services related to the clinical sufficiency, suitability, reliability or efficacy of any product, service, process or activity related to the delivery of Professional Services. All diagnoses and treatments shall be provided and performed exclusively by, or under the supervision of the Orthodontists employed or retained by the Orthodontix Professional, and in accordance with all laws. This Agreement shall in no way be construed to mean or suggest that OTX is engaged in the practice of dentistry or orthodontics.

1.4 POWER OF ATTORNEY. In connection with this Agreement and throughout the term of this Agreement, OTX shall have responsibility and sole and complete authority over the following:

- a. To bill the patients serviced by the Health Care Professionals employed by or affiliated with the Orthodontix Professional, in the Orthodontix Professional's name and on the Orthodontix Professional's behalf, for billable Professional Services provided by the Health Care Professionals;

- b. To bill, in the Orthodontix Professional's name and on the Orthodontix Professional's behalf, all claims for reimbursement or indemnification from third-party payors for covered billable Professional Services provided by the Health Care Professionals;
- c. To collect and receive, in the Orthodontix Professional's name and on the Orthodontix Professional's behalf, all accounts receivable generated by such billings and claims for reimbursement or indemnification, and to deposit all amounts collected in the Orthodontix Professional Account (as defined hereinbelow at Section II, 2.10);
- d. To take custody of, endorse in the name of the Orthodontix Professional, and deposit into the Orthodontix Professional Account any notes, checks, money orders insurance payments, and any other instruments received in payment of the accounts receivable for Professional Services;
- e. To deposit into the Orthodontix Professional Account all funds, fees and revenues generated by the Health Care Professionals from the provision of Professional Services, and to make withdrawals and sign checks for disbursements from the Orthodontix Professional Account solely for the purpose of withdrawing the collected revenues to be applied to payment of the Practice Expenses (as defined at Section IV, 4.2 hereinbelow) and the Professional Compensation (as defined at Section II, 2.10 hereinbelow) and as requested from time to time by the Orthodontix Professional; and
- f. Upon the request of OTX, the Orthodontix Professional shall execute and deliver to OTX or the financial institution where the Orthodontix Professional Account is maintained, such additional documents or instruments as may be reasonably necessary to evidence or effect the authority pursuant to this Agreement.

1.5 ANNUAL BUSINESS PLAN AND BUDGET. Annually and at least thirty (30) days prior to the commencement of each fiscal year, Orthodontix Professional and OTX shall prepare a business plan and an operational budget for such fiscal year (the "Business Plan"). The Business Plan shall set forth an estimate of the operating revenues and expenses associated with the provision of Professional Services at the Orthodontix Professional. Any non-budgeted expenses shall be reviewed and approved by both parties. OTX and the Orthodontix Professional shall use their best efforts to perform their duties and obligations under this Agreement such that the actual revenues, costs and expenses associated with the provisions of Professional Services at the Orthodontix Professional during any applicable period of the Orthodontix Professional's fiscal year shall be consistent with the Business Plan.

1.6 ADVISORY BOARD. The parties hereby establish an Advisory Board which shall be responsible for providing dispute resolution on certain matters and for developing and implementing management and administrative policies for the overall operation of the Orthodontix Professional. The Advisory Board shall consist of that number of members as agreed to from time to time between OTX and the Orthodontix Professional. OTX shall designate, in its sole discretion, fifty (50%) percent of the members of the Advisory Board. The Orthodontix Professional shall designate, in its sole discretion, fifty (50%) percent of the members of the Advisory Board. All members of the Advisory Board shall be licensed to practice orthodontics. Each party's representatives to the Advisory Board shall have the authority to make decisions on behalf of the respective party. Except as may otherwise be provided, the act of the majority of the members of the Advisory Board shall be the act of the Advisory Board. In the event of a voting deadlock, a person mutually agreed upon by OTX and the Orthodontix Professional shall be temporarily



appointed to the Advisory Board within five (5) days for the sole purpose of casting a deciding vote. The decisions, resolutions, actions or recommendations of the Advisory Board shall be implemented by OTX or the Orthodontix Professional as appropriate.

a. Duties and Responsibilities of the Advisory Board. The Advisory Board shall review, evaluate and make recommendations concerning the following matters:

(i) Capital Improvements and Expansion. Any renovation and expansion plans and capital equipment expenditures with respect to the Orthodontix Professional shall be reviewed by the Advisory Board which shall make recommendations to the Orthodontix Professional with respect to proposed changes therein. Such renovation and expansion plans and capital equipment expenditures shall be based upon economic feasibility, dental support, productivity and then current market conditions.

(ii) Ancillary Services. The Advisory Board shall advise OTX and the Orthodontix Professional with respect to the Orthodontix Professional provided ancillary services concerning the pricing, access to and quality of such services.

(iii) Provider and Payor Relationships. The Advisory Board shall review and make recommendations to OTX and the Orthodontix Professional regarding the establishment or maintenance of relationships with institutional health care providers and third-party payors. The Advisory Board shall also advise OTX and the Orthodontix Professional concerning discounted fee schedules, including capitated fee arrangements, and shall allocate revenue generated from capitation contracts.

(iv) Strategic Planning. The Advisory Board shall advise OTX and the Orthodontix Professional concerning development of long-term strategic planning

objectives for the Orthodontix Professional.

(v) Capital Expenditures. The Advisory Board shall advise the Orthodontix Professional concerning the priority of major capital expenditures.

(vi) Fee Dispute Resolution. At the request of OTX, the Advisory Board shall advise OTX with respect to any dispute concerning a set-off or reduction in fees earned by OTX hereunder.

(vii) Grievance Referrals. The Advisory Board shall consider and make recommendations to OTX and the Orthodontix Professional regarding grievances pertaining to matters not specifically addressed in this Agreement as referred to it by OTX or the Orthodontix Professional.

Notwithstanding any contrary provision of this Agreement, it is acknowledged and agreed that recommendations of the Advisory Board are intended for the advice and guidance of OTX and the Orthodontix Professional and that the Advisory Board does not have the power to bind OTX and the Orthodontix Professional. Where discretion with respect to any matter is vested in OTX or the Orthodontix Professional under the terms of this Agreement, OTX or the Orthodontix Professional as the case may be, shall have ultimate responsibility for the exercise of such discretion, notwithstanding any recommendations of the Advisory Board. OTX and the Orthodontix Professional shall, however, take such recommendations of the Advisory Board into account in good faith in the exercise of such discretion.

b. Orthodontic Decisions. Despite the above listing of activities and areas of interest, all orthodontic decisions and related decisions required by applicable law to be made solely by licensed Health Care Professionals will be made solely by the Health Care Professionals.

The licensed Health Care Professionals who are members of the Advisory Board shall have exclusive authority to review and resolve issues related to:

- (i) Types and levels of health care services to be provided;
- (ii) Recruitment of licensed and other professional healthcare providers, including the specific qualifications and specialties of recruited dentists and orthodontists;
- (iii) Fee schedules;
- (iv) Any dental or orthodontic related functions; and
- (v) Any other decisions required by applicable law to be made solely by dentists and orthodontists.

c. Meetings of the Advisory Board. The Advisory Board shall meet on a regular basis as mutually agreed by the parties. A special meeting of the Advisory Board may be called by either the Orthodontix Professional or OTX upon five (5) business days notice.

## II. DUTIES OF OTX

2.1 GENERAL. OTX shall provide the Orthodontix Professional with comprehensive practice management, financial and marketing services, and such facilities, equipment, and nonprofessional personnel as reasonably required by the Orthodontix Professional to operate its practice. OTX shall have all power and authority reasonably necessary to manage the business affairs of the Orthodontix Professional and carry out OTX's duties under this Agreement, subject to the requirements of the applicable law relating to the practice of dentistry and orthodontics. It is expressly understood and agreed by the parties that the Orthodontists shall have complete authority

over and responsibility for the orthodontic care provided to the patients of the Orthodontix Professional and that the services provided by OTX shall not interfere with or compromise said authority and responsibility. OTX will have no authority, directly or indirectly, to perform or govern the performance of, and will not perform, any orthodontic function. OTX, may, however, advise Orthodontix Professional as to the relationship between its performance of orthodontic functions, and the overall administrative and business functioning of its practice.

2.2 FACILITIES AND EQUIPMENT. OTX shall provide or arrange for the offices, facilities, furnishings, equipment, and related services described in Exhibit 2.2 hereto, as such Exhibit may be amended from time to time, and, on an ongoing basis, shall provide for the maintenance and upkeep of the foregoing. OTX additionally agrees, on an ongoing basis, to evaluate and consult with the Orthodontix Professional on the equipment needs of and the efficiency and adequacy of the facilities of the Orthodontix Professional. Title to such furnishings and equipment, shall remain vested in OTX, provided, however, that during the term of this Agreement the Orthodontix Professional shall maintain complete care, custody and control of all inventory, equipment and supplies. OTX makes no warranty, either express or implied with respect to the facilities and equipment provided by OTX pursuant to this Agreement. All warranties of merchantability and fitness for a particular purpose are hereby expressly disclaimed.

2.3 PERSONNEL AND PAYROLL. OTX shall employ or otherwise retain all management, clerical, secretarial, bookkeeping, accounting, payroll, billing and collecting, and other nonprofessional or nonlicensed personnel (the "Staff") as OTX deems reasonably necessary and appropriate for the Orthodontix Professional and shall be responsible for Staff scheduling, provided, however the Orthodontix Professional shall have complete and absolute authority over and control

all decisions related to hours of operation of the Orthodontix Professional. OTX shall have the sole responsibility and authority for determining the salaries and fringe benefits of personnel employed by or retained by OTX, and for paying such salaries and fringe benefits. The parties acknowledge that OTX personnel retained by OTX may from time to time perform services for persons other than the Orthodontix Professional and this Agreement shall not prevent OTX from performing such services for others or restrict OTX from using its personnel to provide services to others, provided, that such activity does not materially, adversely affect the services to be provided by OTX hereunder.

2.4 BUSINESS SYSTEMS, PROCEDURES AND FORMS. In consultation with the Orthodontix Professional, OTX shall offer advice to the Orthodontix Professional regarding standardized business systems and procedures for the Orthodontix Professional, including, but not limited to, a scheduling system (the "OTX Scheduling System") that is designed to improve the Orthodontix Professional's operating efficiency. The Orthodontix Professional expressly acknowledges and agrees that it shall have no property rights in the foregoing systems, procedures and clinical forms, and further agrees that such systems, procedures, and forms shall be deemed to constitute Confidential Information within the meaning of Section III, 3.7 hereof and is subject to the restrictions on the use, appropriation, and reproduction of such Confidential Information provided for in this Agreement.

2.5 PURCHASING, ACCOUNTS PAYABLE AND INVENTORY CONTROL. OTX shall be responsible for and shall establish and maintain systems for the handling and processing of all purchasing and payment activities and for the performance of all payroll and payroll accounting functions of the Orthodontix Professional. In consultation with the Orthodontix Professional, OTX

shall purchase and maintain all patient care supplies and office supplies. Patient care supplies shall be provided in accordance with the reasonable specifications of the Orthodontix Professional with respect to brand names, dosages, quantities and other specifications and shall at all times remain in the Orthodontix Professional's complete care, custody and control.

2.6 INFORMATION SYSTEMS AND ACCOUNTING. OTX shall establish, maintain and train the Staff in the use of information systems to produce financial and operational information concerning the Orthodontix Professional's operations. OTX shall analyze such information on an ongoing basis in order to advise the Orthodontix Professional on ways of improving operating efficiencies. OTX shall provide or arrange for all accounting and bookkeeping services related to the Orthodontix Professional's operations.

2.7 LEGAL COMPLIANCE AND SERVICES. OTX shall be responsible for ensuring compliance with all rules, regulations and ordinances applicable to the Orthodontix Professional's operations, and shall arrange for all legal services reasonably required by the Orthodontix Professional, but excluding the cost of malpractice suits. Upon the Orthodontix Professional's request, OTX shall advise and assist the Orthodontix Professional in instituting or defending in the name of the Orthodontix Professional, all legal actions or proceedings by or against third parties, including, without limitation, those actions to collect fees for billed services and those actions necessary for the protection and continued operation of the Orthodontix Professional.

2.8 MARKETING. OTX shall offer the Orthodontix Professional advice regarding the design and execution of a marketing plan to promote the professional services of the Orthodontix Professional. Such marketing plan may include, as OTX determines to be appropriate, newspaper, yellow pages, and radio and television advertising, special promotions and pricing programs, and

direct marketing to employers, insurance companies, and other payors. In connection with such marketing plan, OTX shall advise the Orthodontix Professional on establishing and maintaining a plan for patients' payment for orthodontic services on an installment plan basis. All marketing activities hereunder shall be conducted in compliance with all applicable laws and regulations governing advertising by the dental and orthodontic profession and may be implemented through managed care and insurance companies.

2.9 FINANCIAL SERVICES. OTX shall be responsible for (i) billing and collecting payments for all orthodontic services rendered by the Health Care Professionals and for all other services billed by the Orthodontix Professional, with all such billing and collecting to be done in the name of the Orthodontix Professional; (ii) receiving payments from patients, insurance companies and all other third party payors; (iii) taking possession of and endorsing in the name of the Orthodontix Professional any notes, checks, money orders, insurance payments and other instruments received in payment of accounts receivable; (iv) administering the Orthodontix Professional's payroll, as applicable; and (v) paying all Practice Expenses. The Orthodontix Professional, in consultation with OTX, but in its discretion, shall establish the fees for all Professional Services rendered by the Orthodontix Professional and shall timely advise OTX of any changes in the Orthodontix Professional's fee schedule.

2.10 DISBURSEMENT OF FUNDS. (a) All monies collected for the Orthodontix Professional by OTX pursuant to this Agreement shall be deposited into an account with a bank whose deposits are insured with the Federal Deposit Insurance Corporation (the "Orthodontix Professional Account"). The Orthodontix Professional Account shall contain the name of the Orthodontix Professional but OTX shall make all disbursements therefrom. OTX shall account for

all monies so disbursed from the Orthodontix Professional Account. From the funds collected and deposited by OTX in the Orthodontix Professional Account, OTX shall make the following disbursements promptly when payable:

(i) Amounts payable to all contracted professional corporations or individuals who provide Orthodontists or orthodontic services (the "Professional Compensation"); and

(ii) All Practice Expenses (as defined at Section IV, 4.2).

(b) In the event the funds in the Orthodontix Professional Account are, at any time insufficient to cover the Professional Compensation and the Practice Expenses, OTX shall notify the Orthodontix Professional and OTX may advance funds to the Orthodontix Professional, which advances will be deemed to be loans to the Orthodontix Professional to be repaid upon such terms and at such rate of interest as agreed to by the Orthodontix Professional and OTX, which indebtedness shall be deemed a Practice Expense.

2.11 RECORDS. OTX shall supervise and maintain custody of all files and records relating to the business operation of the Orthodontix Professional, including but not limited to accounting, billing, patient records, and collection records. For the term of this Agreement, OTX shall assign to the Orthodontix Professional, any rights of ownership it may have in patient records acquired in connection with the Reorganization Agreement, to the extent that such records are for patients of the Orthodontix Professional. Such patient records shall at all times be and remain the custody of the Orthodontix Professional and accessible for patient care. To the extent lawful, OTX shall have access to such patient records for the purpose of complying with this Agreement, it being understood and agreed that nothing in this Section 2.11 shall permit OTX to exercise control over



patient records or the selection, procedures or manner of a course of treatment for a patient. The management of all files and records shall comply with applicable state and federal statutes. OTX shall use its reasonable efforts to preserve the confidentiality of patient medical records and use information contained in such records only for the limited purpose necessary to perform the services set forth herein; provided, however, in no event shall a breach of said confidentiality be deemed a default under this Agreement.

2.12 CONTRACTS. OTX shall advise the Orthodontix Professional with respect to all contractual arrangements with third parties that are reasonably necessary and appropriate for the Orthodontix Professional's provision of Professional Services, including, without limitation, negotiated price agreements with third party payors, managed care providers or the purchasers of group healthcare services, provided, however, that the Orthodontix Professional shall maintain ultimate control over all pricing policies with respect to orthodontic services and decisions relating to such contractual arrangements.

2.13 LICENSES AND PERMITS. OTX shall, on behalf of and in the name of the Orthodontix Professional, apply for and maintain all federal, state and local licenses (other than professional service licenses) and regulatory permits required for, or in connection with the operation of the Orthodontix Professional.

2.14 UTILITIES AND RELATED SERVICES. OTX shall arrange for and pay, before delinquency, all charges relating to the necessary electricity, gas, water, telephone, sewage, waste disposal, cleaning, pest extermination, heating and air condition maintenance and other similar services reasonably necessary and appropriate for the conduct of the Professional Services.

2.15 ACCOUNTS RECEIVABLE. To assure that the Orthodontix Professional receives

the entire amount of professional fees for its services and to assist the Orthodontix Professional in maintaining reasonable cash flow for the payment of the Practice Expenses, OTX may purchase, without recourse to the Orthodontix Professional for the amount of the purchase, the accounts receivable of the Orthodontix Professional arising during the previous month for an amount equal to the gross revenue recorded each month by the Orthodontix Professional (according to GAAP reflecting all adjustments related to bad debt reserve, if any). OTX shall be entitled to offset the Practice Expenses against the amount payable for the accounts receivable. Although it is the intention of the parties that OTX purchase and thereby become the owner of the accounts receivable generated by the Orthodontix Professional, in the event such purchase shall be ineffective for any reason, the Orthodontix Professional is concurrently herewith granting to OTX a security interest in the accounts so purchased, and the Orthodontix Professional shall cooperate with OTX and execute all documents in connection with the pledge of such purchased accounts receivable to OTX. All collections in respect to such accounts receivable purchased by OTX shall be received by OTX as the agent of the Orthodontix Professional and shall be endorsed to OTX and deposited in a bank account designated by OTX. To the extent the Orthodontix Professional comes into possession of any payments in respect of such accounts receivable, the Orthodontix Professional shall direct such payments to OTX for deposit in bank accounts designated by OTX, provided, however, that nothing contained herein shall be construed as the Orthodontix Professional relinquishing control over credit extended by the Orthodontix Professional.

### III. DUTIES OF THE ORTHODONTIX PROFESSIONAL

#### 3.1 ORTHODONTISTS AND RENDERING OF PATIENT CARE. The Orthodontix

Professional shall be responsible for the retention and supervision of Orthodontists and all orthodontic care rendered to patients shall be rendered by such Orthodontists.

3.2. PROFESSIONAL SERVICES. The Orthodontix Professional shall use and occupy the offices and facilities designated on Exhibit 2.2 exclusively for the practice of orthodontic services, and shall comply with all applicable local rules, ordinances and all standards of dental and orthodontic care. It is expressly acknowledged by the parties that the practice or orthodontics conducted by the Orthodontix Professional shall be conducted solely by the Orthodontists. The Orthodontists shall provide Professional Services to patients hereunder in compliance at all times with ethical standards, and laws and regulations applying to the dental and orthodontic professions. The Orthodontix Professional shall ensure that each person that provides Professional Services to patients is licensed by the state of Florida. In the event that any disciplinary, medical malpractice or other actions are initiated or threatened against any Orthodontists, the Orthodontix Professional shall immediately inform OTX of such action and the underlying facts and circumstances. The Orthodontix Professional agrees to cooperate with and participate in quality assurance/utilization review programs established by OTX or mandated by accreditation and/or licensure standards applicable to the practice of orthodontics. Deficiencies discovered in the performance of any personnel or in the quality of professional services shall be reported immediately to OTX, and appropriate steps shall be taken by the Orthodontix Professional at once to remedy such deficiencies.

3.3 RECORDS. The Orthodontix Professional shall keep or cause to be kept accurate, complete and timely dental, orthodontic and other records of all patients. Such records shall be sufficient to enable OTX, on behalf of the Orthodontix Professional, to obtain payment for the services provided by the Orthodontists, provided, however, that such records shall at all times during

the term of this Agreement remain the property of the Orthodontix Professional.

3.4 PROFESSIONAL LICENSURE. The Orthodontix Professional shall ensure that the Orthodontists;

(i) participate in continuing education as is necessary for such persons to remain current; and

(ii) maintain professional licenses and board certification as necessary.

3.5 PROFESSIONAL INSURANCE ELIGIBILITY. The Orthodontix Professional shall cooperate in the obtaining and retaining of professional liability insurance by assuring that each of its Orthodontists, is insurable, and participating in an on-going risk management program.

