666,667 Units Minimum
1,000,000 Units Maximum

HealthMate, Inc.

Each Unit consisting of two shares of Common Stock and one Warrant

OFFERING PRICE: $3.50 PER UNIT

Each Unit consists of two shares of Common Stock, $.01 par value, and one Warrant entitling the holder thereof to purchase one share of Common Stock from February 6, 1986 through February 5, 1987 at $1.95 per share; or from February 6, 1987 through February 5, 1988 at $2.15 per share, at which time the Warrants expire. The Common Stock and Warrants will not be separately transferable until one year after the date of this Prospectus.

THESE SECURITIES INVOLVE A HIGH DEGREE OF RISK AND SHOULD BE PURCHASED ONLY BY PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. IN ADDITION, PURCHASERS OF THE UNITS OFFERED BY THIS PROSPECTUS WILL SUFFER IMMEDIATE SUBSTANTIAL DILUTION IN THAT THE BOOK VALUE PER SHARE OF THE COMMON STOCK AFTER THE OFFERING WILL BE SUBSTANTIALLY LESS THAN THE PUBLIC OFFERING PRICE OF THE SHARES. SEE "HIGH RISK FACTORS" AND "DILUTION."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to the Public(1)	Underwriting Commissions(2)	Proceeds to the Company(3)
Per Unit	$3.50	$.35	$3.15
Total Minimum	$2,333,334	$233,333	$2,100,001
Total Maximum	$3,500,000	$350,000	$3,150,000

(1) This offering is being made on a "best efforts" basis, with a minimum offering of 666,667 Units and a maximum offering of 1,000,000 Units. Pending the sale of 666,667 Units, all proceeds of the offering will be deposited in escrow in a non-interest bearing account at Bank Leumi, 25 Broad Street, New York, New York 10004. Unless 666,667 Units are sold within a period of 60 business

(Footnotes continued on page 3)

THE UNITS ARE OFFERED BY THE UNDERWRITER AS AGENT FOR THE COMPANY SUBJECT TO PRIOR SALE, ACCEPTANCE OF AN OFFER TO PURCHASE, OR WITHDRAWAL, AND SUBJECT TO CANCELLATION OR MODIFICATION OF THE OFFER WITHOUT NOTICE AT ANY TIME PRIOR TO THE RELEASE OR DELIVERY OF THE PROCEEDS OF THIS OFFERING TO THE COMPANY WHETHER OR NOT A CONFIRMATION OF SALES OF THE UNITS OFFERED BY THIS PROSPECTUS PREVIOUSLY HAS BEEN ISSUED BY THE UNDERWRITER OR ANY DEALER. THE UNDERWRITER RESERVES THE RIGHT TO REJECT ANY ORDER, IN WHOLE OR IN PART, FOR THE PURCHASE OF ANY OF THE UNITS OFFERED HEREBY.

CREATIVE SECURITIES CORP.

32 Broadway
New York, New York 10004
(212) 509-5282, (516) 487-5350, (914) 331-2500

The date of this Prospectus is February 6, 1985

PROSPECTUS SUMMARY

The following is a summary of certain information contained in this Prospectus and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Prospectus.

The Company

HealthMate, Inc. is a recently formed Delaware corporation and the parent of two wholly-owned Illinois corporations organized in 1981 and 1982 (the "Company"). The Company has successfully completed its development and has a working prototype of a miniaturized, portable, low-intensity x-ray imaging device, which it plans to manufacture and market under the trademark "FluoroScan" (federal registration application pending). Based on patented technology licensed to the Company by the National Aeronautics and Space Administration ("NASA"), the FluoroScan™ produces an immediate and continuous x-ray image of the inside of an object under view at low levels of radiation. The Company believes that its low-intensity x-ray imaging technology can also be incorporated into other products with many potential applications.

The FluoroScan™ enables the user to view an object from any angle desired and, unlike conventional x-ray machines, it provides both still x-ray pictures and real-time images similar to those obtained with a video camera. With the FluoroScan™, the movement of the bones of a flexing hand can be observed, for example, as can the intricate circuitry inside a calculator or computer. The FluoroScan™ provides these high resolution images at radiation levels far below those of conventional x-ray and fluoroscopic equipment and at a comparatively low cost.

The FluoroScan™ has a wide range of possible commercial applications in the health care, dental, veterinary, industrial, security, and military fields. The Company has filed applications with the Food and Drug Administration ("FDA") for medical use of the product. It expects to receive the necessary clearances by the end of the first quarter of 1985 at which time it plans to commence its marketing of the FluoroScan™.

The Company is working to develop additional products using the patented low-intensity x-ray imaging technology. It has entered into an exclusive consulting agreement with a company whose principals are the four scientists that invented this technology for NASA to supplement its own anticipated research and development efforts.

Since its inception in 1981, the Company has been a distributor of a first generation low-intensity x-ray imaging device manufactured by an unaffiliated company. While the Company plans to focus its efforts on the development of the FluoroScan™ and related products, the Company will continue to sell the first generation device. See "Business—Distribution of the First Generation Device."

The Company's principal executive offices are located at 3175 MacArthur Boulevard, Northbrook, Illinois 60062. Its telephone number is (312) 564-5400.

The Offering

1,000,000 Units are offered hereby, each Unit consisting of two shares of Common Stock ($.01 par value) and one Warrant entitling the holder to purchase one additional share of Common Stock from February 6, 1986 through February 5, 1987 at a price of $1.95 per share, or from February 6, 1987 through February 5, 1988 at $2.15 per share, at which time the Warrants expire. The offering is being made on a "best efforts" basis by the Underwriter as agent for the Company with a minimum number of 666,667 Units offered. If the minimum number of Units is sold, the remaining 333,333 Units will be offered on a "best efforts" basis until all the Units are sold or the offering period ends, whichever occurs first. See "Underwriting."

Use of Proceeds

The Company intends to use the net proceeds from this offering for the purchase of manufacturing and quality control equipment, components and raw materials, marketing, advertising, selling,

HIGH RISK FACTORS

THE SECURITIES OFFERED HEREBY ARE HIGHLY SPECULATIVE IN NATURE AND INVOLVE A HIGH DEGREE OF RISK. THEY SHOULD BE PURCHASED ONLY BY PERSONS WHO CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. EACH PROSPECTIVE INVESTOR SHOULD, PRIOR TO PURCHASE, CONSIDER VERY CAREFULLY THE FOLLOWING RISK FACTORS, AS WELL AS ALL OF THE OTHER INFORMATION SET FORTH ELSEWHERE IN THIS PROSPECTUS.

Recently Formed Company; Losses Since Inception

HealthMate, Inc. is a recently formed Delaware corporation. Its two wholly-owned subsidiaries (collectively referred to with HealthMate, Inc. as the "Company") have generated limited operating revenues to date and had a deficit of $1,193,749 and working capital deficiency of $1,308,605, as of September 30, 1984, resulting from research, development and pre-marketing expenditures including seeking FDA clearances. Its operations are subject to all the risks inherent in a new business enterprise using novel technology. Since its inception in 1981, the Company has had continuing losses which will provide no future income tax benefits because of its Subchapter S status during the period in which those losses were incurred. See "Financial Statements."

