HEARX LTD
Form S-4/A
May 21, 2002

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As filed with the Securities and Exchange Commission on May 21, 2002.

Registration No. 333-73022

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 5
to

Form S-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

HEARx LTD.

(Exact name of the registrant as specified in its charter)

Delaware	**5990**	**22-2748248**
(State or other jurisdiction of incorporation or organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

1250 Northpoint Parkway

West Palm Beach, Florida 33407
(561) 478-8770
(Address and telephone number
of the registrant s principal executive offices)

Dr. Paul A. Brown

Chairman and Chief Executive Officer
HEARx LTD.
1250 Northpoint Parkway
West Palm Beach, Florida 33407
(561) 478-8770
(Name, address and telephone number of agent for service)

Copies to:

LaDawn Naegle
Bryan Cave LLP
700 Thirteenth Street, NW
Washington, DC 20005
(202) 508-6046

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after the Registration Statement becomes effective and the consummation of the transaction described herein.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement offering.

o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

o

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting any offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED MAY 21, 2002

HEARx LTD.

HELIX HEARING CARE OF AMERICA CORP.

To the Stockholders of HEARx Ltd. and Helix Hearing Care of America Corp.:

After careful consideration, the board of directors of HEARx and Helix have approved a combination of HEARx and Helix through a plan of arrangement under Canadian law. When the arrangement is completed, Helix will become an indirect subsidiary of HEARx and HEARx will change its name to HearUSA, Inc. Each share of Helix common stock will be exchanged for 0.3537 shares of HEARx common stock or 0.3537 exchangeable shares of a Canadian subsidiary of HEARx. Each exchangeable share is exchangeable for one share of HEARx common stock. Only Helix stockholders who are Canadian residents may elect to receive exchangeable shares. Based on the number of Helix common shares currently outstanding, up to 14.61 million shares of HEARx common stock representing approximately 48% of outstanding HEARx shares will be issued to Helix stockholders other than HEARx in connection with the arrangement. HEARx common stock is listed on the American Stock Exchange under the trading symbol EAR and on May 17, 2002, HEARx common stock closed at $0.90 per share.

The transaction is structured to be Canadian tax deferred to Canadian resident Helix stockholders who validly elect to receive exchangeable shares and taxable to U.S. resident Helix stockholders. Canadian resident Helix stockholders should note that amendments have been proposed to the Canadian Income Tax Act that may require holders of exchangeable shares or HEARx common stock to report as income (or loss) annual changes in the value of such shares accruing after the date fixed by law on a mark-to-market basis.

The accompanying joint proxy statement/prospectus provides detailed information about the arrangement and the related proposals to be voted on at your company s special meeting. Formal notices of the stockholders meetings of each company appear in the accompanying joint proxy statement/prospectus. Please give all of the information contained in the joint proxy statement/prospectus your careful attention. **You should carefully consider the discussion in the section entitled Risk Factors beginning on page 13 of the joint proxy statement/prospectus.**

The principal stockholders of Helix, who together hold approximately 47% of the outstanding Helix common shares, have agreed to vote in favor of the arrangement, in each case subject to the terms and conditions of a stockholders agreement described in the accompanying joint proxy statement/prospectus. In addition, HEARx holds approximately 10.5% of currently outstanding Helix common shares, which it intends to vote in favor of the arrangement.

We cannot complete the arrangement without the approval of the stockholders of HEARx and Helix. We hope you will be able to attend your company s meeting. **Your vote is very important. Whether or not you plan to attend your company s meeting, please complete, sign, date and return the accompanying proxy card in the enclosed self-addressed stamped envelope.** Returning the proxy does not deprive you of your right to attend your company s meeting and to vote your shares in person. Special instructions together with a letter of transmittal and election form for use by Helix stockholders to receive certificates for the exchangeable shares or HEARx common stock under the arrangement are enclosed. Thank you for your consideration of this matter.

Dr. Paul A. Brown Chairman and Chief Executive Officer HEARx Ltd.	Steve Forget President, Chief Executive Officer and Chairman Helix Hearing Care of America Corp.

Neither the Securities and Exchange Commission nor any state or Canadian securities commission has approved or disapproved the arrangement described in the joint proxy statement/prospectus or the shares of HEARx common stock to be issued in connection with the arrangement, or determined if the joint proxy statement/prospectus is accurate or inadequate. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated , 2002, and is first being mailed to stockholders on or about , 2002.

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HEARx LTD.

1250 Northpoint Parkway
West Palm Beach, Florida 33407

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be Held on June , 2002

To the Stockholders of HEARx Ltd.:

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of HEARx Ltd. will be held on June , 2002, at at a.m., Florida time, to vote on:

1. approval of the issuance of HEARx common stock in connection with the plan of arrangement with Helix Hearing Care of America Corp.;

2. approval of an amendment to our restated certificate of incorporation to increase the number of shares of our common stock and preferred stock authorized for issuance;

3. approval of an amendment to our restated certificate of incorporation to change our name to HearUSA, Inc. ;

4. approval of the adoption of the HearUSA 2002 Flexible Stock Plan;

5. the adjournment of the special meeting, if necessary, to permit the solicitation of additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the above proposals; and

6. such other business, if any, as may properly be brought before the meeting.

Only holders of our common stock as of May 10, 2002, our record date, are entitled to notice of and to vote at this meeting or any adjournments of the meeting. The list of stockholders entitled to vote will be available for inspection by any HEARx stockholder at the offices of HEARx, 1250 Northpoint Parkway, West Palm Beach, Florida 33407, for ten days prior to the meeting.

You are cordially invited to attend this meeting in person. You may vote in person at the HEARx special meeting even if you have returned a proxy.

BY ORDER OF THE BOARD OF DIRECTORS

Dr. Paul A. Brown
Chairman and Chief Executive Officer

West Palm Beach, Florida
, 2002

Your vote is important, regardless of the number of shares you own. Please complete, sign and date the enclosed proxy card and mail it promptly using the enclosed, pre-addressed, postage-paid envelope, so that your shares will be represented whether or not you attend the meeting. You may revoke your proxy at any time before the shares are voted at the meeting.

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HELIX HEARING CARE OF AMERICA CORP.

7100, Jean-Talon East
Suite 610
Montreal, QC H1M 3S3

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be Held on June , 2002

To the Stockholders of Helix Hearing Care of America Corp.:

NOTICE IS HEREBY GIVEN that a special meeting of the stockholders of Helix Hearing Care of America Corp., a Canadian corporation, will be held on June , 2002, at at a.m., Montreal time, for the following purposes:

1. for the Helix stockholders to consider and to pass, with or without variation, a special resolution, the full text of which is set forth in Annex F to the accompanying joint proxy statement/ prospectus, approving an arrangement pursuant to section 192 of the Canada Business Corporations Act, all as more particularly described in the joint proxy statement/ prospectus; and

2. such other business, if any, as may properly be brought before the meeting or any adjournment thereof.

If you are not able to be present at the meeting, please exercise your right to vote by signing and returning the enclosed form of proxy (printed on blue paper) to Computershare Trust Company of Canada in the enclosed envelope so as to arrive not later than 5:00 p.m. (Montreal time) on , 2002, or, if the meeting is adjourned, 48 hours (excluding Saturdays, Sundays and holidays) before the time the adjourned meeting is to be reconvened. Proxies may also be deposited with the scrutineers of the meeting, to the attention of the chairman of the meeting, immediately prior to the commencement of the meeting, or any adjournment or postponement thereof.

Pursuant to the order of the Superior Court of Québec, District of Montreal dated May 17, 2002, registered holders of common shares of Helix have been granted the right to dissent in respect of the arrangement resolution. If the arrangement becomes effective, a registered holder of common shares of Helix who dissents will be entitled to be paid the fair value of such common shares if Helix shall have received from such dissenting stockholder prior to 5:00 p.m. (Montreal time) on the business day preceding the meeting a written objection to the arrangement resolution and the dissenting stockholder shall have otherwise complied with the dissent procedures (which are described in the joint proxy statement/ prospectus under the heading Dissenters or Appraisal Rights and in Annex J). A notice of dissent should be delivered to the Corporate Secretary and General Counsel, 7100 Jean-Talon East, Suite 610, Montreal, Québec, H1M 3S3. Failure to comply strictly with such dissent procedures may result in the loss or unavailability of any right of dissent.

BY ORDER OF THE BOARD OF DIRECTORS

Steve Forget
President, Chief Executive Officer and Chairman

Montreal, Québec
, 2002

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REFERENCES TO ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about HEARx and Helix from documents that are not included in or delivered with this joint proxy statement/ prospectus. This information is available to you without charge upon either written or oral request. You can obtain documents incorporated by reference in this joint proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at the following addresses and telephone numbers:

HEARx Ltd. 1250 Northpoint Parkway West Palm Beach, Florida 33407 561-478-8770	Helix Hearing Care of American Corp. 7100, Jean-Talon East, Suite 610 Montreal, Québec, Canada H1M 3S3 514-353-0001

If you would like to request documents, please do so by , in order to receive them before the special meetings.

For additional sources of the documents incorporated by reference and other information about HEARx and Helix, see Where You Can Find More Information beginning on page 168.

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QUESTIONS AND ANSWERS ABOUT THE HEARx/ HELIX ARRANGEMENT

Q: What is being proposed?

A: We intend to combine the businesses of HEARx and Helix. To accomplish this, the boards of directors of HEARx and Helix are proposing an arrangement under Canadian law between Helix and HEARx, subject to final approval of the Superior Court of Québec. When the arrangement is completed, we expect to change the name of HEARx to HearUSA, Inc. and Helix will become an indirect subsidiary of HEARx.

Q: Why are Helix and HEARx combining?

A: HEARx and Helix believe that combining the two companies will result in a stronger and more competitive company capable of achieving greater financial strength, better access to capital markets and greater growth potential than either company would have on its own.

Q: As a Helix stockholder, what will I receive in the arrangement?

A: Under the arrangement, Helix stockholders, other than stockholders who exercise and perfect their dissent rights, have the option to receive as consideration for each Helix common share (a) 0.3537 shares of HEARx common stock, or (b) 0.3537 exchangeable shares of HEARx Canada Inc. Helix stockholders who are not Canadian residents for Canadian tax purposes will not be entitled to receive exchangeable shares.

The exchangeable shares will be the economic equivalent of HEARx common stock. Each exchangeable share will be exchangeable at any time at the option of the holder, for one share of HEARx common stock, subject to any anti-dilution adjustments. Until exchanged for HEARx common stock, (i) each exchangeable share outstanding will entitle the holder to one vote per share at all meetings of HEARx common stockholders; (ii) if any dividends are declared on HEARx common stock, an equivalent dividend must be declared on such exchangeable shares and (iii) in the event of the liquidation, dissolution or winding-up of HEARx Canada Inc., such exchangeable shares will be exchanged for an equivalent number of shares of HEARx common stock. See The Arrangement Description of Exchangeable Shares; The Voting and Exchange Trust Agreement; and The Support Agreement. The exchangeable shares provide an opportunity for Canadian resident stockholders of Helix to achieve a Canadian tax deferral for as long as the exchangeable shares are held. Proposed amendments to the Canadian Income Tax Act generally applicable to investments by Canadian residents in certain non-resident corporations may require the holders of exchangeable shares or HEARx common stock to report as income or loss on such shares annual changes in the value of such shares accruing after the date fixed by law on a mark-to-market basis. The exchangeable shares will be subject to mandatory exchange on and after the fifth anniversary of the effective date of the arrangement, subject to earlier mandatory exchange in certain circumstances.

Q: As a HEARx stockholder, what will I receive in the arrangement?

A: If you own HEARx common stock, your shares of HEARx common stock will remain outstanding after the arrangement.

Q: What vote is required to approve the arrangement?

A: To approve the arrangement, holders of at least two-thirds of the Helix common shares voted at the special meeting in person or by proxy must vote in favor of the arrangement. Holders of at least a majority of the shares of HEARx common stock outstanding must vote in favor of the proposed amendments of the HEARx certificate of incorporation. Holders of a majority of the HEARx shares present at the meeting in person or by proxy must vote in favor of the issuance of the HEARx common stock in connection with the arrangement, the approval of the adoption of the new HearUSA 2002 Flexible Stock Plan and the adjournment of the meeting, if necessary, to permit the solicitation of additional proxies.

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Q: Do the companies recommend voting in favor of the transaction?

A: Yes. The board of directors of HEARx and the board of directors of Helix approved the merger agreement and recommend that their respective stockholders vote in favor of the proposals to approve the transaction.

Q: Will I have dissenters or appraisal rights?

A: Under applicable law, dissenters rights are not available to the holders of HEARx common stock. Dissenters rights are available to the holders of Helix common shares, as described in the section entitled The Arrangement Dissenters or Appraisal Rights.

Q: When do the companies expect to complete the arrangement?

A: We are working to complete the arrangement as quickly as possible. Currently, we expect to complete the arrangement before the end of the second quarter of 2002, subject to stockholder and court approval.

Q: What are the income tax consequences of the arrangement for Helix stockholders?

A: Helix stockholders should read carefully the information under Federal Income Tax Considerations Relating to the Arrangement Canadian Federal Income Tax Considerations for Helix Stockholders. No advance income tax rulings have been sought or obtained with respect to any of the transactions described herein.