3.6 SERVICES AGREEMENT. The parties recognize that the services of OTX to be provided hereby and OTX's reasoning in part for entering into this Agreement is based on the Orthodontix Professional operating an active orthodontic practice to which it and each Orthodontist employed or associated with the Orthodontix Professional devote their full time and attention, which relationship may be memorialized pursuant to a Services Agreement or Employment Agreement (collectively, the "Services Agreement"). For the term of this Agreement, OTX shall assign to the Orthodontix Professional any rights it has in any Employment Agreement that may be acquired by OTX in connection with the Reorganization Agreement, to the extent such employee will become affiliated with the Orthodontix Professional. Except as otherwise consented to by OTX, the Orthodontix Professional will cause each individual Orthodontist who becomes employed by or affiliated with the Orthodontix Professional to enter into the Services Agreement, in substantially the form attached hereto, which will provide, among other things, for restrictive covenants regarding non-competition and liquidated damages in the event of breach by the Orthodontist of the

Orthodontist's agreement to provide services. The terms and conditions of the Services Agreement to be entered from time to time shall be substantially in the form attached and shall be incorporated by reference hereby. All rights to enforce the Services Agreement shall be enforceable by OTX and any payments made by the breaching Orthodontist to the Orthodontix Professional in the form of liquidated damages shall forthwith be delivered by the Orthodontix Professional to OTX. The Orthodontix Professional shall have the sole responsibility for paying the Professional Compensation (as defined at Section II, 2.10(a)(i)) salaries and fringe benefits of all Orthodontists. OTX shall, in the name and on behalf of the Orthodontix Professional, establish and administer, out of funds available in the Orthodontix Professional Account, the Professional Compensation.

3.7 CONFIDENTIALITY. The Orthodontix Professional agrees and acknowledges that all materials provided by OTX to the Orthodontix Professional constitute "Confidential Information" and are disclosed in confidence and with the understanding that it constitutes valuable business information developed by OTX at great expenditures of time, effort, and money. The Orthodontix Professional further agrees that it shall not, directly or indirectly, without the express prior written consent of OTX, use or disclose such Confidential Information for any purpose other than in connection with the services to be rendered hereunder. The Orthodontix Professional further agrees: (i) to keep strictly confidential and hold in trust all Confidential Information and not disclose such Confidential Information to any third party, including its affiliates without the express prior written consent of OTX; and (ii) to impose this obligation of confidentiality on its affiliates, partners, employees and independent contractors. The Orthodontix Professional acknowledges that the disclosure of Confidential Information to it by OTX is done in reliance upon its representations and covenants in this Agreement. Upon expiration or termination of this Agreement by either party for

any reason whatsoever, the Orthodontix Professional shall immediately return and shall cause its affiliates, partners, employees and independent contractors not to, thereafter use, appropriate, or reproduce such Confidential Information. The Orthodontix Professional further expressly acknowledges and agrees that any such use, appropriation, or reproduction of any such Agreement will result in irreparable injury to OTX, that the remedy at law for the foregoing would be inadequate, and that in the event of any such use, appropriation, or reproduction of any such Confidential Information after the termination or expiration of this Agreement, OTX in addition to any other remedies or damages available to it, shall be entitled to injunctive or other equitable relief without the necessity of proving actual damages but such rights to relief shall not preclude OTX from such other remedies which may be available to it hereunder.

3.8 COVENANT NOT TO COMPETE. During the term of this Agreement and expressly subject to the Services Agreement and all other agreements entered into between the Orthodontix Professional and the Orthodontists, the Orthodontix Professional shall not and shall cause its shareholders and Orthodontists not to establish, develop or open any offices for the provision of Professional Services without the express written consent of OTX. Subject to terms of the Services Agreement which terms shall control, for a period of two years following the termination or expiration of this Agreement, the Orthodontix Professional shall not and shall cause its shareholders and Orthodontists not to advertise in print (except for yellow page advertising and announcements for the opening of a practice) or electronic media of any kind and shall and not solicit in any manner patients, orthodontists or staff associated with the Orthodontix Professional or OTX.

#### IV. FINANCIAL MATTERS

4.1 AMOUNTS DELIVERED TO OTX. The Orthodontix Professional and OTX

mutually recognize and acknowledge that OTX will incur substantial costs in providing the equipment, support services, personnel, marketing, management, administration, and other items and services that are the subject matter of this Agreement. The Orthodontix Professional and OTX further recognize that certain of such costs and expenses can vary to a considerable degree, according to the extent of the Orthodontix Professional's business and services. Furthermore, the Orthodontix Professional and OTX agree that it will be impracticable to ascertain and segregate all of the exact costs and expenses that will be incurred by OTX from time to time in performance of its obligations under this Agreement. However, it is the intent of the parties that the amounts delivered to OTX be reasonable and approximate its costs and expenses, plus a reasonable return, considering the investment and risk taken by OTX and the value of the services provided by OTX. In consideration of the foregoing, OTX shall be entitled to receive a management amount (the "Management Amount") and service amount (the "Service Amount") consisting of the following:

- a. A Management Amount equal to fifteen (15%) percent of Accrued Revenue, (as defined below); and
- b. Subject to the Services Agreements generally, Service Amount equal to (.30) multiplied by the Net Operating Income (as defined below) of the Orthodontix Professional.

#### 4.2 ACCRUED REVENUE/NET OPERATING INCOME/PRACTICE EXPENSES.

For purposes of this Agreement, "Accrued Revenue" shall be defined as follows:

- (i) 24% of the Initial Contract Amount; plus
- (ii) the Monthly Contract Residual Amount; plus
- (iii) Additional Non-Contract Service Charges.

"INITIAL CONTRACT AMOUNT" for a given month shall be defined as the total value of any contracts to provide orthodontic services between a patient or third party payor on the one hand and the Orthodontist or Orthodontix Professional on the other, for the provision of orthodontic services at a pre-determined fee-for service amount (whether or not payable in cash) (the "Contract") which contract was generated after the date hereof (the "Effective Date"), entered into on or prior to the last business day of each month.

"MONTHLY CONTRACT RESIDUAL AMOUNT" shall mean that amount equal to the amounts remaining to be paid by the patient or third party payor under a Contract (the "Remaining Amounts Payable") divided by the number of months remaining in the term of such Contract; provided, however, that the Remaining Amounts Payable shall not be in excess of 76% (other than for a Contract entered into prior to the Effective Date) of the total amounts payable by the patient or third party payor under the Contract.

"ADDITIONAL NON-CONTRACT SERVICE CHARGES" shall mean that amount charged for orthodontic services which are not included in a patient contract. Such orthodontic services shall include, but are not limited to, diagnosis charges, observation charges, retention charges and office visit charges.

For purposes hereof, "Net Operating Income" shall be defined as an amount equal to Accrued Revenue less the sum of Professional Compensation (defined at Section 2.10 of this Agreement) and the Practice Expenses. For purposes hereof, "Practice Expenses" shall be defined as:

- (i) Salaries, benefits, and other direct costs of all employees of OTX at the Orthodontix Professional, excluding those persons covered under Professional Compensation;
- (ii) Direct costs of all patient care supplies and office supplies associated with the



Orthodontix Professional;

(iii) Personal property and real property leasehold obligations entered into in connection with the operation of the Orthodontix Professional;

(iv) Personal property and intangible taxes assessed against OTX's assets used in connection with the operation of the Orthodontix Professional;

(v) Interest expense on indebtedness incurred by OTX to finance any of its obligations hereunder or services provided hereunder;

(vi) Malpractice insurance expenses and Orthodontist recruitment expenses; and

(vii) the Management Amount.

4.3 AUDIT RIGHTS. No more than once quarterly either party, upon giving notice to the other party hereto, shall have the right to inspect the records of the Orthodontix Professional to ascertain and audit Accrued Revenue and the Practice Expenses, subject to patient confidentiality laws. If, upon audit or examination, it is determined that the Management Amount or Service Amount was incorrectly computed, the parties shall, within twenty (20) days of such determination, reconcile the difference by a cash payment to the applicable party.

4.4 PAYMENT OF MANAGEMENT AMOUNT AND SERVICE AMOUNT. The Management Amount shall be payable to OTX once monthly no later than the tenth of the month. Payment of the Service Amount shall be payable by the Orthodontix Professional once annually no later than March 25. Payment of the Management Amount and the Service Amount is not intended to be, and shall not be, interpreted or applied as permitting OTX to share in the Orthodontix Professional's fees for Professional Services or any other services, but is acknowledged as the parties' negotiated agreement as to the reasonable, fair market value of the equipment, support services,

personnel, marketing, management, administration, and other items and services furnished by OTX pursuant to this Agreement, considering the nature and volume of the services required and the risks assumed by OTX. The amounts payable monthly shall be estimated based upon the previous month's operating results of the Orthodontix Professional. Adjustments to the estimated payments shall be made to reconcile actual amounts due hereunder, no later than the last day of the following month.

V. TERM AND TERMINATION

5.1 INITIAL TERM. The initial term of this Agreement shall commence on the effective date hereof, and shall expire on the date which is forty (40) years thereafter subject to the earlier termination as set forth herein.

5.2. TERMINATION. This Agreement may be terminated upon the first to occur of any of the following events:

a. Termination by Agreement. In the event the Orthodontix Professional and OTX shall mutually agree in writing, this Agreement may be terminated on the date specified in such written agreement.

b. Bankruptcy or Dissolution. In the event that either party dissolves or becomes insolvent, or if any petition under federal or State law pertaining to bankruptcy or insolvency or for a reorganization or arrangement or other relief from creditors shall be filed by or against either party, or if a receiver, trustee or similar officer or creditor's committee shall be appointed to take charge of any property of or to operate or wind up the affairs of either party, then the other party may by written notice terminate this Agreement.

c. Orthodontix Professional Breaches. At OTX's option, in the event Orthodontix

Professional is in default of any material obligation under this Agreement, then OTX may by written notice (as specified in 5.3 of this Agreement) to Orthodontix Professional terminate this Agreement.

d. OTX Breaches. At the Orthodontix Professional's option, in the event OTX is in default of any material obligation under this Agreement, which default causes a material, adverse impact upon the Orthodontix Professional, then the Orthodontix Professional may by written notice (as specified in 5.3 of this Agreement) to OTX terminate this Agreement.

e. Termination by Reason of Legislative, Regulatory or Administrative Change. In the event there shall be a change in law or a change in any third party reimbursement system, any of which, are reasonably likely to adversely affect the manner in which either party may perform or be compensated for its services under this Agreement or which shall make this Agreement unlawful, the parties shall immediately enter into good faith negotiations regarding a new arrangement or basis for compensation for the services furnished pursuant to this Agreement that complies with the law and that approximates as closely as possible the economic position of the parties prior to the change.

5.3 RIGHT TO CURE DEFAULT. Except in the event of a termination of this Agreement due to expiration of the Agreement or through mutual agreement, a termination for breach shall not be effective until thirty (30) days after written notice specifying the facts constituting the alleged breach is provided by the party desiring termination. In the event either party shall give written notice of termination to the other as set forth above, the party receiving said notice shall have thirty (30) days to cure the alleged default. If such default shall not have been cured within thirty (30) days following the giving of such written notice, the party giving such written notice shall have the right to immediately terminate this Agreement unless the defaulting party shall, within said (30) day period, have made a good faith effort to initiate curative action and

diligently prosecutes such action to completion within the following thirty (30) day period.

5.4 EFFECTS OF TERMINATION. Upon termination, but not expiration of this Agreement, neither party shall have any further obligations or rights hereunder except for (i) the Orthodontix Professional shall be obligated at the time of termination, to purchase from OTX all equipment, capital improvements and other tangible assets provided by OTX to the Orthodontix Professional at a price equal to the current value of said assets as reflected on the books of OTX at the time of termination, (ii) obligations and rights accruing prior to the date of termination, that are expressly made to extend beyond the term of this Agreement or the Reorganization Agreement including, without limitation, indemnity, confidentiality, and restrictive covenant provisions, which provisions shall survive the expiration or termination of this Agreement.

5.5 CONTINUED PROFESSIONAL SERVICES. Following any notice of termination hereunder, whether given by OTX or the Orthodontix Professional, the Orthodontix Professional and OTX will fully cooperate with each other in all matters relating to the performance or discontinuance of Professional Services, as appropriate, and the orderly transition of patients.

#### VI. INDEMNIFICATION

6.1 INDEMNIFICATION BY OTX. The Orthodontix Professional, its officers, its employees and its agents will incur no liability in connection with the conduct of OTX prior to the Effective Date. The Orthodontix Professional shall not, by entering into this Agreement and performing its obligations hereunder, assume or become liable for any of the existing or future claims made against OTX or arising out of or connected with the negligence or fault of OTX, its employees, agents, or contractors or OTX's performance of its obligations within its scope of

responsibility hereunder. Accordingly, OTX shall and hereby does indemnify, hold harmless, and agrees to defend the Orthodontix Professional and its officers, employees and agents from and against any claims, obligations, damages, causes of action, losses, liabilities, damages, costs and expenses, including reasonable attorneys' fees, arising out of or connected with the conduct of OTX prior to the effective date of this Agreement or arising out of or connected with the negligence or fault of OTX, its employees, agents, or contractors or OTX's performance of its obligations within its scope of responsibility hereunder. In the event the Orthodontix Professional is required to hire an attorney to defend itself against a claim indemnified hereunder, OTX shall be responsible for retaining counsel reasonably acceptable to the Orthodontix Professional to defend Orthodontix Professional and OTX shall be responsible to pay said attorneys' fees as reasonably incurred.

6.2 INDEMNIFICATION BY THE ORTHODONTIX PROFESSIONAL. OTX, its officers, its employees and its agents, will incur no liability in connection with the conduct of the Orthodontix Professional prior to the Effective Date. OTX shall not, by entering into this Agreement and performing hereunder, assume or become liable for any existing or future claims made against the Orthodontix Professional or arising out of or connected with the negligence or fault of the Orthodontix Professional its employees, agents, or contractors or the Orthodontix Professional's performance of its obligations hereunder. Accordingly, the Orthodontix Professional shall and hereby does indemnify, hold harmless, and agrees to defend OTX and its affiliates, officers, employees and agents from and against any claims, obligations, demands, causes of action, losses, liabilities, damages, costs and expenses, including reasonable attorneys' fees, arising out of or connected with the conduct of the Orthodontix Professional prior to the effective date of this Agreement or arising out of or connected with the negligence or fault of the Orthodontix

Professional its employees, agents, or contractors or the Orthodontix Professional's performance of its obligations hereunder.

VII. TRADEMARKS AND TRADE NAMES OF OTX

7.1 TRADE NAMES AND TRADEMARKS OF OTX. The Orthodontix Professional shall not use or imitate, in whole or in part, any trademarks, trade names, service marks, insignias, slogans, emblems, symbols, designs or other identifying characteristics owed by or associated with OTX or any of its subsidiaries or affiliates (collectively, "Proprietary Marks") until such time as OTX (i) approves any such use in writing, or (ii) otherwise grants to the Orthodontix Professional a license to use the Proprietary Marks. Such restrictions include, without limitation, using any of the Proprietary Marks in any signs, advertising or any promotional material.

Upon termination of this Agreement for any cause whatsoever, including OTX's breach, the Orthodontix Professional shall immediately, at its sole cost and expense, make whatever changes may be necessary in any signs, advertising and promotional material in order to comply with the provisions of this paragraph and cease using the Proprietary Marks. The Orthodontix Professional covenants under this section are unconditional and are in no way dependent upon the performance of OTX of any of its agreements hereunder.

The Orthodontix Professional hereby acknowledges and will always acknowledge and recognize both before and after the expiration of this Agreement the exclusive right of OTX to use or grant to others the right or license to use, whether separately, or as a part of or in connection with other words, any Proprietary Mark.

If the Orthodontix Professional utilizes any Proprietary Mark, the Orthodontix Professional shall take all actions which are necessary to maintain OTX's goodwill and reputation or cease

utilizing, at OTX's demand, any and all Proprietary Marks.

#### VIII. INDEPENDENT CONTRACTOR

##### 8.1 ORTHODONTIX PROFESSIONAL'S CONTROL OVER PROFESSIONAL SERVICES.

Notwithstanding the authority granted to OTX herein, OTX and the Orthodontix Professional agree that Orthodontix Professional personally, or through any of its affiliated Orthodontists, employees or agents, shall have control or supervision over the provision of all Professional Services with the sole authority, directly or indirectly, to perform any orthodontic function. OTX will have no authority, directly or indirectly, to perform, and will not perform, any orthodontic function. OTX may, however, advise the Orthodontix Professional as to the relationship between its performance of orthodontic functions and the overall administrative and business functioning of its practice.

##### 8.2 INDEPENDENT RELATIONSHIP. The Orthodontix Professional and OTX

intend to act and perform independently with respect to their respective authority, rights and obligations under this Agreement and the provisions hereof are not intended to create any partnership, joint venture, agency or employment relationship between the parties. The Orthodontix Professional will not have any claim under this Agreement, or otherwise, against OTX for vacation pay, sick leave, unemployment insurance, worker's compensation, disability benefits or employee benefits of any kind.

##### 8.3 OTHER PROFESSIONALS. No provision of this Agreement is intended to

limit OTX's right, authority, or ability under applicable law to contract with other persons, or to employ, contract with, or enter into any partnership or joint venture with any healthcare professional.

#### IX. MISCELLANEOUS

##### 9.1 RECITALS. The foregoing recitals are true and correct and are

incorporated herein.

9.2 BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

9.3 NON-WAIVER. No delay or failure by either party to exercise any right under this Agreement, and no partial or single exercise of that right, shall constitute a waiver of that or any other right, unless otherwise expressly provided herein. No waiver of any provisions of this Agreement shall be effective unless it is in writing, signed by the party against whom it is asserted and any such written waiver shall only be applicable to the specific instance to which it relates and shall not be deemed to be a continuing or future waiver.

9.4 HEADINGS. Headings in this Agreement are for convenience only and shall not be used to interpret or construe the provisions of this Agreement.

9.5 ATTORNEY'S FEES, COSTS AND EXPENSES. In any action or proceeding to enforce this Agreement, including any appeals or post judgment proceedings, the prevailing party shall be entitled to recover from the other party thereto the reasonable attorneys' fees, court costs, filing fees, publication costs and other expenses incurred by the prevailing party in connection therewith.

9.6 VENUE, JURISDICTION AND GOVERNING LAW. The Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of Florida. Venue for any litigation involving this Agreement shall be Dade County, Florida. The parties agree to submit to the jurisdiction of the courts of Dade County, Florida. The parties acknowledge that OTX is not authorized or qualified to engage in any activity which may be construed or deemed to constitute the practice of dentistry or orthodontics. To the extent any act or service required of OTX is this



Agreement should be construed or deemed, by any governmental authority, agency or court to constitute the practice of dentistry or orthodontics, the performance of said act or service by OTX shall be deemed waived and forever unenforceable and the provisions of section 9.12 shall be applicable.

9.7 RULE OF CONSTRUCTION. The terms and conditions set forth in this Agreement are the product of mutual draftsmanship and/or review by the parties hereto, each being represented by counsel. Any ambiguities in this Agreement or any agreement prepared or to be prepared pursuant to or in connection with this Agreement shall not be construed against any one party because of the draftsmanship. The Agreement shall be interpreted in a neutral fashion consistent with the intent of the parties as stated herein.

9.8 NOTICES. Any notice, request, demand, instruction, or other communication to be given to any party to this Agreement, shall be in writing and shall be sent either by: registered or certified mail; hand delivery; by Federal Express or other reputable courier service, and shall be deemed delivered upon receipt of said notice. The addresses for the purposes of this section may be changed by giving written notice hereunder. Unless and until written notice of a change of address is given in writing and received, the addresses and provided herein shall be deemed to continue in effect for all purposes.

As to OTX: Orthodontix, Inc.  
2222 Ponce de Leon Boulevard, 6th Floor  
Coral Gables, FL 33134

As to Orthodontix Professional: Orthodontix Professional, P.A.  
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9.9 MODIFICATION OF AGREEMENT AND MERGER. This Agreement, including the exhibits attached hereto and made part hereof, constitutes the entire

agreement of the parties. This Agreement may not be supplemented, modified or revised in any manner except by a single writing executed by all parties hereto, no additional consideration required. There are no prior or contemporaneous oral promises, representations or agreements not set forth herein inducing entry into this Agreement. The provision of this paragraph cannot be modified by conduct, oral agreement or written agreement, unless signed by all parties hereto.

9.10 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Confirmation of execution by telex or by telefax of a facsimile signature page shall be binding upon that party so confirming.

9.11 AUTHORITY TO SIGN. By signing this Agreement, each party represents and warrants to all other parties that its execution of this Agreement is duly authorized in accordance with applicable laws relating to such parties, that this Agreement is fully enforceable according to its terms against such executing party and that the individual executing on any corporation's behalf has the requisite power and authority to do so.

9.12 SEVERABILITY. If any clause or provision of this Agreement is determined to be illegal, invalid or unenforceable under any present or future law by the final judgment of a court of competent jurisdiction, the remainder of this Agreement will not be affected thereby. It is the intention of the parties that if any such provision is held to be illegal, invalid or unenforceable, there will be added in lieu thereof a provision as similar in terms to such provision as is possible and be legal, valid and enforceable.

9.13 TIME OF ESSENCE. Time is of the essence in this Agreement.

9.14 CONFIDENTIALITY. The parties agree to keep the provisions in this

agreement confidential and will not disclose these provisions to any person excluding the parties' accountants, attorneys, and other professionals with whom the parties conduct business and to whom such disclosure is reasonably necessary; provided however that such person shall be advised of the confidential nature of this Agreement at the time of such disclosure.

9.15 FURTHER ASSURANCES. Each party covenants to perform any lawful additional acts, including execution of additional agreements and documents, as are reasonably necessary to effectuate the intent and purpose of this Agreement.