Uncertain Commercial Acceptance; Inability To Develop Other Products

Neither the FluoroScan™ nor any of the Company's other possible products has yet been sold to the general public, and there can be no assurance that the FluoroScan™ or other low-intensity x-ray imaging products will receive commercial acceptance in any of their proposed markets. The Company, moreover, may not be successful in developing products other than the FluoroScan™ in which event the Company's future profitability may be reduced. See "Business—Introduction" and "Business—Possible New Products." The Company's revenues to date have been derived from sales of the radioactive-isotope, first generation, low-intensity x-ray imaging device which the Company currently plans to de-emphasize. See "Business—Distribution of the First Generation Device."

Government Regulation

To sell the FluoroScan™ and the other products it plans to develop in the United States health care market, the Company is required to obtain various clearances from the FDA. The Company has applied for such clearances for the FluoroScan™ and anticipates receiving clearance under the Medical Device Amendments Act of 1976 by the end of the first quarter of 1985. The Company must also have a variance from the FDA performance standards for fluoroscopic equipment that prohibit a radiation source from being less than certain specified distances from the skin. The Company applied for this variance for the FluoroScan™ in November, 1984 and believes that it will be granted. If, however, the Company does not receive FDA clearance of the device and the requested variance, it will be unable to sell the FluoroScan™ in the domestic health care market and the Company's profitability might be significantly impaired.

Additional regulations may be imposed by federal, state, local, or foreign authorities which could affect the Company or its sale of the FluoroScan™ or other products. Complying with government regulations and obtaining required clearances or approvals can be costly and time consuming, and there can be no assurance that the necessary clearances or approvals will be granted. Failure to comply with government regulations or receive the necessary clearances may have a substantially adverse effect on the Company's business. In addition, legislation that restricts the prices which can be charged by hospitals and other health care institutions might limit the ability of such institutions to purchase medical devices and thus adversely affect the Company. See "Business—Government Regulation."

NASA License and Patent; Proprietary Information

Under its March, 1984 license agreement with NASA, the Company must use its best efforts to make the benefits of the x-ray tube low-intensity x-ray imaging device reasonably accessible to the

public by March of 1986 or risk losing the license without which the Company would be unable to market the FluoroScan™. In addition, although the Company is not aware of any basis for a challenge to the validity of the underlying patent, the Company might have to defend the patent in the event of a challenge since NASA has no obligation to do so. A finding that the patent was invalid could significantly impair the Company's ability to compete. See "Business—License Agreements with NASA."

Along with its patented features, the FluoroScan™ incorporates unpatented design developments which are considered proprietary by the Company. In developing new products, the Company intends to rely on other unpatented know-how. Should this proprietary information become known to the Company's competitors, it could adversely affect the Company's ability to compete. See "Business—Other Proprietary Information and Trademarks."

Competition

Four other companies are currently licensed by NASA to manufacture and market products based on the technology which underlies the FluoroScan™. One of those companies has been actively manufacturing and marketing a radioactive-isotope low-intensity x-ray imaging device since 1983. (The Company has sold this product as a distributor from the date of the product's inception to the present.) None of the licensed companies is currently marketing an x-ray tube low-intensity x-ray imaging device like the FluoroScan™, although there can be no assurance that one or more of them will not do so. In addition, larger and more financially secure companies currently selling diagnostic radiology equipment could develop technology that would compete with or make obsolete the FluoroScan™. See "Business—Competition."

Dependence on Key Personnel

The Company is dependent upon the personal efforts and abilities of its present principal officers, Larry Grossman and Kenneth Wieselman. The loss or unavailability to the Company of either of these individuals could have a materially adverse effect upon the Company. The Company has employment contracts with Messrs. Grossman and Wieselman and has purchased "key-man" insurance on each of their lives in the amount of $1,500,000 during the first three years following the completion of this offering. See "Management."

Dependence on Scientific Consultants

The Company expects that its primary research and development work will continue to be conducted by the four NASA scientists who invented the low-intensity x-ray imaging technology. The Company's exclusive consulting agreement with their consulting company expires on July 29, 1986, and there is no assurance that it will be renewed or renewed on terms equally favorable to the Company. In addition, the agreement does not require that the four principals remain with the consulting company to perform the services which it is obligated to provide. Non-renewal of the consulting agreement or loss of any of these four individuals could significantly reduce the Company's access to technological advances. See "Business—Scientific Consultants."

Control by Present Stockholders

Upon completion of this offering the present stockholders of the Company will own at least 75% of the Company's outstanding Common Stock and will continue to control the Company's management, operations and policies. See "Principal Stockholders" and "Description of Securities—Common Stock."

Lack of Dividends

The Company has not paid any cash dividends since its inception, and it does not expect to declare or pay any cash dividends in the foreseeable future. See "Description of Securities—Dividends."

In addition, assuming the maximum number of Units is sold, 1,000,000 shares of the Company's Common Stock will be reserved for issuance on exercise of outstanding Warrants which are included in the Units, 300,000 shares will be reserved for issuance upon exercise of the Underwriter's Option, and 500,000 shares will be reserved for issuance under the Company's Incentive Stock Option Plan or upon exercise of other options. See "Management—Stock Options."

BUSINESS

Introduction

HealthMate, Inc. was incorporated under the laws of Delaware in November, 1984. It is the parent company of Lixiscope of America, Inc., and HealthMate of Illinois, Inc., Illinois corporations formed in 1981 and 1982, respectively, which were owned by the principals of the current HealthMate, Inc. The new Delaware corporation and its two subsidiaries are referred to throughout this Prospectus as the "Company."

Through its license agreement with the National Aeronautics and Space Administration ("NASA"), the Company has begun to exploit a patented technology known as low-intensity x-ray imaging. To date, the Company has completed a working prototype of a product that embodies this technology to be marketed under the pending trademark FluoroScan. The FluoroScan™, which is compact and portable, produces an immediate and continuous x-ray image of the inside of an object under view at low levels of radiation. Upon receipt of the required government clearances, the Company intends to manufacture and market the FluoroScan™ initially in the health care market and thereafter in the veterinary, dental, industrial, security, and military markets, first in the United States and then internationally.

The Company believes, moreover, that its technology has the potential to form the basis of a diverse assortment of new products with a variety of possible commercial applications. Upon completion of this offering, and commencement of manufacturing operations, the Company intends to begin work to broaden its product line so as to develop the commercial potential of this low-intensity x-ray imaging technology. To accomplish this objective, the Company may seek to establish sublicensing, distributor, and joint venture agreements with other companies, as it develops its own research, manufacturing, and marketing capabilities. There can be no assurance, however, that the Company will be able to develop the new products which it proposes to develop or that they will be commercially feasible. If the Company is unable to develop these products or to market them as proposed, its profitability may be adversely affected.

Since its inception in 1981, the Company has been a distributor of a radioactive-isotope, first generation, low-intensity x-ray imaging device manufactured by an unaffiliated company. Although the Company plans to focus its efforts on the manufacture and marketing of the FluoroScan™ and the development of new products, it will continue to act as a distributor of the first generation imaging device. See "Business—Distribution of The First Generation Device."