The exchange of Helix common shares for exchangeable shares by Canadian resident Helix stockholders who hold their Helix common shares as capital property and file a joint election with HEARx Canada Inc. will allow for a full or partial deferral of any Canadian federal income tax that would otherwise become payable. An election form (printed on yellow paper) for use by Helix shareholders to make the tax election is enclosed with this joint proxy statement/prospectus. The exchange by a Canadian resident Helix stockholder of Helix common shares for HEARx common stock will be a taxable transaction to such Helix stockholder. See Federal Income Tax Considerations Relating to the Arrangement Canadian Federal Income Tax Considerations for Helix Stockholders.

The exchange by a U.S. resident holder of Helix common shares held as a capital asset for HEARx common stock pursuant to the arrangement will result in recognition of capital gain or loss to such holder.

The tax consequences of the arrangement to you will depend on your own situation. Stockholders should consult their tax advisors for a full understanding of these tax consequences.

Q: What are the income tax consequences of the arrangement for HEARx stockholders?

A: HEARx stockholders will not recognize any gain or loss for U.S. federal income tax purposes as a result of the arrangement.

Q: When and where are the stockholders meetings?

A: The HEARx special meeting will be held at , on June , 2002, at a.m., Florida time.

The Helix special meeting will be held at , on June , 2002, at a.m., Montreal time.

Q: Who can vote?

A: All record holders of HEARx common stock at the close of business on May 10, 2002, can vote at the HEARx special meeting.

All record holders of Helix common shares at the close of business on May 20, 2002, can vote at the Helix special meeting.

Q: What do I do to vote?

A: After reading this joint proxy statement/prospectus, you should cast your vote by mail, by proxy or in person at your company s meeting. To cast your vote by mail, complete, date, sign and mail the enclosed proxy card in the enclosed, postage pre-paid envelope. Votes cast by mail must be received prior to the vote at the meeting in order to be counted. When you cast your vote using the proxy card, you also appoint certain members of your company s management as your representatives, or proxies, at the meeting. They will vote your shares at the meeting in accordance with your instructions on the proxy card. You also may vote in person at the meeting. If you hold your shares in street name, then you must contact your broker or other nominee and request a legal proxy to vote in person at the meeting.

Q: What happens if I do not indicate my preference for or against a particular proposal?

A: If you submit a proxy without specifying the manner in which you would like your shares to be voted on a particular proposal, your shares will be voted FOR that proposal.

Q: If my shares are held in street name by my broker, will my broker vote my shares for me?

A: If you do not provide your broker with instructions on how to vote your street name shares on a particular proposal, your broker may not be permitted to vote those shares on that proposal. Therefore, you should be sure to provide your broker with specific instructions as to how to vote your shares on each proposal presented.

Q: What does it mean if I receive more than one proxy card?

A: It means that you have multiple accounts with the transfer agent and/or with stockbrokers. Please sign and return all proxy cards that you receive in order to ensure that all of your shares are voted.

Q: What if I vote by proxy and then change my mind?

A: You can revoke your proxy by attending your company s meeting and casting your vote in person, by submitting a new proxy with a later date by mail in time so that the new proxy card is received before your company s meeting, or by writing to your company. Your last vote will be the vote that is counted.

Q: How will my shares be listed for trading?

A: The HEARx common stock is currently listed on the American Stock Exchange. In addition, we intend to apply to list the HEARx common stock and the exchangeable shares on The Toronto Stock Exchange.

Q: What do I do to receive my exchangeable shares or HEARx common stock?

A: Enclosed with this joint proxy statement/prospectus is a letter of transmittal and election form which are being delivered only to Helix stockholders. The letter of transmittal and election form, when properly completed and signed and returned together with the certificate or certificates for Helix common shares and all other required documents to Computershare Trust Company of Canada, at one of the addresses set out on the last page of the letter of transmittal and election form no later than , 2002, will enable each holder of Helix common shares to obtain a certificate for that number of exchangeable shares or HEARx common stock, or a combination thereof, equal to the number of Helix common shares previously held by such holder multiplied by the exchange ratio. A Canadian resident holder of Helix common shares will automatically receive exchangeable shares in exchange for its Helix common shares unless the holder elects to receive HEARx common stock.

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Q: Who can help answer other questions?

A: If you have additional questions about the arrangement, you should contact:

HEARx stockholders:

HEARx Ltd.
1250 Northpoint Parkway
West Palm Beach, Florida 33407
Attn: Bryan Burgett
Telephone: (561) 478-8770

Helix stockholders:

Helix Hearing Care of America Corp.
7100, Jean-Talon East, Suite 610
Montreal, Québec, Canada H1M 3S3
Attn: François Tellier
Telephone: (514) 353-0001

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SUMMARY

The following summary highlights selected information from this joint proxy statement/prospectus and may not contain all of the information that is important to you. You should read this entire joint proxy statement/prospectus and attachments carefully, especially the Risk Factors beginning on page 13 and the merger agreement.

The Companies

HEARx Ltd.

HEARx Ltd. operates a network of company-owned and operated hearing care centers that provide a full range of audiological products and services for the hearing impaired. HEARx serves three geographic markets: Florida (including Miami, Fort Lauderdale, West Palm Beach, Tampa and Orlando), the Northeast (including the New York metropolitan area and New Jersey) and California through its joint venture HEARx West LLC (including Los Angeles and San Diego). HEARx s strategy for increasing market penetration includes advertising to the non-insured self-pay patient market and positioning HEARx as the leading provider of hearing care to the managed care marketplace in its geographic markets. HEARx believes it is well positioned to successfully address the concerns of access, quality and cost for the patients of managed care and other health insurance companies, diagnostic needs of referring physicians and, ultimately, the hearing health needs of consumers. HEARx believes that such success results from its ability to offer convenient distribution points, a quality assurance program and centers with standardized credentializing, procedures, policies, testing, formats, products, prices and ancillary services.

HEARx and its subsidiary HEARx West LLC, a joint venture with Kaiser Permanente, currently receive a per-member-per-month fee for more than 1.1 million managed care members. In total, HEARx services over 167 benefit programs for hearing care with various health maintenance organizations (HMOs), preferred provider organizations (PPOs), insurers, benefit administrators, and healthcare providers. In recent years, HEARx has increased its attention to the self-pay market, focusing on advertising and marketing programs directed to the uninsured patient. HEARx intends to increase its sales to these patients, introducing competitive price points to the public through advertising and marketing programs that include newspaper ads, direct mail, and telemarketing.

HEARx currently operates a total of 79 full service centers and two part-time centers in Florida, New York, New Jersey and through HEARx West, in California.

HEARx was incorporated in Delaware on April 11, 1986. HEARx formed its joint venture, HEARx West LLC, with Kaiser Permanente in 1998. HEARx s principal corporate office is located at 1250 Northpoint Parkway, West Palm Beach, Florida 33407 and its telephone number is (561) 478-8770.

HEARx Canada Inc. is an indirect subsidiary of HEARx. HEARx Canada Inc. was incorporated under the laws of Canada on November 7, 2001, for the sole purpose of participating in the arrangement. HEARx Canada Inc. currently has nominal assets and activities. After the arrangement is completed, HEARx Canada Inc. will be a holding company that holds all of the outstanding Helix common shares other than those held by HEARx or HEARx Acquisition ULC.

HEARx Acquisition ULC is a wholly owned subsidiary of HEARx. HEARx Acquisition ULC is an unlimited liability company formed under the laws of the Province of Nova Scotia on October 3, 2001, for the sole purpose of participating in the arrangement. HEARx Acquisition ULC holds all of the outstanding common shares of HEARx Canada Inc. HEARx Acquisition ULC will deliver HEARx common stock in exchange for Helix common shares to those holders of Helix common shares electing to receive HEARx common stock under the arrangement and will hold the call rights related to the exchangeable shares.

Helix Hearing Care of America Corp.

Helix, through its primary operating subsidiaries, manages and provides supply services to a large network of hearing health care clinics in the Province of Québec, Canada and owns and operates hearing health care

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clinics in the Province of Ontario, Canada and in nine states in the United States. Helix offers a variety of services in the hearing health care field including the provision of facilities, management, administrative and technical support, supply services and marketing support, to hearing health care professionals. In general, clinics managed by Helix offer hearing impaired people a broad range of products and services, including sophisticated hearing instruments and assistive listening devices designed to improve the quality of life. Helix currently manages a total of 128 clinics in the United States and Canada.

Helix offers services related to the management of hearing care professional offices including:

inventory purchasing and management;

office service support;

new products and services introduction and marketing;

general administration;

training and seminars for staff; and

providing patient management software and related training.

Helix was formed on August 26, 1996 by Articles of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (Alberta). On July 9, 1999, the articles were amended to allow the continuance of Helix under the Canada Business Corporations Act. The articles of Helix were again modified on November 30, 2000, to allow for the amalgamation of Helix and its subsidiary, Regional Hearing Consultants, Inc. Helix s principal corporate office is located at 7100, Jean-Talon East, Suite 610, Montreal, Québec, Canada H1M 3S3 and its telephone number is (514) 353-0001.

Helix has established a U.S. holding company, Helix Hearing Care of America (U.S.A.) Corp., to facilitate its acquisition of hearing clinics located in the United States through wholly owned subsidiaries of Helix U.S.A. For example, Helix has established wholly owned indirect subsidiaries to acquire and operate clinics in Massachusetts, Minnesota, Michigan, Missouri, New York, Ohio, Pennsylvania, Washington and Wisconsin.

The Arrangement

This joint proxy statement/prospectus describes the proposed business combination of HEARx and Helix through an arrangement under Canadian law between Helix and HEARx pursuant to the merger agreement discussed below. The arrangement is subject to approval of the stockholders of HEARx and Helix and final approval by the Superior Court of Québec. When the arrangement is completed, Helix will become an indirect subsidiary of HEARx. The merger agreement is the primary legal document that governs the arrangement. The merger agreement is attached as Annex A to this joint proxy statement/prospectus and is incorporated herein by this reference. We encourage you to read the merger agreement in its entirety.

Recommendations of the Boards and Reasons for the Arrangement

The board of directors of HEARx believes that the arrangement is advisable, fair to and in the best interests of HEARx stockholders and recommends that HEARx stockholders vote FOR approval of the issuance of the HEARx common stock under the arrangement and FOR approval of the related proposals to amend the HEARx certificate of incorporation and to adopt the new flexible stock plan for employees. See The Arrangement Recommendations of the HEARx Board of Directors and Reasons for the Arrangement.

The board of directors of Helix believes that the arrangement is advisable, fair to and in the best interests of Helix stockholders and recommends that Helix stockholders vote FOR approval of the arrangement. See The Arrangement Recommendations of the Helix Board of Directors and Reasons for the Arrangement.

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In the course of evaluating the arrangement, HEARx and Helix identified several business benefits that they believe will contribute to the success of the combined company. These potential benefits include the following:

The arrangement provides HEARx and Helix with an opportunity to add an established store base in certain markets where the other is not operating currently, thus facilitating both companies nationwide expansion plans.

Helix s HearUSA network business strategy is consistent with HEARx s network strategy in its proposed business venture with Siemens and, through the arrangement, allows both companies to launch a national network business on an accelerated timeframe.

The arrangement is expected to permit a reduction in corporate overhead expenses and the achievement of operating efficiencies and economies of scale.

Although the issuance of HEARx common stock may have a short term dilutive effect on earnings per share, the arrangement is expected to contribute to earnings per share over the long term.

The strong corporate management of HEARx and Helix is complementary in that HEARx is an experienced hearing center operator while Helix has experience in hearing center acquisition and integration. The combined company will benefit through a larger pool of skilled and experienced managers.

The similar industry consolidator format and operating philosophy of the two companies will help facilitate a combination of the businesses.

The fact that Canadian resident holders of Helix common shares who hold their Helix common shares as capital property and file a joint election with HEARx Canada Inc. will be able to exchange their Helix common shares for exchangeable shares under the arrangement on a tax-deferred basis under Canadian federal income tax legislation.

Helix stockholders will be entitled to receive or acquire exchangeable shares and HEARx common stock such that they will continue to participate in the hearing aid industry through HEARx, a widely held US public company with a strong market position, better geographic diversity of operations and greater liquidity than Helix.

In considering the transaction, HEARx and Helix also recognized potentially negative risks to the transaction, including that the potential benefits may not be realized, the uncertainties of operating a network business, that key management personnel might not remain employed by the combined corporations, fluctuations in the price of HEARx common stock prior to the closing of the arrangement and the fact that Helix stockholders may realize taxable gain on exchange of their Helix shares or the exchangeable shares for HEARx common stock.

See The Arrangement Recommendations of the HEARx Board of Directors and Reasons for the Arrangement and The Arrangement Recommendations of the Helix Board of Directors and Reasons for the Arrangement .

Share Ownership of Management and Voting Intent

On the HEARx record date, HEARx directors and executive officers owned 3,837,082 outstanding shares of HEARx common stock representing approximately 22.49% of the outstanding shares. These directors and executive officers have indicated that they intend to vote FOR all of the HEARx proposals.

On the Helix record date, Helix directors and executive officers beneficially owned or had voting control or direction over 20,268,024 outstanding Helix common shares representing approximately 42.16% of the outstanding shares. These directors and executive officers have indicated that they intend to vote FOR the arrangement proposal.

