

ORION ACQUISITION CORP II

FORM 10-K (Annual Report)

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

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

For the year ended December 31, 1997 Commission File Number 000-20837

Orion Acquisition Corp. II

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation) 13-3863260
(I.R.S. Employer Identification No.)

1430 Broadway, 13th Floor
New York, New York 10018
(Address of principal executive office) (Zip code)

Registrant's telephone number, including area code: (212) 391-1392

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$.01 par value per share
Redeemable Class A Common Stock Purchase Warrants
Redeemable Class B Unit Purchase Warrants
Units

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

YES X NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

YES X NO

As of March 30, 1998, the aggregate market value of the voting stock held by nonaffiliates of the Registrant was \$8,010,000

As of March 30, 1998, there were 890,000 shares of the Registrant's Common Stock, \$.01 par value per share, outstanding.

PART I

ITEM 1. BUSINESS

General

Orion Acquisition Corp. II ("Orion II" or the "Company") is a "blank check" or "blind pool" company, formed on October 19, 1995, to serve as a vehicle to effect a merger, exchange of capital stock, asset acquisition or other business combination (a "Business Combination") with an operating business (a "Target Business").

In December 1997, the Company signed a letter of intent to engage in a Business Combination with DVM Pharmaceuticals, Inc. ("DVM") which will result in the current shareholders of Orion II owning, in the aggregate, twenty per cent (20%) of outstanding common stock of the combined companies. IVAX Corporation currently holds 100% of the stock of DVM. DVM manufactures and distributes a broad range of dermatological products for veterinary uses. Negotiations are continuing with IVAX as of the filing date of this report, and there can be no assurance that any definitive acquisition agreement will be executed and proposed for Shareholder approval, or that if such agreement is presented to the Company's shareholders for their approval, that such transaction will be approved by the Company's shareholders, or that if such transaction is approved by the Company's shareholders, that the transaction will in fact be completed. If the proposed transaction with IVAX to acquire an interest in DVM is not completed, the Company will present a proposal to its shareholders to liquidate the Company due to (i) the lack of a presently-identified suitable alternative Target Business; (ii) the probable inability to identify such an alternative Target Business and conclude a Business Combination with respect thereto by the July 2, 1998 deadline; and (iii) the lack of a sufficient level of unrestricted cash to pursue alternative transactions.

Pursuant to its organizational documents, the Company will not acquire a Target Business unless the fair market value of such business, as determined by the Company based upon standards generally accepted by the financial community, including revenues, earnings, cash flow and book value (the "Fair Market Value"), is at least 80% of the net assets of the Company at the time of the consummation of a Business Combination (the "Fair Market Value Test"). If the Company determines that the financial statements of a proposed Target Business, such as DVM, do not clearly indicate that the Fair Market Value Test has been satisfied, the Company will obtain an opinion from an investment banking firm which is a member of the National Association of Securities Dealers, Inc. (the "NASD") with respect to the satisfaction of such criteria.

The Company engaged Ladenburg, Thalmann & Co., Inc. ("Ladenburg") an investment banking firm and a member of the New York Stock Exchange, Inc. and the NASD, to assist in identifying, evaluating, structuring and negotiating a Business Combination.

On July 9, 1996 (the "Closing Date") the Company consummated its initial public offering (the "Offering"). The Company sold 800,000 units ("Units") and 320,000 Class B redeemable common stock purchase warrants ("Class B Warrant") in the Offering. H.J. Meyers & Co., Inc. ("H.J. Meyers") and Northeast Securities, Inc. ("Northeast") were the representatives (the "Representatives"), of the several underwriters. Subsequently, on August 5, 1996, the underwriters exercised their overallotment option to purchase 38,100 Class B Warrants. Each Unit consists of one share of the Company's common stock and one Class A redeemable common stock purchase warrant ("Class A Warrant"). Each Class A Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$9.00 commencing on the date of a Business Combination and expiring on the fifth anniversary from such date, and each Class

B Warrant entitles the holder to purchase one Unit at an exercise price of \$0.125 commencing on the date of a Business Combination and expiring on the first anniversary from such date. The Class A Warrants and Class B Warrants are redeemable, each as a class, in whole and not in part, at a price of \$0.05 per warrant upon 30 days' notice at any time provided that the Company has consummated a Business Combination and the last sale price of the common stock on all ten trading days ending on the day immediately prior to the day on which the Company gives notice of redemption, has been \$11.00 or higher.

After the Offering and the exercise of the overallotment, the Company received net proceeds of approximately \$8,700,000 (the "Net Proceeds"), after giving effect to the payment of all underwriter discounts, the underwriters' non-accountable expenses allowance and offering expenses. Pursuant to the terms of the Offering, \$8 million of the Net Proceeds, representing an amount equal to the gross proceeds from the sale of the Units, was placed in escrow with The Chase Manhattan Bank, N.A. (the "Proceeds Escrow Agent"), subject to release upon the earlier of written notification by the Company to the Proceeds Escrow Agent (i) of the Company's completion of a transaction or a series of transactions in which at least 50% of the gross proceeds from the Offering are committed to a specific line of business as a result of a Business Combination (including any redemption payments) or (ii) to distribute the escrowed proceeds in connection with a liquidation of the Company, to the holders of common stock purchased as part of the Units sold in the Offering or in the open market thereafter. The Company will notify the NASD prior to the release of funds from the escrow account. The escrowed Net Proceeds have been invested primarily in United States treasury bills.

The Company's executive office is located at 1430 Broadway, 13th Floor, New York, New York 10018 and its telephone number is (212) 391-1392.

Structuring of a Business Combination

As a general rule, Federal and state tax laws and regulations have a significant impact upon the structuring of Business Combinations. The Company will evaluate the possible tax consequences of any prospective Business Combination and will endeavor to structure a Business Combination so as to achieve the most favorable tax treatment to the Company, the Target Business and their respective stockholders. There can be no assurance that the Internal Revenue Service or any relevant state tax authorities will ultimately assent to the Company's tax treatment of a particular consummated Business Combination. To the extent the Internal Revenue Service or any relevant state tax authorities ultimately prevail in recharacterizing the tax treatment of a Business Combination, there may be adverse tax consequences to the Company, the Target Business and their respective stockholders. Tax considerations as well as other relevant factors will be evaluated in determining the precise structure of a particular Business Combination, which could be effected through various forms of a merger, consolidation or stock or asset acquisition.

The Company may utilize cash derived from the Net Proceeds of the Offering, equity securities, debt securities or bank or other borrowings or a combination thereof as consideration in effecting a Business Combination. Although the Company's Board of Directors has the power to issue any or all of the authorized but unissued shares of Common Stock, the Company has agreed that until July 2, 1998, it will not issue (other than pursuant to the Offering) any securities or grant options or warrants to purchase any securities of the Company without the consent of the Representatives, except in connection with effecting a Business Combination. Although the Company has no commitments to date to issue any shares of Common Stock or options or warrants, the Company will, in all likelihood, issue a substantial number of additional shares in connection with the consummation of a Business Combination. To the extent that such additional shares are issued, dilution to the interests of the Company's stockholders will occur. Additionally, if a substantial number of shares of

Common Stock are issued in connection with the consummation of a Business Combination, a change in control of the Company may occur which may affect, among other things, the Company's ability to utilize net operating loss carryforward, if any.

There currently are no limitations on the Company's ability to borrow funds to effect a Business Combination. However, the Company's limited resources and lack of operating history may make it difficult to borrow funds. The amount and nature of any borrowings by the Company will depend on numerous considerations, including the Company's capital requirements, potential lenders' evaluation of the Company's ability to meet debt service on borrowings and the then prevailing conditions in the financial markets, as well as general economic conditions. The Company does not have any arrangements with any bank or financial institution to secure additional financing and there can be no assurance that such arrangements if required or otherwise sought, would be available on terms commercially acceptable or otherwise in the best interests of the Company. The inability of the Company to borrow funds required to effect or facilitate a Business Combination, or to provide funds for an additional infusion of capital into a Target Business, may have a material adverse effect on the Company's financial condition and future prospects, including the ability to effect a Business Combination. To the extent that debt financing ultimately proves to be available, any borrowings may subject the Company to various risks traditionally associated with indebtedness, including the risks of interest rate fluctuations and insufficiency of cash flow to pay principal and interest. Furthermore, a Target Business may have already incurred debt financing and, therefore, all the risks inherent thereto.