9.16 ASSIGNMENT. OTX shall have the right to assign its rights hereunder. The Orthodontix Professional shall not have the right to assign its respective rights and obligations hereunder without the written consent of OTX.

9.17 CONTRACT MODIFICATIONS FOR PROSPECTIVE LEGAL EVENTS. In the event any state or federal laws or regulations, now existing or enacted or promulgated after the effective date of this Agreement, are interpreted by judicial decision, a regulatory agency or legal counsel for both parties in such a manner as to indicate that the structure of this Agreement may be in violation of such laws or regulations, the Orthodontix Professional and OTX shall amend this Agreement as necessary. To the maximum extent possible, any such amendment shall preserve the underlying economic and financial arrangements between the Orthodontix Professional and OTX.

9.18 THIRD PARTY BENEFICIARIES. OTX understands and agrees that certain orthodontists and their wholly owned professional associations are third party beneficiaries of this Agreement pursuant to the Services Agreements entered into by and between those orthodontists, their professional associations and Orthodontix Professional with respect to the rights, benefits and

obligations provided by OTX to Orthodontix Professional hereunder and a breach by OTX of this Agreement (as adjudicated by a court of competent jurisdiction, after the exhaustion of all appeals) shall entitle those orthodontists to terminate such Services Agreements with no liability accruing to them or their professional associations.

The parties hereto have duly executed this Agreement on the date first written above and the effective date of this Agreement shall be the date first written above.

ORTHODONTIX, INC.

Dated: -----

By: -----  
F.W. "Mort" Guilford, President

ORTHODONTIX PROFESSIONAL, P.A.

Dated: -----

By: -----  
Stephen Grussmark, D.D.S., President

## SERVICES AGREEMENT

THIS AGREEMENT made and entered into this \_\_\_\_ day of \_\_\_\_\_ by and between Orthodontix Professional, P.A., a \_\_\_\_\_ professional corporation ("Orthodontix Professional") and \_\_\_\_\_, P.A., a \_\_\_\_\_ professional corporation (the "P.A."). This Agreement shall be effective on the date of the closing of the transactions (the "Effective Date") contemplated under the Agreement and Plan of Reorganization of even date herewith by and among Orthodontix, Inc., the Orthodontist and a professional corporation affiliated with the Orthodontist (the "Closing").

## RECITALS:

A. Orthodontix Professional owns and operates orthodontic practices.

B. \_\_\_\_\_, D.D.S. (the "Orthodontist") is the sole shareholder, officer and director of the P.A. and is duly licensed by all appropriate licensing boards within the state of \_\_\_\_\_, is a practicing orthodontist within the state of \_\_\_\_\_ and is qualified to perform such duties as are set forth in this Agreement.

C. Orthodontix Professional desires to engage the P.A. and the P.A. wishes to become engaged to cause the Orthodontist to provide orthodontic services at \_\_\_\_\_ and at such other locations as Orthodontix Professional and the P.A. will, from time to time mutually determine (collectively, the "Location").

D. The parties agree to work in a cooperative manner to bring about a mutually advantageous and satisfying relationship. Orthodontix Professional agrees to consult with P.A. and Orthodontist prior to making material changes at the Location. Orthodontix Professional and P.A. agree that the parties' relationship will be built upon open discussion and evaluation of issues affecting the practice, and that Orthodontist shall remain integrally involved in the daily running of the practice.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Orthodontix Professional and the P.A. do hereby agree as follows:

1. RECITALS: The above recitals are true and correct and are incorporated herein by reference.

2. CLINICAL OBLIGATIONS: The P.A. shall cause the Orthodontist to:

(a) COVERAGE: Provide general orthodontic services at the Location. The Orthodontist shall not be required to perform any duties which would interfere with or impair the complete exercise of the Orthodontist's professional judgment. Further, the Orthodontist shall

perform all orthodontic services in strict accordance with currently acceptable orthodontic standards and ethics contained in applicable law or ordinance or established by rules and regulations of a Federal, State or local agency, department, commission, association, (including, without limitation, the American Association of Orthodontists) or other pertinent governing or advisory body having authority to set standards for health care facilities or practitioners or contained in rules, regulations or procedures and policies established by the Orthodontist and Orthodontix Professional.

(b) EVALUATION AND TREATMENT: Evaluate each patient presented for care and/or treatment. The degree of evaluation and treatment rendered to any patient shall be the responsibility of the Orthodontist, it being acknowledged that an orthodontist performing orthodontic services must exercise the orthodontist's own judgment as to the means and methods of treating each patient. Orthodontix Professional shall use reasonable efforts to accommodate patient requests to receive care from a particular orthodontist practicing at the Location subject to the Orthodontist's desired work schedule. New patients shall be assigned to orthodontists at the Location on a rotational basis.

(c) ORTHODONTIC EMERGENCIES: Attend to all orthodontic emergencies when at the Location and as necessary for the general welfare of patients.

3. OTHER OBLIGATIONS: In addition to the clinical obligations set forth in Section 2 above, the P.A. shall and shall cause the Orthodontist to have the following additional obligations:

(a) FEES: To assist Orthodontix Professional in any way reasonable and necessary to enable Orthodontix Professional to bill and collect the charges for services rendered by the Orthodontist. Orthodontix Professional shall have the exclusive right to bill and collect (receive payment) for professional services rendered by the Orthodontist. The P.A. shall and shall cause the Orthodontist to assign to Orthodontix Professional all rights to fees for services performed. Accordingly, all payments to be made by third party payors for services performed by the Orthodontist shall be paid directly to Orthodontix Professional. If any fees, payments or other things of value charged are delivered to the Orthodontist, the Orthodontist shall promptly reassign these items to Orthodontix Professional. This provision shall survive the termination of this Agreement. The P.A. agrees and shall cause the Orthodontist to agree that in no event shall the Orthodontist bill, charge or collect or seek compensation of any form from any patients or third party payment source for the services provided pursuant to this Agreement.

(b) CREDENTIALING DOCUMENTATION: Furnish Orthodontix Professional annually with all documentation required by Orthodontix Professional for proper credentialing including, but not limited to, a copy of the Orthodontist's original license and current renewal thereof, valid for the state in which the Location is situated and any other documentation required by the state in which the Location is situated. Payment for services may be delayed until the P.A. delivers all necessary documentation.

(c) ORTHODONTIC AND OTHER RECORDS: Promptly prepare and maintain such orthodontic records incidental to the services performed by the Orthodontist hereunder in accordance with the standard dental and/or orthodontic policies as from time to time adjusted. Further, Orthodontist shall accurately and promptly prepare such other records as may be required by Orthodontix Professional, including but not limited to, records necessary for proper billing for services.

(d) CLAIMS REPORTING: Report to Orthodontix Professional any incident, or potential incident, which Orthodontist believes might form the basis of a malpractice or other claim immediately upon the occurrence thereof. Such claims shall be reported on forms provided by Orthodontix Professional for such purpose, and sent to the attention of Claims Manager. Failure to report any such incident or potential incident shall be a material breach of this Agreement and may have the effect of negating insurance coverage thereof.

4. COMPENSATION: Orthodontix Professional shall pay to the P.A., on a monthly basis, a base amount (the "Base P.A. Compensation") equal to \_\_\_ % of the practice's Accrued Revenue (as defined below), which percentage amount may be modified on or prior to the Closing based on information provided as a result of the audit of Orthodontist's practice for the twelve month period ended December 31, 1996. For purposes of this Agreement, "Accrued Revenue" shall be defined as follows:

- (i) 24% of the Initial Contract Amount; plus
- (ii) the Monthly Contract Residual Amount; plus
- (iii) Additional Non-Contract Service Charges.

"INITIAL CONTRACT AMOUNT" for a given month shall be defined as the total value of any contracts to provide orthodontic services between a patient or third party payor on the one hand and the Orthodontist, Orthodontix Professional or the P.A. on the other, for the provision of orthodontic services at a pre-determined fee-for service amount (whether or not payable in cash) which contract was generated by the Orthodontist after the Effective Date (the "Contract"), entered into on or prior to the last business day of each month.

"MONTHLY CONTRACT RESIDUAL AMOUNT" shall mean that amount equal to the amounts remaining to be paid by the patient or third party payor under a Contract (the "Remaining Amounts Payable") divided by the number of months remaining in the term of such Contract; provided, however, that the Remaining Amounts Payable shall not be in excess of 76% (other than for a Contract entered into prior to the Effective Date) of the total amounts payable by the patient or third party payor under the Contract.

"ADDITIONAL NON-CONTRACT SERVICE CHARGES" shall mean that amount charged for orthodontic services which are not included in a patient contract. Such orthodontic services shall include, but are not limited to, diagnosis charges, observation charges, retention charges and office visit charges.

In addition to the Base P.A. Compensation, Orthodontix Professional shall pay to the P.A. on an annual basis, a service fee (the "Service Fee"), which shall equal 70% of the "Net Operating Income" generated from the delivery of orthodontic services by the Orthodontist. For purposes of this Agreement "Net Operating Income" shall be defined as that amount, if any, equivalent to the percentage by which Practice Overhead (as defined below) declines as a percentage of Accrued Revenue annually; multiplied by the annual Accrued Revenue.

In the event that the Net Operating Income for any year is zero or less than zero, then no Service Fee shall be paid to the P.A. for that year.

"Practice Overhead" shall be defined as the sum of:

- (i) an agreed upon allocable share of salaries, benefits, and other direct costs of all employees other than licensed healthcare professional at the Location;
- (ii) an agreed upon allocable share of direct costs of all patient care and office supplies purchased in connection with the operation of the Location; and
- (iii) an agreed upon allocable share of personal property and real property leasehold obligations entered into in connection with the performance of orthodontic services at the Location;
- (iv) an agreed upon allocable share of personal property and intangible taxes assessed against the assets used in connection with the operation of the orthodontic practice at the Location;
- (v) an agreed upon allocable share of malpractice insurance expenses and orthodontist recruitment expenses;
- (vi) The annual Base P.A. Compensation; and
- (vii) \$\_\_\_\_\_ per year for the one year period commencing on the Effective Date (the "Management Fee"), and for each year thereafter, the Management Fee shall automatically increase by 10% annually.

For purposes of this Agreement, the term allocable share shall be defined as that percentage of Accrued Revenue generated by the Orthodontist relative to the total Accrued Revenue generated by orthodontists at the Location.

In the event a patient of the Orthodontist is treated by an orthodontist other than the Orthodontist, the Base P.A. Compensation payable to the P.A. shall be reduced by \$80.00 per treatment unless the Orthodontist is able to provide the coverage at no cost.



(a) PAYMENT OF BASE P.A. COMPENSATION AND SERVICE FEE: The Base P.A. Compensation shall be payable to the P.A. once monthly no later than the fifteenth of the month. Payment of the Service Fee shall be payable to the P.A. once annually no later than March 31. The amounts payable monthly shall be estimated based upon the previous month's operating results. Adjustments to the estimated payments shall be made to reconcile actual amounts due hereunder, no later than the last day of the following month.

(b) AUDIT RIGHTS: No more than once every six months either party, upon giving notice to the other party hereto, shall have the right to inspect the records of the orthodontic practice to ascertain and audit Accrued Revenue, and the Practice Overhead, subject to patient confidentiality laws. If, upon audit or examination, it is determined that the Base P.A Compensation or Service Fee was incorrectly computed, the parties shall, within forty-five (45) days of such determination, reconcile the difference by a cash payment to the applicable party.

5. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE P.A.: The P.A. represents, warrants to and covenants with Orthodontix Professional as follows:

(a) LICENSING: The Orthodontist is and shall continue to be for the duration of this Agreement licensed to practice orthodontics in the locality and state in which the Location is located.

(b) STANDARD OF SERVICES: The Orthodontist shall perform all orthodontic services at the Location in strict accordance with currently approved and accepted methods of practice within the general vicinity and community of the Location.

(c) COMPLIANCE WITH LAWS: The Orthodontist shall comply with all federal, state and local laws, rules, ordinances and regulations, including all state and Drug Enforcement Administration licensing requirements, and shall not perform clinical duties at the Location unless all such licensing is correct and in full force and effect.

(d) CORPORATE REPRESENTATION: The P.A. is validly existing and organized under the laws of the State of \_\_\_\_\_; it has provided Orthodontix Professional with a Certificate of Good Standing dated within sixty (60) days of the effective date of this Agreement, a copy of which is attached as Exhibit "A"; The Orthodontist is an authorized representative of said P.A. and the P.A. agrees to notify Orthodontix Professional within thirty (30) days of any change in its corporate name, designation or status.

(e) NO RESTRICTION: The P.A. represents to Orthodontix Professional, and acknowledges that Orthodontix Professional is relying on this representation, that the P.A. and Orthodontist are free to enter into this Agreement and that neither the P.A. nor the Orthodontist are under any restrictions from a former employer or business that would preclude the P.A. or the Orthodontist from entering into this Agreement.

6. INDEPENDENT CONTRACTOR RELATIONSHIP: It is agreed and understood by and between the parties hereto that P.A. is retained only for the purpose and to the extent set forth in this Agreement and, during the period or periods of its association with Orthodontix Professional and its performance of services hereunder, its relation to Orthodontix Professional shall be that of an independent contractor. This Agreement shall not be construed as an agreement of employment, a partnership, or any other form of business entity. Neither P.A. nor Orthodontist shall be considered under the provisions of this Agreement, or otherwise, as having employee status or as being entitled to participate in any employee insurance or benefit plans, arrangements, distribution, or other benefits of any nature whatsoever which may be provided by Orthodontix Professional for its employees. Accordingly, without limiting the generality of the foregoing, the P.A. and the Orthodontist acknowledge and agree that neither P.A. nor Orthodontist will be treated as an employee of Orthodontix Professional with respect to service for purposes of workers compensation benefits, the Federal Insurance Contributions Act, the Social Security Act, the Federal Unemployment Tax Act, and Income Tax Withholding and for purposes of the employee benefit provisions set forth in the Federal Income Tax Code Section 70 (a group term life insurance purchased for employees), Section 101(b) (employees death benefits), Sections 104, 105, and 106 (accident and health insurance for accident and health plans), Section 120 (group legal services plan), Section 127 (educational assistance program), and (a) (contributions to stock bonus, pension, profit sharing, or plans and related trusts). Further, the P.A. and the Orthodontist understand and accept as its responsibility all obligations to pay any and all Federal and State Self-Employment, income and other taxes as they may apply. Should the P.A. fail to pay such taxes, Orthodontix Professional may deduct any such tax amounts from amounts owed to the P.A.

7. INSURANCE: Orthodontix Professional, at the P.A.'s cost and expense, shall procure for the Orthodontist a professional liability insurance policy covering the Orthodontist in an amount not less than the minimum required in the state in which the Location is located. Such insurance policy will provide for coverage on a claims-made and unlimited extended reporting basis.

8. TERM AND TERMINATION:

(a) TERM: The term of this Agreement shall be for a period of five years from the Effective Date and shall automatically extend for an additional five year period unless the P.A. gives to Orthodontix Professional at least 180 days prior written notice of its intent not to renew this Agreement.

(b) TERMINATION OF AGREEMENT: This Agreement shall terminate upon the occurrence of any of the following:

- (i) The Orthodontist is convicted of an illegal act or is engaged in an immoral or unethical practice;
- (ii) The Orthodontist refuses or is unable to work the number of hours sufficient to service the patients at the Location in a manner consistent with historical practice other than as a result of the death or total and permanent disability of the

Orthodontist as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended;

(iii) Orthodontix Professional reasonably determines that the P.A. or the Orthodontist is acting in a manner detrimental to the interests of Orthodontix Professional and which results in a material adverse effect to Orthodontix Professional;

(iv) Upon the breach by the P.A. or the Orthodontist of this Agreement;

(v) Upon the death or total and permanent disability of the Orthodontist as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

(c) In the event of termination by the P.A. as a result of any of the factors listed above other than Section 8(b)(v), the P.A. and the Orthodontist shall jointly and severally be obligated to (x) pay to Orthodontix Professional liquidated damages as per the schedule below: and (y) cause the Orthodontist to assign all of the outstanding shares of capital stock in the P.A. to an orthodontist licensed to render orthodontic services in the state of \_\_\_\_\_ as selected by Orthodontix Professional.

YEAR OF TERMINATION -----	LIQUIDATED DAMAGES -----
1	The greater of \$250,000 or 1.1 times the amount of all monies received by or for the benefit of the Orthodontist from patients or third party payors as a result of the Orthodontist providing orthodontic services for the twelve-month period ended December 31, 1996 (the "Net Cash Collection Amount").
2	The greater of \$200,000 or 1.0 times the Net Cash Collection Amount.
3	The greater of \$150,000 or .88 times the Net Cash Collection Amount.
4	The greater of \$100,000 or .66 times the Net Cash Collection Amount.

The greater of \$75,000 or .36 times  
the Net Cash Collection Amount.

9. PROPRIETARY INFORMATION; NON-INTERFERENCE; NON-COMPETITION:

(a) PROPRIETARY INFORMATION: During the term of this Agreement, neither the P.A. nor the Orthodontist will directly or indirectly disclose to any person, entity, firm or any company whatsoever or use for its own benefit or the benefit of any other person, entity, firm or company, any knowledge, information, business method, techniques, or data of Orthodontix Professional as contained in any policy, procedure manuals or written correspondence or documents provided to Orthodontist or the P.A. The P.A. shall, and shall cause the Orthodontist to, upon termination of this Agreement, return to Orthodontix Professional all books, records, notes and all other information, documents or policies and procedures manuals applicable to Orthodontix Professional and its accounts in the matter of conducting its business. Orthodontix Professional and the P.A. agree that Orthodontix Professional will not request or accept, and neither the P.A. nor the Orthodontist will divulge, any confidential or proprietary information concerning the operation of orthodontic practices learned or obtained by the P.A. or the Orthodontist.

(b) NON-INTERFERENCE: During the term of this Agreement and for a period of two years thereafter, unless otherwise agreed to in writing by Orthodontix Professional, neither the P.A. nor the Orthodontist will, either for own account or for any other person, solicit, induce, attempt to induce, interfere with, or endeavor to cause (i) any current patient, or any employee, independent contractor or other affiliate of Orthodontix Professional or any affiliate of Orthodontix Professional to modify, amend, terminate, or otherwise alter any of its relationships with Orthodontix Professional or Orthodontix Professional's subsidiaries or affiliates; or (ii) any currently retained healthcare professional to modify, amend, terminate, or otherwise alter its relationship, including compensation arrangements with Orthodontix Professional, Orthodontix Professional's subsidiaries or affiliates. Further, unless otherwise agreed to in writing by Orthodontix Professional, for a period of two years from the date hereof, the P.A. and the Orthodontist agree that they shall refrain from soliciting and shall not, directly or indirectly, as sole proprietor, independent contractor, employee, consultant, agent, partner, or joint venturer, or as an officer, director, stockholder, agent or employee of any firm, person, entity, partnership or corporation, or otherwise solicit the employees of Orthodontix Professional or any subsidiary of an affiliate of Orthodontix Professional to leave the service of Orthodontix Professional or a subsidiary or affiliate of Orthodontix Professional.

(c) NON-COMPETITION: It is the intention of Orthodontix Professional and the P.A. to restrict the P.A. and the Orthodontist only to the extent necessary for the protection of legitimate business interests of Orthodontix

Professional and legally permissible and it is agreed that nothing herein prevents the Orthodontist from earning a livelihood. During the term of this Agreement the P.A. shall cause the Orthodontist to perform orthodontic services exclusively at the Location. For a period of two years after this Agreement, except with the prior written consent of Orthodontix Professional, the P.A. shall not and shall cause Orthodontist not to establish, develop or open any offices for the provision of orthodontic services within a 10 mile radius of the Location.

(d) REMEDIES: In the event of an actual or threatened breach by the P.A. or the Orthodontist of Section 9 paragraphs (a), (b) or (c), Orthodontix Professional shall be entitled to an injunction restraining either the P.A. or the Orthodontist, or both, from its prohibited conduct. If the court should hold that the duration and/or scope (geographic or otherwise) of the covenant contained herein is unreasonable, then, to the extent permitted by law, the court may prescribe a duration and/or scope (geographic or otherwise), that is reasonable and the parties agree to accept such determination, subject to their rights of appeal. Nothing contained herein shall be construed as prohibiting Orthodontix Professional or any third party from pursuing any of the remedies available to it for such breach or threatened breach, including recovery of damages from the P.A., the Orthodontist or both. In any action or proceeding to enforce the provisions of this Section 9(d), the prevailing party shall be reimbursed by the other party for all costs incurred in such action or proceeding, including, without limitation, all court costs and filing fees and all attorneys' fees, incurred either at the trial level or at the appellate level.

#### 10. MISCELLANEOUS:

(a) POLICIES AND PROCEDURES: The P.A. acknowledges the necessity for Orthodontix Professional to have uniform policies and procedures for its operations, and the P.A. agrees that the P.A. and Orthodontist will be governed by Orthodontix Professional's policies and procedures currently in force, and as amended from time to time.