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The principal stockholders of Helix, including some of Helix s directors and executive officers, who together hold approximately 47% of the outstanding Helix common shares, have entered into a stockholders agreement with HEARx pursuant to which they each have irrevocably agreed to vote their Helix common shares in favor of the arrangement, against any acquisition proposal from a party other than HEARx and, with the exception of certain permitted transfers, not to sell or otherwise transfer any of their Helix common shares prior to the effective time of the arrangement. In addition, HEARx holds approximately 10.5% of currently outstanding Helix common shares, which it intends to vote in favor of the arrangement.

Fairness Opinions

Raymond James & Associates, Inc. (Raymond James) has delivered to the board of directors of HEARx a written opinion that, as of July 27, 2001, the exchange ratio provided for in the arrangement was fair, from a financial point of view, to the stockholders of HEARx. See The Arrangement Opinion of Raymond James.

The full text of the written opinion of Raymond James is attached as Annex G. The fairness opinion describes important exceptions, assumptions and limitations and should be read carefully and in its entirety. Raymond James s opinion is directed to the board of directors of HEARx and does not constitute a recommendation to any stockholder with respect to any matter relating to the arrangement.

The board of directors of Helix has received two written opinions regarding the fairness of the consideration to be received by the stockholders of Helix.

The board of directors of Helix received the first written opinion on July 11, 2001, from Ernst & Young Corporate Finance Inc. (EYCF). The opinion provides that, as of July 11, 2001, except in certain circumstances, the consideration to be received by the stockholders of Helix pursuant to the merger agreement was fair to the stockholders of Helix from a financial point of view. The opinion provides that for Helix shareholders who want to dispose of a small block of their shares, the arrangement may not be fair from a financial point of view, if the market value of the HEARx common stock following the arrangement does not recover. See The Arrangement Opinion of Ernst & Young Corporate Finance Inc.

The second opinion was rendered by Yorkton Securities Inc. (Yorkton) to the board of directors of Helix on February 1, 2002. The Yorkton opinion provides that, as of February 1, 2002, the exchange ratio is fair, from a financial point of view, to the stockholders of Helix. See The Arrangement Opinion of Yorkton Securities Inc.

The full text of the written opinions of EYCF and Yorkton are attached as Annex H and Annex I. The fairness opinions describe important exceptions, assumptions and limitations and should be read carefully and in their entirety. The opinions are directed to the board of directors of Helix and do not constitute a recommendation to any stockholder with respect to any matter relating to the arrangement.

We encourage you to read these opinions carefully.

No Change in HEARx Shares

After the arrangement, each certificate representing shares of HEARx common stock will, without any action on the part of HEARx stockholders, continue to represent HEARx common stock. HEARx stockholders do not need to exchange their stock certificates after the arrangement.

Eligibility for Investment

Provided that the exchangeable shares are listed on The Toronto Stock Exchange or another prescribed stock exchange in Canada, the exchangeable shares and exchangeable share rights will be qualified investments under the Canadian Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. Further, if HEARx Canada Inc. maintains a substantial Canadian presence within the meaning of the Canadian Income Tax Act and if the exchangeable shares are listed on a prescribed stock exchange in Canada (which currently includes The Toronto Stock Exchange), the exchangeable shares and exchangeable share

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rights will not be foreign property under the Canadian Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and for certain other persons to whom such rule is applicable. HEARx common stock will be a qualified investment for such plans provided the stock remains listed on the American Stock Exchange or another prescribed stock exchange. The ancillary rights and the preferred share purchase rights related to the HEARx common stock will not be qualified investments for such plans. The ancillary rights, the HEARx common stock and the related preferred share purchase rights will be deemed to be foreign property. See Federal Income Tax Considerations Relating to the Arrangement Canadian Federal Income Tax Considerations for Helix Stockholders Eligibility for Investment in Canada.

Interests of Certain Persons in the Arrangement

Some of the directors and executive officers of HEARx and Helix have interests in the arrangement that are different from, or are in addition to, the interests of their respective stockholders. These interests include the potential for positions as directors or executive officers of HEARx and the exchange of options to purchase Helix s common shares for options to purchase shares of HEARx common stock. See The Arrangement Interests of Certain Persons in the Arrangement.

Ownership And Board Composition of HEARx after the Arrangement

From and after the effective time of the arrangement, it is expected that the board of directors of HEARx shall be composed of Paul A. Brown (Chairman), Steve Forget (Vice Chairman), Stephen J. Hansbrough, Thomas W. Archibald, Joseph L. Gitterman III, David J. McLachlan, Michel Labadie, Mark Wayne and Pierre Bourgie. See Proposed Management of HEARx after the Arrangement.

Immediately following the arrangement, the executive officers and directors of HEARx will own approximately 33% of the outstanding HEARx common stock and exchangeable shares.

Comparative Rights of Stockholders

The rights of Helix stockholders are currently governed by Canadian corporate law and by Helix s articles and bylaws. The rights of HEARx stockholders are currently governed by Delaware corporate law and HEARx s certificate of incorporation and bylaws. If the arrangement is completed, the rights of Helix stockholders will change and their rights as HEARx stockholders will be governed by Delaware corporate law and HEARx s certificate of incorporation and bylaws. While the rights and privileges of a stockholder of a Delaware corporation are, in many instances, comparable to those of stockholders of a Canadian corporation, there are differences. These differences include the following:

The Canada Business Corporations Act requires that corporate transactions such as amalgamations, continuances, sales, leases or exchanges of all or substantially all the property of the corporation, other than in the ordinary course of business, be approved by a special resolution approved by not less than two-thirds of the votes cast by the stockholders who voted in respect of the resolution, while Delaware General Corporation Law requires only the affirmative vote of a majority of the outstanding stock entitled to vote on such transactions.

Under the Canada Business Corporations Act, a special meeting of the stockholders may be called upon a request to the board of directors by the holders of not less than five percent of shares entitled to vote at the meeting. Under the bylaws of HEARx, stockholders are not permitted to call (or to require the board of directors to call) a special meeting of the stockholders.

The Canada Business Corporations Act provides that stockholders of a corporation who are entitled to vote on some matters are entitled to dissent rights with respect to those matters and to be paid the fair value of their shares when they exercise those rights. These matters include any amalgamation with another corporation, an amendment to the corporation s articles to add, change or remove any provisions restricting the issue, transfer or transfer of ownership of shares, an amendment to the corporation s articles to add, change or remove any restrictions upon the business or businesses that the corporation may carry on, and others. Under the Delaware General Corporation law, holders of shares of any class or series have the right to dissent from a merger or consolidation by demanding payment in cash for their shares equal to the fair value of such shares as determined by a court.

The Canada Business Corporations Act requires a board of directors of a publicly-traded corporation be composed of no fewer than three directors, at least two of whom are not officers or employees of that corporation or any of its affiliates, and that at least 25% of the directors of every corporation be resident Canadians. However, if the corporation has less than four directors, at least one director must be a resident Canadian. The Delaware General Corporation Law does not contain any independence or residency requirements for directors.

These different provisions under Delaware law may be less favorable to Helix stockholders. Some of these differences may have the effect of delaying, deferring or preventing a change in control of HEARx or other transactions that might involve a premium price for HEARx shares or otherwise be in the best interests of HEARx stockholders. See Comparison of Stockholders Rights.

HEARx Rights Agreement

On December 14, 1999, the board of directors of HEARx approved the adoption of a stockholder rights plan, in which a dividend of one preferred share purchase right for each outstanding share of HEARx common stock was declared and payable to the stockholders of record on December 31, 1999. The rights will be exercisable only if a person or group acquires 15% or more of the HEARx common stock or announces a tender offer that would result in ownership of 15% or more of the HEARx common stock. The rights entitle the holder to purchase one one-hundredth of a share of Series H Junior Participating Preferred Stock at an exercise price of $28.00. The rights will expire on December 31, 2009. The HEARx board of directors has specifically excepted from operation of the rights plan the transactions contemplated by the merger agreement between HEARx and Helix and the HEARx board of directors intends to amend the rights plan to accommodate the existence of the exchangeable shares. See Description of HEARx Common Stock and Other Securities HEARx Rights Agreement.

Exchangeable Share Rights Plan

Prior to the effective time of the arrangement, HEARx Canada, Inc. will adopt an exchangeable share rights plan substantially equivalent to the HEARx stockholder rights plan. Pursuant to the exchangeable share rights plan, each exchangeable share issued in the arrangement will have an associated exchangeable share right entitling the holder of such exchangeable share right to acquire additional exchangeable shares on terms and conditions substantially the same as the terms and conditions upon which a holder of HEARx common stock is entitled to purchase HEARx Series H Junior Participating Preferred Stock. The exchangeable share rights are intended to have characteristics essentially equivalent in economic effect to the HEARx rights. See The Arrangement Exchangeable Share Rights Agreement.

Accounting Treatment

The arrangement, for accounting and financial reporting purposes, will be accounted for using the purchase method of accounting.

Conditions of the Merger Agreement

Completion of the arrangement is dependent upon the fulfillment of a number of conditions, including the following material conditions:

- the arrangement and such other matters as require approval of the stockholders of HEARx and Helix to consummate the arrangement and the other transactions contemplated by the arrangement have been approved and adopted by the stockholders of HEARx and Helix;

- all necessary regulatory and court approvals have been obtained;

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- all necessary consents from third parties have been obtained;
- HEARx has obtained financing of a principal amount of no less than $25,000,000 with a lender on terms acceptable to HEARx and Helix;
- there has not occurred any change in the business, operations, assets, or financial condition of Helix, which in the sole judgment of HEARx, is materially adverse to the business of Helix or to the value of the Helix shares;
- HEARx has determined, in its sole judgment, that Helix has not taken any action that might make it inadvisable for HEARx to proceed with the arrangement, or that would be materially adverse to the business of Helix; and
- Helix stockholders holding an aggregate of more than 5% of the outstanding common shares have not exercised their dissent rights.

The merger agreement permits each of the parties to waive any of these conditions that are for its benefit. If a party elects to waive any of these conditions, this joint proxy statement/prospectus will be amended or supplemented, as appropriate, and will be recirculated to the affected stockholders if the waiver occurs prior to approval of the arrangement by the stockholders. See The Arrangement Conditions to Consummation.

Termination of the Merger Agreement and Payment of Fees

The merger agreement may be terminated at any time prior to the effective date in the following circumstances:

- by mutual written agreement;
- by either Helix or HEARx, if the transaction has not been consummated on or prior to September 30, 2002, so long as the terminating party has not failed to fulfill any material obligation under the merger agreement that caused or resulted in the transaction failing to be consummated by that date;
- by HEARx, if the board of directors of Helix has withdrawn, redefined or changed any of its recommendations or determinations concerning the arrangement in a manner adverse to HEARx or shall have resolved to do so prior to the effective time, in which case Helix shall pay a termination fee of $1 million;
- by HEARx, if the board of directors of Helix has failed to reaffirm its recommendation of the arrangement by press statement within five days after the public announcement or commencement of a proposal by another company to acquire Helix, and in a director s circular, if any, within 10 days after the mailing of any such proposal, in which case Helix shall pay a termination fee of $1 million;
- by HEARx, if Helix consummates a merger or arrangement with another company, in which case Helix shall pay a termination fee of $1 million;
- by HEARx, if Helix fails to comply with or breaches any of its representations, warranties or covenants set forth in the arrangement agreement, in which case Helix shall pay a termination fee of $1 million;
- by Helix, if the board of directors of HEARx has withdrawn, redefined or changed any of its recommendations or determinations concerning the arrangement in a manner adverse to Helix, in which case HEARx shall pay a termination fee of $1 million;
- by Helix, if HEARx fails to comply with or breaches any of its representations, warranties or covenants set forth in the merger agreement, in which case HEARx shall pay a termination fee of $1 million; and
- by HEARx if any Helix shares are issued after July 27, 2001, upon conversion of certain convertible debentures or upon exercise of certain preemptive or subscription rights.

See The Arrangement Termination of the Merger Agreement and the Payment of Fees.

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Regulatory Matters

The completion of the arrangement is subject to obtaining governmental consents and approvals, including consents and approvals from, and notices to, The Toronto Stock Exchange, the Quebec Securities Commission and the Canadian Office of the Superintendent of Financial Institutions.

HEARx has applied to and is waiting for approval from the Quebec Securities Commission to obtain relief from the prospectus and registration requirements for the issuance of the exchangeable shares to residents of Quebec. HEARx has also made application to and is waiting for approval from The Toronto Stock Exchange for the listing of the exchangeable shares and the HEARx common stock.

Court Approval and Completion of the Arrangement

An arrangement under the Canada Business Corporations Act requires court approval. Before mailing this joint proxy statement/prospectus, Helix obtained an interim order of the court, attached to this joint proxy statement/prospectus as Annex B, providing for the calling and holding of the meeting and other procedural matters.

Subject to the approval of the arrangement by the Helix stockholders at the meeting, the hearing in respect of the final order is scheduled to take place on , 2002 at 10:00 a.m. (Montreal time) in room 2.16 of the Superior Court of Québec, District of Montreal, at 1, Notre-Dame Street East, Montreal, Québec. Any Helix stockholder who wishes to present evidence or arguments at the hearing must file and deliver an appearance and any affidavits on which it relies, in accordance with the rules of the court and the provisions of the interim order issued by the court. The court will consider, among other things, the fairness and reasonableness of the arrangement. The court may approve the arrangement unconditionally or subject to compliance with any conditions the court deems appropriate.