Stockholder Approval of Business Combinations

The Company, prior to the consummation of any Business Combination, will submit such transaction to the Company's stockholders for their approval, even if the nature of the Business Combination is such as would not ordinarily require stockholder approval under applicable state law. In connection with such request, the Company intends to provide stockholders with complete disclosure documentation in accordance with the proxy solicitation regulations under the Securities Exchange Act of 1934, including audited financial statements, concerning a Target Business. All of the Company's stockholders immediately prior to the Closing Date of the Offering ("Founders' Shares"), including all directors and the Company's executive officers, have agreed to vote their respective shares of Common Stock in accordance with the vote of the majority of the shares voted by all other stockholders of the Company ("non-affiliated public stockholders") with respect to any such Business Combination. A Business Combination will not be consummated unless approved by a vote of two-thirds of the shares of Common Stock voted by the stockholders (in person or by proxy). In addition, the Delaware General Corporation Law requires approval of certain mergers and consolidations by a majority of the outstanding stock entitled to vote. Holders of Warrants who otherwise do not own any shares of Common Stock will not be entitled to vote on any Business Combination.

Redemption Rights

At the time the Company seeks stockholder approval of any potential Business Combination, the Company will offer (the "Redemption Offer") to each of the non-affiliated public stockholders of the Company the right, for a specified period of time of not less than 20 calendar days, to redeem his shares of Common Stock at a price equal to the Liquidation Value (as defined below) of such shares as of the record date established for determining the stockholders entitled to vote with respect to the approval of a Business Combination (the "Record Date"). The Redemption Offer will be described in the disclosure documentation relating to the proposed Business Combination. The "Liquidation Value" for each share of Common Stock will be determined as of the Record Date by dividing (A) the greater of (i) the Company's net worth as reflected in the

Company's then current financial statements as audited by the Company's independent accountants, or (ii) the amount of the proceeds of the Company in the escrow account (including interest earned thereon) by (B) the number of shares held by non-affiliated public stockholders. In connection with the Redemption Offer, if non-affiliated public stockholders holding 20% or less of the shares of Common Stock elect to redeem their shares, the Company may, but will not be required to, proceed with such Business Combination and, if the company elects to so proceed, will redeem such shares at their Liquidation Value as of the Record Date. In any case, if non-affiliated public stockholders holding more than 20% of the Common Stock elect to redeem their shares, the Company will not proceed with such potential Business Combination and will not redeem such shares. Founders' Shares and holders of Warrants will only be allowed to participate in a Redemption Offer if they otherwise own shares of Common Stock.

Escrow of Outstanding Shares

Pursuant to the terms of the Offering, all of the shares of Common Stock and Series A Preferred Stock of the Company outstanding immediately prior to the Closing Date of the Offering were placed in escrow with Campbell & Fleming, P.C., which subsequently merged into Epstein, Becker and Green, P.C. (the "Share Escrow Agent"), until the earlier of (i) the occurrence of the consummation of the first Business Combination, or (ii) July 2, 1998 since the Company has become a party to a letter of intent to effect a Business Combination and, therefore, met the extension criteria originally established to extend a January 2, 1998 deadline to July 2, 1998. During the escrow period, the holders of escrowed shares of Common Stock will not be able to sell or otherwise transfer their respective shares of Common Stock (with the exceptions described below), but will retain all other rights as stockholders of the Company, including, without limitation, the right to vote escrowed shares of Common Stock, subject to their agreement to vote their shares in accordance with a vote of a majority of the non-affiliated public stockholders with respect to a consummation of a Business Combination or liquidation proposal, but excluding the right to request the redemption of escrowed shares pursuant to a Redemption Offer. Subject to compliance with applicable securities laws, any such holder may transfer his, her, or its Stock held in escrow to a family member or to trust established for the benefit of himself, herself, or a family member or to another affiliated entity (with the consent of the Representatives which will not be unreasonably withheld) or, in the event of the holder's death by will or operation of law or in the case of dissolution or merger, provided that any such transferee must agree as a condition to such transfer to be bound by the restrictions on transfer applicable to the original holder and, in the case of present stockholders other than the holders of the 15,000 shares of Common Stock sold in a private placement in January, 1996, the transferor (except in the case of death) or successor will continue to be deemed the beneficial owner (as defined in Regulation 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of such transferred shares.

Each of the executive officers and the other directors of the Company has agreed to surrender his shares to the Company at the purchase price at which such shares were acquired (\$.10 per share) if he resigns prior to the occurrence of the consummation of the first Business Combination.

Possible Liquidation of the Company if no Business Combination

If the Company does not effect a Business Combination by July 2, 1998, the Company will submit for stockholder consideration a proposal to liquidate the Company and distribute to the then holders of Common Stock acquired as part of the Units sold in the Offering or in the open market thereafter, the amounts in the interest bearing escrow account maintained by the Proceeds Escrow Agent. Thereafter, all remaining assets available for distribution will be distributed to all holders of the Company's Common Stock after payment of liabilities and

after redemption of the Company's outstanding Series A Preferred Stock at its liquidation value, \$11,000. Since the proceeds to the Company from the sale of the Class B Warrants were, or will continue to be used to (i) repay indebtedness existing at the date of the Offering, (ii) to pay the balance of a \$100,000 license fee, or \$90,000, due to Bright Licensing Corp. ("Bright") pursuant to a license agreement executed by Bright and the Company and to cover all other expenses incurred by the Company in the Offering, including the underwriters' discounts and the representatives' non-accountable expense allowance, and (iii) to fund the Company's ongoing operating expenses, including investment banking fees and the costs of business, legal and accounting due diligence on prospective Target Businesses, until the consummation of a Business Combination, the amount per share remaining for distribution, in the event of a liquidation of the Company, to the holders of Common Stock acquired as part of the Units sold in the Offering or in the open market thereafter, and exclusive of any income earned on the proceeds held in the escrow account maintained by the Proceeds Escrow Agent, are expected to be approximately equal to the \$10.00 initial public offering price per Unit in the Offering (assuming no value is attributed to the Warrants included in the Units offered thereby). There can be no guarantee that the Company's liabilities at liquidation will not exceed the Company's unrestricted cash on hand. In such circumstances, there can be no assurance that creditors of the Company will not be able to obtain payment out of escrowed funds. Holders of all Founders' Shares, including the Company's executive officers and other directors, will be required to vote their shares of Common Stock in accordance with the vote of the majority of all non-affiliated public stockholders of the Company with respect to any liquidation proposal. Holders of Warrants, however, will only be entitled to vote on any liquidation proposal, and allowed to participate in any liquidation distribution, if they purchased shares of Common Stock in the Offering or on the open market thereafter, but only as to any shares of Common Stock so purchased. In addition, the Holders of all Founders' Shares, including officers and directors, will not participate in any liquidation distribution with respect to the shares of Common Stock owned by them.

Employees

The Company at December 31, 1997 and 1996, employed Mr. Richard L. Kramer, Mr. William L. Remley, and Mr. Richard C. Hoffman on a part-time basis. Such persons serve as officers and directors without compensation at least until completion of a Business Combination. Mr. Hoffman received fees for legal services rendered to the Company during 1997 and 1996 totaling approximately \$61,000 and \$68,000 respectively of which approximately \$0 and \$48,000 were attributable to the Offering.

ITEM 2. DESCRIPTION OF PROPERTIES

The Company, pursuant to an oral agreement, utilizes the offices of Mentmore Holdings Corporation ("Mentmore"), a Delaware corporation of which Mr. Kramer, the Company's Chairman of the Board and Mr. Remley, the Company's President and CEO, are respectively Chairman of the Board and President. Mentmore is affiliated with Cranbrooke Corporation, a stockholder of the Company. Mentmore has agreed that, until the acquisition of a target business by the Company, it will make such office space and secretarial services available to the Company, as may be required by the Company from time to time at the rate of \$2,500 per month, commencing July 10, 1996. Management believes that these terms compare favorably to any arrangement which might be made with an unaffiliated party.

The Company believes that this facility is well maintained and adequate to meet its needs in the foreseeable future pending the consummation of a Business Combination.