(b) ASSIGNMENT PROHIBITED: The P.A. agrees that this Agreement is personal in nature and it may not assign any of the rights, benefits, or obligations hereunder without first obtaining the written consent of Orthodontix Professional.

(c) SURVIVAL CLAUSE: The Orthodontist agrees that all Orthodontist's obligations, covenants, undertakings and representations set forth in this Agreement shall survive termination or cancellation of this Agreement, for any reason whatsoever, whether with cause or without cause.

(d) SAVINGS CLAUSE: If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the validity or enforceability of any other provision hereof.

(e) NOTICES: All notices provided for by this Agreement shall be made in writing, as follows: (i) either by actual delivery of the notice into the hands of the parties hereunto entitled; or (ii) by the mailing of the notice in the United States mail to the last known address of the parties entitled thereto by certified or registered mail, return receipt requested. The notice shall be deemed

to be received on the earlier of the date of its actual receipt by the parties entitled thereto, or the date of the return receipt.

(f) ENTIRE AGREEMENT: This Agreement sets forth the full and complete understanding of the Parties and supersedes any prior agreement, oral or written. No addition or additions to this Agreement shall be binding upon either party unless in writing and signed by both Parties except as here and otherwise provided.

(g) SECTION HEADINGS: The headings of the various sections of this Agreement have been inserted only for the purposes of convenience, and are not part of this Agreement and shall not be deemed in any manner to modify, expand or restrict any of the provisions of this Agreement.

(h) GOVERNING LAW: This Agreement shall be construed and enforced in accordance with the laws of the State of \_\_\_\_\_ and this Agreement shall not be construed more strictly against one party than against the other, merely by virtue of the fact that it may have been prepared by counsel for one of the Parties, it being recognized that all of the parties have contributed substantially and materially to the preparation of this Agreement.

(i) NUMBER; GENDER: Where appropriate, the use of the singular herein shall include and be deemed to be the plural and the use of the plural herein shall include and be deemed to be the singular, and the use of the masculine gender shall include the feminine and neutral gender.

(j) COUNTERPARTS: This Agreement may be executed in any number of counter parts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

(k) FURTHER ASSURANCES: The parties will upon reasonable request, execute and deliver all such further documents as may be necessary in order to carry out the purposes and terms of this Agreement.

(l) TAIL INSURANCE COVERAGE. Upon the termination of this Agreement, the P.A. shall cause the Orthodontist to acquire tail insurance coverage in scope and amount acceptable to the P.A.

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties hereto as of the date first above written.

"ORTHODONTIX PROFESSIONAL"  
Orthodontix Professional, P.A.,  
a \_\_\_\_\_ professional corporation,

"P.A."  
a \_\_\_\_\_ professional corporation,



## SERVICES AGREEMENT

THIS AGREEMENT made and entered into this \_\_\_\_ day of \_\_\_\_\_ by and between Orthodontix Professional, P.A., a professional corporation ("Orthodontix Professional") and \_\_\_\_\_, P.A., a \_\_\_\_\_ professional corporation (the "P.A."). This Agreement shall be effective on the date of the closing of the transactions (the "Effective Date") contemplated under the Agreement and Plan of Reorganization of even date herewith by and among Orthodontix, Inc., the Orthodontist and a professional corporation affiliated with the Orthodontist (the "Closing"). The parties acknowledge that Orthodontix, Inc. is a third party beneficiary hereof.

## RECITALS:

A. Orthodontix Professional owns and operates orthodontic practices.

B. \_\_\_\_\_, D.D.S. (the "Orthodontist") is the sole shareholder, officer and director of the P.A. and is duly licensed by all appropriate licensing boards within the state of \_\_\_\_\_, is a practicing orthodontist within the state of \_\_\_\_\_ and is qualified to perform such duties as are set forth in this Agreement.

C. Orthodontix Professional desires to engage the P.A. and the P.A. wishes to become engaged to cause the Orthodontist to provide orthodontic services at \_\_\_\_\_ and at such other locations as Orthodontix Professional and the P.A. will, from time to time mutually determine (collectively, the "Location").

D. The parties agree to work in a cooperative manner to bring about a mutually advantageous and satisfying relationship. Orthodontix Professional agrees to consult with P.A. and Orthodontist prior to making material changes at the Location. Orthodontix Professional and P.A. agree that the parties' relationship will be built upon open discussion and evaluation of issues affecting the practice, and that Orthodontist shall remain integrally involved in the daily running of the practice.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, Orthodontix Professional and the P.A. do hereby agree as follows:

1. RECITALS: The above recitals are true and correct and are incorporated herein by reference.

2. CLINICAL OBLIGATIONS: The P.A. shall cause the Orthodontist to:

(a) COVERAGE: Provide general orthodontic services at the Location. The Orthodontist shall not be required to perform any duties which would interfere with or impair the



complete exercise of the Orthodontist's professional judgment. Further, the Orthodontist shall perform all orthodontic services in strict accordance with currently acceptable orthodontic standards and ethics contained in applicable law or ordinance or established by rules and regulations of a Federal, State or local agency, department, commission, association, (including, without limitation, the American Association of Orthodontists) or other pertinent governing or advisory body having authority to set standards for health care facilities or practitioners or contained in rules, regulations or procedures and policies established by the Orthodontist and Orthodontix Professional.

(b) EVALUATION AND TREATMENT: Evaluate each patient presented for care and/or treatment. The degree of evaluation and treatment rendered to any patient shall be the responsibility of the Orthodontist, it being acknowledged that an orthodontist performing orthodontic services must exercise the orthodontist's own judgment as to the means and methods of treating each patient. Orthodontix Professional shall use reasonable efforts to accommodate patient requests to receive care from a particular orthodontist practicing at the Location subject to the Orthodontist's desired work schedule. New patients shall be assigned to orthodontists at the Location on a rotational basis.

(c) ORTHODONTIC EMERGENCIES: Attend to all orthodontic emergencies when at the Location and as necessary for the general welfare of patients.

3. OTHER OBLIGATIONS: In addition to the clinical obligations set forth in Section 2 above, the P.A. shall and shall cause the Orthodontist to have the following additional obligations:

(a) FEES: To assist Orthodontix Professional in any way reasonable and necessary to enable Orthodontix Professional to bill and collect the charges for services rendered by the Orthodontist. Orthodontix Professional shall have the exclusive right to bill and collect (receive payment) for professional services rendered by the Orthodontist. The P.A. shall and shall cause the Orthodontist to assign to Orthodontix Professional all rights to fees for services performed. Accordingly, all payments to be made by third party payors for services performed by the Orthodontist shall be paid directly to Orthodontix Professional. If any fees, payments or other things of value charged are delivered to the Orthodontist, the Orthodontist shall promptly reassign these items to Orthodontix Professional. This provision shall survive the termination of this Agreement. The P.A. agrees and shall cause the Orthodontist to agree that in no event shall the Orthodontist bill, charge or collect or seek compensation of any form from any patients or third party payment source for the services provided pursuant to this Agreement.

(b) CREDENTIALING DOCUMENTATION: Furnish Orthodontix Professional annually with all documentation required by Orthodontix Professional for proper credentialing including, but not limited to, a copy of the Orthodontist's original license and current renewal thereof, valid for the state in which the Location is situated and any other documentation required by the state in which the Location is situated. Payment for services may be delayed until the P.A. delivers all necessary documentation.

(c) ORTHODONTIC AND OTHER RECORDS: Promptly prepare and maintain such orthodontic records incidental to the services performed by the Orthodontist hereunder in accordance with the standard dental and/or orthodontic policies as from time to time adjusted. Further, Orthodontist shall accurately and promptly prepare such other records as may be required by Orthodontix Professional, including but not limited to, records necessary for proper billing for services.

(d) CLAIMS REPORTING: Report to Orthodontix Professional any incident, or potential incident, which Orthodontist believes might form the basis of a malpractice or other claim immediately upon the occurrence thereof. Such claims shall be reported on forms provided by Orthodontix Professional for such purpose, and sent to the attention of Claims Manager. Failure to report any such incident or potential incident shall be a material breach of this Agreement and may have the effect of negating insurance coverage thereof.

4. COMPENSATION: Orthodontix Professional shall pay to the P.A., on a monthly basis, a base amount (the "Base P.A. Compensation") equal to \_\_\_\_ % of the practice's Accrued Revenue (as defined below), which percentage amount may be modified on or prior to the Closing based on information provided as a result of the audit of Orthodontist's practice for the twelve month period ended December 31, 1996. For purposes of this Agreement, "Accrued Revenue" shall be defined as follows:

- (i) 24% of the Initial Contract Amount; plus
- (ii) the Monthly Contract Residual Amount; plus
- (iii) Additional Non-Contract Service Charges.

"INITIAL CONTRACT AMOUNT" for a given month shall be defined as the total value of any contracts to provide orthodontic services between a patient or third party payor on the one hand and the Orthodontist, Orthodontix Professional or the P.A. on the other, for the provision of orthodontic services at a pre-determined fee-for service amount (whether or not payable in cash) which contract was generated by the Orthodontist after the Effective Date (the "Contract"), entered into on or prior to the last business day of each month.

"MONTHLY CONTRACT RESIDUAL AMOUNT" shall mean that amount equal to the amounts remaining to be paid by the patient or third party payor under a Contract (the "Remaining Amounts Payable") divided by the number of months remaining in the term of such Contract; provided, however, that the Remaining Amounts Payable shall not be in excess of 76% (other than for a Contract entered into prior to the Effective Date) of the total amounts payable by the patient or third party payor under the Contract.

"ADDITIONAL NON-CONTRACT SERVICE CHARGES" shall mean that amount charged for orthodontic services which are not included in a patient contract. Such orthodontic services shall include, but are not limited to, diagnosis charges, observation charges, retention charges and office visit charges.

In addition to the Base P.A. Compensation, Orthodontix Professional shall pay to the P.A. on an annual basis, a service fee (the "Service Fee"), which shall equal 70% of the "Net Operating Income" generated from the delivery of orthodontic services by the Orthodontist. For purposes of this Agreement "Net Operating Income" shall be defined as that amount, if any, equivalent to the percentage by which Practice Overhead (as defined below) declines as a percentage of Accrued Revenue annually; multiplied by the annual Accrued Revenue.

In the event that the Net Operating Income for any year is zero or less than zero, then no Service Fee shall be paid to the P.A. for that year.

"Practice Overhead" shall be defined as the sum of:

- (i) an agreed upon allocable share of salaries, benefits, and other direct costs of all employees other than licensed healthcare professional at the Location;
- (ii) an agreed upon allocable share of direct costs of all patient care and office supplies purchased in connection with the operation of the Location; and
- (iii) an agreed upon allocable share of personal property and real property leasehold obligations entered into in connection with the performance of orthodontic services at the Location;
- (iv) an agreed upon allocable share of personal property and intangible taxes assessed against the assets used in connection with the operation of the orthodontic practice at the Location;
- (v) an agreed upon allocable share of malpractice insurance expenses and orthodontist recruitment expenses;
- (vi) The annual Base P.A. Compensation; and
- (vii) 15% of the annual Accrued Revenue (the "Management Fee").

For purposes of this Agreement, the term allocable share shall be defined as that percentage of Accrued Revenue generated by the Orthodontist relative to the total Accrued Revenue generated by orthodontists at the Location.

In the event a patient of the Orthodontist is treated by an orthodontist other than the Orthodontist, the Base P.A. Compensation payable to the P.A. shall be reduced by \$80.00 per treatment unless the Orthodontist is able to provide the coverage at no cost.

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Adjustments to the estimated payments shall be made to reconcile actual amounts due hereunder, no later than the last day of the following month.

(b) AUDIT RIGHTS: No more than once every six months either party, upon giving notice to the other party hereto, shall have the right to inspect the records of the orthodontic practice to ascertain and audit Accrued Revenue, and the Practice Overhead, subject to patient confidentiality laws. If, upon audit or examination, it is determined that the Base P.A Compensation or Service Fee was incorrectly computed, the parties shall, within forty-five (45) days of such determination, reconcile the difference by a cash payment to the applicable party.

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(c) COMPLIANCE WITH LAWS: The Orthodontist shall comply with all federal, state and local laws, rules, ordinances and regulations, including all state and Drug Enforcement Administration licensing requirements, and shall not perform clinical duties at the Location unless all such licensing is correct and in full force and effect.

(d) CORPORATE REPRESENTATION: The P.A. is validly existing and organized under the laws of the State of \_\_\_\_\_; it has provided Orthodontix Professional with a Certificate of Good Standing dated within sixty (60) days of the effective date of this Agreement, a copy of which is attached as Exhibit "A"; The Orthodontist is an authorized representative of said P.A. and the P.A. agrees to notify Orthodontix Professional within thirty (30) days of any change in its corporate name, designation or status.

(e) NO RESTRICTION: The P.A. represents to Orthodontix Professional, and acknowledges that Orthodontix Professional is relying on this representation, that the P.A. and Orthodontist are free to enter into this Agreement and that neither the P.A. nor the Orthodontist are under any restrictions from a former employer or business that would preclude the P.A. or the Orthodontist from entering into this Agreement.

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independent contractor. This Agreement shall not be construed as an agreement of employment, a partnership, or any other form of business entity. Neither P.A. nor Orthodontist shall be considered under the provisions of this Agreement, or otherwise, as having employee status or as being entitled to participate in any employee insurance or benefit plans, arrangements, distribution, or other benefits of any nature whatsoever which may be provided by Orthodontix Professional for its employees. Accordingly, without limiting the generality of the foregoing, the P.A. and the Orthodontist acknowledge and agree that neither P.A. nor Orthodontist will be treated as an employee of Orthodontix Professional with respect to service for purposes of workers compensation benefits, the Federal Insurance Contributions Act, the Social Security Act, the Federal Unemployment Tax Act, and Income Tax Withholding and for purposes of the employee benefit provisions set forth in the Federal Income Tax Code Section 70 (a group term life insurance purchased for employees), Section 101(b) (employees death benefits), Sections 104, 105, and 106 (accident and health insurance for accident and health plans), Section 120 (group legal services plan), Section 127 (educational assistance program), and (a) (contributions to stock bonus, pension, profit sharing, or plans and related trusts). Further, the P.A. and the Orthodontist understand and accept as its responsibility all obligations to pay any and all Federal and State Self-Employment, income and other taxes as they may apply. Should the P.A. fail to pay such taxes, Orthodontix Professional may deduct any such tax amounts from amounts owed to the P.A.

7. **INSURANCE:** Orthodontix Professional, at the P.A.'s cost and expense, shall procure for the Orthodontist a professional liability insurance policy covering the Orthodontist in an amount not less than the minimum required in the state in which the Location is located. Such insurance policy will provide for coverage on a claims-made and unlimited extended reporting basis.

8. **TERM AND TERMINATION:**

(a) **TERM:** The term of this Agreement shall be for a period of five years from the Effective Date and shall automatically extend for an additional five year period unless the P.A. gives to Orthodontix Professional at least 180 days prior written notice of its intent not to renew this Agreement.

(b) **TERMINATION OF AGREEMENT:** This Agreement shall terminate upon the occurrence of any of the following:

- (i) The Orthodontist is convicted of an illegal act or is engaged in an immoral or unethical practice;
- (ii) The Orthodontist refuses or is unable to work the number of hours sufficient to service the patients at the Location in a manner consistent with historical practice other than as a result of the death or total and permanent disability of the Orthodontist as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended;
- (iii) Orthodontix Professional reasonably determines that the P.A. or the Orthodontist is acting in a manner detrimental to the interests of Orthodontix

Professional and which results in a material adverse effect to Orthodontix Professional;  
 (iv) Upon the breach by the P.A. or the Orthodontist of this Agreement;  
 (v) Upon the death or total and permanent disability of the Orthodontist as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended.

(c) In the event of termination by the P.A. as a result of any of the factors listed above other than Section 8(b)(v), the P.A. and the Orthodontist shall jointly and severally be obligated to (x) pay to Orthodontix Professional liquidated damages as per the schedule below: and (y) cause the Orthodontist to assign all of the outstanding shares of capital stock in the P.A. to an orthodontist licensed to render orthodontic services in the state of \_\_\_\_\_ as selected by Orthodontix Professional.

YEAR OF TERMINATION -----	LIQUIDATED DAMAGES -----
1	The greater of \$250,000 or 1.1 times the amount of all monies received by or for the benefit of the Orthodontist from patients or third party payors as a result of the Orthodontist providing orthodontic services for the twelve-month period ended December 31, 1996 (the "Net Cash Collection Amount").
2	The greater of \$200,000 or 1.0 times the Net Cash Collection Amount.
3	The greater of \$150,000 or .88 times the Net Cash Collection Amount.
4	The greater of \$100,000 or .66 times the Net Cash Collection Amount.
5	The greater of \$75,000 or .36 times the Net Cash Collection Amount.

## 9. PROPRIETARY INFORMATION; NON-INTERFERENCE; NON-COMPETITION:

(a) PROPRIETARY INFORMATION: During the term of this Agreement, neither the P.A. nor the Orthodontist will directly or indirectly disclose to any person, entity, firm or any company whatsoever or use for its own benefit or the benefit of any other person, entity, firm or company, any knowledge, information, business method, techniques, or data of Orthodontix Professional as contained in any policy, procedure manuals or written correspondence or documents provided to Orthodontist or the P.A. The P.A. shall, and shall cause the Orthodontist to, upon termination of this Agreement, return to Orthodontix Professional all books, records, notes and all other information, documents or policies and procedures manuals applicable to Orthodontix Professional and its accounts in the matter of conducting its business. Orthodontix Professional and the P.A. agree that Orthodontix Professional will not request or accept, and neither the P.A. nor the Orthodontist will divulge, any confidential or proprietary information concerning the operation of orthodontic practices learned or obtained by the P.A. or the Orthodontist.

(b) NON-INTERFERENCE: During the term of this Agreement and for a period of two years thereafter, unless otherwise agreed to in writing by Orthodontix Professional, neither the P.A. nor the Orthodontist will, either for own account or for any other person, solicit, induce, attempt to induce, interfere with, or endeavor to cause (i) any current patient, or any employee, independent contractor or other affiliate of Orthodontix Professional or any affiliate of Orthodontix Professional to modify, amend, terminate, or otherwise alter any of its relationships with Orthodontix Professional or Orthodontix Professional's subsidiaries or affiliates; or (ii) any currently retained healthcare professional to modify, amend, terminate, or otherwise alter its relationship, including compensation arrangements with Orthodontix Professional, Orthodontix Professional's subsidiaries or affiliates. Further, unless otherwise agreed to in writing by Orthodontix Professional, for a period of two years from the date hereof, the P.A. and the Orthodontist agree that they shall refrain from soliciting and shall not, directly or indirectly, as sole proprietor, independent contractor, employee, consultant, agent, partner, or joint venturer, or as an officer, director, stockholder, agent or employee of any firm, person, entity, partnership or corporation, or otherwise solicit the employees of Orthodontix Professional or any subsidiary of an affiliate of Orthodontix Professional to leave the service of Orthodontix Professional or a subsidiary or affiliate of Orthodontix Professional.

(c) NON-COMPETITION: It is the intention of Orthodontix Professional and the P.A. to restrict the P.A. and the Orthodontist only to the extent necessary for the protection of legitimate business interests of Orthodontix Professional and legally permissible and it is agreed that nothing herein prevents the Orthodontist from earning a livelihood. During the term of this Agreement the P.A. shall cause the Orthodontist to perform orthodontic services exclusively at the Location. For a period of two years after this Agreement, except with the prior written consent of Orthodontix Professional, the P.A. shall not and shall cause Orthodontist not to establish, develop or open any offices for the provision of orthodontic services within a 10 mile radius of the Location.

(d) REMEDIES: In the event of an actual or threatened breach by the P.A. or the Orthodontist of Section 9 paragraphs (a), (b) or (c), Orthodontix Professional shall be entitled to an injunction restraining either the P.A. or the Orthodontist, or both, from its prohibited conduct. If the court should hold that the duration and/or scope (geographic or otherwise) of the covenant contained herein is unreasonable, then, to the extent permitted by law, the court may prescribe a duration and/or scope (geographic or otherwise), that is reasonable and the parties agree to accept such determination, subject to their rights of appeal. Nothing contained herein shall be construed as prohibiting Orthodontix Professional or any third party from pursuing any of the remedies available to it for such breach or threatened breach, including recovery of damages from the P.A., the Orthodontist or both. In any action or proceeding to enforce the provisions of this Section 9(d), the prevailing party shall be reimbursed by the other party for all costs incurred in such action or proceeding, including, without limitation, all court costs and filing fees and all attorneys' fees, incurred either at the trial level or at the appellate level.

10. MISCELLANEOUS:

(a) POLICIES AND PROCEDURES: The P.A. acknowledges the necessity for Orthodontix Professional to have uniform policies and procedures for its operations, and the P.A. agrees that the P.A. and Orthodontist will be governed by Orthodontix Professional's policies and procedures currently in force, and as amended from time to time.

(b) ASSIGNMENT PROHIBITED: The P.A. agrees that this Agreement is personal in nature and it may not assign any of the rights, benefits, or obligations hereunder without first obtaining the written consent of Orthodontix Professional.