Other HEARx Proposals

Stockholders of HEARx are also being asked to approve three other proposals.

To increase the number of shares of HEARx common stock authorized under its certificate of incorporation from 20,000,000 shares to 50,000,000 shares and to increase the number of shares of authorized preferred stock from 2,000,000 shares to 5,000,000 shares. The purpose of the proposed increase is to provide sufficient shares in connection with the arrangement and to ensure that additional shares will be available if and when needed for issuance from time to time after the arrangement.

To change the name of HEARx Ltd. to HearUSA, Inc. effective upon consummation of the arrangement.

To approve the adoption of the HearUSA 2002 Flexible Stock Plan to facilitate the issuance of replacement stock options to Helix employees and directors who currently hold Helix stock options.

The HEARx board of directors recommends that you vote FOR each of the other proposals described above.

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Organizational Structure

HEARx Before the Arrangement

Helix Before the Arrangement

Helix Subsidiaries

Les services de gestion
Hearing Care of America SGHCA Inc.
Les services d approvisionnement
Hearing Care of America SAHCA Inc.
Les services de location Hearing Care of America SLHCA Inc.
3371727 Canada Inc.
Helix Hearing Care of America (U.S.A.) Corp.
Helix Hearing Care of America (Ohio) Corp.
Helix Hearing Care of America (New York) Corp.
Helix Hearing Care of America (Missouri) Corp.
Helix Hearing Care of America (Wisconsin) Corp.
Helix Hearing Care of America (Minnesota) Corp.
Helix Hearing Care of America (Indiana) Corp.
Helix Hearing Care of America (Pennsylvania) Corp.
Helix Hearing Care of America (Arizona) Corp.
Helix Hearing Care of America (Washington) Corp.
Helix Hearing Care of America (Michigan) Corp.
American Hearing Centers, Inc.
Thomas W. Fell Co., Inc.
Auxiliary Health Benefits Corporation/NECP

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HEARx After the Arrangement

Helix Subsidiaries

Les services de gestion
Hearing Care of America SGHCA Inc.
Les services d approvisionnement
Hearing Care of America SAHCA Inc.
Les services de location Hearing Care of America SLHCA Inc.
3371727 Canada Inc.
Helix Hearing Care of America (U.S.A.) Corp.
Helix Hearing Care of America (Ohio) Corp.
Helix Hearing Care of America (New York) Corp.
Helix Hearing Care of America (Missouri) Corp.
Helix Hearing Care of America (Wisconsin) Corp.
Helix Hearing Care of America (Minnesota) Corp.
Helix Hearing Care of America (Indiana) Corp.
Helix Hearing Care of America (Pennsylvania) Corp.
Helix Hearing Care of America (Arizona) Corp.
Helix Hearing Care of America (Washington) Corp.
Helix Hearing Care of America (Michigan) Corp.
American Hearing Centers, Inc.
Thomas W. Fell Co., Inc.
Auxiliary Health Benefits Corporation/NECP

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Selected Historical Consolidated Financial Information of HEARx

	Three Months Ended		Year Ended				
	March 30, 2002	**March 31, 2001**	**December 29, 2001**	**December 29, 2000**	**December 31, 1999(1)**	**December 25, 1998**	**December 26, 1997**
	(unaudited)	**(unaudited)**					
STATEMENT OF OPERATIONS DATA:							
Net Revenues	$12,010,016	$12,488,191	$48,796,110	$56,114,832	$47,476,764	$ 26,891,186	$ 23,316,260
Total operating costs and expenses	13,075,183	15,436,835	56,995,460	59,696,818	52,010,728	39,159,599(2)	33,359,436
Loss from operations	(1,065,167)	(2,948,644)	(8,199,350)	(3,581,986)	(4,533,964)	(12,268,413)	(10,043,176)
Non-operating income (expense)							
Interest income	22,066	46,574	222,349	294,132	210,104	602,663	897,619
Interest expense	(280,230)	(9,919)	(652,530)	(28,723)	(27,713)	(62,492)	(58,444)
Loss before minority interest & equity in loss of joint venture & in affiliated company	(1,323,331)	(2,911,989)	(8,629,531)	(3,316,577)	(4,351,573)	(11,728,242)	(9,204,001)
Minority Interest					347,677		
Equity in loss of joint venture						(615,420)	
Equity in loss of affiliated company	(61,405)						
Net Loss	(1,384,736)	(2,911,989)	(8,629,531)	(3,316,577)	(4,003,896)	(12,343,662)	(9,204,001)
Dividends on preferred stock	(168,069)	(201,235)	(812,205)	(1,346,872)	(821,387)	(587,893)	(1,992,123)
Net loss applicable to common Stockholders	$ (1,552,805)	$ (3,113,224)	$ (9,441,736)	$ (4,663,449)	$ (4,825,283)	$(12,931,555)	$(11,196,124)
Loss per common share:							
Basic and diluted, including dividends on preferred stock	$ (0.11)	$ (0.25)	$ (0.72)	$ (0.39)	$ (0.45)	$ (1.28)	$ (1.25)
Weighted average number of common shares outstanding	14,057,243	12,505,430	13,120,137	11,834,388	10,775,006	10,126,979	8,960,503
Cash dividends per common share	None	None	None	None	None	None	None

(1) As discussed in Note 1 to the Consolidated Financial Statements, commencing in 1999 HEARx s Consolidated Financial Statements include the accounts of HEARx West, its 50% subsidiary.

(2) During December 1998, HEARx recorded a restructure charge of $2,233,857 in connection with the closing of 12 centers in the northeast in January 1999.

	As of						
	March 30, 2002	December 29, 2001	December 29, 2000	December 31, 1999	December 25, 1998	December 26, 1997	December 27, 1996
BALANCE SHEET DATA:							
Total assets	$19,821,831	$21,341,522	$21,872,123	$21,377,110	$25,208,317	$28,359,547	$26,627,484
Working capital	(3,700,557)	(738,562)	2,350,832	938,815	7,614,042	13,136,147	12,456,391
Long-term debt, net of current portion	7,720,545	8,750,999	175,887	322,332	123,316	177,897	230,258

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Selected Historical Consolidated Financial Information of Helix

	Three Months Ended		Year Ended				
	February 28, 2002	February 28, 2001	November 30, 2001	November 30, 2000	November 30, 1999	November 30, 1998(1)	November 30, 1997(1)
	(unaudited)	(unaudited)	All amounts are in Canadian Dollars				
STATEMENT OF OPERATIONS DATA:							
CDN GAAP(2)							
Net Revenues	$ 10,472,732	$ 11,040,485	$ 47,198,866	$ 35,981,994	$ 24,803,824	$ 14,300,630	$ 8,138,993
Total costs and expenses	11,613,822	13,048,643	54,980,235	38,617,304	29,167,256	13,085,934	7,356,235
Income (loss) before income taxes	(1,141,090)	(2,008,158)	(7,781,369)	(2,635,310)	(4,363,432)	1,214,696	782,758
Income tax (expense) benefit		(181,252)	(1,110,666)	946,497	1,701,738	(462,836)	(329,635)
Net income (loss)	$ (1,141,090)	$ (2,189,410)	$ (8,892,035)	$ (1,688,813)	$ (2,661.694)	$ 751,860	$ 453,123
Income (loss) per common share:							
Basic and diluted	$ (0.03)	$ (0.06)	$ (0.22)	$ (0.06)	$ (0.09)	$ 0.04	$ 0.03
US GAAP							
Net Revenues	$ 10,472,732	$ 11,040,485	$ 47,198,866	$ 35,981,994	$ 24,803,824		
Total costs and expenses	12,339,157	13,029,731	56,719,566	39,247,506	29,058,998		
Income (loss) before income taxes	(1,866,425)	(1,989,246)	(9,520,700)	(3,265,512)	(4,255,174)		
Income tax (expense) benefit		(181,252)	$ (1,110,666)	946,497	1,701,738		
Net income (loss)	$ (1,866,425)	$ (2,170,498)	$ (10,631,366)	$ (2,319,015)	$ (2,553,436)	$	$
Income (loss) per common share:							
Basic and diluted	$ (0.04)	$ (0.06)	$ (0.27)	$ (0.08)	$ (0.09)	$	$
Weighted average number of common shares outstanding	43,954,362	38,282,202	39,582,941	30,683,763	28,238,717	20,960,681	18,228,777
Cash dividends per common share	None	None	None	None	None	None	None

	As of					
	February 28, 2001	November 30, 2001	November 30, 2000	November 30, 1999	November 30, 1998(1)	November 30, 1997(1)
	All amounts are in Canadian Dollars					
BALANCE SHEET DATA:						

CDN GAAP						
Total assets	$57,867,198	$58,109,482	57,274,919	$31,343,706	$19,136,136	$8,457,263
Working capital	(3,883,636)	(1,822,496)	2,526,517	7,348,710	2,360,619	580,448
Long-term debt and convertible debentures, net of current portion	16,328,169	21,066,836	18,136,667	10,653,186	5,918,369	626,406
BALANCE SHEET DATA:						
US GAAP						
Total assets	$52,584,367	$53,477,592	$52,399,260	$30,828,171		
Working capital	(3,883,636)	(1,822,496)	2,526,517	7,348,710		
Long-term debt and convertible debentures, net of current portion	15,881,802	20,546,075	17,318,328	9,537,269		

(1) The Selected Historical Consolidated Financial Information as of November 30, 1998 and 1997 and for the two years ended November 30, 1998 is not required to be reconciled to US GAAP in accordance with SEC rules.

(2) In Canada, the Accounting Standards Board has approved an addendum to Business Combinations, Section No. 1580 that permits goodwill amortization expense to be presented net-of-tax on a separate line in the Consolidated Income Statement. This presentation is not currently permitted under United States GAAP. For your convenience, the statement of operations data in Canadian GAAP was presented on a comparative basis with the information presented for US GAAP purposes. Since December 1, 2001, Helix is no longer amortizing goodwill in accordance with new recommendations of Section 3062 of the Handbook of the Canadian Institute of Chartered Accountants. See note 3 to Consolidated Financial Statements of Helix contained elsewhere in this joint proxy statement/prospectus.

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RISK FACTORS

You should carefully consider the risks described below and all other information contained in this joint proxy statement/prospectus in evaluating the arrangement. Some of these risks relate to the arrangement while others relate to the business of HEARx and Helix. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that we are unaware of may become important factors that affect us. If any of the following risks occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our shares could decline, and you may lose part or all of your investment.

Non-Income Tax Risks Relating to the Arrangement

Expected benefits from the arrangement between HEARx and Helix may not be realized.

A failure to realize the benefits anticipated from the arrangement could adversely affect the market value of the combined companies. See The Arrangement Recommendations of the HEARx Board of Directors and Reasons for the Arrangement for a discussion of the anticipated benefits.

The ownership interest of current stockholders of HEARx will be substantially reduced, resulting in a dilution of current stockholders voting power and possible loss of key directors and officers.

Immediately following the effectiveness of the arrangement, Helix s outstanding capital stock will consist of approximately 46.2 million common shares, all of which will be held by HEARx or HEARx Canada Inc. Based on the exchange ratio, the former holders of Helix common shares other than HEARx will hold an aggregate of approximately 14.61 million exchangeable shares and shares of HEARx common stock. Former holders of Helix common shares will initially have the power to vote approximately 48% of the outstanding votes at meetings of stockholders following the arrangement. Current HEARx stockholders may lose the ability to control the outcome of stockholder votes and current key directors and officers of HEARx could be replaced. There can be no assurance that any person who may replace any key director or officer will have the necessary business experience and skills.

Some directors of HEARx and Helix had potential conflicts of interest in approving and recommending the arrangement.

Some of the directors and executive officers of HEARx and Helix have interests in the arrangement that are different from, or are in addition to, the interests of their stockholders. These interests include the potential for positions as directors or executive officers of HEARx and the exchange of options to purchase Helix s common shares for options to purchase shares of HEARx common stock. See The Arrangement Interests of Certain Persons in the Arrangement.

If HEARx and Helix do not successfully integrate their operations, the transaction may not benefit HEARx or Helix.

The combination of HEARx and Helix involves the integration of separate companies that have previously operated independently. If the integration is not completed successfully or takes longer than planned, the anticipated benefits of the combination may be lost or delayed. HEARx and Helix cannot assure that they will be able to integrate their operations without encountering difficulties or experiencing the loss of key employees, customers or suppliers.

Helix is involved in an arbitration proceeding with one of its former officers and is also negotiating the departure of Martin Cousineau and Richard Doucet, each of which could have a material adverse effect on Helix and HEARx.

Helix is currently involved in an arbitration proceeding regarding the dismissal of one of its officers. See Helix Hearing Care of America Corp. Legal Proceedings. Helix intends to vigorously defend the claims

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made in this proceeding, however, there can be no assurance that an adverse decision would not have a material adverse effect on Helix and, after the arrangement, on HEARx.