ITEM 3. LEGAL PROCEEDINGS

At this time, the Company is not involved in any pending or threatened legal proceedings involving it or any of its assets.

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

No matters were submitted to a vote of the Company's security holders through the solicitation of proxies or otherwise since the date of the Offering.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER

MATTERS

Since July 9, 1996, the Company's Units, Common Stock, Class A Warrants and Class B Warrants have been quoted on the OTC Bulletin Board under the symbols "MTMRU", "MTMR", "MTMRW" and "MTMRZ", respectively. The following table sets forth the quarterly high and low bid prices for the securities of the Company set forth above for the periods indicated below. These prices are based on quotations between dealers, and do not reflect retail mark-up, mark-down or commissions.

Common Stock	High	Low
1996		
July 9 through September 30	\$ 9.125	\$ 8.875
October 1 through December 31	10.000	9.000
1997		
January 1 through March 31	9.063	8.875
April 1 through June 30	9.250	9.000
July 1 through September 30	9.250	9.188
October 1 through December 31	9.250	8.750
Class A Warrants		
1996		
July 9 through September 30	\$ 1.125	\$ 0.675
October 1 through December 31	0.675	0.500
1997		
January 1 through March 31	0.625	0.625
April 1 through June 30	1.000	0.750
July 1 through September 30	1.000	0.688
October 1 through December 31	0.375	0.125
Class B Warrants		
1996		
July 9 through September 30	\$ 6.000	\$ 4.750
October 1 through December 31	5.000	3.000
1997		
January 1 through March 31	5.250	3.125
April 1 through June 30	5.625	4.750
July 1 through September 30	5.313	4.500
October 1 through December 31	4.500	2.000
Units		
1996		
July 9 through September 30	\$ 10.125	\$ 9.125
October 1 through December 31	10.125	9.125
1997		
January 1 through March 31	\$ 10.000	\$ 8.625
April 1 through June 30	10.250	9.500
July 1 through September 30	9.688	9.250
October 1 through December 31	9.250	9.250

The Company has paid no dividends on its shares of Common Stock since its organization on October 19, 1995. The Company does not expect to pay any dividends prior to the consummation of a Business Combination and anticipates that for the foreseeable future any earnings will be retained for use in its business and, accordingly, does not anticipate the payment of cash dividends.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The selected financial information for the years ended December 31, 1997 and 1996 and the period from inception (October 19, 1995) through December 31, 1997 are derived from the financial statements of the Company which have been audited by BDO Seidman, LLP, the Company's independent auditors. This information should be read in conjunction with the financial statements and related notes and other financial information include herein.

	Year ended December 31,		Period from Inception (October 19, 1995) through December 31, 1997
	1997	1996	
	----	----	----
Statement of Operations Data:			
Interest income	\$ 475,112	\$ 222,444	\$ 697,556
General and administrative expenses	(294,447)	(82,172)	(376,619)
Stock based compensation expense	(100,000)	-	(100,000)
Interest expense	-	(57,694)	(57,694)
Provision for taxes	(76,399)	(39,927)	(116,326)
	-----	-----	-----
Net income	\$ 4,266	\$ 42,651	\$ 46,917
	=====	=====	=====
Basic and fully diluted earnings per share	\$ 0.00	\$ 0.09	
	=====	=====	
Weighted average common shares outstanding	890,000	466,313	
	=====	=====	
Balance Sheet Data:			
Total assets	\$8,981,286	\$8,839,453	
Total liabilities	92,964	55,397	
(Deficit) earnings accumulated during development stage	(85,323)	533	
Common stock subject to possible redemption at conversion value	1,732,240	1,642,118	
Stockholders' equity	7,156,082	7,141,938	

The Company is a development stage company, and to date its efforts have been limited to organizational activities, consummating the Offering and seeking a Business Combination. The Company has not yet consummated a Business Combination. Accordingly, the Company will not achieve any operating revenues (other than investment income) until, at the earliest, the consummation of a Business Combination.

The Company has used, and will continue to use the net proceeds of the Offering, excluding the escrow account funds, together with the income and interest earned thereon, principally in connection with effecting a Business Combination, including selecting and evaluating potential Target Businesses and structuring and consummating a Business Combination (including possible payment of finder's fees or other compensation to persons or entities which provide assistance or services to the Company). The Company does not have discretionary access to the income on the monies in the escrow account and stockholders of the Company will not receive any distribution of the income (except in connection with a liquidation of the Company) or have any ability to direct the use or distribution of such income. Thus, such income will cause the amount in escrow to increase. The Company cannot use the escrowed amounts to pay the costs of evaluating potential Business Combinations and will continue to use the proceeds from the sale of the Class B Warrants in the Offering to cover all the expenses incurred by the Company in the Offering, to pay Proceeds Escrow Agent, and to pay the costs of evaluating potential Business Combinations, including investment banking fees and the costs of business, legal and accounting due diligence on prospective Target Businesses. In addition, such funds will be used for the general and administrative expenses of the Company, including legal and accounting fees and administrative support expenses in connection with the Company's reporting obligations to the Securities & Exchange Commission.

The Company also has retained Ladenburg, Thalmann & Co., Inc. ("Ladenburg"), to aid in structuring and negotiating Business Combinations. Ladenburg has been and will continue to be paid an engagement fee of \$3,500 per month during their period of engagement. Additionally during 1997, Ladenburg was paid approximately \$59,000 for the preparation of a fairness opinion in connection with a proposed acquisition transaction which was not consummated.

To the extent that Common Stock is used as consideration to effect a Business Combination, the balance of the Net Proceeds of the Offering not theretofore expended will be used to finance the operations of the Target Business. The Company has not incurred any debt in connection with its organizational activities. No cash compensation will be paid to any officer or director until after the consummation of the first Business Combination, except that Mr. Hoffman has been and will continue to be paid for legal services actually rendered to the Company. Since the role of present management after a Business Combination is uncertain, the Company has no ability to determine what remuneration, if any, will be paid to such persons after a Business Combination.

The net proceeds from the sale of the Class B Warrants in the Offering not immediately required for the purposes set forth above have been invested in general debt obligations of the United States Government or other high-quality, short-term interest-bearing investments.

In the event that the Company does not effect a Business Combination by July 2, 1998, the Company will submit for stockholder consideration a proposal to liquidate the Company and distribute to the then holders of Common Stock acquired as part of the Units sold in the Offering or in the open market thereafter, the amount held in the escrow account maintained by the Proceeds Escrow Agent. Thereafter, all remaining assets available for distribution will be distributed to all holders of the Company's Common Stock after payment of

liabilities and after appropriate provision has been made for the payment of liquidation distributions upon each class of stock, if any, having preference over the Common Stock. To the extent that a Business Combination is not effected in the time allowed, the Company does not expect to have any remaining funds outside of the Proceeds Escrow Account and will be required to liquidate. Since all stockholders of the Company immediately prior to the Closing Date of the Offering have agreed to waive their respective rights to participate in a liquidation distribution occurring prior to the first Business Combination, all of the assets of the Company, including any income and interest earned on the escrowed proceeds of the Offering, which may be distributed upon such liquidation would be distributed to the owners of the Common Stock issued as part of the Units in the Offering or in the open market thereafter. There can be no guarantee that the Company's liabilities at liquidation will not exceed the Company's unrestricted cash on hand. In such circumstances, there can be no assurance that creditors of the Company will not be able to obtain payment out of escrowed funds.

ITEM 7. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data listed in Item 14(a)(1) and (2) are included in this report beginning on page F-1.