(c) SURVIVAL CLAUSE: The Orthodontist agrees that all Orthodontist's obligations, covenants, undertakings and representations set forth in this Agreement shall survive termination or cancellation of this Agreement, for any reason whatsoever, whether with cause or without cause.

(d) SAVINGS CLAUSE: If any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the validity or enforceability of any other provision hereof.

(e) NOTICES: All notices provided for by this Agreement shall be made in writing, as follows: (i) either by actual delivery of the notice into the hands of the parties hereunto entitled; or (ii) by the mailing of the notice in the United States mail to the last known address of the parties entitled thereto by certified or registered mail, return receipt requested. The notice shall be deemed to be received on the earlier of the date of its actual receipt by the parties entitled thereto, or the date of the return receipt.



(f) ENTIRE AGREEMENT: This Agreement sets forth the full and complete understanding of the Parties and supersedes any prior agreement, oral or written. No addition or additions to this Agreement shall be binding upon either party unless in writing and signed by both Parties except as here and otherwise provided.

(g) SECTION HEADINGS: The headings of the various sections of this Agreement have been inserted only for the purposes of convenience, and are not part of this Agreement and shall not be deemed in any manner to modify, expand or restrict any of the provisions of this Agreement.

(h) GOVERNING LAW: This Agreement shall be construed and enforced in accordance with the laws of the State of \_\_\_\_\_ and this Agreement shall not be construed more strictly against one party than against the other, merely by virtue of the fact that it may have been prepared by counsel for one of the Parties, it being recognized that all of the parties have contributed substantially and materially to the preparation of this Agreement.

(i) NUMBER; GENDER: Where appropriate, the use of the singular herein shall include and be deemed to be the plural and the use of the plural herein shall include and be deemed to be the singular, and the use of the masculine gender shall include the feminine and neutral gender.

(j) COUNTERPARTS: This Agreement may be executed in any number of counter parts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

(k) FURTHER ASSURANCES: The parties will upon reasonable request, execute and deliver all such further documents as may be necessary in order to carry out the purposes and terms of this Agreement.

(l) TAIL INSURANCE COVERAGE. Upon the termination of this Agreement, the P.A. shall cause the Orthodontist to acquire tail insurance coverage in scope and amount acceptable to the P.A.

IN WITNESS WHEREOF, this Agreement has been duly executed by the Parties hereto as of the date first above written.

"ORTHODONTIX PROFESSIONAL"  
Orthodontix Professional, P.A.,  
a \_\_\_\_\_ professional corporation,

"P.A."  
a \_\_\_\_\_ professional corporation,

By: \_\_\_\_\_  
Authorized Representative

By: \_\_\_\_\_  
Authorized Representative

-----  
 Street Address  
 -----  
 City State Zip Code  
 Telephone ( )  
 -----  
 EIN:  
 -----

Agreed and Accepted this day of , 1998  
 -----

"ORTHODONTIST"

By: -----  
 , D.D.S.

AGREEMENT AND PLAN OF REORGANIZATION

BY AND AMONG

\_\_\_\_\_  
d/b/a \_\_\_\_\_, AS SELLER,

\_\_\_\_\_  
AS SHAREHOLDER

AND

ORTHODONTIX INC., AS BUYER

\_\_\_\_\_, 1997

## AGREEMENT AND PLAN OF REORGANIZATION

THIS AGREEMENT AND PLAN OF REORGANIZATION ("Agreement") is made this \_\_\_\_ day of \_\_\_\_, 1997, by and among \_\_\_\_, d/b/a \_\_\_\_, a \_\_\_\_ professional corporation ("Seller"), \_\_\_\_ ("Shareholder") and Orthodontix, Inc., a Florida corporation ("Buyer").

## RECITALS

A. Seller is a professional corporation performing orthodontic and related services through the Shareholder and other licensed professionals (the "Business").

B. Buyer is a Florida corporation. Buyer and its affiliates have developed systems, procedures and strategies to maximize the productivity, efficiency and profitability of orthodontic practices. Buyer and its affiliates are experienced in providing capital improvements, management and related services to orthodontic practices.

C. Shareholder is an orthodontist licensed to practice in the State of \_\_\_\_ and is the sole director, officer, and owner of 100% of the outstanding capital stock of Seller. Shareholder is employed by Seller pursuant to an employment agreement, a copy of which is attached hereto and incorporated by reference hereby as Exhibit II to this Agreement (the "Shareholder Employment Agreement").

D. Embassy Acquisition Corp. ("Embassy") will become the sole shareholder of Buyer at the Closing (as such term is hereinafter defined at Section 1.1 of this Agreement) pursuant to the consummation of a business combination transaction between Buyer and Embassy, concurrent with the Closing, which will, among other things, require each share of Common Stock to be delivered to the Seller hereunder to be exchanged for one share of Embassy Common Stock (the "Embassy Combination").

E. Buyer desires to acquire from Seller, and Seller desires to sell to Buyer, upon the terms and subject to the conditions herein set forth, certain of the properties, assets and rights associated with the Business of Seller, more particularly described as those certain assets attached hereto and incorporated by reference hereby as Exhibit "A" to this Agreement (the "Assets") solely in exchange for the Consideration (as such term is hereinafter defined at Section 2.1 (a) of this Agreement). Seller desires to promptly liquidate thereafter, and distribute the Consideration to Shareholder in connection with the liquidation.

F. Buyer desires to assume those certain liabilities of Seller, more particularly described as those certain liabilities attached hereto and incorporated by reference hereby as Exhibit "B" to this Agreement.

G. It is intended that for federal income tax purposes the transactions contemplated hereunder shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended.

H. This Agreement is being entered into in connection with the execution of a Services Agreement (the "Services Agreement") between Orthodontix Professional, P.A., a \_\_\_\_\_ professional corporation affiliated with Buyer, and a professional corporation wholly owned by the Shareholder substantially in the form attached hereto as Exhibit "I." The execution of the Services Agreement is a condition precedent to the consummation of the transactions contemplated by this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, which are hereby incorporated herein, and of the mutual promises herein contained, it is hereby agreed as follows:

#### 1. CONVEYANCE OF ASSETS

1.1 ASSETS TO BE ACQUIRED FROM SELLER. Upon the terms and subject to the conditions set forth in this Agreement, Buyer shall acquire from Seller, and Seller shall sell, transfer and deliver to Buyer or its assignee, on the date of the closing of the Embassy Combination at the offices of Buyer, or on such other date and at such other place as agreed to by the parties (the "Closing"), all of the properties, assets and rights of Seller relating to the Assets, other than the Excluded Assets as described in Section 1.2 hereof. The Assets, include, without limitation, the following:

(a) All machinery and equipment associated with or related to the Assets listed in Exhibit "A" together with all parts, tools and accessories and the like relating thereto ("Equipment");

(b) All of Seller's office furniture, fixtures and office equipment and all parts relating thereto associated with or related to the Assets listed in Exhibit "A" hereto ("Office Equipment");

(c) All of Seller's materials and inventory, including packaging or supplies in stock, in transit and/or on order, and other items in connection with the Assets listed in Exhibit "A" hereto ("Inventory");

(d) All goodwill incident to or associated with the Assets, all of Seller's telephone numbers, telephone and advertising listings (to the extent transferable), patient lists (to the extent transferable) and all other information and data relating to the patients or suppliers of Seller or otherwise related to the Assets, and all of Seller's product development, design and product patents, trademarks, trade names, service marks, copyrights, computer programs and software, trade secrets, processes, know how and product specifications, promotional displays and materials associated with or related to the Assets, all Intellectual Property (as defined in Section 3.20) and any applications related thereto ("Intangible Assets");

(e) Subject to compliance with professional and other obligations and the patient's consent thereto, all of the Seller's right, title and interest in and to the accounts with

vendors, suppliers, service providers, patients and other third parties, including all of Seller's rights under each of the scheduled contracts and agreements listed in Exhibit "A" hereto (the "Assigned Contracts"); and

(f) All trade and other accounts receivable of Seller (the "Accounts Receivable") arising prior to the closing.

(g) All of Seller's right, title and interest in and to the Shareholder Employment Agreement.

1.2 EXCLUDED ASSETS. Notwithstanding anything in Section 1.1 to the contrary, the Assets do not include the following ("Excluded Assets"):

(a) All Assets not specifically conveyed pursuant to Section 1.1 hereof;

(b) Minutes, minute books and stock record books of Seller;

(c) Seller's cash on hand and in bank accounts and any other cash or cash equivalents and all marketable and other securities;

(d) Any rights, liabilities or obligations arising under, or with respect to, any of Seller's Plans (as such term is defined in Section 3.16 below), including, but not limited to, any rights, liabilities or obligations arising under, or with respect to, the health care continuation requirements under Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code") and Part 6 of Subtitle B of Title I of ERISA ("COBRA");

(e) The consideration to be received by and the rights of Seller under this Agreement;

(f) All claims of Seller, whether or not pending or liquidated, for loss or damages against any parties with respect to the operations of Seller prior to the Closing, other than those related to the Assets purchased pursuant to this Agreement;

(g) The real property described on Schedule 1.2(g); and

(h) The vehicles described on Schedule 1.2(h).

2. CONSIDERATION

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2.1 CONSIDERATION.

(a) CONSIDERATION. Buyer shall acquire the Assets from Seller for \$ \_\_\_\_ of value (the "Consideration"). At the Closing, the Consideration shall be paid by Buyer to Seller in cash consideration and in stock consideration as referenced below:

(i) CASH CONSIDERATION. At the Closing, Seller shall receive \$ \_\_\_\_ cash (the "Cash Consideration"). The Cash Consideration shall be delivered by Buyer to Seller, at Buyer's option, in the form of a cashier's check or wire transfer of funds to such account as Seller may designate; and

(ii) STOCK CONSIDERATION. All Consideration less the Cash Consideration (the "Remainder Consideration") shall be payable at the Closing by Buyer to Seller by the delivery of the aggregate number of shares of common stock, par value \$.0001 per share of Orthodontix, equal to the quotient of (x) the Remainder Consideration divided by (y) the Share Value (the "Stock Consideration"). The term Share Value shall mean the average of the closing bid and ask price, as reported on the OTC Electronic Bulletin Board or similar quotation board of Embassy's shares of Common Stock for the 15 trading days immediately preceding the date of the Closing. It is acknowledged by the parties hereto that the Stock Consideration shall be delivered to Seller in the form of shares of Embassy Common Stock as a result of the Embassy Combination.

The certificates of Embassy representing the Stock Consideration shall bear legends in substantially the following form:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE WERE RECEIVED ON \_\_\_\_\_ IN A TRANSACTION GOVERNED BY RULE 145 UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), BY A PERSON WHO MAY BE DEEMED AN "AFFILIATE" AS THE TERM IS USED IN RULE 145 AND MAY NOT BE TRANSFERRED OTHERWISE THAN PURSUANT TO THE PROVISIONS OF RULE 145 OR AS OTHERWISE ALLOWED BY THE PROVISIONS OF THE UNDERTAKING GIVEN BY SUCH PERSON TO THE ISSUER OF THE SECURITIES.

THE TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE RESTRICTED UNDER THE TERMS OF THAT CERTAIN LOCK-UP AGREEMENT BETWEEN THE ISSUER OF THE SECURITIES AND THE HOLDER OF THE SECURITIES, A COPY OF WHICH AGREEMENT MAY BE OBTAINED FROM THE ISSUER UPON WRITTEN REQUEST THEREFOR. NO TRANSFER OF ANY SECURITIES

REPRESENTED BY THIS CERTIFICATE WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS ACCOMPANIED BY EVIDENCE OF COMPLIANCE WITH SUCH AGREEMENT.

2.2 ASSUMPTION OF ASSUMED LIABILITIES. Buyer shall (a) assume and agree to pay and satisfy only those obligations and liabilities of Seller as reflected on that certain Exhibit "B" attached hereto and incorporated by reference hereby; and (b) pursuant to a lease assignment and assumption agreement to be executed and delivered at the Closing (the "Lease Assumption Agreement") in the form of Exhibit "C" hereto, assume and agree to pay and satisfy only those obligations and liabilities of Seller accruing under that certain lease agreement dated \_\_\_\_\_ between Seller and \_\_\_\_\_ from and after the Closing (collectively, the "Assumed Liabilities"). Except for the Assumed Liabilities, Buyer shall not assume, and Seller shall be and remain liable for, any and all obligations, liabilities and indebtedness of Seller, whether due or to become due, absolute or contingent, direct or indirect, or asserted or unasserted and whether relating to Seller, Seller's business, the Assets or otherwise. Seller shall indemnify Buyer and Buyer's officers, directors and affiliates from and against any and all losses (including attorneys' fees and costs) arising out of or in any way related to medical malpractice claims against Seller or Shareholder, whether vested or contingent, as of the date of this Agreement. The following items shall be apportioned as of 11:59 p.m. on the day preceding the Closing: (i) personal property taxes, sewer rents and charges and other state, county, metropolitan and municipal taxes and assessments and charges affecting the Assets; (ii) rents and other payments under any of the Contracts; (c) charges for water, electricity, gas, oil, steam and all other utilities; and (iv) such other items as are customarily apportioned in connection with the sale of similar property, including employee salaries, expenses and taxes, all such items prior to such time being for the account of Seller and all such times after such time being the account of Buyer. At the Closing, Seller or Buyer, as the case may be, shall deliver to the other a check for the net amount owing under this Section 2.2. If any such item cannot accurately be apportioned at the Closing or subsequent thereto, such item shall be apportioned or reapportioned, as the case may be, as soon as practicable after the Closing or the date on which the apportionment error is discovered, as applicable.

2.3 RESERVED.

2.4 AGENCY RELATIONSHIP. In the event that, following the Closing, Seller receives any funds, documents or instruments which constitute or are delivered in respect of the Assets transferred to Buyer pursuant to this Agreement, Seller agrees to hold such funds, documents or instruments in trust for Buyer and as Buyer's agent therefor.



### 3. REPRESENTATIONS AND WARRANTIES OF SELLER AND SHAREHOLDER

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As an inducement to Buyer to enter into and perform its obligations under this Agreement, Seller and Shareholder jointly and severally, make to Buyer the representations and warranties set forth below:

3.1 CORPORATE STATUS. Seller is a professional corporation duly organized, validly existing and in good standing under the laws of the State of \_\_\_\_\_. Seller has no subsidiaries and has no interest in or any agreement to acquire or hold an interest in any corporation, joint venture, partnership, syndicate or other incorporated or unincorporated venture. Seller has all requisite power to own, lease and license its properties and assets and to carry on its business in the manner and in the places where such properties and assets are owned, leased, licensed or operated or such businesses are conducted. Seller has all applicable licenses and permits and is duly qualified to do business in, and is in good standing in all jurisdictions in which its ownership, leasing or licensing of property and assets makes such qualification necessary.

3.2 AUTHORITY FOR AGREEMENT. Seller has full right, power and authority to enter into this Agreement and to perform its obligations hereunder. The entry into and performance hereof has been duly authorized by all necessary corporate action on the part of Seller in accordance with its corporate charter, bylaws and applicable law, and this Agreement constitutes a valid agreement binding upon and enforceable against Seller in accordance with its terms. Shareholder is an orthodontist licensed to practice in the State of \_\_\_\_\_, owns 100% of the outstanding capital stock of the Seller and has full right, power and authority to enter into this Agreement and to perform his obligations hereunder and thereunder, and this Agreement constitutes a valid agreement binding upon and enforceable against Shareholder in accordance with its terms.

3.3 NO BREACH OR DEFAULT. The execution and delivery of this Agreement by the Seller and the consummation of the transactions herein provided will not:

(a) Result in a breach of any of the terms or conditions of, or constitute a default under, or in any manner release any party thereto from any obligation under any mortgage, note, bond indenture, contract, agreement, license or other instrument or obligation of any kind or nature to which the Seller is a party, or by which it, any of the Assets or Seller's business may be bound or affected, other than prohibitions on transferring certain of the Assets, all of which prohibitions shall have been waived in writing by the aggrieved parties prior to the Closing;

(b) Violate any order, writ, injunction or decree of any court, administrative agency or governmental body or require the approval, consent or permission of any governmental or regulatory body or authority; or

(c) Violate any provision of the corporate charter or bylaws of Seller.

3.4 SELLER'S CONSENTS. To the best knowledge of Seller and Shareholder other than certain consents referred to in Section 6.7 hereof, no consent, approval or authorization of any governmental authority or other person or entity is required for the execution and delivery of this Agreement and the consummation by Seller and Shareholder of the transactions contemplated hereby.

### 3.5 FINANCIAL.

(a) Seller's books, accounts and records are, and have been, maintained in Seller's usual, regular and ordinary manner, in accordance with good accounting practices and all material transactions to which Seller is or has been a party are properly reflected therein.

(b) Seller has provided Buyer with (i) complete and correct copies of the unaudited balance sheets, statements of income and retained earnings, statements of cash flows and notes to financial statements of Seller, all as and for the years ended December 31, 1996, December 31, 1995 and December 31, 1994 respectively and for the six month period ended June 30, 1997 (collectively, the "Financial Statements"). The Financial Statements present fairly the financial position of Seller as of the dates thereof, and the results of operations and cash flows of Seller for the respective periods covered by said statements, in accordance with generally accepted accounting principles ("GAAP") consistently applied.

(c) Seller has no material obligation or liability of any nature whatsoever (direct or indirect, matured or unmatured, known or unknown, absolute, accrued, contingent or otherwise), whether or not required by GAAP to be set forth on, reflected on or reserved against on a balance sheet (all of the foregoing herein collectively being referred to as "Liabilities"), except for:

- (i) Liabilities set forth on, reflected on or reserved against on the face of the Balance Sheet of Seller as of June 30, 1997 (the "Balance Sheet Date");
- (ii) Liabilities which were incurred by Seller subsequent to the Balance Sheet Date, but only to the extent that such Liabilities were incurred in the ordinary course of Seller's business and consistent with past practice;
- (iii) Liabilities under the executory portion of any written purchase order, sales order, lease, agreement or commitment of any kind by which Seller is bound and which was entered into in the ordinary course of Seller's business and consistent with past practice;
- (iv) Liabilities under the executory portion of permits, licenses and governmental directives and agreements which have been issued to Seller;
- (v) Liabilities for allowances, refunds and concessions as set forth on Schedule 3.5; and

(vi) Liabilities pursuant to the litigation listed on Schedule 3.11.

3.6 NO MATERIAL CHANGE. Except as set forth on Schedule 3.6, since the Balance Sheet Date, there has not been:

(a) Any material adverse change in Seller's financial condition, properties, assets, liabilities or Business or a decrease in Seller's net worth;

(b) Any material damage, destruction or loss of any properties of Seller, whether or not covered by insurance;

(c) Any change in the manner in which Seller's business has been conducted, including, without limitation, collection of accounts receivable and payment of accounts payable;

(d) Any change in the accounting principles, methods or practices or any change in the depreciation or amortization policies or rates utilized by Seller;

(e) Any voluntary or involuntary sale, assignment, abandonment, surrender, termination, transfer, license or other disposition, of any kind or nature, of any property or right (including, without limitation, any Equipment, Office Equipment, Accounts Receivable, Intangible Assets, business records or Contracts (as defined in Section 3.10 below), excepting only transfers in accordance with past practices or collection of Accounts Receivable in the ordinary course of business;

(f) Any change in the treatment and protection of trade secrets or other confidential information relating to Seller's business;

(g) Any change in Seller's business or Seller's relationships with any customer or supplier which might reasonably be expected to adversely affect any of the Assets, Seller's business or the prospects of Buyer with respect to any of the foregoing;

(h) Any strike, material grievance proceeding or other labor dispute, any union organizational activity or other occurrence, event or condition of any similar character which might reasonably be expected to adversely affect any of the Assets, Seller's business or the prospects of Buyer with respect to any of the foregoing;

(i) Any loan or advance by Seller to any party other than credit extended to clients in the ordinary course of business as previously conducted;

(j) Any incurrence by Seller of debts, liabilities or obligations of any nature whether accrued, absolute, contingent, direct, indirect or inchoate, or otherwise, and whether due or to become due, except:

(i) current liabilities incurred for services rendered in the ordinary course of Seller's business and entered into at arms' length;

(ii) obligations incurred in the ordinary course of Seller's business entered into at arms' length;

(iii) liabilities on account of taxes and governmental charges, but not penalties, interest or fines in respect thereof;

(iv) obligations or liabilities incurred by virtue of the execution of this Agreement; or

(v) liabilities pursuant to the litigation listed on Schedule 3.11; or

(k) Any occurrence not included in paragraphs (a) through (j) of this Section 3.6 which has resulted, or which Seller has reason to believe might reasonably be expected to result, in a material adverse change in the Assets, Seller's business or the prospects of Buyer with respect to any of the foregoing.

3.7 ACCOUNTS RECEIVABLE. Attached hereto as Schedule 3.7 is a true, correct and complete list setting forth the names of all persons from whom Seller has Accounts Receivable and the amounts thereof. Schedule 3.7(a), to be delivered at the Closing, is a true, correct and complete list setting forth the names of all patients from whom Seller has, as of the Closing, Accounts Receivable and the amounts thereof.