Helix and HEARx entered into non-binding memoranda of agreement with each of Martin Cousineau and Richard Doucet, the Chief Operating Officer and Vice President, Supply, respectively, of Helix, which outline the terms and conditions of Martin Cousineau s and Richard Doucet s resignation as officers of Helix and the sale of their partnership interests in Cousineau, Doucet, Parent et Forget, audioprothésistes, s.e.n.c. (the Partnership) to Steve Forget. See Helix Hearing Care of America Corp. Certain Relationships and Related Transactions. The completion of these transactions is subject to the execution of definitive agreements by the parties and obtaining the necessary regulatory or creditor approvals and other third party consents and releases. There can be no assurance that definitive agreements will be signed or if signed that they will not be on terms less favorable to Helix and HEARx than those contained in the memoranda of agreement. The departure of Messrs. Cousineau and Doucet could have a material adverse effect on Helix and, after the arrangement, on HEARx. These effects could include a loss of revenue generated by Helix from the management agreements between the Partnership and Helix s subsidiaries described below under Helix Hearing Care of America Corp. Certain Relationships and Related Transactions.

Income Tax Risks Relating to the Arrangement

Helix stockholders may have to pay income taxes upon the exchange of Helix common shares or exchangeable shares for HEARx common stock.

When stockholders exchange Helix common shares or exchangeable shares for HEARx common stock, they may be required to pay tax on any gain they may have under the laws of Canada and the United States. Tax consequences under the laws of Canada and the United States vary depending on, among other things:

- where the stockholder is a resident for tax purposes;
- whether the stockholder receives exchangeable shares or HEARx common stock;
- whether the stockholder exchanges exchangeable shares by way of redemption, retraction or has their shares purchased by HEARx Acquisition ULC pursuant to its call rights;
- how long the stockholder has held the exchangeable shares; and
- the amount of outstanding exchangeable shares held by HEARx Acquisition ULC immediately after the exchange.

We strongly urge stockholders to consult with their tax advisors with respect to the tax consequences of the exchange of Helix common shares or exchangeable shares for shares of HEARx common stock. See Federal Income Tax Considerations Relating to the Arrangement Canadian Federal Income Tax Considerations for Helix Stockholders.

Canadian residents who exchange their exchangeable shares for HEARx common stock may be liable to pay Canadian income tax on the exchange.

If a stockholder s exchangeable shares are redeemed or retracted and HEARx Acquisition ULC does not exercise the call right, and if under the Canadian Income Tax Act

- the stockholder is a Canadian resident holding exchangeable shares as capital property;
- the stockholder deals at arm s-length with HEARx; and
- the stockholder is not otherwise affiliated with HEARx;

then, under the Canadian Income Tax Act, the stockholder will be deemed to have received a dividend equal to the amount paid to the stockholder on the redemption or retraction, less the paid-up capital of his or her exchangeable shares. If the net proceeds of disposition, less any deemed dividend, exceed the adjusted cost base for the exchangeable shares exchanged, the stockholder will also be treated as if he or she realized a capital gain to the extent of that excess. If the net proceeds of disposition less any deemed dividend are less

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than the adjusted cost base for the exchangeable shares that are exchanged, the stockholder will be treated as if he or she realized a capital loss to the extent of that shortfall.

If HEARx Acquisition ULC exercises the call rights, stockholders who exchange their exchangeable shares for shares of HEARx common stock will be considered, to the extent the three conditions described in the preceding paragraph are satisfied, to have realized a capital gain equal to the amount, if any, by which the net proceeds of disposition exceed the adjusted cost base for the exchangeable shares exchanged. If the net proceeds of disposition are less than the adjusted cost base for the exchangeable shares exchanged, the stockholder will be considered to have realized a capital loss to the extent of that shortfall.

U.S. income taxes will be imposed on U.S. persons who acquire HEARx common stock upon an exchange for Helix shares.

U.S. persons for U.S. federal income tax purposes will recognize a gain or loss when they exchange their Helix shares for shares of HEARx common stock. This gain or loss will be equal to the difference between the fair market value of the shares of HEARx common stock received in the exchange and the basis in the Helix shares exchanged. The gain or loss will be a capital gain or loss on Helix shares held as a capital asset, except that ordinary income may be recognized with respect to any declared but unpaid dividends on the Helix shares. A capital gain or loss will be a long-term capital gain or loss under current law if a stockholder s holding period for Helix shares is more than one year at the time of the exchange.

Risks Relating to HEARx Common Stock and Exchangeable Shares

Stock price fluctuations will affect the value of the HEARx common stock you will receive.

The relative prices of shares of HEARx common stock and Helix common shares at the effective time of the arrangement may vary significantly from the relative prices as of the date of the merger agreement, the date of this joint proxy statement/prospectus and the dates of the special meetings. The exchange ratio is fixed at 0.3537 and there is no minimum value for the fraction of a share of HEARx common stock or exchangeable shares that Helix shareholders will receive for each Helix common share.

You may be unable to sell your HEARx common stock or exchangeable shares at a profit.

Upon completion of the arrangement, holders of Helix common shares will become holders of exchangeable shares or HEARx common stock. The price of HEARx s common stock and the exchangeable shares may be affected by factors different from those affecting the price of Helix common shares.

The price of HEARx s common stock and the exchangeable shares could fluctuate significantly, and you may be unable to sell your shares at a profit. There are significant price and volume fluctuations in the market generally that may be unrelated to HEARx s operating performance, but which nonetheless may adversely affect the market price for HEARx common stock. The price of HEARx common stock could change suddenly due to factors such as:

- the amount of HEARx s cash resources and ability to obtain additional funding;
- economic conditions in markets HEARx is targeting;
- fluctuations in operating results;
- changes in government regulation of the healthcare industry;
- failure to meet estimates or expectations of the market; and
- rate of acceptance of hearing aid products in the geographic markets HEARx is targeting.

Any of these conditions may cause the price of HEARx common stock to fall, which may reduce business and financing opportunities available to HEARx and reduce your ability to sell your shares at a profit, or at all.

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HEARx might fail to maintain a listing for its common stock on the American Stock Exchange making it more difficult for stockholders to dispose of or to obtain accurate quotations as to the value of their HEARx stock.

HEARx s common stock is presently listed on the American Stock Exchange. The American Stock Exchange will consider delisting a company s securities if, among other things,

the company fails to maintain stockholder s equity of at least $2,000,000 if the company has sustained losses from continuing operations or net losses in two of its three most recent fiscal years;

the company fails to maintain stockholder s equity of $4,000,000 if the company has sustained losses from continuing operations or net losses in three of its four most recent fiscal years; or

the company has sustained losses from continuing operations or net losses in its five most recent fiscal years.

HEARx may not be able to maintain its listing on the American Stock Exchange and there may be no public market for the HEARx common stock. In the event the HEARx common stock were delisted from the American Stock Exchange, trading, if any, in the common stock would be conducted in the over-the-counter market. As a result, you would likely find it more difficult to dispose of, or to obtain accurate quotations as to the market value of, your HEARx common stock.

HEARx has had sustained net losses in its five most recent fiscal years. On April 30, 2001, HEARx was advised by the American Stock Exchange that it would review HEARx s progress toward eliminating losses, including its pending merger with Helix and its relationship with Siemens Hearing Instruments, Inc.

To mitigate the foregoing risks, Helix and HEARx have agreed in the merger agreement that HEARx would list its common stock on The Toronto Stock Exchange shortly after the completion of the arrangement. This listing will have the effect of providing an alternative market for holders of HEARx common stock in the future and a continued Canadian market for Helix stockholders. However, there can be no assurance that HEARx will maintain its listing on The Toronto Stock Exchange.

If penny stock regulations apply to the HEARx common stock, you may not be able to sell or dispose of your shares.

If the HEARx common stock were delisted from the American Stock Exchange, the penny stock regulations of the Securities and Exchange Commission might apply to transactions in the common stock. A penny stock generally includes any over-the-counter equity security that has a market price of less than $5.00 per share. The Commission regulations require the delivery, prior to any transaction in a penny stock, of a disclosure schedule prescribed by the Commission relating to the penny stock. A broker-dealer effecting transactions in penny stocks must make disclosures, including disclosure of commissions, and provide monthly statements to the customer with information on the limited market in penny stocks. These requirements may discourage broker-dealers from effecting transactions in penny stocks. If the penny stock regulations were to become applicable to transactions in shares of the HEARx common stock, they could adversely affect your ability to sell or otherwise dispose of your shares.

The market price of exchangeable shares may not be identical, or even similar to, the market price of HEARx common stock, which could make achievement of favorable tax consequences under Canadian law more difficult for former Helix shareholders.

HEARx and Helix anticipate that the market price of one exchangeable share on The Toronto Stock Exchange and the market price of one share of HEARx common stock on the American Stock Exchange will reflect essentially equivalent values. There can be no assurance, however, that the market price of HEARx common stock will be identical, or even similar, to the market price of one exchangeable share. This may impose on holders of the exchangeable shares considerations other than time and HEARx common stock market price in deciding whether and when to exchange those shares for HEARx common stock.

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Active trading markets for the exchangeable shares may not develop or continue, making it difficult for holders of the exchangeable shares to control the timing of taxation under Canadian law.

While the listing of the exchangeable shares on The Toronto Stock Exchange is required by the merger agreement, an active and liquid trading market for the exchangeable shares may not develop or be sustained in the future. If an active trading market does not exist for the exchangeable shares, holders of exchangeable shares who want to sell will be forced to exchange their shares for HEARx common stock and sell the HEARx common stock.

Conversion of outstanding shares of HEARx convertible preferred stock and exercise of outstanding HEARx options and warrants could cause substantial dilution.

As of May 3, 2002, outstanding convertible preferred stock, warrants and options of HEARx included:

- 4,563 shares of 1998 Convertible Preferred Stock;
- Warrants to purchase approximately 1,867,882 shares of common stock; and
- Options to purchase approximately 1,704,389 shares of common stock.

To the extent outstanding preferred stock is converted, options or warrants are exercised or additional shares of capital stock are issued, stockholders receiving HEARx common stock will incur additional dilution.

Future sales of shares may depress the price of HEARx common stock.

If substantial stockholders sell shares of HEARx common stock into the public market, or investors become concerned that substantial sales might occur, the market price of HEARx common stock could decrease. Such a decrease could make it difficult for HEARx to raise capital by selling stock or to pay for acquisitions using stock. There are currently approximately 1,639,549 shares of HEARx common stock that are the subject of an effective resale registration statement and that may be sold into the public market. In addition, HEARx employees hold a significant number of options to purchase shares, many of which are presently exercisable. Employees may exercise their options and sell shares soon after such options become exercisable, particularly if they need to raise funds to pay for the exercise of such options or to satisfy tax liabilities that they may incur in connection with exercising their options. Finally, HEARx has agreed to register 470,530 shares in connection with the exchange of its non-convertible Series J Preferred Stock for its Series I Convertible Preferred Stock and 3.0 million shares in connection with its recent private placement. See HEARx Ltd Recent Developments.

Because of the HEARx rights agreement and the related rights plan for the exchangeable shares, a third party may be discouraged from making a takeover offer which could be beneficial to HEARx and its stockholders.

HEARx has entered into a rights agreement with The Bank of New York, as rights agent. HEARx Canada Inc. will adopt a similar rights plan relating to the exchangeable shares. The rights agreements contain provisions that could delay or prevent a third party from acquiring HEARx or replacing members of the HEARx board of directors, even if the acquisition or the replacements would be beneficial to HEARx stockholders. The rights agreements could also result in reducing the price that certain investors might be willing to pay for shares of the common stock of HEARx and making the market price lower than it would be without the rights agreement.

Because HEARx stockholders do not receive dividends, stockholders must rely on stock appreciation for any return on their investment in HEARx.

HEARx has never declared or paid cash dividends on any of its capital stock. HEARx currently intends to retain its earnings for future growth and, therefore, does not anticipate paying cash dividends in the future. As a result, only appreciation of the price of the common stock will provide a return to investors who purchase or acquire securities pursuant to this prospectus.

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Other Risks Relating to the Business of HEARx

HEARx may not be able to access funds under its credit facility with Siemens if HEARx cannot maintain compliance with the financial covenants contained therein and may incur a substantial penalty upon a change of control.

On December 7, 2001, HEARx and Siemens Hearing Instruments Inc. entered into a credit agreement pursuant to which HEARx obtained a $51,875,000 secured credit facility from Siemens. To continue to access the credit facility, HEARx is required to comply with the terms of the credit facility, including compliance with financial covenants. There can be no assurance that HEARx will be able to comply with these financial covenants in the future and, accordingly, may be unable to access the funds provided under the credit facility. In addition, if HEARx is unable to comply with these financial covenants, it may be found in default by Siemens and face other penalties under the credit agreement. As part of its agreement with Siemens, if HEARx undergoes a change of control and terminates its agreements with Siemens, HEARx must pay $50 million to Siemens. HEARx and Siemens have agreed that the Helix acquisition will not constitute a change of control for this purpose.

HEARx may not be able to obtain additional capital on reasonable terms, or at all, to fund its operations.

If capital requirements vary from those currently planned or losses are greater than expected, HEARx may require additional financing. If additional funds are raised through the issuance of convertible debt or equity securities, the percentage ownership of existing stockholders may be diluted, the securities issued may have rights and preferences senior to those of stockholders, and the terms of the securities may impose restrictions on operations. If adequate funds are not available on reasonable terms, or at all, HEARx will be unable to take advantage of future opportunities to develop or enhance its business or respond to competitive pressures and possibly even to remain in business.

If the arrangement is not completed, HEARx may not be able to recover its investment in Helix.

