

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

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

For the Quarterly Period Ended March 31, 1998

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-27836

ORTHODONTIX, INC.

(Exact Name of Small Business Issuer in Its Charter)

Florida

65-0643773

-----  
(State or other jurisdiction of  
incorporation or organization)

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

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

-----  
(Address of Principal Executive Offices)

(305) 446-8661

-----  
(Issuer's Telephone Number)

Embassy Acquisition Corp.

1428 Brickell Avenue, Suite 105, Miami, FL 33131

-----  
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last  
Report)

Check whether the issuer: (1) filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such  
shorter period that the registrant was required to file such reports); and (2)  
has been subject to such filing requirements for the past 90 days.  
Yes ☒ No ☐

As of May 7, 1998, the Company had a total of 5,914,637 shares (the  
"Shares") of Common Stock, par value \$.0001 per share (the "Common Stock"),  
outstanding.

Traditional Small Business Disclosure Format (check one)

Yes ☒ No ☐

DOCUMENTS INCORPORATED BY REFERENCE

None.

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ORTHODONTIX, INC.  
FORM 10-QSB  
QUARTER ENDED MARCH 31, 1998

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## PART I

## ITEM 1. FINANCIAL STATEMENTS

The unaudited, condensed financial statements included herein, commencing at page F-1, have been prepared in accordance with the requirements of Regulation S-B and supplementary financial information included herein, if any, has been prepared in accordance with Item 310(b) of Regulation S-B and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with generally accepted accounting principles. In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial information for the interim periods reported have been made. Results of operations for the three month ended March 31, 1998 are not necessarily indicative of the results for the year ending December 31, 1998.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Orthodontix, Inc. (f/k/a Embassy Acquisition Corp. (the "Company") 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 an acquired business (an "Acquired Business"). In connection with its initial capitalization, the Company issued an aggregate of 1,160,000 shares of Common Stock to its officers, directors, and other shareholders for an aggregate sum of \$76,078. On April 2, 1996, the Company's Registration Statement on Form SB-2 (the "Registration Statement") was declared effective by the U.S. Securities and Exchange Commission (the "SEC"). Pursuant to the Registration Statement, the Company, 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") and received net proceeds of approximately \$7,052,300 after the payment of all expenses of the Offering (the "Net Proceeds"). In addition, the Company issued Underwriter Options to purchase 120,000 shares of Common Stock. The Offering was a "blank check" offering.

On May 6, 1997, the Company entered into a Letter of Intent with Orthodontix Subsidiary, Inc. (f/k/a Orthodontix, Inc. (the "Letter of Intent") a Florida corporation ("Orthodontix"), regarding a business combination of the Company or its wholly-owned subsidiary and Orthodontix, Inc. (the "Transaction"). Orthodontix had conducted no operations as of such date other than in connection with its agreements in principle 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 could 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 would engage in the

Transaction, which at the closing of the Transaction (the "Closing") would 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 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 was 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").

On April 16, 1998, the Company consummated the Transaction pursuant to the Agreement. At the closing of the Transaction, (i) Orthodontix became a wholly-owned subsidiary of the Company in exchange for, among other things, 3,374,637 shares of the Company's Common Stock, representing approximately 57.1% of the Company's outstanding Common Stock after giving effect to the Transaction; and (ii) the Company changed its name to "Orthodontix, Inc." The Company's Registration Statement on Form S-4, as amended (SEC File No. 333-48677), relating to the Transaction is incorporated by reference herein.

#### Liquidity and Capital Resources/Plan of Operation

As of March 31, 1998 and December 31, 1997, the Company had cash and cash equivalents of \$475,751 and \$547,939, respectively, and restricted cash and cash equivalents of \$6,955,040 and \$6,878,156, respectively. As of March 31, 1998 and December 31, 1997, the Company had total liabilities of \$70,910 and \$88,850, respectively, and common stock subject to redemption of \$7,401,103 and \$7,378,467, respectively. 90% of the Net Proceeds (\$6,346,800) (the "Escrow Fund") were delivered to Fiduciary Trust International of the South, as Escrow Agent, to be held in escrow by such firm, until 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; or (ii) the exercise by certain shareholders of the Redemption Offer (as defined in the Registration Statement). As of March 31, 1998, there was \$6,955,040 (at market value) in the Escrow Fund. The Escrow Fund is currently invested in United States government-backed short-term securities.

Other than the Escrow Fund, the Company, as of March 31, 1998, had \$475,751 and cash equivalents all of which was received from the initial capitalization and the Offering (other than

interest income earned thereon) (the "Operating Funds"). The Company believes the Operating Funds will be sufficient for its cash requirements for at least the next twelve months.