ITEM 8. DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors and Officers

The current directors and officers of the Company are as follows:

Name	Age	Position
Richard L. Kramer	48	Chairman of the Board
William L. Remley	47	President, Treasurer,
	Director	
Richard C. Hoffman	50	Secretary, Director
Robert D. Frankel	49	Director
J. Thomas Chess	58	Director

Management

Richard L. Kramer is an experienced investor and financial advisor who has been closely involved with the acquisition, financing, and reorganization of many public and private companies. He has been Chairman of the Board, cofounder, and principal owner of Republic Properties Corporation, one of the nation's largest commercial developers, since 1990. Mr. Kramer has also been Chairman of the Board of each of Texfi Industries, Inc., a New York Stock Exchange listed

textile and apparel manufacturer since 1994; of Weldotron Corporation, a publicly traded (OTCBB) manufacturer of packaging machinery and safety controls since 1994; of CPT Holdings, Inc., a publicly traded (OTCBB) steel fabrication company since 1992; of Sunderland Industrial Holdings Corporation, a private holding company with various industrial manufacturing businesses engaged in custom plastic injection molding since 1989; of Precise Technology, Inc., a private plastic custom injection molder since 1990; of Stellex Industries, Inc., a manufacturer of highly engineered subsystems and components for the aerospace, defense and space industries; and of Mentmore Holdings Corporation, a private management and financial services company since 1991. Mr. Kramer was also a partner and principal of Western Development Corporation, a national shopping center developer, from 1980 through 1992.

William L. Remley has been actively engaged in the analysis, acquisition and management of a variety of industrial manufacturing companies for the past five years. Since 1992, he has served as President and Director of CPT Holdings, Inc., a publicly-traded steel fabrication company. Since 1989, Mr. Remley has served as a director and President of Sunderland Industrial Holdings Corporation, a private holding company with various industrial manufacturing businesses engaged in custom plastic injection molding. Mr. Remley has also been Vice Chairman and Chief Executive Officer of Weldotron Corporation, a publicly traded (OTCBB) manufacturer of packaging machinery and safety controls since 1994; Vice Chairman and Chief Executive Officer of Texfi Industries, Inc., a New York Stock Exchange listed textile and apparel manufacturer since 1994; a Director and Vice Chairman of Precise Technology, Inc., a plastic custom injection molder since 1990; President of Stellex Industries; Inc., a manufacturer of highly engineered subsystems and components for the aerospace, defense and space industries; and a Director and President of Mentmore Holdings Corporation since 1991. Mr. Remley is also a principal in several private investment funds.

Richard C. Hoffman was Vice President and General Counsel of Mentmore Holdings Corporation from January 1995 to March 1997, at which time his title and duties changed to Vice President - Special Projects. He has also been President of InterUrban Management, Inc., a real estate brokerage and management company in Dallas, Texas since September 1991. Mr. Hoffman was formerly a partner in the Dallas law firm of Freytag, LaForce, Rubinstein & Teofan and its successor entities from 1985 to 1992, and served as Senior Real Estate Counsel for the Continental Illinois National Bank in Chicago from 1978 to 1985. Mr. Hoffman has also been a Director of Weldotron Corporation, a publicly traded (OTCBB) manufacturer of packaging machinery and safety controls since 1994. Mr. Hoffman is a Phi Beta Kappa graduate of the University of Wisconsin (Madison), and received his law degree from Harvard Law School in 1972.

Robert D. Frankel is a senior research and development executive with more than 15 years of experience. Dr. Frankel has been the Chairman of the Board and Executive Vice President for Research and Development for SIOS, Inc. since 1994. He was the Vice President for Development and a Project Manager at Hampshire Instruments from 1983 to 1993. Dr. Frankel was also a scientist at the University of Rochester Laboratory for Laser Energetics from 1979 to 1983. Dr. Frankel is a graduate of the State University of New York at Buffalo with a degree in Electrical Engineering, and received his Ph.D. in Physiology from the State University of New York at Buffalo Medical School.

J. Thomas Chess has practiced dentistry since 1964, and has been actively involved with dental implants for 26 years. He has acted as a consultant to several companies specializing in lasers and dental implants. Dr. Chess was a director of the Southwest Products Company from 1991 until the company was sold in 1996, and was formerly a director of The Dentist Company, the "for profit" company of the California Dental Association, serving for one year of his six year tenure as Chairman of the Board. Dr. Chess is a graduate of Bowdoin College and received his D.D.S. from the Southern California School of Dentistry.

All directors hold office until the next annual meeting of stockholders and the election and qualification of their successors. Directors receive no compensation for serving on the Board of Directors other than the reimbursement of reasonable expenses incurred in attending meetings. Officers are elected annually by the Board of Directors and serve at the discretion of the Board. The Company has not entered into any employment agreements or other understandings with its directors or executive officers concerning compensation. No cash compensation is or will be paid to any officer or director in their capacities as such until after the consummation of the first Business Combination, except to Mr. Hoffman for legal services actually rendered to the Company. Since the role of present management after the consummation of a Business Combination is uncertain, the Company has no ability to determine what remuneration, if any, will be paid to such persons after the consummation of a Business Combination.

No family relationships exist among any of the named directors or the Company's officers. No arrangement or understanding exists between any such director or officer and any other person pursuant to which any director or officer was elected as a director or officer of the Company, except that Robert D. Frankel and J. Thomas Chess are designees of H.J. Meyers, an underwriter of the Offering.

There are no agreements or understandings for any officer or director of the Company to resign at the request of another person and none of the officers or directors of the Company are acting on behalf of, or will act at the direction of, any other person.

The holder of the Company's outstanding Series A Preferred Stock is CDIJ, an indirect affiliate of Bright, a private company which owns and licensed to the Company, for the purpose of marketing the Offering, the servicemarks SMA2RTSM and Specialized Merger and Acquisition Allocated Risk TransactionSM.

Other than as set forth in this Form 10-KSB, no other relationships exist between and among management stockholders and non-management stockholders. Moreover, there are no arrangements, agreements or understandings between non-management stockholders and management under which non-management stockholders may directly or indirectly participate in or influence the management of the Company's affairs. The Company has no knowledge of whether or not non-management stockholders will exercise their voting right to continue to elect the current directors to the Company's board.

ITEM 10. EXECUTIVE COMPENSATION

No cash compensation will be paid or accrued for any officer or director in their capacities as such until after the consummation of the first Business Combination.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of March 30, 1998 based on information obtained from the persons named below, with respect to the beneficial ownership of shares of the Company's Common Stock by (i) each person known to be the owner of more than 5% of the outstanding shares of Common Stock,

(ii) each director, and (iii) all executive officers and directors as a group.

Amount and Nature of Beneficial Percentage of Outstanding

Name or Group(1) -----	Ownership (2)	Shares of Common Stock -----
Cranbrooke Corporation (4).....	50,000 (3)	5.6%
Richard L. Kramer.....	0	0.0%
William L. Remley (4).....	50,000 (3)	5.6%
Richard C. Hoffman.....	0	0.0%
Robert D. Frankel.....	10,688	1.2%
J. Thomas Chess.....	10,582	1.2%
Shufro, Rose & Ehrman (5).....	284,250	31.9%
Barry Rubenstein (5).....	52,600	5.9%

All executive officers and directors as a group (five persons)..... 71,250 (3) 8.0%

(1)Each individual listed, except Shufro, Rose & Ehrman, has an address in care of the Company. The address for Cranbrooke Corporation is 1430 Broadway, 13th Floor, New York, New York 10018, Attention: President. The address for Shufro, Rose & Ehrman is 745 Fifth Avenue, New York, New York 10151-2600. The address for Barry Rubenstein is 68 Wheatley Road, Brookville, New York 11545.

(2)Unless otherwise noted, the Company believes that each person named in the table has sole voting and investment power with respect to all shares of Common Stock beneficially owned by him or it; except that Shufro, Rose & Ehrman claims sole voting power over only 100 shares and Barry Rubenstein claims sole voting and investment power over only 40,700 and shared voting and investment power over 11,900 shares.

(3)Excludes options to purchase 100,000 Units at \$12.50 each, identical to the Units issued in the Offering, held by Cranbrooke Corporation. See Item 13. Certain Relationships and Related Transactions.

(4)William L. Remley, a Director and President of the Company is the President and a Director of Cranbrooke, the owner of 40,000 shares of Common Stock of the Company, as to which stock he disclaims beneficial ownership.

(5)Based upon information contained in such holder's Schedule 13(D) or 13(G) filed with the Securities and Exchange Commission.

The owners of the Founders' Shares have their Common Stock placed in escrow until the earlier of (i) the consummation of the first Business Combination, or (ii) 18 months from the date of the Offering, subject to extension to 24 months from the date of the Offering if the Extension Criteria have been satisfied. During such period, such stockholders are not able to sell or otherwise transfer their respective shares of Common Stock (with certain exceptions), but will retain all other rights as stockholders of the Company, including, without limitation, the right to vote such shares of Common Stock (subject to their agreement to vote their shares in accordance with the vote of a majority of the shares voted by non-affiliated public stockholders with respect to the consummation of a Business Combination or liquidation proposal) but excluding the right to request the redemption of escrowed shares pursuant to a Redemption Offer.