HEARx purchased $2.7 million of Helix common shares using funds borrowed under HEARx s credit facility with Siemens. See Material Contracts Between HEARx and Helix. HEARx s ability to sell its Helix shares is restricted by applicable securities and stock exchange regulations. If the arrangement is not completed, HEARx may not be able to sell its Helix shares at a profit or at all. In addition, on April 30, 2002, HEARx and Helix entered into a credit agreement under which HEARx committed to loan Helix up to $9.42 million using funds borrowed under HEARx s credit facility with Siemens. Any outstanding principal and interest under the credit facility between HEARx and Helix is due on August 9, 2003 or earlier if the arrangement is not completed. While the loans from HEARx to Helix are secured by the assets of Helix and its subsidiaries, there can be no assurance that Helix will be able to repay this loan when due or that HEARx will be able to realize upon the security for the loans. Nevertheless, HEARx will have to repay the funds it borrowed under the Siemens credit facility with interest.

HEARx has a history of operating losses and may never be profitable.

HEARx has incurred net losses in each year since its organization and its accumulated deficit at March 30, 2002 was $90,741,241. HEARx expects its quarterly and annual operating results to fluctuate, depending primarily on the following factors:

- Timing of product sales;
- Level of consumer demand for its products;
- Timing and success of new centers; and
- Timing and amounts of payments by health insurance and managed care organizations.

There can be no assurance that HEARx will achieve profitability in the near or long term or ever.

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HEARx may not effectively compete in the hearing care industry.

The hearing care industry is highly fragmented and barriers to entry are low. Approximately 11,000 practitioners provide testing and dispense products and services that compete with those provided and sold by HEARx. HEARx also competes with small retailers, as well as large networks of franchisees and distributors established by larger companies, such as those manufacturing and selling Miracle Ear and Beltone products. Some of the larger companies have far greater resources than HEARx and could expand and/or change their operations to capture the market targeted by HEARx. Large discount retailers, such as Costco, also sell hearing aids and present a competitive threat in HEARx s markets. In addition, it is possible that the hearing care market could be effectively consolidated by the establishment of cooperatives, alliances or associations that could compete more successfully for the market targeted by HEARx.

HEARx is dependent on manufacturers who may not perform.

HEARx is not a hearing aid manufacturer. It relies on major manufacturers to supply its hearing aids and to supply hearing enhancement devices. A significant disruption in supply from any or all of these manufacturers could materially adversely affect the company s business. HEARx s strategic and financial relationship with Siemens requires HEARx to purchase from Siemens a certain portion of its requirements of hearing aids for a period of ten years at specified prices. Although Siemens is the world s largest manufacturer of hearing devices, there can be no assurance that Siemens technology and product line will remain desirable in the marketplace. Furthermore, if Siemens manufacturing capacity cannot keep pace with the demand of HEARx and other customers, HEARx s business may be adversely affected.

HEARx relies on qualified audiologists, without whom its business may be adversely affected.

HEARx currently employs 114 licensed hearing professionals, of whom 94 are audiologists and 20 are licensed hearing aid specialists. If HEARx is not able to attract and retain qualified audiologists, the company will be less able to compete with networks of hearing aid retailers or with the independent audiologists who also sell hearing aids and its business may be adversely affected.

HEARx may not be able to maintain existing agreements or enter into new agreements with health insurance and managed care organizations, which may result in reduced revenues.

HEARx enters into provider agreements with health insurance companies and managed care organizations for the furnishing of hearing care in exchange for fees. The terms of most of these agreements are to be renegotiated annually and these agreements may be terminated by either party on 90 days or less notice at any time. There is no certainty that HEARx will be able to maintain these agreements on favorable terms or at all. If HEARx cannot maintain these contractual arrangements or enter into new arrangements, there will be a material adverse effect on the company s revenues and results of operations. In addition, the early termination or failure to renew the agreements that provide for payment to HEARx on a per-patient-per-month basis would cause HEARx to lower its estimates of revenues to be received over the life of the agreements. This could have a material adverse effect on the company s results of operations.

HEARx depends on its joint venture for its California operations and may not be able to attract sufficient patients to its California centers without it.

HEARx West LLC, the company s joint venture with Kaiser Permanente, operates 20 full service centers in California as well as two satellite locations in Kaiser facilities. Since their inception, HEARx West centers have derived approximately two-thirds of their revenues from sales to Kaiser Permanente members, including revenues through an agreement between the joint venture and Kaiser Permanente s California division servicing its hearing benefited membership. If Kaiser Permanente does not perform its obligations under the agreement, or if the agreement is not renewed upon expiration, the loss of Kaiser patients in the HEARx West centers would adversely affect the company s business. In addition, HEARx West centers would be adversely affected by the loss of the ability to market to Kaiser members and promote the business within Kaiser s medical centers, including the referral of potential customers by Kaiser.

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HEARx relies on efforts and success of managed care companies that may not be achieved or sustained.

Many managed care organizations, including some of those with whom HEARx has contracts, have experienced and are continuing to experience significant difficulties arising from the widespread growth and reach of available plans and benefits. In fact, primarily as a result of these problems of the managed care organizations, HEARx has focused marketing resources on the self-pay market and has, since 1999, closed or relocated 12 of its centers primarily in the Northeast and Florida. There can be no assurance that HEARx can maintain all of its centers. HEARx will close centers where warranted and such closures could have a material adverse effect on HEARx.

HEARx may not be able to maintain JCAHO accreditation and HEARx revenues may suffer.

During 1998, HEARx was awarded a three-year accreditation from the Joint Committee on Accreditation of Healthcare Organizations (JCAHO). HEARx applied and was granted renewal of this accreditation effective February 13, 2002. This status distinguishes HEARx from other hearing care providers and is widely used by HEARx in its marketing efforts. If HEARx is not able to maintain its accredited status, it will not be able to distinguish itself on this basis and its revenues may suffer. Also, there is no assurance that JCAHO accreditation will extend to Helix centers or the network business.

HEARx is exposed to potential product and professional liability that could adversely affect the company if a successful claim is made in excess of insurance policy limits.

In the ordinary course of its business, HEARx may be subject to product and professional liability claims alleging that products sold or services provided by the company failed or had adverse effects. HEARx maintains liability insurance at a level which it believes to be adequate. A successful claim in excess of the policy limits of the liability insurance could materially adversely affect the company. As the distributor of products manufactured by others, HEARx believes it would properly have recourse against the manufacturer in the event of a product liability claim. There can be no assurance, however, that recourse against a manufacturer by HEARx would be successful, or that any manufacturer will maintain adequate insurance or otherwise be able to pay such liability.

Other Risks Relating to Both Businesses after the Arrangement

Future acquisitions or investments could negatively affect the company s operations and financial results or dilute the ownership percentage of stockholders of HEARx after the arrangement.

While all current binding agreements are described in this joint proxy statement/prospectus, HEARx expects to review acquisition and investment prospects that would complement or expand its current services or otherwise offer growth opportunities. The company may have to devote substantial time and resources in order to complete potential acquisitions. The company may not identify or complete acquisitions in a timely manner, on a cost-effective basis or at all.

In the event of any future acquisitions, HEARx could:

- issue additional stock that would further dilute current stockholders percentage ownership;
- incur debt;
- assume unknown or contingent liabilities; or
- experience negative effects on reported operating results from acquisition-related charges and amortization of acquired technology, goodwill and other intangibles.

These transactions involve numerous risks that could harm operating results and cause HEARx s stock price to decline, including:

- potential loss of key employees of acquired organizations;
- problems integrating the acquired business, including its information systems and personnel;

unanticipated costs that may harm operating results;

diversion of management s attention from business concerns; and

adverse effects on existing business relationships with customers.

Any of these risks could harm the business and operating results of HEARx.

Existing or future regulations where HEARx or Helix operate may require them to make expensive changes or to cease operating in certain areas.

The practice of audiology and the dispensing of hearing aids are not presently regulated on the Federal level in the United States. The sale of hearing aids, however, is subject to certain limited regulations of the U.S. Food and Drug Administration. Generally, state regulations, where they exist, are concerned primarily with the formal licensure of audiologists and of those who dispense hearing aids and with practices and procedures involving the fitting and dispensing of hearing aids. There can be no assurance that regulations do not exist in jurisdictions in which HEARx plans to open centers or will not be promulgated in states in which HEARx or Helix currently operate centers or at the Federal level. Such regulations might include:

stricter licensure requirements for dispensers of hearing aids;

inspection of centers for the dispensing of hearing aids; and

the regulation of advertising by dispensers of hearing aids.

Such regulations may require HEARx and Helix to make expensive changes to be in compliance or to cease operations in areas where the regulations exist if they cannot comply.

The sale of hearing-aid devices in the province of Quebec is governed by the Hearing-Aid Acousticians Act which forbids the selling of hearing aids by persons other than hearing-aid acousticians. The Acousticians Act further provides that all persons qualified to practice the profession of hearing-aid acousticians in Quebec be a member of the *Ordre professionnel des audioprothésistes du Québec* or the *Ordre des audioprothésistes du Québec* which are governed by a professional code of conduct. The practice of the profession of hearing-aid acoustician includes every act the object of which is to sell, fit, adjust or replace a hearing aid. The Acousticians Act does not forbid, however, hearing-aid acousticians from having administrative work, accounting work, as well as other clerical activities completed by third parties. Furthermore, the Acousticians Act does not forbid hearing-aid acousticians from renting space from a business whose principal activity is space rental.

The Québec based hearing-aid acousticians partnership owned by the founders of Helix, Cousineau, Doucet, Parent et Forget, audioprothésistes, s.e.n.c., is a member of the *Ordre professionnel des audioprothésistes du Québec* . This partnership entered into management agreements with some of Helix s subsidiaries in Québec in order to outsource its administrative, supply and management activities. Helix and its Québec subsidiaries provide these services pursuant to those agreements, and are not required to be members of the acousticians corporation. Although Helix believes its management agreements with Cousineau, Doucet, Parent et Forget, audioprothésistes, s.e.n.c., are consistent with the Acousticians Act requirements, there is no assurance that this is the correct interpretation. Also, the laws governing audiology and the sale of hearing aids at either the provincial or federal level, including the Acousticians Act, may change requiring HEARx and Helix to make expensive changes to meet compliance or to cease all or part of their operations if they cannot comply.

Increased exposure to currency fluctuations after the combination could have adverse effects on HEARx s reported earnings.

Most of HEARx s sales and costs are denominated in U.S. dollars. Most of Helix s sales are also denominated in U.S. dollars, but many of its costs are denominated in Canadian dollars. As a result of its investment in the common stock of Helix, HEARx is now exposed to fluctuations in the Canadian dollar to the extent of its 10.5% interest in Helix. After giving effect to the transaction, HEARx will have increased

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exposure to fluctuations in the Canadian dollar. As a result, HEARx s earnings will be affected by increases or decreases in the value of the Canadian dollar. Increases in the value of the Canadian dollar versus the U.S. dollar would tend to reduce reported earnings in U.S. dollar terms, and decreases in the value of the Canadian dollar would tend to increase reported earnings.

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CURRENCY

Unless otherwise indicated, all dollar amounts in this joint proxy statement/prospectus are expressed in U.S. dollars.

The following tables show the rates of exchange for a Canadian dollar per US $1 in effect at the end of certain periods. All rates are based on the noon buying rate, certified by the Federal Reserve Bank of New York for customs purposes in New York City for cable transfers in Canadian dollars.

	1997	1998	1999	2000	2001	Three Months Ended March 31, 2002
Average for the Period*	1.3849	1.4836	1.4858	1.4852	1.5519	1.5974

* The average for the period was calculated by averaging the noon buying rate or noon spot rate, as applicable, on the last business day of each month during the period.

High and Low Price for the Last Six Months

Month	Low	High
November	1.5717	1.6023
December	1.5635	1.5990
January	1.5899	1.6128
February	1.5885	1.6112
March	1.5767	1.5958
April	1.5632	1.5995

On May 17, 2002, the noon buying rate in Canadian dollars reported by the Federal Reserve Bank of New York was US $1 = CDN $1.5420.

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FORWARD-LOOKING STATEMENTS

This joint proxy statement/ prospectus contains forward-looking statements based on our current expectations, assumptions, estimates and projections about us and our industry. These forward-looking statements involve risks and uncertainties. These statements include, in particular, statements about our plans, strategies and prospects under the headings Questions and Answers About the HEARx/ Helix Arrangement, Summary, The Arrangement, Unaudited Pro Forma Condensed Combined Financial Information, HEARx and Helix. You can identify certa forward-looking statements by our use of forward-looking terminology such as the words may, will, believes, expects, anticipates, intends, plans, estimates or similar expressions. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to the factors described in the Risk Factors section and elsewhere in this joint proxy statement/ prospectus. We are not obligated to update or revise these forward-looking statements to reflect new events or circumstances.

