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ORTHODONTIX INC
Form 10QSB
November 15, 2002

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PURSUANT TO A RULE 201 TEMPORARY HARDSHIP EXEMPTION

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

Form 10-QSB

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

For the Quarterly Period Ended September 30, 2002

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
charter)

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 No .

On November 11, 2002, the number of shares of outstanding Common
Stock of the issuer was 2,915,428.

Traditional Small Business Disclosure Format (check one) Yes No
Documents Incorporated by reference None

ORTHODONTIX, INC.

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FORM 10-QSB
QUARTER ENDED September 30, 2002

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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The unaudited, condensed consolidated financial statements 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 three and nine months ended September 30, 2002 are not necessarily indicative of the results of operations expected for the year ending December 31, 2002.

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

The following discussion with regard to the Company's financial condition and operating results 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 Orthodontix, Inc. (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, the Company's inability to consummate an acquisition of an operating business on terms favorable to the Company or, in the event the Company does consummate such a transaction, the Company's ability to successfully manage and operate the combined business.

The discussion of the Company's financial condition and 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.

FINANCIAL RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2002

For the quarter ended September 30, 2002, the Company recorded a net loss of approximately \$32,200 or \$0.01 per share. Included in the financial results for the quarter ended September 30, 2002, were general and administrative expenses of approximately \$35,800 and interest and other income of approximately \$3,600.

The Company does not expect to generate operating revenues or net income until such time as it effects a business combination with an operating company. However, in the event the Company does consummate a merger or an acquisition of an operating company, there can be no assurances that the combined operation will operate profitably.

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LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2002, the Company had cash and cash equivalents of approximately \$823,700 and total liabilities of approximately \$65,400. The Company's cash is primarily invested in money market accounts. The Company continues to anticipate that the primary uses of working capital will include general and administrative expenses and costs associated with seeking to locate and consummate a business combination. The Company believes that its operating funds will be sufficient for its cash expenses for at least the next twelve months.

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PLAN OF OPERATION

The Board of Directors of the Company intends to continue devoting substantially all of its time to consummating a merger or acquisition with an operating business and has evaluated numerous companies and other business combinations since July 2001. The Company has focused its efforts on businesses operating in selected industries including aircraft maintenance and related service companies, health care, pharmaceutical, banking and financial services. In the event the Company locates an acceptable operating business, the Company intends to effect the transaction utilizing any combination of its common stock, cash on hand, or other funding sources that the Company reasonably believes are available. The Company currently has no contractual commitment with regard to effecting an acquisition or other business combination with an operating company.

Although the Company believes that it will be successful in consummating a business combination with an operating company, there can be no assurances that the Company will enter into such a transaction in the near term or on terms favorable to the Company, or that other funding sources will be available.

ITEM 3. CONTROLS AND PROCEDURES

On November 5, 2002 (the "Evaluation Date"), the Company's management concluded its evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of the Evaluation Date, the Company's President and Chief Executive Officer and its Chief Financial Officer concluded that the Company maintains disclosure controls and procedures that are effective in providing reasonable assurance that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its President and Chief Executive Officer and its Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the Evaluation Date.

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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

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During the quarter ended September 30, 2002, 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 11, 2002

By: /s/ Glenn L. Halpryn

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

Dated: November 11, 2002

By: /s/ Alan Jay Weisberg

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

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CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Glenn L. Halpryn, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Orthodontix, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that

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material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 11, 2002

By: /s/ Glenn L. Halpryn

Glenn L. Halpryn
Chief Executive Officer

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CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Alan Jay Weisberg, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Orthodontix, Inc.

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls

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and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 11, 2002

By: /s/ Alan Jay Weisberg

Alan Jay Weisberg
Acting Chief Financial Officer

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CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-QSB of Orthodontix, Inc. for the quarter ended September 30, 2002 as filed with the Securities and Exchange Commission (the "Report"), I, Glenn L. Halpryn, Chief Executive Officer of Orthodontix, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Orthodontix, Inc.

Dated: November 11, 2002

By: /s/ Glenn L. Halpryn

Glenn L. Halpryn
Chief Executive Officer

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-QSB of Orthodontix, Inc. for the quarter ended September 30, 2002 as filed with the Securities and Exchange Commission (the "Report"), I, Alan Jay Weisberg, Acting Chief Financial Officer of Orthodontix, Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act

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of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Orthodontix, Inc.

