U.S. Securities and Exchange Commission
Washington, D.C. 20549

Form 10-QSB

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2001

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the transition period from to

Commission File No. 000-27836

ORTHODONTIX, INC.

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

Florida	65-0643773
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

1428 Brickell Avenue, Suite 105
Miami, Florida 33131

(Address of principal executive offices)

(305) 371-4112

(Issuer's Telephone Number)

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

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

On November 9, 2001, the number of shares of outstanding Common Stock of the issuer was 2,915,428.

Traditional Small Business Disclosure Format (check one) Yes [X] No [_]
Documents Incorporated by reference: None

ORTHODONTIX, INC.
FORM 10-QSB
QUARTER ENDED SEPTEMBER 30, 2001

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The unaudited, condensed consolidated financial statements for Orthodontix, Inc. (the "Company") included herein, commencing at page F-1, have been prepared in accordance with the requirements of Regulation S-B and, therefore, omit or condense certain footnotes and other information normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (including all normal recurring adjustments) necessary for a fair presentation of the financial information for the interim periods reported have been made.

Results of operations for the nine months ended September 30, 2001 are not necessarily indicative of the results of operations expected for the year ending December 31, 2001.

ITEM 2. MANAGEMENT'S PLAN OF OPERATION

The following discussion contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on current plans and expectations of the Company and involve risks and uncertainties that could cause actual future activities and results of operations to be materially different from those set forth in the forward-looking statements. Important factors that could cause actual results to differ include, among others, risks relating to the ability of the Company to locate and consummate an acquisition of an operating business.

The discussion of management's plan of operation should be read in conjunction with the Company's unaudited, condensed consolidated financial statements and notes thereto included elsewhere in this Report and the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission.

CESSATION OF THE ORTHODONTIC PRACTICE MANAGEMENT BUSINESS

By December 31, 2000, the Company had ceased its orthodontic practice management business, had terminated its affiliation with all orthodontic practices except one, and had sold practice assets back to the practices. On May 14, 2001, the Company terminated its affiliation with the one remaining orthodontic practice and recorded a $94,000 loss for the quarter ended March 31, 2001. During the quarter ended June 30, 2001, and in connection with the Company's termination of the orthodontic practice management business, certain of the Company's executive officers resigned and returned to the Company common stock and options to acquire common stock. Except for the termination of the last affiliation in May 2001, the Company had recorded the sales of all the practice assets and the shares returned in connection with the resignations of management as of December 31, 2000, and such transactions are reflected in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000.

With the cessation of the orthodontic practice management business, the Company intends to utilize its capital resources to effect a business combination with an operating business in an industry unrelated to orthodontic practice management. There can be no assurance that the Company's efforts to effect such a business combination will be successful.

OPERATING RESULTS, LIQUIDITY AND CAPITAL RESOURCES

The Company had a net loss of $48,325 and $273,113 for the three and nine months ended September 30, 2001, respectively. Such losses are primarily a result of the Company's general and administrative expenses, which were $58,673 for the three months ended September 30, 2001 and $229,545 for the nine months ended September 30, 2001, and a $94,000 loss relating to the termination of the Company's affiliation with the last orthodontic practice. The Company does not expect to incur any further costs relating to the termination of the orthodontic practice management business. The Company received interest income during the three and nine months ended September 30, 2001 of $10,348 and $50,432, respectively.

As of September 30, 2001, the Company had current assets of $986,709, consisting primarily of cash and cash equivalents of $932,843, and had current liabilities of $133,982. The Company expects that the primary use of working capital will be to fund its general and administrative expenses. The Company believes that its current level of funds will be sufficient for its cash expenses for at least the next twelve months. However, in the event that the Company locates an operating business with which to effect a business combination, the Company may require additional capital beyond the current level of funds available.

OTHER ACCOUNTING MATTERS

In July 2001, the Financial Accounting Standards Board issued two new Statements of Financial Accounting Standards ("SFAS"). SFAS No. 141, "Business Combinations," requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off. SFAS No. 141 is effective for all business combinations effective after June 30, 2001. SFAS No. 142, "Goodwill and Other Intangible Assets," addresses the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS No. 142 is effective for fiscal years beginning after December 31, 2001. The Company does not believe that the adoption of these pronouncements will have a material impact on the Company's financial position or results of operations.

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

During the quarter ended September 30, 2001, no matters were submitted to a vote of security holders of the Company through the solicitation of proxies or otherwise.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

None.

(b) Reports on Form 8-K

None.