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SELECTED FINANCIAL INFORMATION

HEARx Selected Historical Consolidated Financial Information

The HEARx selected historical consolidated statement of operations data for each of the three years ended December 29, 2001, and the selected historical consolidated balance sheet data as of December 29, 2001 and December 29, 2000 are derived from the audited consolidated financial statements of HEARx included elsewhere in this joint proxy statement/prospectus. The selected historical consolidated statement of operations data for each of the two years ended December 25, 1998 and December 26, 1997, and the selected historical consolidated balance sheet data as of December 31, 1999, December 25, 1998 and December 26, 1997 is derived from the audited consolidated financial statements of HEARx which in accordance with SEC rules are not included elsewhere herein. The selected consolidated financial information of HEARx as of March 30, 2002 and for the three month periods ended March 30, 2002 and March 31, 2001 are derived from the unaudited consolidated financial statements of HEARx included elsewhere in this joint proxy statement/ prospectus, and in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information. Operating results for the interim periods are not necessarily indicative of the results of HEARx that may be expected for the entire year. The following selected historical consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations and other financial information of HEARx included elsewhere in this joint proxy statement/prospectus.

Statement of Operations Data:

	Three Months Ended		Year Ended				
	March 30, 2002	March 31, 2001	December 29, 2001	December 29, 2000	December 31, 1999(1)	December 25, 1998	December 26, 1997
	(unaudited)	(unaudited)					
Net Revenues	$12,010,016	$12,488,191	$48,796,110	$56,114,832	$47,476,764	$ 26,891,186	$ 23,316,260
Total operating costs and expenses	13,075,183	15,436,835	56,995,460	59,696,818	52,010,728	39,159,599(2)	33,359,436
Loss from operations	(1,065,167)	(2,948,644)	(8,199,350)	(3,581,986)	(4,533,964)	(12,268,413)	(10,043,176)
Non-operating income (expense)							
Interest income	22,066	46,574	222,349	294,132	210,104	602,663	897,619
Interest expense	(280,230)	(9,919)	(652,530)	(28,723)	(27,713)	(62,492)	(58,444)
Loss before minority interest & equity in loss of joint venture & affiliated company	(1,323,331)	(2,911,989)	(8,629,531)	(3,316,577)	(4,351,573)	(11,728,242)	(9,204,001)
Minority Interest					347,677		
Equity in loss of joint venture						(615,420)	
Equity in loss of affiliated company	(61,405)						
Net Loss	(1,384,736)	(2,911,989)	(8,629,531)	(3,316,577)	(4,003,896)	(12,343,662)	(9,204,001)
Dividends on preferred stock	(168,069)	(201,235)	(812,205)	(1,346,872)	(821,387)	(587,893)	(1,992,123)
Net loss applicable to common Stockholders	$ (1,552,805)	$ (3,113,224)	$ (9,441,736)	$ (4,663,449)	$ (4,825,283)	$(12,931,555)	$(11,196,124)
Loss per common share:							
Basic and diluted, including dividends on preferred	$ (0.11)	$ (0.25)	$ (0.72)	$ (0.39)	$ (0.45)	$ (1.28)	$ (1.25)

stock							
Weighted average number of common shares outstanding	14,057,243	12,505,430	13,120,137	11,834,388	10,775,006	10,126,979	8,960,503
Cash dividends per common share	None	None	None	None	None	None	None

(1) As discussed in Note 1 to the Consolidated Financial Statements, commencing in 1999 HEARx s Consolidated Financial Statements include the accounts of HEARx West, its 50% subsidiary.

(2) During December 1998, HEARx recorded a restructure charge of $2,233,857 in connection with the closing of 12 centers in the northeast in January 1999.

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Balance Sheet Data:

	As of					
	March 30, 2002	December 29, 2001	December 29, 2000	December 31, 1999	December 25, 1998	December 26, 1997
Total assets	$19,821,831	$21,341,522	$21,872,123	$21,377,110	$25,208,317	$28,359,547
Working capital	(3,700,557)	(738,562)	2,350,832	938,815	7,614,042	13,136,147
Long-term debt, net of current portion	7,720,545	8,750,999	175,887	322,332	123,316	177,897

Helix Selected Historical Consolidated Financial Information

The Helix selected historical consolidated statement of operations data for each of the three years ended November 30, 2001, and the selected historical consolidated balance sheet data as of November 30, 2001 and 2000 are derived from the audited consolidated financial statements of Helix included elsewhere in this joint proxy statement/prospectus. The selected historical consolidated statement of operations data for each of the two years ended November 30, 1998 and the selected historical consolidated balance sheet data as of November 30, 1999, 1998 and 1997 is derived from the audited consolidated financial statements of Helix, which in accordance with SEC rules are not included elsewhere herein. The selected consolidated financial information of Helix as of February 28, 2002 and for the three month periods ended February 28, 2002 and 2001 are derived from the unaudited consolidated financial statements of Helix included elsewhere in this joint proxy statement/prospectus, and in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial information. Operating results for the interim periods are not necessarily indicative of the results of Helix that may be expected for the entire year. Helix prepares its financial statements in accordance with Canadian GAAP and in Canadian Dollars. The significant differences between Canadian GAAP and U.S. GAAP that are relevant to Helix s consolidated financial statements included elsewhere in this joint proxy statement/prospectus are presented in Note 17 thereto, which presents a reconciliation to U.S. GAAP of Helix s consolidated net loss and shareholders equity for each of the three years ended November 30, 2001 and the three month periods ended February 28, 2002 and 2001. The following selected historical consolidated statement of operations data for all periods presented are in accordance with Canadian GAAP. In addition, the following selected historical consolidated statement of operations data for each of the three years ended November 30, 2001 and the three month periods ended February 28, 2002 and 2001 reflect those differences necessary for them to be in accordance with U.S. GAAP. The following selected historical consolidated balance sheet data as of each period end presented are in accordance with Canadian GAAP. In addition, the following selected historical consolidated balance sheet data as of February 28, 2002, November 30, 2001, 2000 and 1999 reflect those differences necessary for them to be in accordance with U.S. GAAP. All Helix financial information below is in Canadian dollars. The following selected historical consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations and other financial information of Helix included elsewhere in this joint proxy statement/prospectus.

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Statement of Operations Data:

	Three Months Ended		Year Ended				
	February 28, 2002	February 28, 2001	November 30, 2001	November 30, 2000	November 30, 1999	November 30, 1998(1)	November 30, 1997(1)
	(unaudited)	(unaudited)	All amounts are in Canadian Dollars				
CDN GAAP(2)							
Net Revenues	$ 10,472,732	$ 11,040,485	$ 47,198,866	$ 35,981,994	$ 24,803,824	$ 14,300,630	$ 8,138,993
Total costs and expenses	11,613,822	13,048,643	54,980,235	38,617,304	29,167,256	13,085,934	7,356,235
Income (loss) before income taxes	(1,141,090)	(2,008,158)	(7,781,369)	(2,635,310)	(4,363,432)	1,214,696	782,758
Income tax (expense) benefit		(181,252)	(1,110,666)	946,497	1,701,738	(462,836)	(329,635)
Net income (loss)	$ (1,141,090)	$ (2,189,410)	$ (8,892,035)	$ (1,688,813)	$ (2,661,694)	$ 751,860	$ 453,123
Income (loss) per common share:							
Basic and diluted	$ (0.03)	$ (0.06)	$ (0.22)	$ (0.06)	$ (0.09)	$ 0.04	$ 0.03
US GAAP							
Net Revenues	$ 10,472,732	$ 11,040,485	$ 47,198,866	$ 35,981,994	$ 24,803,824		
Total costs and expenses	12,339,157	13,029,731	56,719,566	39,247,506	29,058,998		
Income (loss) before income taxes	(1,866,425)	(1,989,246)	(9,520,700)	(3,265,512)	(4,255,174)		
Income tax (expense) benefit		(181,252)	(1,110,666)	946,497	1,701,738		
Net income (loss)	$ (1,866,425)	$ (2,170,498)	$ (10,631,366)	$ (2,319,015)	$ (2,553,436)	$	$
Income (loss) per common share:							
Basic and diluted	$ (0.04)	$ (0.06)	$ (0.27)	$ (0.08)	$ (0.09)	$	$
Weighted average number of common shares outstanding	43,954,362	38,282,202	39,582,941	30,683,763	28,238,717	20,960,681	18,228,777
Cash dividends per common share	None	None	None	None	None	None	None

Balance Sheet Data:

	As of					
	February 28, 2002	November 30, 2001	November 30, 2000	November 30, 1999	November 30, 1998(1)	November 30, 1997(1)
	(unaudited)	All amounts are in Canadian Dollars				
CDN GAAP						
Total assets	$ 57,867,198	$ 58,109,482	$ 57,274,919	$ 31,343,706	$ 19,136,136	$ 8,457,263

Working capital	(3,883,636)	(1,822,496)	2,526,517	7,348,710	2,360,619	580,448
Long-term debt and convertible debentures, net of current portion	16,328,169	21,066,836	18,136,667	10,653,186	5,918,369	626,406
US GAAP						
Total assets	$ 52,584,367	$ 53,477,592	$ 52,399,260	$ 30,828,171		
Working capital	(3,883,636)	(1,822,496)	2,526,517	7,348,710		
Long-term debt and convertible debentures, net of current portion	15,881,802	20,546,075	17,318,328	9,537,269		

(1) The selected historical consolidated statement of operations data for each of the two years ended November 30, 1998 and the selected historical consolidated balance sheet data as of November 30, 1998 and 1997 is not required to be reconciled to US GAAP in accordance with SEC rules.

(2) In Canada, the Accounting Standards Board has approved an addendum to Business Combinations, Section No. 1580 that permits goodwill amortization expense to be presented net-of-tax on a separate line in the Consolidated Income Statement. This presentation is not currently permitted under United States GAAP. For your convenience, the statement of operations data in Canadian GAAP was presented on a comparative basis with the information presented for US GAAP purposes. Since December 1, 2001, Helix is no longer amortizing goodwill in accordance with new recommendations of Section 3062 of the Handbook of the Canadian Institute of Chartered Accountants. See note 3 to Consolidated Financial Statements of Helix contained elsewhere in this joint proxy statement/prospectus.

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SUMMARY UNAUDITED PRO FORMA CONDENSED COMBINED

SELECTED FINANCIAL INFORMATION

The following tables present summary unaudited pro forma combined financial information after giving effect to the proposed acquisition of Helix by HEARx under the purchase method of accounting. The tables have been derived from, or prepared on a basis consistent with, the unaudited pro forma combined information included elsewhere in this joint proxy statement/prospectus. The selected pro forma combined financial information should be read in conjunction with, and is qualified in its entirety by reference to, the unaudited pro forma condensed combined financial information and notes thereto. See Unaudited Pro Forma Condensed Combined Financial Information. The following data are presented for illustrative purposes only and are not necessarily indicative of the operating results or financial position that would have occurred or that will occur after the consummation of the proposed acquisition.

The pro forma condensed combined balance sheet data gives effect to the proposed acquisition as if it had occurred on March 30, 2002, combining the balance sheets of HEARx at March 30, 2002 with that of Helix as of February 28, 2002. The pro forma condensed combined statements of operations data give effect to the proposed acquisition as if it had occurred at the beginning of the earliest period presented, combining the results of HEARx for the three months ended March 30, 2002 and the year ended December 29, 2001 with those of Helix for the three months ended February 28, 2002 and the year ended November 30, 2001, respectively.

Summary Unaudited Pro Forma Condensed Combined Statement of Operations Data:

	Three Months Ended March 30, 2002	Year Ended December 29, 2001
	All amounts are in U.S. dollars	
Net Revenues	$18,560,386	$ 79,359,385
Total operating costs and expenses	20,489,880	92,559,701
Loss from operations	(1,929,494)	(13,200,316)
Interest income	17,066	212,349
Interest expense	(708,295)	(2,324,622)
Loss before income taxes	(2,620,723)	(15,312,589)
Provision for income taxes		(719,204)
Net Loss	(2,620,723)	(16,031,793)
Dividends on preferred stock	(168,069)	(812,205)
Net loss applicable to common stockholders	$ (2,788,792)	$(16,843,998)
Loss per common share:		
Basic and diluted, including dividends on preferred stock	$ (0.10)	$ (0.61)
Weighted average number of common shares outstanding	28,667,243	27,730,137
Cash dividends per common share	None	None

Summary Unaudited Pro Forma Condensed Combined Balance Sheet Data:

	As of March 30, 2002

	All amounts are in U.S. Dollars
Total assets	$64,245,344
Working capital	(6,845,721)
Long-term debt and convertible debentures, net of current portion	17,617,598

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MARKET PRICE AND DIVIDEND INFORMATION

Market Price Information

HEARx s common stock is listed on the American Stock Exchange and is traded under the symbol EAR . Helix s common shares are listed on The Toronto Stock Exchange and are traded under the symbol HCA .