### 3.8 TAX STATUS.

(a) Seller has filed all tax returns (foreign, federal, state and local) required to be filed by it on or before the date of this Agreement under the laws of all jurisdictions wherein the location of the Assets, the nature or transaction of Seller's business or other requirements subject it to liability for taxes or other governmental charges ("Applicable Tax Laws"), and all taxes shown to be due and payable on said returns, all assessments received by Seller and all other taxes and installments of taxes or other governmental charges (foreign, federal, state and local) due and payable by or with respect to Seller under Applicable Tax Laws on or before the date hereof have been paid.

(b) There are no agreements, waivers or other arrangements providing for an extension of time with respect to the assessment of any tax or deficiency against Seller or the Assets.

(c) To Seller's knowledge, there are no actions, suits, proceedings, investigations, audits or claims now pending against or related to Seller or the Assets regarding any tax or assessment, or any material matters under discussion with any taxing authority relating to any taxes or assessments, or any claims for additional taxes or assessments asserted by any such authority.

3.9 TITLE TO ASSETS. All of the Assets are owned directly by Seller and Seller will convey to Buyer at the Closing good title to all of the Assets, free and clear of all security interests, liens, claims, encumbrances, mortgages, pledges, conditional sale and other title retention agreements, assessments, covenants, restrictions, reservations and other burdens and charges of every kind and nature.

3.10 CONTRACTS AND AGREEMENTS. Attached hereto as Schedule 3.10 is a true, correct and complete schedule of all of the contracts, agreements, leases, subleases, plans, arrangements, commitments and other documents to which Seller is a party or which in any manner relate to, or affect, the Assets ("Contracts") including:

(a) All collective bargaining, union and employment agreements and all agreements with or pertaining to employees, advisers, independent contractors or consultants (whether or not legally binding), including the Shareholder Employment Agreement, and all agreements providing for the services of independent contractors;

(b) All Plans, as defined in Section 3.16 below, including all single employer or multiemployer pension, profit sharing, retirement, bonus, stock option, stock bonus, annuity, bond purchase, deferred compensation, group life, vacation, health and accident insurance and other single employer or multiemployer employee benefit or welfare plans, agreements, arrangements or commitments, whether or not legally binding;

(c) All agreements with suppliers whereby Seller has agreed to purchase goods and services;

(d) All loan agreements, financing commitments, indentures, mortgages, security agreements, pledges, conditional sale or title retention agreements, equipment obligations or personal property lease or lease purchase agreements;

(e) All contracts, agreements, commitments and arrangements, written or oral, with any Affiliate (as defined in Section 12.1) of Seller;

(f) All leases, subleases or other contracts, agreements or commitments relating to personal property or interest therein;

(g) All contracts, agreements or commitments with any federal, state or local governmental agency;

(h) All partnership and joint venture agreements;

(i) All letters of credit, guarantees, letters of comfort and similar arrangements running to the account of or for the benefit of Seller;

(j) All other contracts or agreements pertaining to the acquisition or disposition of assets outside the ordinary course of business; and

(k) All contracts, agreements or commitments, if any, other than those of the types covered by Section 3.10 (a) through (j) above which materially affect the Assets or the financial condition, business or prospects of Seller.

Except as specifically indicated on Schedule 3.10, to the best knowledge of Seller and Shareholder all of the contracts, agreements, leases, commitments and the like therein enumerated are and remain in full force and effect in accordance with their terms. To the best knowledge of Seller and Shareholder neither Seller nor any other party to any Contract is in default, or alleged to be in default, thereunder and there exists no condition or event which, after notice or lapse of time or both, would constitute such a default by Seller or by any other party to any such Contract. To the best knowledge of Seller and Shareholder except as specifically indicated on said Schedule 3.10, no consent from any party to any Contract is required in order for such Contract to remain in full force and effect in accordance with its terms upon the consummation of the sale of the Assets as herein provided.

3.11 LITIGATION AND GOVERNMENTAL ACTION. Except as set forth on Schedule 3.11, to the best knowledge of Seller and Shareholder, there are no suits, actions or claims, governmental investigations or inquiries, legal, administrative or arbitration proceedings pending or, to the knowledge of Seller and Shareholder, threatened against Seller, or to which Seller is a party (whether or not covered by insurance) which in any manner relate to or affect the Assets or Seller's business, and neither Seller nor Shareholder knows of any basis or grounds for any suit, action, claim, investigation, inquiry or proceeding. Except as set forth on Schedule 3.11, no claim has been made against Seller (whether or not covered by insurance) wherein professional malpractice was alleged with regard to any services provided by Seller. Except as set forth on Schedule 3.11, there is not outstanding any notice, order, writ, injunction or decree of any court, governmental agency or arbitration tribunal relating to or affecting the Assets or Seller's business.

3.12 COMPLIANCE WITH LAWS AND REGULATIONS. Seller has at all times complied and to the best knowledge of Seller and Shareholder, is presently complying, in all material respects, with all laws, rules, regulations, orders and requirements (foreign, federal, state and local) applicable to it in all jurisdictions in which the Assets are located or Seller's business is conducted or to which the Assets or Seller's business are subject which have a material impact on Seller or the Assets or Seller's business, including, without limitation, all applicable, labor, wage and hour and price laws and regulations, all applicable civil rights and equal opportunity employment laws and regulations, all state and federal antitrust laws, the Environmental Laws (defined in Section 3.19(g) below) and the Federal Occupational Health and Safety Act. Except as otherwise disclosed pursuant to this Agreement, neither Seller nor Shareholder knows of any assertion by any party that Seller has violated any such laws, rules, regulations, orders or requirements and no notice in that regard has been received by Seller.

### 3.13 STATUS OF EMPLOYEES.

(a) Schedule 3.13 is a true, correct and complete list setting forth the names and current salaries or rates of compensation of all employees of Seller and all independent contractors, including individuals who render services on a regular basis to Seller.

(b) Since the Balance Sheet Date, no person or entity has received any extraordinary compensation except as specified on Schedule 3.13 and there has been no increase in the compensation or rate of compensation payable to any employee or regular independent contractor of Seller nor any material change in employee benefit arrangements, nor has any increase in compensation or material change in employee benefit arrangements been promised to employees orally or in writing (whether or not legally binding).

(c) To the best knowledge of Seller and Shareholder, all persons employed by Seller other than Shareholder are employees at will or otherwise employed such that Seller may lawfully terminate their employment without creating any material cause of action against Buyer or otherwise giving rise to any material liability of Buyer under the Workers Adjustment Retraining and Notification Act ("WARN") or for wrongful discharge, breach of contract, tort or any other cause at law or in equity.

(d) To the best knowledge of Seller and Shareholder, Seller has not, prior to and including the date of Closing, violated any provision of COBRA. No COBRA violation exists or will exist with respect to any employees of Seller prior to and including the date of the Closing.

(e) As of the date of the Closing, Seller will not be and will never have been an enterprise subject to WARN and will not incur and will never have incurred liabilities, penalties, other charges or all of the above under WARN.

3.14 ASSETS AND RIGHTS. The Assets, together with the Excluded Assets, constitute all of the assets, properties and rights of every type and description, real, personal and mixed, tangible and intangible, which are used in and necessary for the conduct of Seller's business.

3.15 TRANSACTIONS WITH AFFILIATES. Except as set forth on Schedule 3.15, neither Seller nor any Affiliate of Seller owns, directly or indirectly, an equity interest of one percent (1%) or more in, or is an employee or agent of, any corporation, firm, association or business organization which is (i) a competitor of Seller or (ii) a customer of or supplier of goods or services of any kind to Seller or (iii) a lessor to Seller of any of the Assets. Schedule 3.15 contains a summary of the terms of all relationships and transactions between Seller and its Affiliates since January 1, 1997.

### 3.16 EMPLOYEE BENEFIT PLANS.

(a) For purposes of this Agreement, the term "Plans" means: (i) all employee benefit plans as defined in Section 3(3) of ERISA; (ii) all other severance pay, vacation, deferred

compensation, excess benefit, stock, stock option, and incentive plans, contracts, schemes, programs, funds, commitments, or arrangements of any kind; and (iii) all other plans, contracts, schemes, programs, funds, commitments, or arrangements providing money, services, property, or other benefits, whether written or oral, qualified or nonqualified, funded or unfunded, and including any that have been frozen or terminated, which pertain to any employee, former employee, director, officer, shareholder, consultant, or independent contractor of Seller or any Affiliate of Seller and (x) to which Seller or any Affiliate of Seller is or has been a party or by which any of them is or has been bound or (y) with respect to which Seller or any Affiliate of Seller has made any payments or contributions or to which Seller or any Affiliate of Seller may otherwise have any liability (including any such plan or arrangement formerly maintained by Seller or any Affiliate of Seller). All Plans are listed and briefly described on Schedule 3.16. For purposes of this Section 3.16 only, "Affiliate" shall mean any corporation or other business entity that is included in a controlled group of corporations within which Seller is also included, as provided in Section 414(b) of the Code; or which is a trade or business under common control with Seller, as provided in Section 414(c) of the Code; or which constitutes a member of an affiliated service group within which Seller is also included, as provided in Section 414(m) of the Code; or which is required to be aggregated with Seller pursuant to regulations issued under Section 414(o) of the Code.

(b) Each Plan is in compliance with ERISA and other applicable laws (including, without limitation, compliance with the health care continuation requirements of COBRA and any proposed regulations promulgated thereunder). Except as set forth in Schedule 3.16, Seller and each applicable Affiliate of Seller have received favorable determination letters as to the qualification under the Code of each pension plan, as defined in Section 3(2) of ERISA, and there have been no amendments or other developments since the date of such determination letters which would cause the loss of such qualified status. No violation of ERISA has at any time occurred in connection with the administration of any of the Plans, and there are no actions, suits, or claims (other than routine, non-contested claims for benefits) pending or threatened against the Plans, or any administrator or fiduciary thereof, which could result in any liability.

(c) Full payment as of the Closing has been made of: (i) all amounts which Seller and any Affiliate of Seller are required, under the terms of all Plans, to have paid as contributions to such Plans as of the last day of the most recent fiscal year prior to the Closing; and (ii) all pro rata amounts which Seller and any Affiliate of Seller are required to pay as contributions to each such Plan for the fiscal year that includes the date of the Closing.

(d) Neither Seller nor any Affiliate of Seller provides, nor have they at any time provided, coverage under any welfare plan, as defined in Section 3(1) of ERISA (including, but not limited to, life insurance, disability, medical, dental, prescription drugs, or accidental death or dismemberment) to any of their retirees, other than any continuation or conversion coverage which any such retiree may have purchased at his own expense.

(e) Neither Seller nor any Affiliate currently maintains, administers or contributes to, or at any time in the past has maintained, administered or contributed to a defined



benefit plan subject to Section 4021 of ERISA or a multiemployer plan as defined in Section 3(37) of ERISA.

3.17 REAL PROPERTY. Seller uses no offices or other places of business, and neither owns, uses, leases nor occupies any real property other than the real property described on Schedule 3.17 (the "Leased Property") and none of the Assets is situated at any location other than the Leased Property. To the best knowledge of Seller and Shareholder, neither the whole nor any portion of the Leased Property is subject to any pending condemnation, taking or other similar proceeding by any public authority, and Seller neither knows nor has any grounds to believe that any such condemnation or taking is threatened or contemplated with respect to the Leased Property. To the best knowledge of Seller and Shareholder there is no plan, study or effort by any governmental authority or agency which in any way affects or would affect the present use or zoning of the Leased Property nor any existing, proposed or contemplated plan to widen, modify or realign any street or highway adjoining the Leased Property. To the best knowledge of Seller and Shareholder, neither the Leased Property nor the occupancy by or operation of Seller's business at the Leased Property is in violation of any law or any building, zoning, fire, health, or other ordinance, code or regulation, and has not received notice alleging any such violation or requiring or calling attention to the need for any work, repairs, construction, alterations or installation on or in connection with the Leased Property which has not been heretofore complied with by Seller. To the best knowledge of Seller and Shareholder, the zoning classification of the Leased Property permits the operations presently conducted thereon.

3.18 CONDITION OF ASSETS. All of the Assets of a tangible nature are in good condition and repair, ordinary wear and tear excepted, and is adequately insured against damage or loss. All of such property is located at the Leased Property.

### 3.19 ENVIRONMENTAL MATTERS.

(a) Seller has not, and to the best knowledge of Seller and Shareholder, no other person or persons have, manufactured, discharged, dispersed, released, stored, treated, transported, generated or disposed of Hazardous Material (as defined in paragraph (g) below), or allowed Hazardous Material to be located on, under or about or transported from or to the Leased Property, including, without limitation, the soil, surface water and subsurface water of, under or on the Leased Property, or any other property used in connection with Seller's business.

(b) Seller has not, and to the best knowledge of Seller and Shareholder no other person or persons have, used, installed, incorporated into or disposed of asbestos or asbestos containing materials on, under or about the Leased Property, or any other property used in connection with Seller's business, or transported from the Leased Property any asbestos or asbestos containing materials.

(c) Seller has not, and to the best knowledge of Seller and Shareholder no other person or persons have, used or located polychlorinated biphenyls ("PCBs") on, under or about the

Leased Property, or any other property used in connection with Seller's business, or transported from the Leased Property any PCBs.

(d) Seller has not, and to the best knowledge of Seller and Shareholder, no other person or persons have, located underground storage tanks on or under the Leased Property, or any other property used in connection with Seller's business.

(e) To the best knowledge of Seller and Shareholder, no investigation, administrative order, consent order and agreement, litigation or settlement with respect to Hazardous Material, is proposed, threatened, anticipated or in existence with respect to the Leased Property, any other property used in connection with Seller's business, or otherwise relating to the Assets or Seller's business.

(f) To the best knowledge of Seller and Shareholder, the Leased Property and Seller's operations are and at all times have been, in compliance with the Environmental Laws (as defined in paragraph (g) below). No actual or constructive notice, demand, claim or other communications have been given to or served on Seller or any predecessor of Seller or anyone acting on Seller's behalf or in its interest from any entity, governmental body or individual claiming any violation of any of the Environmental Laws, or demanding payment, contribution, remedial action or any other action or inaction with respect to any actual or alleged environmental damage or injury to persons, real property, personal property or natural resources (any of the foregoing whether now existing or hereafter brought, is herein called a "Claim"), and no basis for any Claim exists.

(g) "Hazardous Material" means asbestos, asbestos-containing materials, PCBs, petroleum products, urea formaldehyde foam insulation and any other hazardous, toxic or special substance, material or waste that is defined, determined or identified as such in any federal, state or local statute, law, regulation, ordinance, order or code, in each case as amended and whether now existing or hereafter enacted or promulgated (collectively, the "Environmental Laws"), including, without limitation, the Federal Water Pollution Control Act, 33 U.S.C. Section 1251 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et. seq.; the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et. seq.; the Safe Drinking Water Act, 42 U.S.C. Section 3000 (f) et. seq.; the Toxic Substances Control Act, 15 U.S.C. Section 2601 et. seq.; the Federal Solid Waste Disposal Act, 42 U.S.C. Section 6901 et seq.; and the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq.; the Clean Air Act, 42 U.S.C. Section 7401 et. seq.; and the Florida Air and Water Pollution Control Act, 29 F.S. Section 403.011, et seq and the Florida Environmental Land and Water Management Act of 1972, 28 F.S. Section 380.012, et seq. (collectively, the "Florida Environmental Laws").

### 3.20 INTELLECTUAL PROPERTY.

(a) Schedule 3.20 identifies all of the following which are used in Seller's business and in which Seller has any rights: (i) all trademarks, service marks, slogans, trade names, trade dress and the like (collectively with the associated good will of each, "Trademarks"), together

with information regarding all registrations and pending applications to register any such rights; (ii) all Trademarks significant to Seller's business which are presently being used in the business at common law; (iii) all proprietary formulations, manufacturing methods, know-how and trade secrets which are material to Seller's business; (iv) all patents on and pending applications to patent any technology or design; (v) all registrations of and applications to register copyrights; and (vi) all licenses of rights in computer software, Trademarks, patents, copyrights, unpatented formulations, manufacturing methods, other know-how and other intellectual property, whether to or by Seller ("Licenses"). The scheduled rights are referred to hereafter collectively as the "Intellectual Property."

(b) (i) As indicated on Schedule 3.20, Seller is the owner of or duly licensed to use each scheduled Trademark and its associated good will; (ii) each listed Trademark registration owned by Seller exists and has been maintained in good standing; (iii) each patent and application included in the Intellectual Property exists, is owned by or licensed to Seller; (iv) each copyright registration and application to register copyrights listed on Schedule 3.20 is owned or licensed to Seller, and each copyright registration and application owned by Seller has been maintained in good standing; (v) each License listed on Schedule 3.20 has been maintained in good standing; (b) to the best knowledge of Seller and Shareholder, no other firm, corporation, association or person claims the right to use in connection with similar or closely related goods and in the same geographic area, any mark which is identical or confusingly similar to any of the Trademarks; (vi) neither Seller nor Shareholder has received notice of any claim that any third party asserts ownership rights in any of the Intellectual Property; (vii) neither Seller nor Shareholder has received notice of any claim that Seller's use of any Intellectual Property infringes any right of any third party; and (viii) neither Seller nor Shareholder has knowledge or a reason to believe that any third party is infringing any of Seller's rights in any of the Intellectual Property.

3.21 PATIENTS AND SUPPLIERS. Neither Seller nor Shareholder knows or has any reason to believe that, either as a result of the transactions contemplated hereby or for any other reason, any present patient or supplier of Seller will not continue to conduct business with Buyer after the Closing in substantially the same manner as it has conducted business with Seller in the past.

3.22 BROKERAGE. There are no claims for commissions or other compensation in connection with any of the transactions contemplated by this Agreement based on any arrangement or agreement binding on Seller or Shareholder.

3.23 INTELLECTUAL PROPERTY INSURANCE. Seller's commercial insurance provides coverage with respect to the infringement by Seller of the intellectual property rights of others.

3.24 PROFESSIONAL LIABILITY INSURANCE. Seller has maintained professional liability insurance in an amount of not less than \$1,000,000 in the aggregate (on a claims-made basis) from at least that period of time which is the greater of five years or the period in which the Shareholder has been practicing orthodontics, and will maintain professional liability insurance (professional malpractice) in that amount through the Closing (the "Professional Liability Insurance").

3.25 SELLER'S 1996 EARNINGS. Seller's earnings for the prior fiscal year were as set forth on the Financial Statements.

3.26 NEGATIVE REPRESENTATIONS.

(a) Since the Balance Sheet Date, Seller has not sold or transferred any material assets or property relating to Seller's business except in the usual and ordinary course of business and except for cash applied in payment of Seller's liabilities in the usual and ordinary course of its business or made any distribution or payment to any of its stockholders or employees except for compensation to employees in the usual and ordinary course of its business at the rates specified on Schedule 3.13.

(b) Seller is not a party to any agency, broker's, finder's or franchise agreement.

3.27 FULL DISCLOSURE. No representation or warranty by Seller or Shareholder in this Agreement or in any statement, schedule, certificate, exhibit or other document furnished to Buyer pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements herein or therein not misleading. There are no facts known to Seller and not disclosed herein which might reasonably be expected to affect materially and adversely the value of the Assets.

4. REPRESENTATIONS AND WARRANTIES OF BUYER  
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As an inducement to Seller and Shareholder to enter into and perform their obligations under this Agreement, Buyer makes to Seller and Shareholder the representations and warranties set forth below:

4.1 CORPORATE STATUS. Buyer is a corporation duly organized, validly existing, and in good standing under the laws of the State of Florida.

4.2 AUTHORITY FOR AGREEMENT. Buyer has full right, power and authority to enter into this Agreement and to perform its obligations hereunder. The entry into and performance hereof have been duly authorized by all necessary corporate action on the part of Buyer in accordance with its corporate charter, bylaws and applicable law and this Agreement constitutes a valid agreement, binding upon and enforceable against Buyer in accordance with its terms.

4.3 NO BREACH OR DEFAULT. The execution and delivery of this Agreement and the consummation of the transactions herein provided will not:

(a) Result in the breach of any of the terms or conditions of, or constitute a default under, or in any manner release Buyer from any obligations under any mortgage, note, bond,

contract, indenture, agreement, license or other instrument or obligation of any kind or nature to which Buyer is now a party or by which any of its properties or assets may be bound or affected;

(b) Violate any order, writ, injunction or decree of any court, administrative agency or governmental body or require the approval, consent or permission of any governmental body or agency which has not been heretofore obtained; or

(c) Violate any provision of the corporate charter or bylaws of Buyer.

4.4 LITIGATION AND GOVERNMENTAL ACTION. There are no suits, actions or claims, nor any governmental investigations or inquiries, nor any legal, administrative or arbitration proceedings, pending or, to the knowledge of Buyer, threatened against Buyer or Orthodontix or to which Buyer or Orthodontix is a party, which represent material adverse risks to the business of Buyer or Orthodontix, and Buyer knows of no basis or grounds for any such suit, action, claim, investigation, inquiry or proceeding.

4.5 BROKERAGE. There are no claims for commissions or other compensation in connection with any of the transactions contemplated by this Agreement based on any arrangement or agreement binding on Buyer.