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.
(Registrant)

Dated: November 9, 2001

By: /s/ Glenn L. Halpryn

Glenn L. Halpryn
Chairman and President (Principal Executive Officer)

Dated: November 9, 2001

By: /s/ Alan Jay Weisberg

Alan Jay Weisberg
Acting Chief Financial Officer (Principal Financial and Accounting Officer)

INDEX TO FINANCIAL STATEMENTS

ORTHODONTIX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	SEPTEMBER 30, 2001 (UNAUDITED)	DECEMBER 31, 2000
Current assets:		
Cash and cash equivalents	$ 932,843	$ 390,739
Investment	-	1,217,218
Prepaid expenses and other current assets	53,866	191,178
Total current assets	986,709	1,799,135
Advances to Founding Practices, net of allowance of $117,000 at December 31, 2000	-	5,747
Assets held for sale, net	-	9,318
Notes and other receivables	75,415	16,411
Deferred tax asset	73,825	73,825
Total assets	$ 1,135,949	$1,904,436
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 60,157	$ 486,783
Deferred tax liability	73,825	73,825
Total current liabilities	133,982	560,608
Commitments		
Stockholders' equity:		
Preferred stock, $.0001 par value, 100,000,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $.0001 par value, 100,000,000 shares authorized, 2,915,428 and 3,933,571 shares issued and outstanding at September 30, 2001 and December 31, 2000, respectively	292	393
Additional paid-in capital	4,232,821	4,409,502
Accumulated deficit	(3,231,145)	(2,958,032)
Less: common stock receivable	-	(108,035)
Total stockholders' equity	1,001,967	1,343,828
Total liabilities and stockholders' equity	$ 1,135,949	$ 1,904,436

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

ORTHODONTIX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
Management service fee revenue	$ -	$ -	$ -	$ -
Direct practice expenses	-	-	-	-
General and administrative	58,673	15,573	229,545	161,559
Loss (gain) on sale of certain assets of Founding Practices (Note 4)	-	-	94,000	(32,151)
Total expenses	58,673	15,573	323,545	129,408
Net operating loss	(58,673)	(15,573)	(323,545)	(129,408)
Other income:				
Interest income	10,348	27,998	50,432	88,398
Total other income	10,348	27,998	50,432	88,398
Net (loss) income	$ (48,325)	$ 12,425	$ (273,113)	$ (41,010)
(Loss) income per common and common equivalent per share:				
Basic	$ (0.02)	$ 0.00	$ (0.08)	$ (0.01)
Diluted	$ (0.02)	$ 0.00	$ (0.08)	$ (0.01)
Weighted average number of common and common equivalent shares outstanding - basic and diluted	2,915,428	3,933,571	3,332,863	4,041,572

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

ORTHODONTIX, INC. AND SUBSIDIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
STOCKHOLDERS' EQUITY
(UNAUDITED)
for the nine months ended September 30, 2001

	Common Stock Shares	Common Stock Amounts	Additional Paid-In Capital	Accumulated Deficit	Common Stock Receivable	Total
Balance, December 31, 2000	3,933,571	$ 393	$ 4,409,502	$ (2,958,032)	$ (108,035)	$ 1,343,828
Shares returned in connection with sale of assets and settlements	(1,018,143)	(101)	(176,681)	-	108,035	(68,747)
Net loss for the period	-	-	-	(273,113)	-	(273,113)
Balance, September 30, 2001	2,915,428	$ 292	$ 4,232,821	$ (3,231,145)	$ -	$ 1,001,967

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

ORTHODONTIX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
Cash flows from operating activities:		
Net loss	$ (273,113)	$ (41,010)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Noncash compensation expense	-	21,722
Loss (gain) on sale of doctor practices	94,000	(32,151)
Changes in assets and liabilities	715,159	(137,288)
Net cash provided by (used in) operating activities	536,046	(188,727)
Cash flows from investing activities:		
(Cash used in) proceeds from sales of certain practices assets	(78,935)	35,000
Payments received from notes receivable	84,993	161,171
Net cash provided by investing activities	6,058	196,171
Cash flows from financing activities:		
Payment of lease obligation	-	(35,000)
Net cash used in financing activities	-	(35,000)
Net increase (decrease) in cash and cash equivalents	542,104	(27,556)
Cash and cash equivalents, beginning of period	390,739	407,474
Cash and cash equivalents, end of period	$ 932,843	$ 379,918

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

ORTHODONTIX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(UNAUDITED)

1. BASIS OF PRESENTATION:

The accompanying unaudited condensed consolidated financial statements of Orthodontix, Inc. ("Orthodontix" or the "Company") presented herein do not include all disclosures required by accounting principles generally accepted in the United States of America for a complete set of financial statements. In the opinion of management, these financial statements include all adjustments, including normal recurring adjustments, necessary for a fair presentation of the results of interim periods.

The results of operations for the nine months ended September 30, 2001 are not necessarily indicative of the results of operations to be expected for the year ending December 31, 2001. The unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB as filed with the Securities and Exchange Commission on April 14, 2001.

2. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following:

	September 30, 2001 (Unaudited)	December 31, 2000
Accounts payable	$ 4,214	$ 83,884
Other accrued expenses	55,943	402,899
	$ 60,157	$ 486,783

3. EARNINGS PER SHARE:

Basic earnings per share is calculated by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing net income or loss by the weighted average number of common shares and potential common equivalent shares outstanding during the period. Potential common shares consist of the dilutive effect of outstanding options calculated using the treasury stock method. For the nine months periods ended September 30, 2001 and 2000, the potential common shares were antidilutive; thus there was no difference in the basic net income per share and the diluted net income per share.