For the three month period ended March 31, 1998, the Company incurred \$49,265 of operating expenses and derived interest income of \$83,561 as compared with the three month period ended March 31, 1997, when the Company incurred \$12,323 of operating expenses and derived interest income of \$81,245.

#### PART II

##### ITEM 1. LEGAL PROCEEDINGS

The Company is not a party to, nor is it aware of, any pending litigation to which it is a party or of which its property is subject.

##### ITEM 2. CHANGES IN SECURITIES

In connection with the consummation of the Transaction, the Company issued an aggregate of 3,374,637 shares of the Company's Common Stock (the "Shares") and granted options to acquire an aggregate of 956,303 shares of Common Stock (the "Options"), of which options to acquire 537,500 shares are currently exercisable. The Shares were issued in a transaction registered on the Company's Registration Statement on Form S-4 declared effective by the Securities and Exchange Commission on March 26, 1998. The Company relied upon the exemption in Section 4(2) of the Securities Act of 1933 in connection with the issuance of the Options.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO VOTE OF SECURITY HOLDERS

During the first quarter ended March 31, 1998, no matters were submitted to a vote of security holders of the Company through the solicitation of proxies or otherwise. On April 16, 1998 at the Company's Special Stockholders' Meeting, the following votes were taken:

To approve and adopt the Transaction and to approve an amendment to the Articles of Incorporation of the Company to change the name of the Company to "Orthodontix, Inc."

Votes:	FOR	AGAINST	ABSTAIN
	2,254,200	--	--

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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.

Votes:	FOR	AGAINST	ABSTAIN
	2,254,200	--	--

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

Votes:	FOR	AGAINST	ABSTAIN
	2,254,200	--	--

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits.
- 27. Financial Data Schedule
- (b) Reports on Form 8-K.

Current Report on Form 8-K dated April 16, 1998 regarding the consummation of the Transaction.

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SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ORTHODONTIX, INC.

Date: May 8, 1998

By: /s/ F.W. Mort Guilford

-----  
F.W. Mort Guilford, President

Date: May 8, 1998

By: /s/ Richard Alfonso

-----  
Richard Alfonso, Vice President,  
Treasurer, Principal Financial Officer

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FINANCIAL STATEMENTS

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ORTHODONTIX, INC.  
F/K/A EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)  
BALANCE SHEETS

ASSETS	MARCH 31, 1998	DECEMBER 31, 1997
	-----	-----
CURRENT ASSETS:		
CASH AND CASH EQUIVALENTS	\$ 475,751	\$ 547,939
RESTRICTED CASH AND CASH EQUIVALENTS	6,955,040	6,878,156
ACCRUED INTEREST RECEIVABLE	--	--
	-----	-----
TOTAL CURRENT ASSETS	7,430,791	7,426,095
DEFERRED TAX ASSETS	41,222	41,222
	-----	-----
TOTAL ASSETS	\$7,472,013	\$7,467,317
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
ACCRUED EXPENSES	\$ 31,815	\$ 38,916
INCOME TAXES PAYABLE	39,095	49,934
	-----	-----
TOTAL LIABILITIES	70,910	88,850
COMMON STOCK SUBJECT TO REDEMPTION	7,401,103	7,378,467
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
COMMON STOCK, \$.0001 PAR VALUE, 100,000,000 SHARES		
AUTHORIZED, 2,540,000 ISSUED AND OUTSTANDING AT DECEMBER		
31, 1997 AND 1996	--	--
RETAINED EARNINGS ACCUMULATED DURING THE DEVELOPMENT STAGE	--	--
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	--	--
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$7,472,013	\$7,467,317
	=====	=====

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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ORTHODONTIX, INC.  
F/K/A EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)  
STATEMENTS OF OPERATIONS

	FOR THE THREE MONTHS ENDED MARCH 31,		FOR THE PERIOD FROM NOVEMBER 30, 1995 (DATE OF INCEPTION) TO MARCH 31, 1998
	1998	1997	
OPERATING REVENUES	\$ --	\$ --	\$ --
OPERATING EXPENSES:			
GENERAL AND ADMINISTRATIVE	49,265	12,323	257,705
TOTAL OPERATING EXPENSES	49,265	12,323	257,705
LOSS FROM OPERATIONS	(49,265)	(12,323)	(257,705)
OTHER INCOME:			
INTEREST INCOME	83,561	81,245	671,148
OTHER INCOME	83,561	81,245	671,148
INCOME BEFORE INCOME TAX PROVISION	34,296	68,922	413,443
INCOME TAX PROVISION	11,661	23,501	140,682
NET INCOME	\$ 22,635	\$ 45,421	\$ 272,761
PER SHARE DATA:			
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:			
BASIC	\$ 0.01	\$ 0.02	
DILUTED	\$ 0.01	\$ 0.02	
WEIGHTED AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:			
BASIC	2,540,000	2,540,000	
DILUTED	2,553,101	2,540,000	