Low-Intensity X-Ray Imaging Technology

In 1979 scientists from NASA patented a new low-intensity x-ray imaging technology. This technology offers high resolution x-ray imaging with low levels of radiation in a variety of potential formats. The technology can produce images through miniaturized devices that allow for continuous viewing or monitoring, operate at lower levels of radiation than are required by conventional x-ray machines, and promise to be relatively inexpensive compared to other x-ray equipment. Given these characteristics, the Company believes that various prospective products with applications in a range of industries will result from the patented technology it has licensed from NASA. As described below, the Company has decided to commence its commercial exploitation of this technology by manufacturing and marketing the FluoroScan™.

Arbitrary Determination of the Offering and Warrant Exercise Price

The price at which the Company's Units are being offered to the public as well as the exercise price of the Warrants have been determined by negotiation between the Company and the Underwriter. The public offering price bears no relationship to the Company's operations, earnings, net worth, or to any other generally recognized criteria of value. See "Underwriting—Price of the Offering."

Immediate Substantial Dilution

Upon completion of this offering, there will be immediate substantial dilution in the net tangible book value of each share of Common Stock to new purchasers from the offering price of $1.75 per share (assuming no value is given to the Warrants) in the amount of $1.54 per share if the maximum number of Units is sold and $1.66 per share if the minimum number of Units is sold. Existing stockholders will realize an immediate substantial increase in the net tangible book value of each share of common stock held by them. See "Dilution."

Short-Term Debts Owed to Principal Stockholders; Company Guarantees of Corresponding Bank Debts Incurred by Principal Stockholders to Fund Loans to Company

The Company currently owes $1,120,000 to its principal stockholders, Messrs. Grossman and Wieselman, evidenced by joint demand notes. In order to fund these loans, Messrs. Grossman and Wieselman have in turn borrowed from several banks an equal amount on identical terms, guaranteed by the Company. See "Certain Transactions." Although the banks to which Messrs. Grossman and Wieselman are indebted have orally indicated their intention not to demand payment on the notes in the foreseeable future, there can be no assurance that they will not do so. Were some or all of these loans to be called, the Company would attempt to refinance these loans. In the event that it was unable to do so, it is likely that the Company would be required to pay some or all of the $1,120,000 which it has guaranteed. Such a demand on the Company's cash resources could adversely affect its liquidity and the remaining proceeds of this offering might be insufficient to manufacture and market the FluoroScan™ and to develop the Company's other proposed products. See "Application of Proceeds."

Benefit to Principal Stockholders

Upon completion of this offering and a proposed restructuring of the Company's debt, the Company intends that its principal stockholders, Messrs. Grossman and Wieselman, will be relieved of the personal liability incurred by them for the benefit of the Company in the amount of $1,120,000. See "Application of Proceeds" and "Certain Transactions."

Absence of a Public Market

There is no present trading market for the Units, Common Stock or Warrants of the Company. There is no assurance that a trading market will develop in any of these securities at the conclusion of this offering or that if a trading market does develop, it will be sustained. Therefore, there can be no assurance that any of the securities offered hereby can be resold at or near the offering price, and purchasers of the Units may have difficulty in selling these securities. See "Underwriting—Price of the Offering."

"Best Efforts" Underwriting; Escrow of Investors' Funds

Under the terms of this offering, the Underwriter is offering the Company's Units on a "best efforts" basis. No commitment exists by anyone to purchase all or any part of the Units offered hereby. Consequently, there is no assurance that the minimum number of Units being offered will be sold and subscribers' funds may be escrowed for as long as 90 business days and returned without interest in the event the minimum Units are not sold within the 60 business day offering period and the Underwriter's optional 30 business day extension period. Investors will not have the use of any funds paid for the purchase of the Company's Units during the subscription period. In the event the Underwriter is unable to sell the minimum number of Units within the offering period, the offering will be withdrawn. See "Underwriting."

The FluoroScan™

The FluoroScan™, the first of the Company's products, uses the patented low-intensity x-ray imaging technology in a portable, handheld device capable of producing both still pictures and moving images.

Advantages Over Conventional X-Ray and Fluoroscopic Technology

Portability and Continuous Image. The Company's prototype FluoroScan™ is both smaller and lighter than existing x-ray equipment, occupying approximately two square feet of space and weighing about 12 pounds (the power supply and control unit weighs about 8 additional pounds). It may be plugged into an electric outlet or operated from a 24 volt, rechargeable battery. The FluoroScan™ provides an immediate and continuous image of the object under view (similar to the image created by a video camera) and can be connected to an external monitor, video cassette recorder, 35mm or Polaroid camera to provide a permanent record of the image.

Reduced Radiation. Because of the many variables that affect the amount of radiation emissions—including composition of the object being viewed, its distance from the radiation source, duration of radiation exposure, and use of screens to absorb radiation—exact comparisons between the amount of radiation emitted by the FluoroScan™ and that emitted by conventional x-ray and fluoroscopic machines are difficult. Analyses by the Company's scientific consultants confirm, however, that in its expected uses the radiation emitted by the FluoroScan™ is significantly lower than that emitted by conventional x-ray and fluoroscopic machines, with comparable diagnostic utility.

The FluoroScan's™ low radiation intensity and its negligible scatter also result in benefits to users of the device. The FluoroScan™ does not require many of the safety precautions (such as lead aprons and lead-lined rooms) typically used with conventional x-ray machines, and the operator of the device can be present looking through the FluoroScan's™ viewer and directing its use at all times without absorbing the radiation they would be exposed to from standard x-ray machines or fluoroscopes.

Cost. Based on its prototype, the Company believes that the cost of the FluoroScan™ will be less than conventional x-ray and fluoroscopic machines. There may also be cost savings resulting from the fact that no film processor is necessary in connection with FluoroScan™ as it is with conventional x-ray machines, and no special lead-lined rooms are required to accommodate the device.

Advantages of X-Ray Tube Over Radioactive Isotope

The FluoroScan™ uses a miniaturized x-ray tube as its penetrating source and therefore has certain advantages over low-intensity x-ray imaging devices which use a radioactive isotope as their penetrating source. The x-ray tube has a useful life which the Company's scientific consultants estimate to be more than five years and can be replaced at a lower cost than the radioactive isotope, which currently must be replaced every six months. The x-ray tube also has a greater penetrating ability than the radioactive isotope now in use and therefore allows the FluoroScan™ to view more areas of the body and more objects than can be viewed using the radioactive isotope. By moving the x-ray tube imaging device closer to the object under view, the device can also produce an image which is magnified up to four and one-half times the actual size of the object. Further, the x-ray tube allows the user to vary the intensity of the penetrating power of the radiation enabling the viewer to use the minimum radiation necessary to view the particular part. The x-ray tube also provides better resolution (a clearer image) than that resulting from use of the radioactive isotope. Finally, no license is required from the Nuclear Regulatory Commission ("NRC") to use the x-ray tube low-intensity x-ray imaging device as it is for the radioactive-isotope version, and the NRC requirements for special training of users of the device and extensive record-keeping are thus inapplicable.

Potential Applications

Medical. The FluoroScan™ can be used to view all parts of a human body with the exception of the adult torso and can, therefore, be used as an alternative medical diagnostic tool to conventional fluoroscopes. The FluoroScan™ also has medical applications which are unavailable to conventional x-ray machines. Its ability to provide a continuous real-time image, for example, allows the FluoroScan™ to assist orthopedic surgeons in setting fractures by permitting them to view the insertion of the pins used to set those fractures while the medical procedure is actually being conducted. The FluoroScan™, moreover, enables the physician to view the procedure from any anatomical angle.