ITEM 12.....CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In October 1995, the Company issued 40,000 shares of Common Stock to Cranbrooke Corporation, a Delaware corporation which is affiliated with Richard L. Kramer and William L. Remley, directors and officers of the Company, 5,000 shares of Common Stock to Robert D. Frankel, a director of the Company and 5,000 shares of Common Stock to J. Thomas Chess, a director of the Company, for a purchase price of \$.10 per share. In January 1996, the Company issued the 15,000 Placement Shares to three accredited investors (including Messrs. Frankel and Chess) at a purchase price of \$0.50 per share (before deducting offering expenses). These three investors also loaned \$100,000 to the Company, which amount was repaid out of the proceeds of the Offering. In June 1996, a founding shareholder sold 10,000 shares of Common Stock to Cranbrooke Corporation at their original cost of \$0.10 per share.

The Company has entered into an oral agreement with Mentmore Holdings Corporation, a Delaware corporation which is affiliated with Richard L. Kramer and William L. Remley, to lease office space and to be provided with secretarial and office services, which commenced upon the closing of the Offering. The Company will pay \$2,500 per month to Mentmore for rent and such services. Management believes that these terms compare favorably to any arrangement which might be made with an unaffiliated party. See "Item 2. Description of Properties."

In October 1995, Bright's predecessor granted the Company a non-exclusive license to use, for the sole purpose of the Offering, Bright's SMA2RTSM and Specialized Merger and Acquisition Allocated Risk TransactionSM servicemarks. In consideration of Bright granting the non-exclusive license to the Company, the Company paid a total of \$100,000 to Bright. The value paid by the Company was negotiated at arm's length, although no objective criteria were used to measure the value of the license. One important consideration, however, is that Bright previously licensed the SMA2RTSM name and structure to Initial Acquisition Corp., which successfully completed an initial public offering in May, 1995.

CDIJ, an indirect affiliate of Bright, is the holder of the Company's outstanding 110 shares of Series A Preferred Stock, which it purchased for \$11,000, and 1,000 shares of Common Stock, which it purchased for \$.10 per share. CDIJ paid cash for the Common Stock and issued a promissory note at an interest rate of 8% for the Series A Preferred Stock, which was satisfied simultaneously with the closing of the Offering.

The purchase prices for all Common Stock and Preferred Stock sold by the Company prior to the date of the closing of the Offering were established by negotiations between the Board of Directors and the various investors.

The Company granted an option to purchase 100,000 Units to Cranbrooke Corporation, a Delaware corporation which is affiliated with Mr. Kramer and Mr. Remley. The Units are identical to those which were sold pursuant to the Offering and each consists of one share of Common Stock and one Class A Warrant to purchase one share of Common Stock at a price of \$9.00 per share. The option is exercisable for a period of three years from the date of a Business Combination at an exercise price of \$12.50 per Unit. The option is fully vested; however, the options will be canceled if Messrs. Kramer and Remley cease to serve as directors or executive officers of the Company prior to the first Business Combination. The shares issuable upon exercise of the options and underlying warrants may not be sold or otherwise transferred until 120 days after the first Business Combination.

Richard C. Hoffman, Secretary and a director of the Company, acts as general counsel to the Company. The Company utilizes Richard C. Hoffman, P.C., a law firm of which Mr. Hoffman is sole shareholder, for legal services in connection with Company activities. Fees paid by the Company for these services totaled approximately \$61,000 and \$68,000 through December 31, 1997 and 1996 respectively, of which \$0 and \$48,000 was attributable to the Offering.

The Company will require that any future transactions between the Company and its officers, directors, principal stockholders and the affiliates of the foregoing persons be on terms no less favorable to the Company than could reasonably be obtained in arm's length transactions with independent third parties and that any such transactions also be approved by a majority of the Company's directors disinterested in the transaction. Management of the Company has not yet ascertained the amount of remuneration that will be payable to the Company's officers and directors following completion of a Business Combination.

Mr. Kramer, Mr. Remley and the other directors of the Company and Bright may be deemed to be "promoters" of the Company.

ITEM 13.....EXHIBITS AND REPORT ON FORM 8-K

(a) The following are filed as a part of this report.

(1)...Financial Statements

	Page
Report of Independent Certified Public Accountants	F-2
Statements of Operations for the Years Ended December 31, 1997 and 1996 and period October 19, 1995 (Date of inception) to December 31, 1997.....	F-3
Balance Sheet - December 31, 1997 and 1996.....	F-4
Statements of Stockholders' Equity and Common Stock Subject to Possible Redemption, October 19, 1995 (Date of inception) to December 31, 1997.....	F-5
Statements of Cash Flows for the Years Ended December 31, 1997 and 1996 and the period October 19, 1995 (Date of inception) to December 31, 1997.....	F-6
Notes to Financial Statements.....	F-7

(2)...Exhibits

(a) Exhibit 10.6.A Amendment to the Engagement Letter of
Ladenburg, Thalman & Co. dated September 6, 1996

(b) Exhibit 27: Financial Data Schedule

(c) Reports on Form 8-K

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on the 1st day of April, 1998.

ORION ACQUISITION CORP. II

By: /s/ William L. Remley
William L. Remley
President (Principal Executive and

Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Richard L. Kramer ----- Richard L. Kramer, Chairman of the Board	April 1, 1998 ----- Date
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/s/ Richard C. Hoffman ----- Richard C. Hoffman, Director	April 1, 1998 ----- Date
---	--------------------------------

/s/ William L. Remley William L. Remley, Director	April 1, 1998 Date
--	-----------------------

ORION ACQUISITION CORP. II
(a corporation in the development stage)

FINANCIAL STATEMENTS

**YEARS ENDED DECEMBER 31, 1997 AND 1996, AND FOR THE
PERIOD OCTOBER 19, 1995 (DATE OF INCEPTION) TO DECEMBER 31, 1997**

Report of Independent Certified Public Accountants

Board of Directors and Stockholders of
Orion Acquisition Corp. II
New York, New York

We have audited the accompanying balance sheets of Orion Acquisition Corp. II (a corporation in the development stage), as of December 31, 1997 and 1996, and the related statements of operations, stockholders' equity and common stock subject to possible redemption, and cash flows for the years ended December 31, 1997 and 1996, and for the period October 19, 1995 (Date of Inception) to December 31, 1997. 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 audits 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.

As discussed in Note 1, in the event the Company does not consummate a Business Combination within 24 months from the consummation of its Public Offering of common stock (see Note 2), the Company will submit for stockholder consideration a proposal for liquidation. This 24-month period ends July 2, 1998.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Orion Acquisition Corp. II as of December 31, 1997 and 1996, and the results of its operations and its cash flows for the years ended December 31, 1997 and 1996, and for the period October 19, 1995 (Date of Inception) to December 31, 1997 in conformity with generally accepted accounting principles.

*/s/BDO Seidman, LLP
BDO Seidman, LLP*

New York, New York

March 12, 1998

ORION ACQUISITION CORP. II
(a corporation in the development stage)

STATEMENTS OF OPERATIONS

	Year ended December 31,		October 19, 1995 (inception) to December 31,
	1997	1996	1997
	----	----	----
Interest income	\$ 475,112	\$ 222,444	\$ 697,556
General and administrative expenses	(294,447)	(82,172)	(376,619)
Stock based compensation expense	(100,000)	-	(100,000)
Interest expense	-	(57,694)	(57,694)
	-----	-----	-----
Net income before income taxes	80,665	82,578	163,243
Provision for taxes	(76,399)	(39,927)	(116,326)
	-----	-----	-----
Net income	\$ 4,266	\$ 42,651	\$ 46,917
	=====	=====	=====
Earnings per share:			
Basic	\$ 0.00	\$ 0.09	
	=====	=====	
Diluted	\$ 0.00	\$ 0.09	
	=====	=====	

Weighted average common shares outstanding:

Basic	890,000	446,313
	=====	=====
Diluted	890,000	446,313
	=====	=====

See accompanying notes to financial statements.