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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ORTHODONTIX, INC.  
F/K/A EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)  
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1997 AND FOR



THE THREE MONTHS ENDED MARCH 31, 1998 AND FOR THE PERIOD FROM  
NOVEMBER 30, 1995 (DATE OF INCEPTION) TO MARCH 31, 1998

	COMMON STOCK		
	SHARES	AMOUNT	
ISSUANCE OF STOCK TO ORIGINAL STOCKHOLDERS	1,160,000	\$ 116	
BALANCE, DECEMBER 31, 1995	1,160,000	116	
ISSUANCE OF STOCK TO PUBLIC STOCKHOLDERS IN CONNECTION WITH INITIAL PUBLIC OFFERING	1,380,000	--	
NET INCOME FOR THE YEAR ENDED DECEMBER 31, 1996	--	--	
AMOUNTS ACCRUING TO THE BENEFIT OF PUBLIC STOCKHOLDERS	--	(116)	
BALANCE, DECEMBER 31, 1996	2,540,000	--	
NET INCOME FOR THE YEAR ENDED DECEMBER 31, 1997	--	--	
AMOUNTS ACCRUING TO THE BENEFIT OF PUBLIC STOCKHOLDERS	--	--	
BALANCE, DECEMBER 31, 1997	2,540,000	--	
NET INCOME FOR THE THREE MONTHS ENDED MARCH 31, 1998	--	--	
AMOUNTS ACCRUING TO THE BENEFIT OF PUBLIC STOCKHOLDERS	--	--	
BALANCE, MARCH 31, 1998	2,540,000	\$ --	
	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
ISSUANCE OF STOCK TO ORIGINAL STOCKHOLDERS	\$ 75,962	\$ --	\$ 76,078
BALANCE, DECEMBER 31, 1995	75,962	--	76,078
ISSUANCE OF STOCK TO PUBLIC STOCKHOLDERS IN CONNECTION WITH INITIAL PUBLIC OFFERING	--	--	--
NET INCOME FOR THE YEAR ENDED DECEMBER 31, 1996	--	131,681	131,681
AMOUNTS ACCRUING TO THE BENEFIT OF PUBLIC STOCKHOLDERS	(75,962)	(131,681)	(207,759)
BALANCE, DECEMBER 31, 1996	--	--	--
NET INCOME FOR THE YEAR ENDED DECEMBER 31, 1997	--	118,445	118,445
AMOUNTS ACCRUING TO THE BENEFIT OF PUBLIC STOCKHOLDERS	--	(118,445)	(118,445)
BALANCE, DECEMBER 31, 1997	--	--	--
NET INCOME FOR THE THREE MONTHS ENDED MARCH 31, 1998	--	22,635	22,635
AMOUNTS ACCRUING TO THE BENEFIT OF PUBLIC STOCKHOLDERS	--	(22,635)	(22,635)
BALANCE, MARCH 31, 1998	\$ --	\$ --	\$ --

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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ORTHODONTIX, INC.  
F/K/A EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)  
STATEMENTS OF CASH FLOWS

	FOR THE THREE MONTHS ENDED		FOR THE PERIOD FROM
	MARCH 31,	1997	NOVEMBER 30, 1995 (DATE OF INCEPTION) TO MARCH 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:	-----	-----	-----

NET INCOME	\$ 22,635	\$ 45,421	\$ 272,761
ADJUSTMENT TO RECONCILE NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES:			
DEFERRED INCOME TAXES	--	--	(41,222)
NET INTEREST ON RESTRICTED CASH AND CASH EQUIVALENTS	(83,561)	(81,245)	(671,148)
CHANGES IN CERTAIN ASSETS AND LIABILITIES:			
ACCRUED INTEREST RECEIVABLE	--	30	1,342
ACCRUED EXPENSES	(7,100)	(3,404)	31,816
INCOME TAXES PAYABLE	(10,839)	(40,498)	39,095
	-----	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(78,865)	(79,696)	(367,356)
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
INCREASE (DECREASE) IN RESTRICTED CASH AND CASH EQUIVALENTS	6,677	8,894	(6,285,234)
	-----	-----	-----
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	6,677	8,894	(6,285,234)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
NET PROCEEDS FROM ISSUE OF COMMON STOCK	--	--	7,128,341
	-----	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	--	--	7,128,341
	-----	-----	-----
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(72,188)	(70,802)	475,751
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	547,939	763,965	--
	-----	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 475,751	\$ 693,163	\$ 475,751
	=====	=====	=====