The FluoroScan™ can also be used to pinpoint foreign objects (such as tiny pieces of glass or metal) quickly and is thus appropriate for use in emergency rooms. The Company believes that the FluoroScan™ would also be useful to paramedics since the device is portable and battery-operated and allows for quick diagnosis of an accident victim before and during transport to a hospital. The Company also intends to market the FluoroScan™ to free-standing, emergency out-patient clinics, for which the FluoroScan™ seems particularly suited because of its high resolution, reduced radiation emission, ease of operation, portability and relatively low cost.

Veterinary. The FluoroScan™ has advantages over traditional x-ray technology in veterinary use because of its portability and because, unlike the conventional x-ray machine, it does not require a perfectly still subject. It is therefore appropriate for use, without anesthetics, either in the office or in the field, with dogs, cats, horses, or other animals.

Dental. The Company believes that the FluoroScan™ has possible dental applications. Dentists do not now have equipment which provides a continuous x-ray image. The FluoroScan™ could be used to assist dentists in diagnosing impacted teeth, performing root canal work, reconstructive surgery or other dental procedures, since it provides an image of the procedure as it is performed. It could also be used for routine dental x-ray examinations.

Security and Industrial. The FluoroScan™ also has a wide range of potential security and industrial applications. Low-intensity x-ray imaging devices have been used to detect metallic devices used to trigger letter bombs and to detect the presence of metallic compound poisons in pharmaceutical capsules. They have also been used for nondestructive industrial testing to determine the quality of welds in various metallic materials, non-ferrous castings, and composite structures used in aircraft, and to detect problems in other high specification sheet metal assemblies. The high resolution picture and portable nature of the FluoroScan™ should also make it effective in checking the quality of computer circuit boards and microchips.

Military. Because of its advantages over conventional x-ray and fluoroscopic equipment, the Company believes that its FluoroScan™ is suitable for a number of military uses, including those relating to health care such as in ship and field hospitals, as well as the possible applications just described.

Possible New Products

The Company presently plans to concentrate its manufacturing and sales efforts on the FluoroScan™ and its accessories—an operating room stand, monitor-television camera system, and 35mm and Polaroid camera attachments. The Company also intends, to the extent that the proceeds of this or other financings and revenues permit, to develop additional products using the patented low-intensity x-ray imaging technology with the assistance of its scientific consultants. No assurance can be given that any of the proposed products will perform at a satisfactory level, that they can be built for an acceptable cost, or that markets exist into which they could be sold at a profit. The Company's management expects that the proceeds of this offering will be sufficient to develop working prototypes

of the battery-powered field and dental versions of the FluoroScan™ and a miniature gamma camera, but will not be sufficient to market those products or to develop and market the other products described below. See "Application of Proceeds."

Products Expected to be Developed With Proceeds of This Offering

Battery-Powered Field Version of the FluoroScan.™ One potential new product is a smaller, battery-powered version of the FluoroScan™ especially appropriate for in-the-field applications by equine and rural veterinarians, military and security personnel, sports medicine practitioners and other professionals who might use an x-ray imaging device at locations inaccessible to conventional equipment.

Dental Version of the FluoroScan.™ A second planned new product is a FluoroScan™ designed for the dental market, the potential applications of which are described in the preceding section on that subject. While the Company currently plans to complete prototypes of the field and dental versions of the product by the end of 1985, there can be no assurance that this timetable will be met.

Miniature Gamma Camera. The Company may develop three additional products that employ the low-intensity x-ray imaging technology. One of these products is a miniature gamma camera particularly suited for creating images of short-lived radioisotopes injected into a patient. The newly-developed technique of using short-lived radioisotopes in nuclear medicine results in a reduction of the radiation exposure to the patient.

Future Product Development

3D Tomographic Imaging Device. Another product which the Company may develop is a three-dimensional tomographic imaging device which, like the gamma camera, has the capacity to make images of concentrated amounts of radioactive materials, and also produces an image which is three-dimensional and which has the capacity to select sliced sections of the object to view.

Gamma-Ray Spectrometer. The Company may also develop a low-intensity gamma-ray spectrometer which images, counts, and determines the energy of incoming radiation. Used in conjunction with either the miniature gamma camera or the three-dimensional tomographic imaging device, the spectrometer would have the capacity to reject scattered radiation which degrades image quality or to image multiple radioisotopes simultaneously.

Both the tomographic imaging device and the gamma ray spectrometer, U.S. Patent Application No. 459,842 (pending) and U.S. Patent No. 4,345,153 (issued August 17, 1982), respectively, were invented by Dr. Yin, one of the Company's scientific consultants, and both have been developed into prototypes by NASA. The Company has applied to NASA for licenses for both inventions, and NASA has announced its intention to grant exclusive licenses to the Company unless it receives written objection. There can be no assurance, however, that such licenses will be granted. Unless it is licensed to use the patented technology, the Company would be unable to develop or market these products.

Power Supply-Transformer. The power supply-transformer which is a component of the FluoroScan™ is based on two patented devices which were invented by Mr. Ruitberg, another of the Company's scientific consultants, and will be licensed to the Company. See "Business—License Agreements with NASA." These devices are the high voltage power supply and the high voltage isolation transformer. The combination of these two inventions results in a high voltage system that is extremely compact, making portable the appliances in which they are used. The devices are capable of operating for extended periods of time without degradation due to excessive power dissipation and insulation deterioration from high electric field stress. Circuit techniques are also employed to minimize electromagnetic noise generation. In addition to its use as a component of the FluoroScan™, the power supply-transformer may have commercial applications in connection with other equipment.

The Company expects to manufacture the power supply-transformer and may sell this FluoroScan™ component as a separate product to be used in small format imaging equipment if and when it appears that there is a market for such a compact power source.

Marketing

The Company's low-intensity x-ray imaging technology offers high resolution x-ray imaging with very low levels of radiation in a variety of potential formats. The Company believes that this technology will enable it to develop a number of products that will provide better imaging at lower costs than existing equipment or techniques. The Company's prospective methods of distribution reflect the diversity of its possible products and include the creation of an in-house marketing capability, appointment of distributors, sub-distributors, and licensees, and establishment of joint ventures.

Marketing Plans for the FluoroScan.™ The Company presently intends to concentrate its initial marketing efforts in the health care and veterinary markets and subsequently to market the FluoroScan™ in the dental, industrial, non-destructive testing, security and military markets. The Company anticipates that it will distribute the FluoroScan™ in the health care market either through a single distributor or through its own sales force. The Company may also appoint one or more distributors in other potential marketing segments for its product.

The Company has held preliminary discussions with several diagnostic x-ray imaging equipment companies concerning a long-term, exclusive world-wide distribution agreement which would include a guaranteed minimum purchase. If an agreement were reached, the firm (acting as the Company's exclusive distributor) would undertake primary responsibility for promoting, marketing and servicing the FluoroScan™ in the health care market, and the Company would concentrate its sales efforts on other markets.

The Company plans to hire a sales force to assist its existing independent representatives in marketing the FluoroScan™ in the U.S. health care market if it does not enter into an agreement with a single distributor, or in other markets if it does. The sales force would include a national sales manager, regional managers located in New York, Atlanta, Chicago and Los Angeles, and a number of full-time direct sales representatives.