4.6 FULL DISCLOSURE. No representation or warranty by Buyer in this Agreement or in any statement, schedule, certificate, exhibit or other document furnished to Seller pursuant hereto or in connection with the transactions contemplated hereby contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements herein or therein not misleading.

#### 5. CONDUCT PENDING CLOSING

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Seller and Shareholder, as the case may be, covenants and agrees as follows:

5.1 CONDUCT OF OPERATIONS. During the period from the date of this Agreement to the Closing, the Business shall be operated by Seller solely in the usual and ordinary course of such business and in compliance with the terms of this Agreement, and all additions to and substitutions for and changes of form of the Assets occurring from the date hereof to the Closing shall be deemed to constitute Assets hereunder. Without limiting the generality of the foregoing:

(a) Seller and Shareholder will use their best efforts to preserve the business and organization of Seller's business so as to: (i) maintain and keep in full force and effect the Contracts (including, without limitation, the Contracts with Seller's vendors) in accordance with their existing terms; (ii) keep available the services of the present employees and agents of Seller; (iii) maintain the integrity of all confidential information regarding the business; and (iv) preserve the good will

of, and Seller's business and contractual relationships with, suppliers, patients, licensors and others having business relations with Seller.

(b) No new assets will be acquired by or on behalf of Buyer without Buyer's written consent except in the ordinary course of business and in an individual amount not to exceed \$5,000.00. Buyer shall be advised prior to Closing of any new such Assets.

(c) All Assets of a tangible nature will be kept and maintained in as good operating condition and repair as they are on the date hereof, ordinary wear and tear excepted, and to the extent applicable, all intangible Assets will be maintained in full force and effect.

(d) Seller will continue to collect its accounts receivable through the Closing and pay its accounts payable in a commercially reasonable manner and in accordance with present practice or as otherwise agreed upon by Buyer and Seller.

(e) No expenditure or commitment for the purchase of any other capital asset shall be made or entered into without Buyer's written consent.

(f) Seller will not sell, transfer or encumber any material assets or property relating to Seller's business, except in the usual and ordinary course of business and except for cash applied in payment of Seller's liabilities in the usual and ordinary course of its business or make any payments or distributions to any of its officers, directors, shareholders or employees except for compensation to employees in the usual and ordinary course of its business at the rates specified in Schedule 3.13 and cash distributions to its stockholders of cash owned by Seller immediately prior to the Closing and not transferred to Buyer, and which in no event shall include the proceeds of the Assets transferred to Buyer hereunder.

(g) Seller shall not otherwise incur or pay any liability other than in the ordinary course of business with respect to Seller's business or on behalf of Buyer.

(h) No litigation shall be instituted or compromised or settled by Seller without Buyer's prior written consent.

(i) Until the Closing, Seller shall maintain adequate professional liability insurance.

(j) Seller will take such actions as Buyer reasonably requests and otherwise use its best efforts to cause fulfillment of all the conditions to which the parties' obligations are subject.

(k) Seller and Shareholder will promptly notify Buyer in writing if any of them is advised or is aware that any patient or supplier (including Seller's patients) of Seller's business intends to cease doing business with Seller.

5.2 ACCESS TO RECORDS AND PREMISES. From and after the date hereof, Seller shall give to Buyer, Buyer's counsel, accountants, engineers and other representatives full access during normal business hours and upon reasonable notice to all of the offices, properties, and other records of Seller so that Buyer may, at its sole expense, investigate and inspect them, and Seller will furnish to Buyer copies of all documents and information concerning the Assets as Buyer may reasonably request. Any such investigation or inspection by Buyer shall not be deemed a waiver of, or otherwise limit, the representations, warranties and covenants of Seller.

5.3 NOTICE OF CHANGES. Between the date hereof and the Closing, Seller and Shareholder agree to notify Buyer in writing promptly of any occurrence or state of facts (other than changes occurring in the ordinary course of business) which will result in any of the warranties and representations contained in Article 3 hereof not being true and correct if restated as of the Closing.

5.4 TRANSFeree LIABILITY. The parties agree that Buyer will not by virtue of the transactions which are the subject hereof assume any liabilities or obligations of Seller whatsoever except for the Assumed Liabilities, and, accordingly, Seller and Shareholder agree to take all actions necessary to fully protect Buyer from and against any and all transferee liability arising out of the transactions which are the subject of this Agreement. Such actions shall include, without limitation, the following:

(a) Any and all transferee liabilities assessed or otherwise asserted against Buyer under the "Bulk Sales" article of the Uniform Commercial Code or the tax or revenue laws or regulations of any foreign or domestic jurisdiction shall be Indemnified Liabilities pursuant to Article 10 below.

#### 6. CONDITIONS PRECEDENT TO BUYER'S OBLIGATIONS

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All obligations of Buyer under this Agreement with respect to the Closing are subject, at Buyer's option, to the fulfillment of each of the following conditions precedent:

6.1 SELLER'S CLOSING DOCUMENTS. Seller shall have executed (as appropriate) and delivered to Buyer all of the documents to be provided by it pursuant to Section 8.2 hereof.

6.2 SHAREHOLDER'S CLOSING DOCUMENTS. Shareholder shall have executed and delivered (as appropriate) to Buyer all of the documents to be provided by him pursuant to Section 8.3 hereof.

6.3 REPRESENTATIONS AND WARRANTIES. All representations and warranties of Seller and Shareholder contained in this Agreement shall be true and accurate in all material respects as of the date when made and on the Closing as if made again on and with respect to the Closing.

6.4 OBLIGATIONS. Seller and Shareholder shall have performed in all material respects all duties and obligations required by this Agreement to be performed by them prior to or on the date of Closing.

6.5 NO SUITS OR ACTIONS. No suit or action by any party, nor any investigation, inquiry or proceeding by any governmental authority, nor any legal or administrative proceeding shall have been instituted or threatened on or before the Closing which:

- (a) Questions the validity or legality of any transaction contemplated hereby;
- (b) Seeks to enjoin any transaction contemplated hereby;
- (c) Seeks material damages on account of the consummation of any transaction contemplated hereby; or
- (d) Is a petition of bankruptcy by or against Seller or is an assignment for the benefit of creditors.

6.6 CASUALTY PRIOR TO CLOSING. None of the Assets shall have been materially lost or damaged, and no notice shall have been received or action initiated by any governmental authority having the right of eminent domain regarding the damaging, taking or acquiring by such authority of any of the Assets. In the event of any non-material loss or damage, all insurance proceeds or rights to collect insurance proceeds with respect thereto shall become Assets, assignable or otherwise deliverable to Buyer at the Closing.

6.7 ASSIGNMENT OF CONTRACTS; CONSENTS FROM THIRD PARTIES.

(a) Seller shall, on or prior to the Closing and to the extent required by Buyer, have assigned to Buyer all of Seller's rights under the Contracts and all of Seller's rights under all other contracts and agreements entered into in the ordinary course of business; and all consents with respect to any of the foregoing necessary in order for Buyer to fully and effectively succeed to all of Seller's rights thereunder shall have been obtained and shall be in form and content reasonably satisfactory to Buyer and its counsel.

(b) The transfer of each of the Licenses listed on Schedule 6.7(b) which shall be evidenced by a separate agreement ("Assignment and Assumption Agreement"), substantially in the form of Exhibit "D" attached hereto, or in such other form as may be reasonably acceptable to Buyer and its counsel. Each transferred License must expire no sooner than one year after the Closing. To the extent required for the valid assignment of any such License, Seller shall obtain, on or prior to the Closing, the written consent of the licensor to the assignment to Buyer in form and content reasonably satisfactory to Buyer and its counsel.



(c) Seller shall, on or prior to the Closing and to the extent requested by Buyer, have assigned to Buyer all of Seller's rights under any and all permits or licenses or similar authorizations related to the conduct of Seller's business to the extent assignable.

(d) All governmental consents, permissions and approvals to the transactions herein provided for or contemplated, together with all governmental licenses, permits and the like which are required for the consummation of the transactions herein provided for shall have been received by Buyer on or prior to Closing and shall be in form and content reasonably satisfactory to Buyer and its counsel.

6.8 PROOF OF INSURANCE. Seller shall have delivered to Buyer prior to Closing, proof satisfactory to Buyer, that Seller has maintained professional malpractice insurance through the Closing.

6.9 LIEN SEARCHES. Seller, at its expense, shall have delivered to Buyer UCC lien searches, which shall report results, as are satisfactory to Buyer. All liens with respect to the Assets shall have been released and releases (including Form UCC-3s) shall be delivered to Buyer on or before the date of Closing.

6.10 ADVERSE CHANGE. There shall have occurred no material adverse change in the condition of the Assets.

6.11 FAILURE OF CONDITIONS. In the event that any of the conditions set forth in this Article 6 have not been fulfilled as of the Closing and in the further event that Buyer shall not have elected to waive such condition and consummate this transaction notwithstanding such nonfulfillment, Buyer may at its sole option elect to cancel this Agreement by written notice to Seller provided that such election shall not be deemed to terminate or in any way affect any claims or causes of action Buyer may otherwise have against Seller or Shareholder by virtue of misrepresentations or breaches of the obligations hereunder of Seller or Shareholder; provided, however, that in the event any of the consents referred to in Article 6 hereof shall not have been obtained, Buyer's sole remedy therefor shall be to elect not to consummate the Closing.

#### 7. CONDITIONS PRECEDENT TO SELLER'S OBLIGATIONS

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All obligations of Seller under this Agreement with respect to the Closing are subject, at its option, to the fulfillment of each of the following conditions precedent;

7.1 BUYER'S CLOSING DOCUMENTS. Buyer shall have executed (as appropriate) and delivered to Seller, on or before the Closing all of the documents listed in Section 8.4 hereof which are to be delivered to Seller.

7.2 REPRESENTATIONS AND WARRANTIES. All representations and warranties of Buyer contained in this Agreement shall be true and accurate in all material respects as of the date when made and on the Closing as if made again on and with respect to the Closing.

7.3 COVENANTS AND AGREEMENTS. Buyer shall have performed in all material respects all duties and obligations required by this Agreement to be performed by it prior to or on the Closing.

7.4 NO SUITS OR ACTIONS. No suit or action by any party, nor any investigation, inquiry or proceeding by any governmental authority, nor any legal or administrative proceeding shall have been instituted or threatened on or before the Closing which:

- (a) Questions the validity or legality of any transaction contemplated hereby;
- (b) Seeks to enjoin any transaction contemplated hereby; or
- (c) Seeks material damages on account of the consummation of any transaction contemplated hereby.

7.5 FAILURE OF CONDITIONS. In the event that any of the conditions set forth in this Article 7 have not been fulfilled as of the Closing and in the further event that Seller shall not have elected to waive such condition and consummate this transaction notwithstanding such nonfulfillment, Seller may at its option elect to cancel this Agreement by written notice to Buyer provided that such election shall not be deemed to terminate or in any way affect any claims or causes of action Seller and Shareholder may otherwise have against Buyer by virtue of misrepresentations or breaches of Buyer's obligations hereunder.

## 8. CLOSING

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8.1 TIME AND PLACE OF CLOSING. The consummation of this purchase and sale of the Assets and the related transactions and deliveries herein provided for shall take place at 10:00 a.m., local time, on the date of the closing of the Embassy Combination at the offices of Buyer, or at such other time or place as the parties may mutually agree (the "Closing").

8.2 DOCUMENTS TO BE DELIVERED BY SELLER. At the Closing, the following shall be delivered or provided to Buyer by Seller:

- (a) Seller shall execute and deliver warranty bills of sale and other sufficient instruments of conveyance and transfer as shall be effective to vest in Buyer all of Seller's title to and interest in the Assets;
- (b) Seller shall deliver copies of resolutions of its Board of Directors and shareholders authorizing the execution of this Agreement and the consummation of the transactions

herein provided for, which resolutions shall have been certified as true, correct and in full force and effect as of the Closing by the Secretary of Seller;

(c) Seller shall deliver a certified copy of Seller's articles of incorporation and bylaws, as amended, and a good standing certificate issued by the Secretary of the State of incorporation of Seller no more than ten (10) days prior to the Closing;

(d) Seller shall deliver the affidavits and certificates provided for in Section 5.4;

(e) Seller shall deliver keys and combinations, as appropriate, to all locks used on or in connection with any of the Assets;

(f) Seller shall execute and deliver the Lease Assumption Agreement substantially in the form of Exhibit "C" attached hereto;

(g) Seller shall execute and deliver the Assignment and Assumption Agreements as provided in Section 6.7;

(h) Seller shall have delivered the Accounts Receivable list as of the date of the Closing provided for in Section 3.7 above; and

(i) Seller shall deliver a certificate dated the date of the Closing ("Seller's Closing Certificate") executed by the President of Seller certifying that: (i) all representations and warranties of Seller contained in this Agreement or in any schedule or exhibit hereto or in any statement (including financial statements), certificate, exhibit or other document delivered pursuant hereto were true and accurate as of the date when made; (ii) all of said representations and warranties are, by the execution and delivery of Seller's Closing Certificate, made again on and as of the date of the Closing and are then true and accurate in all material respects; and (iii) Seller has performed and complied in all material respects with all the covenants, agreements and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing.

8.3 DOCUMENTS TO BE DELIVERED BY SHAREHOLDER. At the Closing, the following instruments, documents and showings shall be delivered or provided to Buyer by Shareholder:

(a) Shareholder shall deliver a certificate dated the date of the Closing ("Shareholder's Closing Certificate") executed by Shareholder certifying that: (i) all representations and warranties contained in this Agreement or in any schedule or exhibit hereto or in any statement (including financial statements), certificate, exhibit or other document delivered pursuant hereto were true and accurate as of the date when made; (ii) all of said representations and warranties are, by the execution and delivery of the Shareholder Closing Certificate, made again on and as of the date of the Closing and are then true and accurate in all material respects; and (iii) Seller and Shareholder have performed and complied in all material respects with all the covenants, agreements

and conditions required by this Agreement to be performed or complied with by them prior to or on the date of the Closing; and

(b) Shareholder shall deliver the Services Agreement substantially in the form of Exhibit "I" attached hereto.

(c) Shareholder shall execute and deliver the Lock-Up Agreement substantially in the form of Exhibit "E" attached hereto.

8.4 DOCUMENTS TO BE DELIVERED BY BUYER. At the Closing, the following instruments, documents and showings shall be delivered or provided by Buyer:

(a) Buyer shall deliver copies of resolutions of the Board of Directors of Buyer authorizing the execution of this Agreement and the consummation of the transactions herein provided for, which resolutions are certified as true, correct and in full force and effect as of the date of the Closing by the Secretary of Buyer;

(b) Buyer shall deliver a cashier's or certified check or confirmation of the wire transfer of funds reflecting the Cash Consideration;

(c) Buyer shall deliver certificates reflecting the Stock Consideration;

(d) Buyer shall execute and deliver the Lease Assumption Agreement provided for in Section 2.2;

(e) Buyer shall execute and deliver the assignment and assumption agreements as provided in Section 6.7; and

(f) Buyer shall provide a certificate dated the date of the Closing ("Buyer's Closing Certificate") executed by an officer of Buyer certifying that: (i) all representations and warranties of Buyer contained in this Agreement or in any schedule or exhibit hereto or in any certificate, exhibit or other document delivered pursuant hereto were true and accurate as of the date when made; (ii) all of said representations and warranties are, by the execution and delivery of the Buyer's Closing Certificate, made again on and as of the date of the Closing and are then true and accurate in all material respects; and (iii) Buyer has performed and complied in all material respects with all the covenants, agreements and conditions required by this Agreement to be performed or complied with by it prior to or on the Closing.

9. POST CLOSING OBLIGATIONS OF THE PARTIES

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9.1 FURTHER OBLIGATIONS OF THE PARTIES. On and after the Closing:

(a) Each party shall execute all certificates, instruments and other documents and take all actions reasonably requested by the other party to effectuate the purposes of this Agreement and to consummate and evidence the consummation of the transactions herein provided for; and

(b) Seller shall take all action reasonably necessary or appropriate to transfer to Buyer or Buyer's assignee the Assets.

9.2 TRANSFER TAXES. Seller shall be responsible for and pay when due, whether before, at or after the Closing or out of the proceeds it receives pursuant to Section 2.1, all sales, use, transfer, and similar taxes, fees and charges of whatever nature, imposed by law on Seller, due any governmental authority as a result of the transactions contemplated by this Agreement.

9.3 PAYMENT TO SELLER'S CREDITORS. Seller covenants and agrees promptly to pay when due all amounts due from Seller to all parties who or which are creditors of Seller, within the meaning of Article Six of the Uniform Commercial Code as in effect in applicable jurisdictions (collectively, the "Bulk Sales Statutes") (except to the extent of the Assumed Liabilities, as to which Buyer will make such payment and satisfaction). Any and all amounts asserted against or paid by Buyer with respect to claims of Seller's creditors shall be Indemnified Liabilities for the purposes of Article 10 below, whether or not Buyer and/or Seller have complied with the provisions of the Bulk Sales Statutes.

#### 9.4 ONGOING EMPLOYMENT RELATIONSHIPS.

(a) All employees of Seller other than Shareholder shall be terminated by Seller as of the close of business on the Closing, and shall be hired by Buyer effective the opening of business the day following the date of the Closing at the salaries or rates of compensation set forth on Schedule 3.13.

(b) The employees of Seller other than Shareholder shall have the right to participate in the employee benefit plans of Buyer's Parent to the same extent as Parent's employees.

9.5 LIQUIDATION AND DISSOLUTION OF SELLER. Seller shall promptly adopt a plan of complete liquidation and dissolution and pursuant thereto, shall distribute to Shareholder the Consideration and its other remaining assets, after providing for the payment of all its liabilities to Shareholder and shall dissolve under the laws of the state of \_\_\_\_\_. The liquidation and dissolution shall be completed by no later than one year from the date of Closing.

#### 10. SURVIVAL OF WARRANTIES AND INDEMNIFICATION

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10.1 SURVIVAL AND EXTENT OF REPRESENTATIONS, WARRANTIES INDEMNIFICATIONS, AND COVENANTS. All representations, warranties, indemnifications and covenants contained in this Agreement or in any Closing Certificate of Seller and Shareholder shall survive the Closing

hereunder and shall continue in full force and effect thereafter for a period of three (3) years from the Closing.

10.2 INDEMNIFICATION BY SELLER AND SHAREHOLDER. Seller and Shareholder jointly and severally, hereby agree (notwithstanding the Closing and regardless of any investigation at any time made by or on behalf of Buyer, or of any information that Buyer may have in respect thereof or the failure by Buyer to examine the operations, premises, books, records and accounts of Seller prior to the Closing) to indemnify, save, defend and hold harmless Buyer from and against and to the extent same constitute out-of-pocket expenditures by Buyer, to promptly reimburse Buyer for all losses, liabilities, indebtedness, damages, actions, causes of action, debts, dues, judgments, penalties, fines, costs, obligations, taxes, expenses and fees, including all reasonable attorney's fees and court costs, incurred by or asserted against the Buyer (all of such losses, liabilities and other items being hereinafter collectively referred to as "Indemnified Liabilities") resulting from, arising out of, relating to, in the nature of or caused by (i) the breach of any representation, warranty or covenant of Seller or Shareholder contained in this Agreement; (ii) any obligation, liability, or indebtedness of Seller set forth on Schedule 2.2 hereto, or which was outstanding prior the Closing and known to Seller and not otherwise assumed by Buyer; or provisions of Section 2.2 and not otherwise assumed by Buyer, or (iii) the cost and expense of defending any action, demand or claim by any third party against or affecting Seller which, if true or successful, would give rise to a breach of any of the representations, warranties or covenants of Seller or would obligate Buyer to any obligation, liability or indebtedness referred to in the preceding clauses even if such action, demand or claim ultimately proves to be untrue or unfounded.

10.3 INDEMNIFICATION BY BUYER. Buyer hereby agrees to indemnify, save, defend and hold harmless Seller and Shareholder from and against and, to the extent same constitute out-of-pocket expenditures by Seller or Shareholder, to promptly reimburse them for all losses, liabilities, indebtedness, damages, actions, causes of action, debts, dues, judgments, penalties, fines, costs, obligations, taxes, expenses and fees, including all reasonable attorneys' fees and court costs incurred by or asserted against Seller or Shareholder (all of such losses, liabilities and other items being hereinafter collectively referred to as "Indemnified Liabilities"), resulting from, arising out of, relating to, in the nature of or caused by (i) the breach of any representation, warranty or covenant of Buyer; or (ii) the cost and expense of defending any action, demand or claim by any third party against or affecting Buyer which, if true or successful, would give rise to a breach of any of the representations, warranties or covenants of Buyer or would obligate Seller to any obligation, liability or indebtedness referred to in the preceding clauses even if such action, demand or claim ultimately proves to be untrue or unfounded.

10.4 LIMITATIONS ON LIABILITY. None of the parties hereby shall have any liability pursuant to this Article 10 for any claim under Section 10.2 until such claims in the aggregate shall equal or exceed \$50,000.