ORION ACQUISITION CORP. II
(a corporation in the development stage)

BALANCE SHEETS

	December 31, 1997 ----	December 31, 1996 ----
ASSETS		
Cash	\$ 312,010	\$ 628,865
Restricted cash	453,209	9,362
US Treasury bills - restricted	7,999,895	7,998,644
Accrued investment interest receivable	208,100	202,582
Deferred acquisition costs	8,072	-
	-----	-----
	\$8,981,286	\$8,839,453
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accrued expenses	\$ 92,964	\$ 55,397
Common stock, subject to possible conversion of 160,000 shares at redemption value	1,732,240	1,642,118
Commitment		
Stockholders' equity:		
Convertible preferred stock, \$.01 par value 1,000,000 shares authorized 110 shares issued and outstanding	1	1
Common stock, \$.01 par value 10,000,000 shares authorized; 890,000 shares issued and outstanding (which includes shares subject to possible redemption)	8,900	8,900
Additional paid-in capital	7,232,504	7,132,504
(Deficit) earnings accumulated during development stage	(85,323)	533
	-----	-----
Total stockholders' equity	7,156,082	7,141,938
	-----	-----
	\$8,981,286	\$8,839,453
	=====	=====

See accompanying notes to financial statements.

ORION ACQUISITION CORP. II
(a corporation in the development stage)

**STATEMENTS OF
STOCKHOLDERS' EQUITY AND COMMON STOCK
SUBJECT TO POSSIBLE REDEMPTION
FOR THE YEARS ENDED DECEMBER 31, 1997 AND 1996 AND
FOR THE PERIOD FROM OCTOBER 19, 1995 (INCEPTION) THROUGH DECEMBER 31, 1997**

		Preferred Shares	Stock Amount	Common Shares	Stock Amount	Common Stock Subject to Possible Redemption Shares	Redemption Amount	Additional Paid-in Capital	Earnings Accumulated During the Development Stage
		-----	-----	-----	-----	-----	-----	-----	-----
BALANCE AT OCTOBER 19, 1995	-	-	-	-	-	-	-	-	-
Issuance of Founders Shares.....	-	-	-	16,500	165	-	-	1,485	-
		-----	-----	-----	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1995	-	-	-	16,500	165	-	-	1,485	-
Issuance of Founders Shares	-	-	-	58,500	585	-	-	5,265	-
Sale of private placement shares	-	-	-	15,000	150	-	-	7,350	-
Sale of convertible preferred stock	110	1	-	-	-	-	-	10,999	-
Sale of 800,000 shares, net of underwriting discounts and offering costs	-	-	-	640,000	8,000	160,000	1,600,000	7,107,405	-
Net income.....	-	-	-	-	-	-	-	-	42,651
Accretion to redemption value of common stock	-	-	-	-	-	-	42,118	-	(42,118)
		-----	-----	-----	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1996	110	1	-	730,000	8,900	160,000	1,642,118	7,132,504	533
Issuance of options	-	-	-	-	-	-	-	100,000	-
Net income.....	-	-	-	-	-	-	-	-	4,266
Accretion to redemption value of common stock	-	-	-	-	-	-	90,122	-	(90,122)
		-----	-----	-----	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1997	110	\$ 1	-	730,000	\$8,900	160,000	\$1,732,240	\$7,232,504	\$(85,323)
		=====	=====	=====	=====	=====	=====	=====	=====

See accompanying notes to
financial statements

ORION ACQUISITION CORP. II
(a corporation in the development stage)

STATEMENTS OF CASH FLOWS

	Year Ended December 31,		October 19, 1995 (inception) through December 31, 1997
	1997	1996	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 4,266	\$ 42,651	\$ 46,917
Adjustments to reconcile net loss to net cash provided by operating activities:			
Note discount amortization	-	37,500	37,500
Stock based compensation expense	100,000	-	100,000
Changes in working capital:			
Increase in accrued investment receivables	(5,518)	(202,582)	(208,100)
Increase in accrued expenses	37,567	55,397	92,964
	136,315	(67,034)	69,281
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of U.S. Treasury bills and other increases in restricted cash	(445,098)	(8,008,006)	(8,453,104)
Increase in deferred acquisition costs	(8,072)	-	(8,072)
	(453,170)	(8,008,006)	(8,461,176)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of units and redeemable Class B purchase warrants, net of public offering expenses	-	8,677,905	8,677,905
Issuance of unsecured promissory notes	-	100,000	100,000
Repayment of unsecured promissory notes	-	(100,000)	(100,000)
Issuance of founders' shares	-	5,850	7,500
Issuance of private placement shares	-	7,500	7,500
Issuance of convertible preferred stock	-	11,000	11,000
	-	8,702,255	8,703,905
NET (DECREASE) INCREASE IN CASH	(316,855)	627,215	312,010
Cash, beginning of year	628,865	1,650	-
	\$ 312,010	\$ 628,865	\$ 312,010
	\$ 312,010	\$ 628,865	\$ 312,010

See accompanying notes to financial statements

ORION ACQUISITION CORP. II
(a corporation in the development stage)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND BUSINESS OPERATIONS

Orion Acquisition Corp. II (the "Company") was incorporated in Delaware on October 19, 1995 for the purpose of raising capital to fund the acquisition of an unspecified operating business. All activity to date relates to the Company's formation and fund raising. To date, the Company has not effected a Business Combination.

The registration statement for the Company's Initial Public Offering (the "Offering") became effective on July 2, 1996. The Company consummated the Offering on July 9, 1996 and with the underwriters exercising of their overallotment option to purchase 38,100 Class B Warrants on August 5, 1996 raised net proceeds of approximately \$8,700,000 (See Note 2). The Company's management has broad discretion with respect to the specific application of the net proceeds of the Offering, although substantially all of the net proceeds of the Offering are intended to be generally applied toward consummating a business combination with an operating business ("Business Combination"). Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. An aggregate of \$8,000,000 of the net proceeds are held in an escrow account which are invested until released in short-term United States Government Securities comprised primarily of Treasury bills ("Proceeds Escrow Account"), subject to release at the earlier of (i) consummation of its first Business Combination, or (ii) liquidation of the Company (see below). The remaining proceeds were used to pay for costs relating to the Offering and have been and will continue to be used for expenses relating to business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses in addition to other expenses.

The Company prior to the consummation of any Business Combination, will submit such transaction to the Company's stockholders for their approval, even if the nature of the acquisition is such as would not ordinarily require stockholder approval under applicable state law. All of the Company's original stockholders, including all directors and the Company's executive officers, have agreed to vote their respective shares of common stock in accordance with the vote of the majority of the shares voted by all other stockholders of the Company ("non-affiliated stockholders") with respect to any such Business Combination. A Business Combination will not be consummated unless approved by a vote of two-thirds of the shares of common stock owned by non-affiliated public stockholders.

At the time the Company seeks stockholder approval of any potential Business Combination, the Company will offer each of the non-affiliated public stockholders of the Company the right, for a specified period of time not less than 20 calendar days, to redeem his shares of common stock ("Redemption Offer"). The per share redemption price ("Liquidation Value") will be determined by dividing the greater of (i) the Company's net worth or (ii) the amount of assets of the Company in the escrow account including all interest earned thereon by the number of shares held by such non-affiliated public stockholders. In connection with the Redemption Offer, if non-affiliated public stockholders

holding 20% or less of the common stock elect to redeem their shares, the Company may, but will not be required to, proceed with the potential Business Combination and, consequently, will redeem such shares by applying the Liquidation Value to the number of shares to be redeemed. In any case, if non-affiliated stockholders holding greater than 20% of the common stock elect to redeem their shares, the Company will not proceed with such potential Business Combination and will not redeem such shares. Accordingly, a portion of the net proceeds from the Offering (20% of the amount held in the Proceeds Escrow Account) has been classified as common stock subject to possible redemption in the accompanying balance sheet at the estimated redemption value.