Introduction to the Health Care Market. The Company's planned marketing strategy for the health care market includes the following components:

- Organize clinical trials to be conducted by radiologists and other physicians.
- Arrange for the inclusion of the FluoroScan™ procedures in schedules of reimbursement for Blue Cross/Blue Shield and Medicare.
- Prepare advertising and promotional programs directed toward health care professionals including radiologists, emergency room physicians, orthopedic surgeons, pediatricians and podiatrists.
- Advertise in selected trade journals and trade publications.
- Produce audio-visual sales presentations.
- Attend state and national trade shows and conventions.

Warranty and Service. The Company plans to provide a six-month limited warranty on parts and labor for the FluoroScan™ and will offer longer term service contracts. Servicing will be provided either by independent trained service representatives in the field, or at the Company's facilities.

International Sales. Once the Company has commenced its manufacturing operations and has begun satisfactorily to market the FluoroScan™ in the United States, the Company intends to explore opportunities for sales (either directly or through other companies) to the international market.

Distribution of the First Generation Device

Since the Company's inception in 1981, it has been a distributor of the radioactive-isotope low-intensity x-ray imaging device manufactured by Lixi, Inc., an unaffiliated company. For the first two years of its operation the Company devoted most of its efforts to analyzing the U.S. health care market for low-intensity x-ray imaging devices and assisting Lixi in its efforts to obtain regulatory clearance.

The necessary FDA clearance to sell the first generation device in the U. S. health care market was obtained in May, 1983. Because this device uses a radioactive isotope as its penetrating source, its purchasers must be licensed by the Nuclear Regulatory Commission ("NRC"), a process that initially required many hours of training. In November, 1983, the NRC reduced substantially the number of training hours needed to obtain a license although the NRC licensing requirement remains an impediment to sales of the first generation device. The Company sold only a limited number of the devices during the period May to November, 1983. Various disputes concerning interpretation of and performance under the existing distributor agreement arose between the Company and Lixi which were finally resolved with the adoption of a new distributor agreement in March, 1984 (the "Agreement").

As presently in effect, the Agreement provides that the Company will serve as a non-exclusive distributor for Lixi, Inc.'s first generation, low-intensity x-ray imaging device in the U. S. health care market (not including the veterinary, dental or government markets). Under the Agreement, the Company will have an opportunity to sell any new or improved products developed by Lixi. Both these "latest technology" products and the first generation imaging device are to be sold to the Company at Lixi's distributor price. The Agreement may be terminated by either party upon breach, bankruptcy, appointment of a receiver, insolvency, or a change in ownership of more than one-half of the capital stock of the other's company. Either party may terminate the Agreement after five years (March, 1989) with 30 days written notice, and the Company may, upon 90 days' written notice to Lixi, elect to discontinue its relationship at any time. Following termination of the Agreement, Lixi will continue to supply such parts and assemblies to the Company for a period of five years as may be needed to service the Company's customers for the first generation products.

The Agreement further provides that Lixi will not communicate directly with the Company's customers (except under limited circumstances), and that during the term of the Agreement and for one year thereafter, the Company will not compete with Lixi in the sale of radioactive-isotope low-intensity imaging devices in the U. S. health care market. The Company is expressly permitted to develop, market and sell the FluoroScan™, accessories and components of the FluoroScan™, other products and prospective products which incorporate an x-ray tube, and the gamma camera and spectrometer.

The Company is also a party to a March, 1984 Isotope Sales Agreement with Lixi, Inc.'s affiliate, TDX, Inc., an Illinois corporation that sells radioactive isotopes for use with Lixi's first generation imaging device. Under the Isotope Sales Agreement, during the term of the Agreement, the Company has the right to obtain isotopes from TDX at the lowest price being charged by TDX to other distributors or original equipment manufacturers purchasing similar quantities at the time of delivery.

From November of 1983 to the end of 1984, the Company had approximately $1,000,000 in revenues from sales and leasing of the radioactive-isotope low-intensity x-ray imaging device and its accessories. These sales and leases were made throughout the United States by the Company's internal salespeople and through independent sales representatives, predominantly to podiatrists, orthopedists, and hospitals.

The Company plans to continue to sell the first generation, low-intensity x-ray imaging device and accessories as its only products until the FluoroScan™ is ready for sale later in 1985. At that point it expects to concentrate on the marketing of the FluoroScan™, although it will continue to sell the first generation imaging device.

Scientific Consultants

The Company has entered into a three-year exclusive consulting agreement commencing on July 29, 1983 with QTR Corporation, a Maryland corporation ("QTR"), whose founders and principals are the scientists who invented the low-intensity x-ray imaging technology. The principals of QTR are:

Lo I Yin, Ph.D. (age 54), Astrophysicist, employed by NASA at the Goddard Space Flight Center since 1967. Dr. Yin is President of QTR and is an adjunct professor in the department of chemistry at the University of Maryland. He received his Ph.D in nuclear physics from the University of Michigan in 1963. He also holds degrees from the University of Rochester, Carleton College and Central China University. Dr. Yin has written or co-authored more than 60 papers in the area of astrophysics, and has received a number of awards for his inventions, four of which are patented. Dr. Yin was named NASA inventor of the year in 1980.

Stephen M. Seltzer (age 44), Nuclear Physicist, employed by the National Bureau of Standards since 1962. Mr. Seltzer is Vice President of QTR. He received an M.S. degree in physics from the University of Maryland in 1973 and a B.S. in physics from Virginia Polytechnic Institute in 1962. Mr. Seltzer has done research in the area of the transport of radiation through bulk material and has published more than 80 articles in scientific journals. He was awarded the Department of Commerce Bronze medal in 1983.

Jacob I. Trombka, Ph.D. (age 45), Astrophysicist, employed by NASA at the Goddard Space Flight Center since 1974. Dr. Trombka is Vice President of QTR and is a visiting lecturer in physics at the University of Maryland. Dr. Trombka received a Ph.D. in Nuclear Science from the University of Michigan in 1961. He also holds B.S. and M.S. degrees in physics from Wayne State University. He has published more than 100 scientific papers in the area of astrophysics and has received numerous honors including the John Lindsay Award from the Goddard Space Flight Center for the Most Significant Scientific Achievement in 1972 and the NASA medal for Exceptional Scientific Achievement in 1973.

Arthur P. Ruitberg (age 36), Electrical Engineer, employed by NASA at the Goddard Space Flight Center since 1971. Mr. Ruitberg serves as the Senior Design Engineer of the Space Power Applications Branch of the Goddard Space Flight Center. Mr. Ruitberg is Vice President of QTR. He received a BSEE degree from the Pratt Institute in 1971. His primary work has been in the development of high and low output voltage power supplies. He has also been involved in the design of spacecraft and has published articles on spaceborne power supplies and systems.

Pursuant to the Company's agreement with it, QTR assisted in the development and assembly of the now-completed FluoroScan™ prototype. The agreement also provides that QTR will lend assistance in acquiring the government clearances necessary to market the device. Under the agreement, the Company pays QTR an hourly consulting fee of $60 in addition to a royalty of $300 for each FluoroScan™ sold by the Company. The agreement also gives the Company all rights to products developed by QTR in connection with development of the FluoroScan™ and other services which QTR agrees to perform for the Company, and the right to participate in the development and marketing of other products invented by QTR (except when consulting for others) during the term of the agreement, or to receive a royalty from QTR on the value of the components in the product which were developed for the Company.