Dated: November 11, 2002

By: /s/ Alan Jay Weisberg

Alan Jay Weisberg
Acting Chief Financial Officer

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ORTHODONTIX, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	SEPTEMBER 30, 2002 (UNAUDITED)	DECEMBER 2001
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 823,609	\$ 915,
Prepaid expenses and other current assets	38,212	40,
	-----	-----
Total current assets	861,821	956,
Notes and other receivables	49,352	67,
	-----	-----
Total assets	\$ 911,173	\$
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 65,357	\$ 77,
	-----	-----
Total current liabilities	65,357	77,
	-----	-----
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 shares issued and outstanding at September 30, 2002 and December 31, 2001	292	
Additional paid-in capital	4,232,821	4,232,
Accumulated deficit	(3,387,297)	(3,287,
	-----	-----
Total stockholders' equity	845,816	945,
	-----	-----
Total liabilities and stockholders' equity	\$ 911,713	\$ 1,023,
	=====	=====

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

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2002	2001	2002	2001
General and administrative	\$ 35,760	\$ 58,673	\$ 113,258	\$ 113,258
Loss on sale of certain assets and liabilities of Founding Practice (Note 4)	-	-	-	-
Total expenses	35,760	58,673	113,258	113,258
Net operating loss	(35,760)	(58,673)	(113,258)	(113,258)
Other income:				
Interest income	3,602	10,348	12,854	12,854
Other income	-	-	312	312
Total other income	3,602	10,348	13,166	13,166
Net loss	\$ (32,158)	\$ (48,325)	\$ (100,092)	\$ (100,092)
Loss per common and common equivalent share:				
Basic	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.03)
Diluted	\$ (0.01)	(0.02)	\$ (0.03)	\$ (0.03)
Weighted average number of common and common equivalent shares outstanding - basic and diluted	2,915,428	2,915,428	2,915,428	2,915,428

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

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ORTHODONTIX, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
 STOCKHOLDERS' EQUITY
 (UNAUDITED)
 for the nine months ended September 30, 2002

	Common Stock Shares	Stock Amounts	Additional Paid-In Capital	Accumulated Deficit	Total
	-----	-----	-----	-----	-----
Balance, December 31, 2001	2,915,428	\$ 292	\$ 4,232,821	\$ (3,287,205)	\$ 9
Net loss for the period	-	-	-	(100,092)	(
Balance, September 30, 2002	2,915,428	\$ 292	\$ 4,232,821	\$ (3,387,297)	\$ 8
	=====	=====	=====	=====	=====

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

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

NINE MONTHS ENDED SEPTEMBER 30,	
-----	-----
2002	2001

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Cash flows from operating activities:		
Net loss	\$ (100,092)	\$ (273,113)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Loss on sale of doctor practices	-	94,000
Changes in assets and liabilities	(20,239)	715,159
	-----	-----
Net cash (used in) provided by operating activities	(120,331)	536,046
	-----	-----
Cash flows from investing activities:		
Payments received from notes receivable	28,155	84,993
Cash used in sales of certain practices assets	-	(78,935)
Proceeds from the sale of fixed assets	150	-
	-----	-----
Net cash provided by investing activities	28,305	6,058
	-----	-----
Net (decrease) increase in cash and cash equivalents	(92,026)	542,104
Cash and cash equivalents, beginning of period	915,635	390,739
	-----	-----
Cash and cash equivalents, end of period	\$ 823,609	\$ 932,843
	=====	=====

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

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ORTHODONTIX, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(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, 2002 are not necessarily indicative of the results of operations to be expected for the year ended December 31, 2002. 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 March 29, 2002.

2. ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Accounts payable and accrued expenses consist of the following:

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	September 30, 2002 (Unaudited)	December 31, 2001
	-----	-----
Accounts payable	\$ 4,214	\$ 4,214
Other accrued expenses	61,143	73,062
	-----	-----
	\$ 65,357	\$ 77,276
	=====	=====

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 period ended September 30, 2001, 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. There were no potential common equivalent shares for the nine months ended September 30, 2002.

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ORTHODONTIX, INC. AND SUBSIDIARIES
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 SEPTEMBER 30, 2002, Continued
 (UNAUDITED)

4. LOSS ON SALE OF CERTAIN ASSETS AND LIABILITIES OF FOUNDING PRACTICE:

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 of accounts receivable and property and equipment. In addition, the Founding Practice assumed certain liabilities. The carrying value of the practice assets sold less liabilities assumed was \$15,065 at the date of transaction. 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 for the return of an additional 345,385 shares of the Company's common stock. The Company also paid \$30,000 for legal expenses in connection with the transaction. All shares received from Dr. Grussmark have been cancelled and are no longer outstanding.

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 described above, the Company recorded a loss in the amount of \$94,000 for the nine months ended September 30, 2001.

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