10.5 PROCEDURE FOR CLAIMS AND DEMANDS.

(a) If a party shall be presented with or have actual notice of an action, claim or demand which gives or may give rise to an Indemnified Liability, such party or parties (together the "Indemnified Party") shall, within sixty (60) business days thereafter, notify the indemnifying party or parties (together, the "Indemnifying Party") in writing thereof, it being understood and agreed that any failure or delay to so notify shall not relieve the Indemnifying Party from liability hereunder except and solely to the extent that such failure or delay shall have increased such liability or materially and adversely affected the ability of the Indemnifying Party to defend against, settle, satisfy or mitigate any such action, claim or demand. Following actual receipt of such notice, the Indemnifying Party as applicable shall have the right, at its sole cost and expense, to contest or defend such action, claim or demand through attorneys, accountants and others of its own choosing and in the event it elects to do so shall promptly notify the Indemnified Party of such intent to contest or defend such action, claim or demand. If, within thirty (30) days following receipt of such notice, the Indemnifying Party has not notified the Indemnified Party that such action, claim or demand will be contested or defended by it, the Indemnified Party shall have the right to (i) authorize attorneys satisfactory to it to represent it in connection therewith, and (ii) at any time settle, compromise or pay such action, claim or demand, in either of which events the Indemnified Party shall be entitled to such rights of indemnification as are provided herein.

(b) In the event and so long as the Indemnifying Party is actively contesting or defending against an action, claim or demand as hereinabove provided, the Indemnified Party shall cooperate in such contest or defense and shall provide such access to the books and records as shall be necessary in connection with such defense or contest subject to reimbursement of any out-of-pocket expenses incurred in doing so. In the event and as long as the Indemnifying Party is actively conducting such defense or contest, such actions, claims or demands shall not be settled, compromised or paid by the Indemnified Party without the prior written consent of the Indemnifying Party, unless such claim or demand has been adjudicated by a final and unappealable order of a court of competent jurisdiction.

10.6 LIMITATIONS ON LIABILITY. The parties agree that the provisions of this Article 10 were bargained for by the parties and that the parties' liability under this Agreement shall be only for those matters covered by the indemnification provisions of this Article 10.

#### 11. BROKERS

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Seller and Shareholder, jointly and severally, shall indemnify and hold the Buyer harmless and Buyer shall indemnify and hold Seller and Shareholder harmless from any claim by any broker or other person for commissions or other compensation for bringing about the transactions contemplated hereby, where such claim is based on the purported employment or authorization of such broker or other person by the Indemnifying Party.

12. MISCELLANEOUS PROVISIONS  
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12.1 DEFINITION OF AFFILIATE. As used herein, the term "Affiliate" shall mean and include:

(a) With respect to Seller only, Shareholder; or

(b) Any corporation, partnership, trust, person or other entity directly or indirectly controlling, controlled by, or under common control with, such persons (including the members of such persons immediate family) or entity or beneficial owner thereof; or

(c) Any officer, director or holder or beneficial owner of five percent (5%) or more of the outstanding securities of Seller.

For the purposes of clause (b), the term "beneficial owner" shall include any group of individuals acting in concert. A party shall be deemed the beneficial owner of any securities held by any person whose ownership would be attributed to such party under Section 318 of the Code.

Notwithstanding the foregoing, for the purposes of Section 3.16 above, "Affiliate" shall have the meaning set forth in paragraph 3.16(a).

## 12.2 NON-COMPETITION; NON SOLICITATION.

(a) NON-COMPETITION. For the term of the Services Agreement and for a period of two (2) years thereafter, unless otherwise agreed to in writing by Buyer, Seller and Shareholder will not, directly or indirectly, own, manage, operate, join, control, be employed by or participate in, the ownership, management, operation or control of, or be connected in any manner with any business engaged in providing practice management services to orthodontic practices in the same geographic areas in which Orthodontix, Buyer or any affiliate thereof is then conducting such business. It is agreed that each of the cities, counties and other political subdivisions constituting the geographic areas in which Buyer shall be conducting such business shall be considered a separate geographic area and a separate covenant from Seller and Shareholder to Buyer and the invalidity of any of such covenants shall not affect this Agreement or any other covenant made hereunder.

(b) NON-SOLICITATION. For the term of the Services Agreement and for a period of two years thereafter, Seller and Shareholder agree that they shall refrain from soliciting and shall not, directly or indirectly, as sole proprietor, independent contractor, employee, consultant, agent, partner, or joint venturer, or as an officer, director, stockholder, agent or employee of any firm, person, entity, partnership or corporation, or otherwise: (i) solicit the employees of Buyer to leave the service of Buyer; or (ii) solicit the business of any person, firm, partnership, joint venture, sole proprietorship or other entity to whom or which Buyer is rendering services at the date of Closing.

(c) ENFORCEMENT. In the event of an actual or threatened breach by Seller or Shareholder of paragraph (a) or (b) of this Section 12.2, Buyer shall be entitled to an injunction restraining Seller from his prohibited conduct. If the court should hold that the duration and/or scope (geographic or otherwise), is not reasonable the parties agree to accept such determination, subject



to their rights of appeal. Nothing contained herein shall be construed as prohibiting Buyer or any third party from pursuing any of the remedies available to it for such breach or threatened breach, including recovery of damages from Seller and Shareholder. In any action or proceeding to enforce the provisions of this Section 12.2, the prevailing party shall be reimbursed by the other party for all costs incurred in such action or proceeding including, without limitation, all court costs and filing fees and all attorney's fees, incurred either at the trial level or at the appellate level. If Seller or Shareholder shall be in violation of any of the restrictive covenants contained in this Agreement, then the time limitation otherwise applicable to such restrictive covenant shall be extended for a period of time equal to the period of time during which such breach or breaches occur. If Buyer seeks injunctive relief from such breach in any court, then the covenant shall be extended for a period of time equal to the pendency of such proceedings, including all appeals. The existence of any claim or cause of action by Seller or Shareholder against Buyer, whether predicated upon this Agreement or otherwise, shall not constitute a defense to the enforcement by Buyer of the foregoing restrictive covenant, but shall be litigated separately.

(d) In the event the non-competition clause or any other restrictive covenant of this Agreement shall be deemed unenforceable, invalid or overbroad in whole or in part for any reason, then any court of competent jurisdiction is hereby authorized, requested and instructed to reform such provision(s) to provide for the maximum competitive restraints upon Seller's and Shareholder's activities (in time and geographic area), which may then be legal and valid.

12.3 NOTICES. All notices, requests, demands or other communications hereunder (including notices of all asserted claims or liabilities) shall be in writing and shall be either delivered personally, by messenger service, by guaranteed over night delivery service or mailed by U.S. mail, certified or registered, return receipt requested, with appropriate postage prepaid to the addressees and addresses herein designated or such other address as may be designated in writing by notice given in the manner provided herein and shall be effective upon personal delivery thereof, if delivered personally or by messenger service, one (1) business day after delivery to the overnight delivery service, if delivered by overnight delivery service, or on delivery, if sent by mail:

If to Seller:

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Attn: -----

If to Shareholder:

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If to Buyer:

Orthodontix, Inc.  
2222 Ponce de Leon Blvd., PH  
Coral Gables, Florida 33134  
Attn: President

12.4 ASSIGNABILITY; BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Seller hereby expressly consents to the assignment by Buyer to a corporation affiliated with Buyer of the rights and obligations of Buyer hereunder.

12.5 GOVERNING LAW; VENUE. This Agreement shall be construed and governed in accordance with the internal laws of the State of Florida. Buyer, Seller and Shareholder hereby consent to service of process and to the jurisdiction of any appropriate court located in Dade County, Florida in any action to enforce the provision of this Agreement.

12.6 COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

12.7 ENTIRE AGREEMENT. Except as otherwise specifically provided herein, this Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes all prior communications, writings and other documents with regard thereto. No modification, amendment or waiver of any provision hereof shall be binding upon any party hereto unless it is in writing and executed by all of the parties hereto or, in the case of a waiver, by the party waiving compliance.

12.8 WAIVER. The waiver by any party hereto of any breach, default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall not be deemed to extend to any prior or subsequent breach, default, misrepresentation or breach of warranty or covenant hereunder and shall not affect in any way any rights arising by virtue of any such prior or subsequent occurrence.

12.9 INCORPORATION BY REFERENCE. All schedules and exhibits hereto are incorporated herein by this reference.

12.10 NO JOINT VENTURE. Nothing contained in this Agreement shall be deemed or construed by the parties hereto or by any third person to create the relationship of principal and agent or of partnership or of joint venture or of any association between the parties. None of the provisions contained in this Agreement nor any acts of the parties hereto shall be deemed to create any relationship between the parties other than the relationship specified in this Agreement.

12.11 CONFIDENTIALITY. Seller and Buyer hereby agree that the terms and conditions of this Agreement and the transactions contemplated herein shall remain confidential and not be disclosed by either party, except to employees and agents and otherwise to the extent necessary to perform due diligence and obligations hereunder until the date of Closing. Buyer agrees to remain bound by its confidentiality agreement with Seller through the Closing. Notwithstanding the foregoing, Buyer shall have the right to make public disclosures as may be necessary or advisable to satisfy applicable laws, rules and regulations applicable to public companies.

12.12 NUMBER/GENDER. All words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case requires and the verb shall be construed as agreeing with the required word and/or pronoun.

12.13 CAPTIONS. The division of this Agreement into articles, sections, subsections, Schedules and exhibits is for convenience of reference only and shall not affect the interpretation or construction of this Agreement.

12.14 ALLOCATION OF FEES AND EXPENSES. Except as otherwise provided herein, Buyer and Seller each shall be responsible for their own legal and audit fees and other charges incurred in connection with the purchase and sale of the Assets, the completion of the transactions contemplated herein and any post-Closing matters in connection with the transactions contemplated herein.

12.15 TIME OF THE ESSENCE. Time shall be of the essence of this Agreement and of every part hereof.

12.16 SEVERABILITY. In the event that one or more of the provisions, warranties, representations or covenants or any portion of them contained in this Agreement are unenforceable or are declared invalid for any reason whatsoever, such unenforceability or invalidity shall not affect the enforceability or the validity of the remaining terms or portions of this Agreement, and each such unenforceable or invalid provision, warranty, representation or covenant or portion thereof shall be severable from the remainder of this Agreement.

12.17 ATTORNEYS' FEES. In the event of any dispute arising out of the subject matter of this Agreement, the prevailing party shall recover, in addition to any other damages assessed, its reasonable attorneys' fees and other costs and expenses incurred in litigating or otherwise settling or resolving such dispute.

12.18 REMEDIES CUMULATIVE. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

12.19 CONSTRUCTION. The parties acknowledge that Buyer and Seller and their counsel each have reviewed and revised this Agreement and that the rule of construction to the effect that any ambiguities are to be resolved against the drafting party, shall not be employed in the interpretation of this Agreement or any documents executed in connection herewith.

THE PARTIES TO THIS AGREEMENT HAVE READ THIS AGREEMENT, HAVE HAD THE OPPORTUNITY TO CONSULT WITH INDEPENDENT COUNSEL OF THEIR OWN CHOICE, AND UNDERSTAND EACH OF THE PROVISIONS OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

"SELLER"

By: -----

"SHAREHOLDER"

-----  
, D.D.S.

"BUYER"  
ORTHODONTIX, INC.

BY: -----  
Authorized Representative

EMBASSY ACQUISITION CORP.  
LOCK-UP AGREEMENT, 1998  
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Dear Sir:

Reference is hereby made to the merger (the "Merger") of Embassy Acquisition Corp. ("Embassy") with Orthodontix, Inc. ("Orthodontix") and the exchange of shares of the Common Stock, par value \$.0001 per share, of Orthodontix (the "Orthodontix Common Stock") for shares of Common Stock, par value \$.0001 per share of Embassy (the "Embassy Business Combination"). In connection with the acquisition by Orthodontix of the Assets and in order to induce Orthodontix to enter into the Embassy Business Combination the undersigned shareholder (the "Shareholder") hereby agrees that the undersigned will not, directly or indirectly, without the prior written consent of Embassy and Orthodontix, offer, sell, contract to sell, pledge, grant any option for the sale of, or otherwise dispose or cause the disposition of, any (i) shares of Embassy Common Stock owned by the undersigned, other than shares acquired on the open market (ii) stock options or warrants or any securities convertible into or exchangeable or exercisable for any shares of Embassy Common Stock owned by the undersigned for a period of fifteen months subsequent to the closing of the Embassy Business Combination (the "Fifteen Month Period").

Thereafter, this letter agreement shall be of no further force or effect.

In furtherance of the foregoing, Embassy and American Stock Transfer & Trust Company, the Company's Transfer Agent and Registrar, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this agreement.

Very truly yours,

By: \_\_\_\_\_

EMBASSY ACQUISITION CORP.  
LOCK-UP AGREEMENT

, 1998

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Dear Sir:

Reference is hereby made to the merger (the "Merger") of Embassy Acquisition Corp. ("Embassy") with Orthodontix, Inc. ("Orthodontix") and the exchange of shares of the Common Stock, par value \$.0001 per share, of Orthodontix (the "Orthodontix Common Stock") for shares of Common Stock, par value \$.0001 per share of Embassy (the "Embassy Business Combination"). In connection with the acquisition by Orthodontix of the Assets and in order to induce Orthodontix to enter into the Embassy Business Combination the undersigned shareholder (the "Shareholder") hereby agrees that the undersigned will not, directly or indirectly, without the prior written consent of Embassy and Orthodontix, offer, sell, contract to sell, pledge, grant any option for the sale of, or otherwise dispose or cause the disposition of, any (i) shares of Embassy Common Stock owned by the undersigned, other than shares acquired on the open market (ii) stock options or warrants or any securities convertible into or exchangeable or exercisable for any shares of Embassy Common Stock owned by the undersigned for a period of fifteen months subsequent to the closing of the Embassy Business Combination (the "Fifteen Month Period").

Thereafter, this letter agreement shall be of no further force or effect.

In furtherance of the foregoing, Embassy and American Stock Transfer & Trust Company, the Company's Transfer Agent and Registrar, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this agreement.

Very truly yours,

By: -----

EMBASSY ACQUISITION CORP.  
 LOCK-UP AGREEMENT

\_\_\_\_\_, 1998

Dear Sir:

Reference is hereby made to the merger (the "Merger") of Embassy Acquisition Corp. ("Embassy") with Orthodontix, Inc. ("Orthodontix") and the exchange of shares of the Common Stock, par value \$.0001 per share, of Orthodontix (the "Orthodontix Common Stock") for shares of Common Stock, par value \$.0001 per share of Embassy (the "Embassy Business Combination"). In connection with the acquisition by Orthodontix of the Assets and in order to induce Orthodontix to enter into the Embassy Business Combination the undersigned shareholder and officer or director of Embassy (the "Officer") hereby agrees that the undersigned will not, directly or indirectly, without the prior written consent of Embassy and Orthodontix, offer, sell, contract to sell, pledge, grant any option for the sale of, or otherwise dispose or cause the disposition of, any (i) shares of Embassy Common Stock owned by the undersigned, other than shares acquired on the open market (ii) stock options or warrants or any securities convertible into or exchangeable or exercisable for any shares of Embassy Common Stock owned by the undersigned for a period of six months subsequent to the closing of the Embassy Business Combination (the "Six Month Period").

Further, for the three month period following the Six Month Period (the "Initial Period"), an amount of shares equivalent to 20% of the Embassy Common Stock acquired by the undersigned in the Embassy Combination (the "Embassy Acquired Stock") may be transferred or otherwise disposed.

For the three month period immediately following the Initial Period (the "Second Period"), an amount of shares equivalent to an additional 20% of the Embassy Acquired Stock may be transferred or otherwise disposed.

For the three month period immediately following the Second Period, an amount of shares equivalent to an additional 20% of the Embassy Acquired Stock may be transferred or otherwise disposed.

Thereafter, this letter agreement shall be of no further force or effect.

In furtherance of the foregoing, Embassy and American Stock Transfer & Trust Company, the Company's Transfer Agent and Registrar, are hereby authorized to decline to make any transfer of securities if such transfer would constitute a violation or breach of this agreement.

Very truly yours,

By:

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 As \_\_\_\_\_ of Embassy Acquisition Corp.  
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## CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this registration statement on Form S-4 (the "Registration Statement") of Embassy Acquisition Corp. of our report dated March 19, 1997, on our audits of the financial statements of Embassy Acquisition Corp. as of December 31, 1996 and 1995, and for the year ended December 31, 1996 and for the period from November 30, 1995 (date of inception) to December 31, 1996. We also consent to the inclusion in this Registration Statement of our report dated December 19, 1997, on our audit of Orthodontix, Inc. as of December 31, 1996 and for the period from August 14, 1996 (date of inception) to December 31, 1996. We also consent to the reference to our firm under the caption "Experts".

COOPERS & LYBRAND L.L.P.

Miami, Florida  
March 26, 1998



PROXY AND NOTICE OF ELECTION

EMBASSY ACQUISITION CORP.  
1428 BRICKELL AVENUE, SUITE 105  
MIAMI, FLORIDA 33131

THIS PROXY AND NOTICE OF ELECTION IS SOLICITED ON BEHALF OF  
THE BOARD DIRECTORS

The undersigned hereby appoints Ronald M. Stein as proxy of the undersigned (the "Proxy"), with power to appoint his substitute, and authorizes him to represent and to vote, as specified below, all of the shares of the undersigned held of record by the undersigned on March 24, 1998, at the Special Meeting of Shareholders of Embassy Acquisition Corp. (the "Company") on April 16, 1998, and at all adjournments thereof (the "Special Meeting"), on the matters set forth below AND TO VOTE IN HIS DISCRETION FOR THE TRANSACTION OF SUCH OTHER BUSINESS AS MAY COME BEFORE THE SPECIAL MEETING.

1. THE MERGER. To consider and vote upon the following interrelated matters (collectively, the "Merger") as a single proposal:

(i) to approve and adopt a certain Agreement and Plan of Merger and Reorganization, dated as of October 30, 1997, by and between the Company and Orthodontix, Inc. a Florida corporation ("Orthodontix"), providing for, among other things, the merger of Orthodontix Acquisition Corp., a Florida corporation and wholly owned subsidiary corporation of the Company, with and into Orthodontix; and

(ii) to approve an amendment to the Articles of Incorporation of the Company to change the name of the Company to "Orthodontix, Inc."

[ ] FOR [ ] AGAINST [ ] ABSTAIN

IF THE UNDERSIGNED VOTES "AGAINST" PROPOSAL 1, AND ELECTS TO REDEEM HIS SHARES, PLEASE COMPLETE THE FOLLOWING:

THE UNDERSIGNED HEREBY ELECTS TO HAVE HIS SHARES REDEEMED

[ ] YES [ ] NO

2. AUTHORIZATION TO ISSUE PREFERRED STOCK. To consider and vote upon a proposal to amend and restate Articles of Incorporation of the Company to provide for an authorized class of Preferred Stock consisting of 100,000,000 shares, par value \$.0001 per share, with rights, preferences and designations of such shares to be determined by the Board of Directors of the Company.

[ ] FOR [ ] AGAINST [ ] ABSTAIN

3. 1997 STOCK OPTION PLAN. To consider and vote upon a proposal to approve the 1997 Embassy Acquisition Corp. Stock Option Plan.

[ ] FOR [ ] AGAINST [ ] ABSTAIN

4. OTHER BUSINESS. In his discretion, the Proxy is authorized to vote on such other business as may properly come before the Special Meeting or any adjournment or postponement thereof.

[ ] FOR [ ] AGAINST [ ] ABSTAIN

THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS SPECIFIED ABOVE. IF NO SPECIFICATION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE PROPOSALS 1, 2 AND 3. A VOTE TO ABSTAIN WILL NOT BE COUNTED TOWARDS THE REQUISITE AFFIRMATIVE VOTE TO APPROVE PROPOSALS 1, 2 AND 3.

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Signature

Your signature should appear exactly as your name appears in the space at left. For joint accounts, both should sign. When signing in a fiduciary or representative capacity, please give your full title as such. If a corporation or partnership, sign in full corporate or partnership name by authorized officer or partner.

PLEASE SIGN, DATE AND RETURN \_\_\_\_\_, 1998  
THIS PROXY IN THE ENCLOSED  
POSTAGE PAID ENVELOPE

CONSENT OF DIRECTOR DESIGNEE  
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March 19, 1998

The undersigned hereby consents to being named as a designee for director in the Registration Statement on Form S-4 filed with the U.S. Securities and Exchange Commission (the "S-4 Registration Statement"), such appointment to be effective upon the closing of the proposed business combination between Embassy Acquisition Corp. and Orthodontix, Inc. as described in the S-4 Registration Statement.

/s/ Stephen Grussmark, D.D.S., M.S.D.  
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Stephen Grussmark, D.D.S., M.S.D.

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/s/ F. W. Mort Guilford

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F. W. Mort Guilford

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/s/ William Thompson, D.D.S.

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William Thompson, D.D.S.

CONSENT OF DIRECTOR DESIGNEE  
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/s/ Mel Gottlieb  
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Mel Gottlieb

CONSENT OF DIRECTOR DESIGNEE  
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March 19, 1998

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/s/ Gary Gerson  
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Gary Gerson