QTR has assisted the Company in preparing its pending FDA applications and, with the assistance of QTR, the Company plans to seek FDA approval for the marketing of the FluoroScan™ to the dental market. In addition, the Company plans to use QTR to assist in the development of new products stemming from the licensed low-intensity x-ray imaging technology, such as a miniature gamma camera, 3D tomographic imaging device, and spectrometer. See "Business—Possible New Products."

The agreement with QTR terminates on July 29, 1986. It is renewable for one-year terms thereafter, but there can be no assurance that QTR will choose to renew the agreement at the end of the initial term. In addition, the agreement does not require that the current principals of QTR remain with it. If any of them were to leave QTR during the term of the agreement, the Company would likely lose the benefit of their expertise, and, although the Company's personnel are adequately trained in the manufacture and operation of the FluoroScan™, its ability to develop new products could be impaired. Although the Company's management believes that it could employ other consultants to assist in future research and development activities, those consultants might be less capable or less efficient than QTR in assisting the Company and, as a result, the Company's ability to develop new products could be impaired.

License Agreements With NASA

License for X-Ray Tube Low-Intensity X-ray Imaging Device. In March of 1984, the Company received a license from NASA to develop and sell x-ray tube low-intensity x-ray imaging devices under U.S. Patent No. 4,142,101 for a "Low Intensity X-ray and Gamma-Ray Imaging Device" (invented by Dr. Yin) issued on February 27, 1979. Under the license, the Company has paid to NASA an initial fee of $3,000 and is obligated to pay a royalty of 3.5% of the net invoice price of each FluoroScan™ sold.

The term of the license is for the life of the patent, until February 26, 1996. The license is terminable by NASA after two years if, by that time, the Company has not used its best efforts to make the benefits of the device reasonably accessible to the public. The license is also terminable in the event that the Company defaults on its obligations under the agreement, including its obligation to continue to make the benefits of the device reasonably accessible to the public. NASA makes no representation under the license agreement as to the validity of the patent which is licensed and assumes no obligation to defend its validity or to protect it against infringement. If, however, after receiving notice from the Company that the patent is being infringed, NASA does not initiate suit or cause the infringement to cease within six months, the Company is relieved of its obligation to pay royalties under the agreement until the infringement ceases. The Company also has the right to initiate suit to protect the patent against infringement and to deduct the costs of any such suit from its royalty obligations (subject to an upper limit). Four other companies have similar licenses for this patent. No additional licenses will be granted by NASA.

Licenses for Power Supply and Transformer. NASA has advised the Company that it will grant licenses to use the "High Voltage Power Supply" and "High Voltage Isolation Transformer", U.S. Patent Application Nos. 506,477 and 511,362 (invented by Mr. Ruitberg), and has sent the Company a proposed license agreement. The power supply and transformer are components of the FluoroScan™ and may also be marketed by the Company independently. See "Business—Possible New Products."

Other Proprietary Information and Trademarks

In addition to its licensed patented technology, the Company believes that certain FluoroScan™ design developments made by its scientific consultants are patentable, and the Company intends to apply for patents for these designs. Other design developments which may not be patentable are trade secrets and are considered proprietary by the Company. The Company has taken steps to safeguard these trade secrets by limiting the number of persons who have access to the proprietary information and entering into non-disclosure and non-competition agreements with those persons to assure that

this information will not be divulged. The Company's agreement with its scientific consultants also provides for protection of trade secrets, and QTR has informed the Company that it has signed agreements with its employees to preserve the Company's confidential information. Should the Company's trade secrets become known to its potential competitors, however, such knowledge could adversely affect the Company.

The Company has applied to the U.S. Patent and Trademark Office to register the trademarks "HealthMate" and "FluoroScan." In January, 1985, the Patent and Trademark Office advised the Company that no registered mark so resembled "HealthMate" (when applied to the Company's goods or services) as to be likely to cause confusion, mistakes, or to be deceptive. The Patent and Trademark Office also advised the Company that, because of a prior registration of the mark "Fluoroscan," it had reached a preliminary determination to refuse registration of that mark. The Company plans to investigate this prior registration and, if appropriate, to reply to the Patent and Trademark Office and to continue to seek federal registration for "FluoroScan." There can be no assurance, however, that these efforts (or its application for "HealthMate") will be successful. Since the Company has not yet begun marketing or manufacturing its FluoroScan™ and has to date made no investment in the "FluoroScan" mark, the Company believes that selecting a new name for its low-intensity x-ray imaging device, should that become necessary, will not delay the Company's introduction of the device or result in any material cost to the Company.

Government Regulation

To sell the FluoroScan™ in the U.S. health care market, the Company is required to obtain clearance from the FDA Center for Devices and Radiological Health under the Medical Device Amendments Act of 1976 (the "Act"). Any new products which the Company wishes to sell in the domestic health care market, including all of the possible new products described in this Prospectus, would also require FDA clearance, and no assurance can be given that such clearances will be received.

If a new product is substantially equivalent in terms of its safety and intended use to approved products that are commercially available, clearance may be sought by filing a premarket notification to the FDA under § 510(k) of the Act. In cases where there is no approved substantially equivalent product, clearance by the FDA involves a more lengthy procedure, including detailed laboratory and clinical testing and sampling activities.

In September, 1984, the Company filed its premarket notification application for the FluoroScan™ under § 510(k) of the Act. The Company believes that, with respect to the health and safety factors considered by the FDA in licensing, the FluoroScan™ is "substantially equivalent" to fluoroscopes now in widespread use, as well as to the radioactive-isotope version of the low-intensity x-ray imaging device. Based on the use of fluoroscopes, the radioactive-isotope version was cleared by the FDA in 1983 under this application procedure. However, if the Company does not receive FDA clearance for the device, the Company would be unable to sell the FluoroScan™ in the U.S. health care market, and its marketing plans would require significant alteration. Delays in receiving FDA clearance would also slow the Company's ability to make the device commercially profitable.

In addition to its premarket notification, the Company filed an application in November, 1984 (also with the FDA's Center for Devices and Radiological Health) for review of the FluoroScan™'s compliance with the performance standards for fluoroscopic equipment promulgated by the FDA under the Radiation for Health and Safety Act of 1968. Concurrently with submission of this performance standards review application, the Company requested a variance from the portion of the performance standard which prohibits a radiation source from being less than certain specified distances from the skin. Because of the FluoroScan™'s low level of radiation emission and its precisely focused x-ray beam, the Company believes, based on the advice of its scientific consultants, that its review application and variance request will be granted, although no assurance can be given that they will be.

Finally, the Company is also subject to various FDA record-keeping, reporting and manufacturing requirements. The Company expects to file its initial manufacturer's report on the FluoroScan™ before it commences its manufacturing operations in 1985.

Federal law preempts states and their political subdivisions from regulating medical products. Upon application by state or local authorities, however, the FDA may permit regulation of medical products which is either more stringent than federal regulations or is required because of compelling local conditions. The Company does not anticipate that any permitted state or local requirement will have a material adverse effect on the Company. However, there is no assurance that in the future state or local requirements may not have a substantial effect on the Company.