All shares of the common stock outstanding immediately prior to the date of the Offering have been placed in escrow until the earlier of (i) the occurrence of the first Business Combination, or (ii) July 2, 1998, since the Company has become a party to a letter of intent to effect a Business Combination and, therefore, has met the Extension Criteria to extend to a July 2, 1998 liquidation date. During the escrow period, the holders of the escrowed stock will not be able to sell or otherwise transfer their respective shares of the escrowed stock (with certain exceptions) but will retain all other rights as stockholders of the Company including, without limitation, the right to vote escrowed shares of Common Stock, subject to their agreement to vote their shares in accordance with a vote of a majority of the non-affiliated public stockholders with respect to a consummation of a Business Combination as a liquidation proposal, but excluding the right to request the redemption of escrowed stock pursuant to a Redemption Offer.

If Company does not effect a Business Combination by July 2, 1998, the Company will submit for stockholder consideration a proposal to liquidate the Company, and if approved, distribute to the then holders of common stock (issued in the Offering or acquired in the open market thereafter) all assets remaining available for distribution after payment of liabilities and after having made appropriate provisions for the payment of liquidating distributions upon each class of stock, if any, having preference over the common stock.

NOTE 2 - PUBLIC OFFERING

On July 9, 1996 the Company sold 800,000 units ("Units") in the Offering and 320,000 Class B redeemable common stock purchase warrants ("Class B Warrant"). Subsequently, on August 5, 1996, the underwriters exercised their over-allotment option to purchase 38,100 Class B Warrants. Each Unit consists of one share of the Company's common stock and one Class A Redeemable common stock purchase warrant ("Class A Warrant"). Each Class A Warrant entitles the holder to purchase from the Company one share of common stock at an exercise price of \$9.00 commencing on the date of a Business Combination and expiring on the fifth anniversary from such date, and each Class B Warrant entitles the holder to purchase one Unit at an exercise price of \$0.125 commencing on the date of a Business Combination and expiring on the first anniversary from such date. The Class A Warrants and Class B Warrants are redeemable, each as a class, in whole and not in part, at a price of \$0.05 per warrant upon 30 days' notice at any time provided that the Company has consummated a Business Combination and the last sale price of the common stock on all ten trading days ending on the day immediately prior to the day on which the Company gives notice of redemption, has been \$11.00 or higher.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Net Earnings Per Common Share

In 1997, the Financial Accounting Standards Boards issued Statement of Financial Accounting Standards No. 128, Earnings Per Share ("FAS 128"). FAS 128 replaced the previously reported primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings share amounts for all periods have been presented, and where necessary, restated to conform to the FAS 128 requirements.

Net earnings per common share for the years December 31, 1997 and 1996 are computed by dividing net earnings by the weighted average common shares outstanding during the year. The assumed exercise of common stock equivalents was not utilized due to their exercise being predicated on the consummation of a Business Combination.

(b) Income Taxes

The Company follows the Financial Accounting Standards Board ("FASB") Statement No. 109. This statement requires that deferred income taxes based on the consequences of temporary differences between the financial carrying amounts and the tax bases of existing assets and liabilities be recorded based on the asset and liability method of accounting which is adjusted periodically when statutory income tax rates change. Deferred taxes are not material.

(c) Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Fair Value of Financial Instruments

The carrying values of financial instruments including cash, restricted cash, U.S. Treasury bonds, accrued investment interest receivable and accrued expenses approximate fair value at December 31, 1997.

(e) Stock Options

In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 allows companies to choose whether to account for stock-based compensation on the fair value method or to continue to account for stock-based compensation under the current intrinsic value method as prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees." The Company has adopted disclosure alternative under SFAS 123 during 1996 and will continue to follow the provisions of APB Opinion No. 25.

FASB Statement 123, "Accounting for Stock-Based Compensation", requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value-based method prescribed in FASB Statement 123.

NOTE 4 - INVESTMENTS

A substantial portion of the assets of the Company are invested in U.S. Treasury Bills having maturities in January of 1998 which were subsequently extended to April, 1998. Aggregate cost basis and market value of these securities as of December 31, 1997 totaled approximately \$8,208,000 and \$8,201,000, respectively. These securities, in addition to the restricted cash as shown on the balance sheet together totaling \$8,453,104, are held in an escrow account with a bank. The ultimate use of these funds are restricted as described in Note 1.

NOTE 5 - RELATED PARTIES

Richard C. Hoffman, Secretary and a director of the Company, acts as general counsel to the Company. The Company utilizes Richard C. Hoffman, P.C., a law firm of which Mr. Hoffman is sole shareholder, for legal services in connection with Company activities. Fees paid by the Company for these services totaled approximately \$61,000 and \$68,000 for the years ended December 31, 1997 and 1996, respectively, of which \$0 and \$48,000 were attributable to the Offering.

NOTE 6 - STOCKHOLDERS' EQUITY

(a) Private Placement

In January 1996, the Company completed a private offering to a limited group of investors which consisted, in the aggregate, of \$100,000 in unsecured promissory notes bearing interest at 8% per annum. In addition, as part of this private placement, the Company also issued to the private placement investors 15,000 shares of common stock for \$7,500. The notes were repaid as a result of the consummation of the Company's Offering together with accrued interest totaling \$3,533. The notes were discounted \$37,500 for financial statement reporting purposes as a result of the fair value attributed to the common stock issued to the private placement shareholders. The effective rate on the notes was approximately 45%.

(b) Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

The Company has outstanding 110 shares of Series A preferred stock which is owned by CDIJ Capital Partners, L.P., an indirect affiliate of Bright Licensing Corp. The purchase price for such shares was \$11,000 in the aggregate, which was paid simultaneously with the consummation of the Offering. The Series A preferred stock are non-voting and are each convertible into 1,000 shares of common stock for a period of one year following the consummation of a Business Combination. In the event that a Business Combination does not occur by July 2, 1998, the Series A preferred stock will be redeemed by the Company at its original cost basis.

(c) Options

On July 9, 1996, the Company granted options to purchase 100,000 Units to Cranbrooke Corporation, a Delaware corporation which is affiliated with two officers of the Company. The option is exercisable for a period of three years from the date of a Business Combination at an exercise price of \$12.50 per Unit. The option is fully vested; however, the options will be canceled if Mr. Kramer and Mr. Remley cease to serve as directors or executive officers of the Company prior to the Business Combination. The shares issuable upon exercise of the options and underlying warrants may not be sold or otherwise transferred for 120 days subsequent to the first Business Combination.

Effective January 10, 1997 an investment bank engaged to assist the company, was granted an option to purchase 10,000 shares of Common Stock, par value \$.01 per share owned by Cranbrooke at a purchase price of \$.10 per share. The Company recorded a non-cash charge of \$100,000 that represents the fair value of the options at the date of grant as calculated using the Black-Scholes option pricing model.

(d) Warrants

In connection with the Offering, the Company issued warrants to the underwriters for 80,000 units at an exercise price of \$11.00 per unit and 32,000 Class B warrants at an exercise price of \$6.1875 per unit. These warrants are initially exercisable for a period of four years commencing on July 2, 1997. The underwriter's warrants contain anti-dilution provisions providing for adjustment of the number of warrants and exercise price under certain circumstances. The underwriter's warrants grant to the holders thereof certain rights of registration of the Units and Class B warrants issuable upon exercise of the underwriter's warrants.

NOTE 7 - COMMITMENT

(a) The Company, pursuant to an oral agreement, utilizes the offices of Mentmore Holdings Corporation, a Delaware corporation of which Mr. Kramer, the Company's Chairman of the Board and Mr. Remley, the Company's President and CEO, are respectively Chairman of the Board and President. Mentmore is also affiliated with Cranbrooke Corporation, a stockholder of the Company. Mentmore has agreed that, until the acquisition of a target business by the Company, it will make such office space and secretarial services available to the Company, as may be required by the Company from time to time, at the rate of \$2,500 per month, commencing July 10, 1996. Management believes that these terms compare favorably to any arrangement which might be made with an unaffiliated party. Such costs reflected in the financial statements totaled \$30,000 and \$14,274 for the year ended December 31, 1997 and 1996, respectively.

(b) On September 6, 1996, the Company entered into an agreement with Ladenburg, Thalmann & Co., Inc. (Ladenburg) to assist the Company as its exclusive financial advisor in connection with its acquisition targeting activities. The Company will pay the monthly sum of \$3,500 to Ladenburg as a retainer for these services through the life of this agreement which was amended to continue on a month-to-month basis as of April 30, 1997. In addition, the Company paid Ladenburg approximately \$59,000 during 1997 for preparation of a fairness opinion in connection with a proposed acquisition transaction which was not consummated.