4. ASSETS HELD FOR SALE AND TERMINATION OF AFFILIATION WITH CERTAIN FOUNDING PRACTICES

In April 2001, the Company's Chairman of the Board of Directors and the Company's President and Chief Operating Officer, who also was a member of the Board of Directors, resigned their positions. In connection with their resignations and the execution of mutual releases with the Company, these individuals returned 507,980 shares of the Company's common stock and the Company cancelled stock options to acquire 350,000 shares of common stock with exercise prices ranging from $8.00 to $9.11. As a result of this transaction, the Company recorded other income and a corresponding common stock receivable at December 31, 2000 in the amount of $95,246.

The Company also settled certain outstanding liabilities to companies that had provided professional services to the Company. In connection with the settlement with certain professional services firms who had provided services to the Company, 68,207 shares of the Company's common stock were returned to the Company and the Company cancelled stock options to acquire 47,500 shares of common stock with an exercise price of $9.11. As a result of this transaction, the Company recorded a reduction of general and administrative expenses and a corresponding common stock receivable at December 31, 2000 in the amount of $12,789 related to the value of the common stock returned to the Company. In addition, the Company recorded a reduction of $58,417 to general and administrative expenses for the year ended December 31, 2000 related to amounts previously expensed by the Company with respect to professional services.

During the quarter ended June 30, 2001, 576,187 shares, described above, were returned to the Company and were subsequently retired.

On May 14, 2001, the Company terminated its affiliation with the one remaining Founding Practice owned by Dr. Stephen M. Grussmark and sold certain practice assets, consisting principally of accounts receivable and property and equipment, and certain liabilities to the remaining Founding Practice. In connection with this transaction, the Company received 96,571 shares of the Company's common stock from the remaining Founding Practice.

In addition, in connection with this transaction, the Company paid $115,000 in cash to Dr. Grussmark as consideration for the return of 345,385 shares of the Company's common stock to the Company. All the shares received from the remaining Founding Practice have been retired and are no longer outstanding.

4. ASSETS HELD FOR SALE AND TERMINATION OF AFFILIATION WITH CERTAIN FOUNDING PRACTICES, CONTINUED:

The Company also paid $30,000 for the legal expenses incurred by the remaining Founding Practice and Dr. Grussmark, individually, in connection with the transaction.

In connection with these transactions, the Company and Dr. Grussmark executed certain mutual releases and Dr. Grussmark resigned as the Company's Chief Executive Officer and a member of the Company's Board of Directors.

As a result of the transactions, the Company recorded a loss in the amount of $94,000 for the three months ended March 31, 2001 in connection with the sale of the certain assets and satisfaction of certain liabilities and other matters described above.

During the nine months ended September 30, 2000, the Company sold certain practice assets, consisting principally of accounts receivable and property and equipment, and certain liabilities to four of the Founding Practices. As a result of these transactions, the Company received $35,000 in cash and 267,278 shares of the Company's common stock. Such consideration received includes amounts repaid to the Company by the Founding Practices related to amounts outstanding that previously had been classified as Advances to Founding Practices. The total consideration received in connection with these transactions was valued at $87,999. As a result of these transactions, the Company recorded a net gain on the disposition of assets of approximately $32,000 for the nine months ended September 30, 2000.

The assets sold or settled as a result of the transactions, described above, were as follows:

Billed and unbilled patient receivables, net	$ 63,283
Property and equipment, net	25,926
Advances to Founding Practices, net	9,182
Other assets and liabilities, net	(42,543)
	$ 55,848

In addition, in connection with these transactions, certain orthodontists who were affiliated with the Founding Practices and served on the Company's Advisory Board resigned such positions and their vested options were returned to the Company and their unvested options were

4. ASSETS HELD FOR SALE AND TERMINATION OF AFFILIATION WITH CERTAIN FOUNDING PRACTICES, CONTINUED:

cancelled. As a result, the Company recorded a reduction in deferred compensation of $37,318 for the nine months ended September 30, 2000.

In 1999, in connection with the discussions to terminate the affiliation with the remaining Founding Practices, the Company entered into standstill arrangements with these Founding Practices. Therefore, the Company classified certain practice assets and liabilities as assets held for sale at December 31, 2000 as follows:

Billed and unbilled patient receivables, net	$ 50,655
Property and equipment, net	8,530
Other assets and liabilities, net	(19,867)
	39,318
Less: asset impairment charge	(30,000)
Assets held for sale	$ 9,318

5. AUTHORITATIVE PRONOUNCEMENTS:

In July 2001, the Financial Accounting Standards Board issued two new Statements of Financial Accounting Standards ("SFAS"). SFAS No. 141, "Business Combinations," requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill and requires unallocated negative goodwill to be written off. SFAS No. 141 is effective for all business combinations effective after June 30, 2001. SFAS No. 142, "Goodwill and Other Intangible Assets," addresses the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS No. 142 is effective for fiscal years beginning after December 31, 2001. The Company does not believe that the adoption of these pronouncements will have a material impact on the Company's financial position or results of operations.