Similarly, additional regulations may be imposed by U.S. or foreign authorities which could affect the Company or its sale of the FluoroScan™. Complying with government regulations and obtaining required clearances or approvals can be costly and time consuming, and there are no guarantees that the necessary clearances or approvals would be granted. Failure to comply with government regulations or receive the necessary clearances could negatively affect the Company's business.

Competition

No company is currently marketing an x-ray tube low-intensity x-ray imaging device although NASA has licensed four other firms to attempt to commercialize such a device. The Company, however, has been promised a license from NASA for the patented small power supply and transformer, which are critical components of the FluoroScan™. NASA has indicated that it will grant such licenses to one of the other x-ray tube version licensees but only for use in conjunction with a low-intensity x-ray imaging device and will grant no other such licenses. While there can be no assurance that the other three companies licensed by NASA for the x-ray tube version could not develop technology that will substitute for NASA's power supply and transformer, those companies will not have access to the patented power supply and transformer and will not be able to develop a product using this important licensed technology.

One of the other companies licensed to use NASA's x-ray tube low-intensity x-ray imaging technology has developed and is currently manufacturing and marketing a radioactive-isotope version of the product which will compete with the Company's FluoroScan™ in certain markets. The Company is still a distributor of this radioactive-isotope version and will be able to continue to sell it as well as the Company's FluoroScan™, although the Company expects to emphasize sales of the second-generation low-intensity x-ray imaging device, its FluoroScan™.

No company is currently marketing (or, to the Company's knowledge, developing) any of the other products which the Company plans to develop, although there can be no assurance that one or more firms will not do so in the future.

There can also be no assurance that the companies referred to above, or larger, better-known, and more financially secure companies already established in the field of x-ray imaging, could not develop technology that would compete with or make obsolete the FluoroScan™ or the other products the Company plans to develop. If one or more of these firms were to develop and introduce products comparable or superior to the FluoroScan™ or to these other products, the Company's lack of an established reputation, its small capital base, and recent entry into the field could hinder its ability to compete with them and thereby affect the Company's profitability.

Manufacturing and Supplies

The Company intends to assemble the FluoroScan™ and other products it develops at its manufacturing facilities in Northbrook, Illinois. Most of the components used in manufacturing the FluoroScan™ are readily available and therefore the Company does not anticipate problems with the availability of supplies. The x-ray tube, which is a critical component of the FluoroScan™, is currently being manufactured by only one source. The Company has now identified another manufacturer which has stated that it would be willing to manufacture the tube. The Company has

not yet identified sources of supply for the components which will be used in the other products it plans to develop but does not anticipate problems with their availability.

Facilities

The office and manufacturing facilities of the Company are located at 3175 MacArthur Boulevard in Northbrook, Illinois. The Company leases approximately 20,400 square feet of space at an initial annual cost of approximately $4.35 per square foot increasing to $5.30 per square foot in the second and third years of the lease. The total annual rent is $88,173 from September, 1984 through August, 1985, and $108,173 for each of the succeeding two years. Several thousand square feet of space are devoted to administrative offices. The remaining space is used for production and storage facilities for the Company's assembly and testing operations. These facilities include a machine shop for small component manufacturing, secondary machining operations, and new prototype development, along with areas for systems testing and quality control functions. The three-year lease expires on August 31, 1987 and is renewable at the Company's option for a second three-year term with certain rent escalation provisions.

Product Liability

Primarily because the FluoroScan™ and the other products which the Company plans to develop are intended in part for medical use, there is some risk that there will be product liability claims arising out of their use. The Company plans to obtain product liability insurance to cover such claims on each of its products before those products are offered for commercial sale. The Company currently has product liability insurance covering claims arising out of the use of the radioactive-isotope, first generation, low-intensity x-ray imaging device.

Employees

The Company currently has seven full-time employees, including four executive officers. It has entered into three year employment agreements with Messrs. Grossman and Wieselman. See "Management." The Company plans to hire such additional accounting, administrative, sales, quality control, and other employees during 1985 as are justified by the needs of the business.

MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information regarding the directors and executive officers of the Company. All of the directors of the Company serve until the next annual meeting of stockholders and until their respective successors are elected and qualified. Executive officers serve at the discretion of the Board.

Name	Age	Positions
Larry Grossman	35	Chairman of the Board of Directors and Chief Executive Officer
Kenneth Wieselman	37	President and Director
Stephen A. Farner	45	Vice President—Manufacturing and Product Development
Craig R. Ehlen	38	Vice President—Finance and Treasurer
Peter V. Baugher	36	Director and Assistant Secretary
Arlen L. Issette	41	Director
Michael H. Moskow	47	Director

Background

The following is a brief description of the business experience of each executive officer and director of the Company.

LARRY GROSSMAN has served as Chairman of the Board and Chief Executive Officer since he and Mr. Wieselman founded Lixiscope of America, Inc., one of the Company's predecessors, in May, 1981. From 1972 to 1977, Mr. Grossman was Vice President and from 1977 to 1982, President and Chief Executive Officer of Trans Leasing International, Inc., Northbrook, Illinois, a national medical leasing company which he cofounded. During his tenure at Trans Leasing International the company's revenues grew to approximately $25 million annually, and the company received a 3A1 rating from Dunn & Bradstreet. Mr. Grossman graduated from Drake University with a B.S. in Business Administration in 1971.

KENNETH WIESELMAN has served as President and Director since the incorporation of Lixiscope of America, Inc. in 1981. Mr. Wieselman was National Sales Manager of Trans Leasing International, Inc. from 1976 to 1982. While he was at Trans Leasing International that company's sales increased by roughly 500%. Mr. Wieselman served as President of American Standard Leasing, which was then a publicly held general equipment leasing company located in Chicago, Illinois, from 1971 to 1976. He received a B.S. in Finance from Northern Illinois University in 1970.

STEPHEN A. FARNER has been Vice President—Manufacturing and Product Development for the Company since 1981. During 1981, Mr. Farner was Vice President—Marketing of Technics Marketing, Inc., an Indiana marketing consulting firm. From 1978 to 1981 Mr. Farner was Director of Marketing for Orthopedic Equipment Company, an Indiana manufacturer and distributor of orthopedic and fluoroscopic equipment. From 1973 to 1977, Mr. Farner was Vice President—Manufacturing for Sampson Corporation, a Pennsylvania manufacturer of surgical implants. From 1965 to 1973, Mr. Farner was Technical Advisor, Manager, Product Development and Coordinator—Latin American Operations for DePuy, Inc., a firm involved in manufacturing and marketing surgical equipment and implants.

CRAIG R. EHLEN has been Vice President—Finance and Treasurer since he joined the Company in December, 1984. From 1975 to 1984 he was at Esmark, Inc. serving as Vice President—Finance and Development of Estech, Inc., a wholly-owned subsidiary, from 1980 to 1984, and in other financial positions from 1975 to 1980. From 1969 to 1975 Mr. Ehlen, who is a certified public accountant, worked for Touche Ross & Co. He received a B.S. in Accountancy in 1968 and a M.A.S. in 1969 from the University of Illinois. While Mr. Ehlen is becoming familiar with the Company, Mr. Grossman continues to act as the Company's principal financial officer.