NOTE 8 - INCOME TAXES

Federal and state income tax provisions are as follows:

	Year ended December 31,	
	1997	1996
Current:		
Federal	\$33,916	\$30,081
State and local	42,483	9,846
	-----	-----
	\$76,399	\$39,927
	-----	-----

The company has a net deferred tax asset of approximately \$35,000 relating to stock based compensation. The net deferred tax asset has been fully reserved. If a Business Combination should occur, the deferred tax asset would potentially be utilized in a tax year.

NOTE 9 - SUBSEQUENT EVENT

In December 1997, the Company signed a letter of intent to engage in a Business Combination with DVM Pharmaceuticals, Inc. ("DVM") which will result in the current shareholders of Orion II owning, in the aggregate, twenty per cent (20%) of outstanding common stock of the combined companies. IVAX Corporation currently holds 100% of the stock of DVM. DVM manufactures and distributes a broad range of dermatological products for veterinary uses. Negotiations are continuing with IVAX as of the filing date of this report, and there can be no assurance that any definitive acquisition agreement will be executed and proposed for Shareholder approval, or that if such agreement is presented to the Company's shareholders for their approval, that such transaction will be approved by the Company's shareholders, or that if such transaction is approved by the Company's shareholders, that the transaction will in fact be completed. If the proposed transaction with IVAX to acquire an interest in DVM is not completed, the Company will present a proposal to its shareholders to liquidate the Company due to (i) the lack of a presently-identified suitable alternative Target Business; (ii) the probable inability to identify such an alternative Target Business and conclude a Business Combination with respect thereto by the July 2, 1998 deadline; and (iii) the lack of a sufficient level of unrestricted cash to pursue alternative transactions.

Exhibit 10.6.A

Ladenburg, Thalmann & Co. Inc.

590 Madison Avenue
New York, New York 10022
212.940.2167

April 30, 1997

Orion Acquisition Corp. II
1430 Broadway
13th Floor
New York, NY 10018-3308

Attention: Mr. William Remley

Re: Amendment to Letter Agreement Dated September 6, 1996

Gentlemen:

This is to confirm our agreement to amend the September 6, 1996 letter agreement (the "Agreement") between Orion Acquisition Corporation II (the "Company") and Ladenburg Thalmann & Company ("Ladenburg"). The Agreement shall be amended as follows:

- (1) No fees shall be due Ladenburg under Paragraph II B for the acquisition of Kleinert Industries Inc. (the "Kleinert Transaction").
- (2) Either Ladenburg or the Company may terminate the Agreement as of the end of the month upon no less than 30 day's prior written notice. The provisions of Section II B (other than for the Kleinert Transaction), Section II D and Section III shall survive the termination and/or expiration of the Agreement.
- (3) A separate agreement for the preparation of a Fairness Opinion (the "April 30, 1997 Letter Agreement") shall be Executed by Ladenburg and the Company contemporaneously with the execution of this agreement.
- (4) The consideration to provide the Opinion for the Kleinert Transaction (as defined in Paragraph 1.4 and 2 C in the September 6, 1996 Letter Agreement) shall be \$25,000. This shall be in addition to the consideration for the Fairness Opinion (as defined in the April 30, 1997 Letter Agreement). In the event that Kleinert Transaction is not consummated, then the total consideration (as defined in Paragraph 2 C in the September 6, 1996 Letter Agreement and the April 30, 1997 Letter Agreement) shall be \$50,000.
- (5) All other terms and conditions of the Original Agreement shall remain unchanged.

Mr. William Remley
Orion Acquisition Corp. II
April 30, 1997

Page 2

Please confirm your acceptance of this amendment by signing below.

Very truly yours,
LADENBURG, THALMANN & CO. INC.

By: /s/Seth E. Lemler

Seth E. Lemler
Managing Director

ACCEPTED AND AGREED TO:

ORION ACQUISITION CORPORATION

By: /s/William Remley
William Remley

Date: May 2, 1997

APPENDIX A

INDEMNIFICATION AGREEMENT

Appendix A to Letter Engagement Agreement (the "Agreement"), dated September 6, 1996 by and between Orion Acquisition Corp. II (the "Company") and Ladenburg, Thalmann & Co. Inc. ("Ladenburg").

The Company agrees to indemnify and hold Ladenburg and its affiliates, control persons, directors, officers, employees and agents (each an "Indemnified Person") harmless from and against all losses, claims, damages, liabilities, costs or expenses, including those resulting from any threatened or pending investigation, action, proceeding or dispute whether or not Ladenburg or any such other Indemnified Person is a party to such investigation, action, proceeding or dispute, arising out of Ladenburg's entering into or performing services under this Agreement, or arising out of any matter referred to in this Agreement. This indemnity shall also include Ladenburg's and/or any such other Indemnified Person's reasonable attorneys' and accountants' fees and out-of-pocket expenses incurred in, and the cost of Ladenburg's personnel whose time is spent in connection with, such investigations, actions, proceedings or disputes which fees, expenses and costs shall be periodically reimbursed to Ladenburg and/or to any such other Indemnified Person by the Company as they are incurred; provided, however, that the indemnity herein set forth shall not apply where a court of competent jurisdiction has made a final determination that Ladenburg acted in a grossly negligent manner or engaged in willful misconduct in the performance of its services hereunder which gave rise to the loss, claim, damage, liability, cost or expense sought to be recovered hereunder (but pending any such final determination the indemnification and reimbursement provisions hereinabove set forth shall apply and the Company shall perform its obligations hereunder to reimburse Ladenburg and/or each such other Indemnified Person periodically for its, his or their fees, expenses and costs as they are incurred). The Company also agrees that neither Ladenburg nor any other Indemnified Person shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with any act or omission to act by Ladenburg as a result of its engagement under this Agreement except for any such liability for losses, claims, damages, liabilities or expenses incurred by the Company that is found in a final determination by a court of competent jurisdiction to have resulted from Ladenburg's gross negligence or willful misconduct.

If for any reason, the foregoing indemnification is unavailable to Ladenburg or any such other Indemnified Person or insufficient to hold it harmless, then the Company shall contribute to the amount paid or payable by Ladenburg or any such other Indemnified Person as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by the Company and its shareholders on the one hand and Ladenburg or any such other Indemnified Person on the other hand, but also the relative fault of the Company and Ladenburg or any such other Indemnified Person, as well as any relevant equitable considerations; provided that in no event will the aggregate contribution by Ladenburg and any such other Indemnified Person hereunder exceed the amount of fees actually received by Ladenburg pursuant to this Agreement. The reimbursement, indemnity and contribution obligations of the Company hereinabove set forth shall be in addition to any liability which the Company may otherwise have and these obligations and the other provisions hereinabove set forth shall be binding upon and inure to the benefit of any successors, assign, heirs and personal representatives of the Company, Ladenburg and any other Indemnified Person.

The terms and conditions hereinabove set forth in this Appendix A shall survive the termination and expiration of this Agreement and shall continue indefinitely thereafter.

LADENBURG, THALMANN & CO. INC.

BY: /s/ Ronald J. Kramer

*Ronald J. Kramer
Chief Executive Officer*

ORION ACQUISITION CORP. II

BY: /s/ William Remley

William S. Remley, President

ARTICLE 5

MULTIPLIER: 1

PERIOD TYPE	12 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD END	DEC 31 1997
CASH	765,219
SECURITIES	7,999,895
RECEIVABLES	208,100
ALLOWANCES	0
INVENTORY	0
CURRENT ASSETS	8,981,286
PP&E	0
DEPRECIATION	0
TOTAL ASSETS	8,981,286
CURRENT LIABILITIES	92,964
BONDS	0
COMMON	8,900
PREFERRED MANDATORY	0
PREFERRED	1
OTHER SE	7,147,181
TOTAL LIABILITY AND EQUITY	8,981,286
SALES	0
TOTAL REVENUES	475,112
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	394,447
LOSS PROVISION	0
INTEREST EXPENSE	0
INCOME PRETAX	80,665
INCOME TAX	76,399
INCOME CONTINUING	4,266
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	4,266
EPS PRIMARY	0.00
EPS DILUTED	0.00

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