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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ORTHODONTIX, INC.  
F/K/A EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1998  
(UNAUDITED)

(1) BASIS OF PRESENTATION:

The accompanying interim financial statements presented herein do not include all disclosures provided in the annual financial statements. These unaudited financial statements should be read in conjunction with the annual financial statements and the footnotes for the fiscal year ended on December 31, 1997 thereto contained in the Form 10-KSB of Embassy Acquisition Corp. (the "Company") as filed with the U.S. Securities and Exchange Commission on March 31, 1998.

In the opinion of the Company, the accompanying unaudited financial statements contain all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the financial statements. The results of operations for the three months ending March 31, 1998 are not necessarily indicative of the results of operation to be expected for the full year.

(2) ORGANIZATION:

On April 9, 1996, the Company sold to the public 1,380,000 shares of its common stock, including 180,000 shares purchased by the underwriter to cover overallotments, \$0001 par value at a price of \$6 per share (the "Offering"). Proceeds totaled \$7,053,700, which was net of \$1,226,300 in underwriting and other expenses.

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.

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)

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ORTHODONTIX, INC.  
F/K/A EMBASSY ACQUISITION CORP.  
(A DEVELOPMENT STAGE CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 1998  
(UNAUDITED)

(2) ORGANIZATION (CONTINUED):

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 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 and cash equivalents at March 31, 1998.

In the event the Company does not successfully 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 a proposal to liquidate the Company. If such proposal is approved, the Company will distribute the Company's Liquidation Value, as defined, to the Public Stockholders. Since the Company may be required to refund all available equity to the Public Shareholders, such 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.

(3) NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE:

The calculation of basic and diluted net income per share for the three months ended March 31, 1998 and 1997 are as follows:

	1998 -----	1997 -----
Net Income	\$ 22,635 =====	\$ 45,421 =====
Basic income per share:		
Weighted average common shares outstanding	2,540,000 =====	2,540,000 =====
Basic income per share	\$ 0.01 =====	\$ 0.02 =====

ORTHODONTIX, INC.  
 F/K/A EMBASSY ACQUISITION CORP.  
 (A DEVELOPMENT STAGE CORPORATION)  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 1998  
 (UNAUDITED)

(3) NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE (CONTINUED):

Diluted income per share:		
Weighted average common shares		
outstanding	2,540,000	2,540,000
Underwriter warrants	13,101	(1)
	-----	-----
Weighted average common and		
potential common shares		
outstanding	2,553,101	2,540,000
	=====	=====
Diluted income per share	\$ 0.01	\$ 0.02
	=====	=====

(1) Warrants to purchase 120,000 shares of common stock were not included in computation of diluted net income per share for 1997 since warrants exercise price was greater than the average price of the underlying common shares.

(4) SUBSEQUENT EVENT:

On May 6, 1997, the Company (Embassy Acquisition Corp.) entered into a Letter of Intent with Orthodontix, Inc. ("Orthodontix"), a Florida corporation, regarding a business combination of the Company or its wholly-owned subsidiary and Orthodontix (the "Transaction"). Orthodontix had conducted no operations as of such date other than in connection with its agreements in principle to acquire certain assets, assume certain liabilities and provide long-term management services to certain orthodontic practices (the "Practices").

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 would engage in the Transaction, which at the closing of the Transaction (the "Closing") would 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 options or warrants to acquire shares of Common Stock which are

(4) SUBSEQUENT EVENT (CONTINUED):

ORTHODONTIX, INC.  
 F/K/A EMBASSY ACQUISITION CORP.  
 (A DEVELOPMENT STAGE CORPORATION)  
 NOTES TO FINANCIAL STATEMENTS  
 MARCH 31, 1998  
 (UNAUDITED)

contemplated to be outstanding at the Closing. The actual number of shares to be issued in connection with the transaction was 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 last 15 trading days immediately preceding the date of the Closing (the "Share Value").

On April 16, 1998, the Company consummated the transaction pursuant to the Agreement. At the Closing (i) Orthodontix became a wholly-owned subsidiary of the Company in exchange for, among other things, 3,374,637 shares of the Company's Common Stock, representing approximately 57.1% of the Company's outstanding Common Stock after giving effect to the transaction; and (ii) the Company changed its name to "Orthodontix, Inc."

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE  
FINANCIAL STATEMENTS OF ORTHODONTIX, INC. FOR THE THREE MONTHS ENDED MARCH 31,  
1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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