PETER V. BAUGHER is a partner in the Chicago, Illinois law firm of Schiff Hardin & Waite where he has worked since 1974. Mr. Baugher was elected a director in 1984, and he and his firm have served as counsel to the Company since 1983. He received an A.B. from Princeton University in 1970, and a J.D. from Yale Law School in 1973.

ARLEN L. ISSETTE, who has been a director since 1984, is President of The Concept Factory, Inc., Lombard, Illinois, an advertising consulting firm he founded in 1981. The Concept Factory has provided consulting services to the Company since 1982 at competitive rates. From 1978 to 1981, Mr. Issette was a consultant for MacArthur Enterprises, a Chicago, Illinois, venture capital firm. Mr. Issette graduated with a B.S. in Chemistry from Wayne State University in 1965.

MICHAEL H. MOSKOW was elected a director in 1984, and is also a director of Iroquois Foundry Company in Browntown, Wisconsin. From 1982 to 1984 he was President and Chief Executive Officer of Velsicol Chemical Corporation, a chemical manufacturing company and wholly-owned subsidiary of Northwest Industries, Inc. From 1977 to 1982, Mr. Moskow was at Esmark, Inc., as Vice President, Corporate Development and Planning from 1977 to 1980 and as Executive Vice President of Estronics, Inc., a subsidiary, from 1980 to 1982. Mr. Moskow was Under Secretary of Labor from 1976 to 1977 and Director of the Council on Wage and Price Stability from 1975 to 1976. He received a Ph.D. in Business and Applied Economics from the University of Pennsylvania in 1965.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information concerning the beneficial ownership of the Company's Common Stock.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned(1)	Percent of Class Before Offering	Percent of Class After Offering	
			Minimum	Maximum
Larry Grossman(2) 3175 MacArthur Boulevard Northbrook, Illinois 60062	3,000,000	50%	41%	37.5%
Kenneth L. Wieselman(2) 3175 MacArthur Boulevard Northbrook, Illinois 60062	3,000,000	50%	41%	37.5%
All Officers and Directors of Company as group (7 persons)(3)	6,000,000	100%	82%	75%

(1) The stockholders listed above exercise sole voting and investment power with respect to the stock owned by them.

(2) Messrs. Grossman and Wieselman may be deemed to be promoters of the Company as that term is defined under the Securities Act of 1933, as amended. Each has agreed not to sell his stock for a period of two years from the date of this Prospectus. See "Shares Eligible for Future Sale."

(3) Options to purchase shares of the Company's Common Stock have been granted to each director and executive officer of the Company except Messrs. Grossman and Wieselman. See "Management—Stock Options."

CERTAIN TRANSACTIONS

In May of 1981, Lixiscope of America, Inc., which is now a wholly-owned subsidiary of the Company, issued in connection with its formation 50 shares of Common Stock, no par value, to each of Larry Grossman and Kenneth Wieselman for $10.00 per share. In December of 1982, Lixiscope of America, Inc. acquired the assets, including inventory and leases, and assumed the liabilities of Lixiscope of America, an Illinois general partnership.

In July of 1982, HealthMate of Illinois, Inc., an Illinois corporation which is now wholly-owned subsidiary of the Company, issued in connection with its formation 37 shares of Common Stock, no par value, to each of Larry Grossman and Kenneth Wieselman for $10.00 per share.

In November of 1984, the issuer, HealthMate, Inc. issued in connection with its formation 3,000,000 shares of Common Stock, $.01 par value, to each of Larry Grossman and Kenneth Wieselman in exchange for 50 shares of Common Stock of Lixiscope of America, Inc. and 37 shares of Common Stock of HealthMate of Illinois, Inc. from each of them.

Since July, 1982, the Company has paid approximately $8,500 to The Concept Factory, of which one of the directors of the Company is President, for advertising consulting services and $72,665 in reimbursable expenses consisting primarily of advertising and printing costs. Between April, 1983 and September, 1984, the Company paid fees of approximately $79,845 to Schiff Hardin & Waite, a law firm in which one of the directors of the Company is a partner.

The Company and its stockholders, Messrs. Grossman and Wieselman, recently restructured the Company's debt with its banking sources in order to minimize tax consequences arising from the

Company's loss of its Subchapter S status due to the formation of Healthmate, Inc. As a result of this restructuring, Messrs. Grossman and Wieselman now have joint demand loans outstanding to the Company in the aggregate amount of $1,120,000 with interest rates ranging from ¾% to 2% above the prime rate. Prior to October, 1984, the Company's $1,120,000 loans from banks were personally guaranteed by the two stockholders. As a result of the restructuring, the loans are now in the names of the stockholders, guaranteed by the Company. The Company thus owes the amount of its prior indebtedness to the stockholders, and they in turn owe that sum to the banks. The amount of liability of the Company and the terms of the loans remain unchanged. After completion of the public offering, the Company intends to convert these loans to direct bank debt, at which time the Company expects that Messrs. Grossman and Wieselman will be relieved of personal liability for the amounts now outstanding. The Company also expects to use some of the proceeds from the sale of Units offered hereby to repay a portion of that bank indebtedness. See "Application of Proceeds."

In addition to the foregoing bank-related loans, Messrs. Grossman and Wieselman have made open account, non-interest bearing loans to the Company which currently amount to $165,000 and $21,000, respectively. Since January, 1984, the Company has been repaying its loan from Mr. Wieselman at the rate of $500 per week. Upon completion of this offering, the Company will discontinue these repayments and has no immediate plans to make additional payments on these loans.

During 1983 and 1984, the Company loaned approximately $104,175 and $13,168, respectively, to Deerpath Insurance Company, of which Messrs. Grossman and Wieselman were then controlling stockholders and directors. These loans were written off by the Company as bad debts in 1983 and 1984. Messrs. Grossman and Wieselman sold their interests in Deerpath Insurance Company in 1984 to its other stockholder and retain no affiliation with that company.

LEGAL PROCEEDINGS

Lixiscope of America, Inc., a subsidiary of the Company, and Stephen A. Farner are among six defendants in a suit pending in the Circuit Court of Whitley County, Indiana, filed on June 29, 1982, by Technics Marketing, Inc. and Paul L. Lindley (*Technics Marketing, Inc., et al. v. Protek AG, et al.*, Cause No. C82-476). Trans Leasing International, Inc., a company in which Messrs. Grossman and Wieselman were executive officers until 1982, is also a defendant. Lixiscope of America, Inc. and Mr. Farner, a former employee of Technics Marketing, Inc., are alleged to have participated in a conspiracy to cause the termination or breach of a product distribution agreement entered into between Technics Marketing, Inc. and another of the defendants, Protek AG. Mr. Farner is also alleged to have breached his fiduciary duty to Technics Marketing, Inc. The plaintiffs seek compensatory and punitive damages in unspecified amounts. The Company believes that it has meritorious defenses to these claims and therefore rejected an offer of settlement for $35,000 made in March of 1984. The Company does not believe that a negative outcome of the litigation would have a materially adverse effect on its business.

The Company is not party to any other material pending or threatened litigation.

DESCRIPTION OF SECURITIES

Description of Units

The securities offered hereby are Units consisting of two shares of Common Stock and one Warrant to purchase one additional share of Common Stock. The Warrants are exercisable for two years beginning one year from the date of this Prospectus at an initial exercise price of $1.95 per share increasing to $2.15 per share beginning two years from the date of this Prospectus. The Warrants may