The Market Price Range By Quarter

The following table sets forth, for the calendar quarter indicated, the high and low closing sale prices of HEARx common stock as reported by the American Stock Exchange:

	2002		2001		2000	
	High	**Low**	**High**	**Low**	**High**	**Low**
HEARx U.S.$						
1st quarter	1.25	0.81	2	1 1/5	6 7/16	4 1/16
2nd quarter	N/A	N/A	2	1 1/7	4 1/4	3 9/16
3rd quarter	N/A	N/A	1 3/4	5/8	3 3/4	2 9/16
4th quarter	N/A	N/A	1.28	.60	2 13/16	1 1/16

The following table sets forth, for the calendar quarter indicated, the high and low closing sale prices of Helix common stock as reported by The Toronto Stock Exchange:

	2002		2001		2000	
	High	**Low**	**High**	**Low**	**High**	**Low**
Helix CDN$						
1st quarter	0.95	0.59	1.73	1.30	1.55	1.27
2nd quarter	N/A	N/A	1.50	1.21	1.44	1.05
3rd quarter	N/A	N/A	1.54	0.92	1.19	0.95
4th quarter	N/A	N/A	0.95	0.50	1.83	0.95

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COMPARATIVE MARKET PRICE DATA

The following table sets forth:

the last reported sale price of one share of HEARx common stock, as reported on the American Stock Exchange, on May 22, 2001, the last full trading day prior to the public announcement of the proposed arrangement, and on May 17, 2002, the last day for which that information could be calculated prior to the date of this joint proxy statement/prospectus, and

the market value of one Helix common share on an equivalent per share basis as if the arrangement had been completed on May 22, 2001, the last full trading day prior to the public announcement of the proposed arrangement, and on May 17, 2002, the last day for which that information could be calculated prior to the date of this joint proxy statement/prospectus. The equivalent price per share data for Helix common shares has been determined by multiplying the last reported sale price of one share of HEARx common stock on each of these dates by the exchange ratio in the arrangement.

Comparative Market Price Data

	HEARx Common Stock	Helix Common Stock	Equivalent Price Per Share of Helix Common Stock
May 22, 2001	US $1.65	CDN $1.35	US $0.58
May 17, 2002	US $0.90	CDN $0.44	US $0.32

You are urged to obtain current market quotations for HEARx common stock before making any investment decision.

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COMPARATIVE PER SHARE DATA

To assist you in your analysis of the proposed arrangement, the following table sets forth net loss, book value and cash dividend per share of HEARx common stock and Helix common shares for the year ended December 29, 2001 and November 30, 2001, respectively, and the three months ended March 30, 2002 and February 28, 2002, respectively, on a historical and pro forma per share basis for HEARx and a historical and equivalent pro forma per share basis for Helix. The information presented in this tabulation is in U.S. dollars and U.S. GAAP and should be read in conjunction with the unaudited pro forma condensed combined financial information and the separate financial statements and information, including applicable notes, of the respective companies appearing elsewhere in this joint proxy statement/prospectus.

As of and For the Three Months Ended March 30, 2002 and February 28, 2002 (Unaudited)

	HEARx Historical (Three Months Ended 3/30/02)	Helix Historical (Three Months Ended 2/28/02)	HEARx Pro Forma Combined	Helix Equivalent Pro Forma Combined(1)
Net loss per common share				
Basic	$ (.11)	$ (.03)	$ (.10)	$ (.04)
Diluted	$ (.11)	$ (.03)	$ (.10)	$ (.04)
Book value per common share	$ .04	$ .28	$ .82	$ .29
Cash dividend per common share	N/A	N/A	N/A	N/A

As of and for the Year Ended December 29, 2001 and November 30, 2001

	HEARx Historical (Year Ended 12/29/01)	Helix Historical (Year Ended 11/30/01)	HEARx Pro Forma Combined	Helix Equivalent Pro Forma Combined(1)
Net loss per common share				
Basic	$ (.72)	$ (.17)	$ (.61)	$ (.22)
Diluted	$ (.72)	$ (.17)	$ (.61)	$ (.22)
Book value per common share	$ .06	$ .28	N/A	N/A
Cash dividend per common share	N/A	N/A	N/A	N/A

(1) Helix equivalent pro forma combined per share information has been computed by multiplying the HEARx pro forma combined amounts by the exchange ratio of 0.3537.

Dividend Information

HEARx has not declared or paid any cash dividends on its capital stock. HEARx had 1,781 stockholders of record as of May 10, 2002.

Helix has not declared or paid any cash dividends on its capital stock. Helix had 87 stockholders of record as of May 20, 2002.

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UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

On July 27, 2001, HEARx entered into a definitive agreement to acquire all of the issued and outstanding shares of the common stock of Helix, except for the 4,853,932 shares owned by HEARx, in exchange for approximately 14,610,000 shares of HEARx common stock at a price of $1.72, the market price of HEARx common stock on the day preceding the public announcement of the definitive agreement. In addition, HEARx will issue options and warrants to purchase approximately 2,234,000 shares of HEARx common stock to holders of Helix options and warrants. The fair value of the HEARx options and warrants to be issued is estimated to be approximately $1,600,000, using fair value assumptions of: no dividends, expected volatility of approximately 95%, risk-free interest rate of approximately 5%, and expected lives ranging from 1 to 8 years. Also, total costs incurred or estimated to be incurred by HEARx in connection with the acquisition are approximately $1,800,000. This resulted in a total purchase price of approximately $28,529,000.

The Unaudited Pro Forma Condensed Combined Financial Information reflects the financial information which gives effect to HEARx s proposed acquisition of all of the outstanding shares of common stock of Helix, except for those owned by HEARx, and the assumed replacement of all options and warrants to acquire Helix common stock with options and warrants to purchase HEARx common stock. The share, option and warrant amounts were calculated using an exchange ratio of 0.3537 shares of HEARx common stock to one share of Helix common stock, assuming approximately 41,307,000 shares of Helix common stock and 6,315,000 options and warrants to purchase Helix common stock are outstanding at March 30, 2002. The Pro Forma Financial Information included herein reflects the purchase method of accounting, after giving effect to the pro forma adjustments discussed in the accompanying notes. Such financial information has been prepared from, and should be read in conjunction with, the historical consolidated financial statements and notes thereto of HEARx and Helix included elsewhere in this joint proxy statement/prospectus.

The accompanying Pro Forma Condensed Combined Financial Information gives effect to the acquisition on HEARx s financial position and results of operations. The Pro Forma Condensed Combined Balance Sheet gives effect to the acquisition as if it had occurred on March 30, 2002, combining the historical balance sheet of HEARx as of that date with that of Helix as of February 28, 2002. The Pro Forma Condensed Combined Statements of Operations give effect to the acquisition as if it had occurred at the beginning of the earliest period presented, combining the results of HEARx for the three months ended March 30, 2002 and the year ended December 29, 2001, with those of Helix for the three months ended February 28, 2002 and the year ended November 30, 2001, respectively.

The consolidated financial statements of Helix included in the Pro Forma Condensed Combined Financial Information utilize US GAAP and were translated at the following exchange rates: Canadian dollars were translated to US dollars at the rate of 0.6232, 0.6255 and 0.6475, respectively, with respect to the Balance Sheet at February 28, 2002 and the Statements of Operations for the three months ended February 28, 2002 and the year ended November 30, 2001.

The Pro Forma Condensed Combined Statements of Operations presented do not include any potential cost savings. HEARx believes that it may be able to reduce salaries and related costs and office and general expenses as it eliminates duplication of overhead. However, there can be no assurance that HEARx will be successful in effecting any such cost savings.

The Pro Forma Condensed Combined Financial Information is unaudited, and is not necessarily indicative of the consolidated results, which actually would have occurred if the above transaction had been consummated at the beginning of the periods presented, nor does it purport to present the future financial position and results of operations for future periods. In particular, the Pro Forma Condensed Combined Financial Information is based on management s current estimate of the allocation of the purchase price, the actual allocation of which may differ.

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PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (Unaudited)

Year Ended December 29, 2001

	HEARx	Helix Converted	Purchase Accounting Adjustments	Combined Pro forma
	US Dollars	US Dollars		US Dollars
Net Revenues	$48,796,110	$30,563,275	$	$ 79,359,385
Operating costs and expenses:				
Cost of products sold	15,421,587	13,284,541		28,706,128
Center operating expenses	28,722,667	15,161,871		43,884,538
General and administrative expenses	10,441,046	4,332,344		14,773,390
Depreciation and amortization	2,410,160	2,267,485	518,000 (4)	5,195,645
Total operating costs and expenses	56,995,460	35,046,241	518,000	92,559,701
Loss from operations	(8,199,350)	(4,482,966)	(518,000)	(13,200,316)
Interest income	222,349		(10,000)(5)	212,349
Interest expense	(652,530)	(1,682,092)	10,000 (5)	(2,324,622)
Loss before taxes and dividends on preferred stock	(8,629,531)	(6,165,058)	(518,000)	(15,312,589)
Provision for income taxes		(719,204)		(719,204)
Dividends on preferred stock	(812,205)			(812,205)
Net loss applicable to common shareholders	$ (9,441,736)	$ (6,884,262)	$ (518,000)	$(16,843,998)
Net loss per common share basic and diluted	$ (0.72)			$ (0.61)
Weighted average number of shares of Common stock outstanding	13,120,137		14,610,000 (a)	27,730,137

(a) Gives effect to the additional shares expected to be issued in connection with the transaction. It is assumed Helix shareholders, other than HEARx, will exchange all of their common shares outstanding for 14,610,000 shares of HEARx common stock.

See Notes to Pro Forma Condensed Combined Financial Statements (Unaudited).

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PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS (Unaudited)

Three Months Ended March 30, 2002

	HEARx	Helix Converted	Purchase Accounting Adjustments	Combined Pro forma
	US Dollars	US Dollars		US Dollars
Net Revenues	$12,010,016	$ 6,550,370	$	$ 18,560,386
Operating costs and expenses:				
Cost of products sold	3,405,098	2,686,982		6,092,080
Center operating expenses	6,759,936	3,037,992		9,797,928
General and administrative expenses	2,386,551	1,281,539		3,668,090
Depreciation and amortization	523,598	278,184	130,000(4)	931,782
Total operating costs and expenses	13,075,183	7,284,697	130,000	(20,489,880)
Loss from operations	(1,065,167)	(734,327)	(130,000)	(1,929,494)
Interest income	22,066		(5,000)(5)	17,066
Interest expense	(280,230)	(433,065)	5,000(5)	(708,295)
Loss before equity in loss of affiliated company, taxes and dividends on preferred stock	(1,323,331)	(1,167,392)	(130,000)	(2,620,723)
Equity in loss of affiliated company	(61,405)		61,405(6)	
Provision for income taxes				
Dividends on preferred stock	(168,069)			(168,069)
Net loss applicable to common shareholders	$ (1,552,805)	$(1,167,392)	$ (68,595)	$ (2,788,792)
Net loss per common share basic and diluted	$ (0.11)			$ (0.10)
Weighted average number of shares of Common stock outstanding	14,057,243		14,610,000(a)	28,667,243

(a) Gives effect to the additional shares expected to be issued in connection with the transaction. It is assumed Helix shareholders, other than HEARx, will exchange all of their common shares outstanding for 14,610,000 shares of HEARx common stock.

See Notes to Pro Forma Condensed Combined Financial Statements (Unaudited).

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PRO FORMA CONDENSED COMBINED BALANCE SHEET (Unaudited)

March 30, 2002

	HEARx	Helix Converted	Purchase Accounting Adjustments	Combined Pro forma
	US Dollars	US Dollars		US Dollars
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,779,869	$ 1,626,928	$	$ 5,406,797
Investment securities	150,000			150,000
Accounts and notes receivable, net	2,658,423	4,908,429		7,566,852
Inventories	438,873	531,956		970,829
Income taxes receivable		10,500		10,500
Prepaid expenses	769,986	228,163		998,149
Total current assets	7,797,151	7,305,976		15,103,127
Property and equipment net	6,532,500	3,097,530		9,630,030
Other assets				
Investment in affiliated company	2,653,680		(2,653,680)(2)	
Deferred income taxes		1,409,432		1,409,432
Intangibles, net	971,280	20,789,665	15,383,222(1)(3)	37,144,167
Other	1,867,220	166,368	(1,075,000)(3)	958,588
Total other assets	5,492,180	22,365,465	11,654,542	39,512,187
	$ 19,821,831	$ 32,768,971	$ 11,654,542	$ 64,245,344
Current liabilities:				
Accounts payable and accrued expenses	$ 6,778,943	$ 6,465,974	$ 725,000(3)	$ 13,969,917
Accrued salaries and other compensation	675,189			675,189
Current maturities of long term debt and convertible debentures	2,486,593	3,260,166		5,746,759
Dividends payable	1,556,983			1,556,983
Total current liabilities	11,497,708	9,726,140	725,000	21,948,848
Long term debt:				
Notes payable	7,720,545	5,175,216		12,895,761
Convertible debentures		4,721,837		4,721,837
Total long term debt	7,720,545	9,897,053		17,617,598
Commitments and contingencies				
Stockholders equity				
Preferred stock	4,796			4,796
Common stock	1,605,940	23,722,212	(22,261,174)(1)(2)	3,066,978
Stock subscription	(412,500)			(412,500)
Additional paid-in-capital	92,614,939	278,162	22,336,120(1)	115,229,221
Accumulated deficit	(90,741,241)	(11,872,051)	11,872,051(1)	(90,741,241)
Accumulated other comprehensive income	15,085	1,017,455	(1,017,455)(1)(2)	15,085

Treasury stock, at cost	(2,483,441)			(2,483,441)
Total stockholders equity	603,578	13,145,778	10,929,542	24,678,898
	$ 19,821,831	$ 32,768,971	$ 11,654,542	$ 64,245,344

See Notes to Pro Forma Condensed Combined Financial Statements (Unaudited).

Notes to Pro Forma Condensed Combined Financial Statements (Unaudited)

Note A. The pro forma adjustments to the condensed combined balance sheet are as follows:

1. To reflect the acquisition of Helix and the allocation of the purchase price on the basis of the fair values of the assets acquired and liabilities assumed. The components of the purchase price and its allocation to the assets and liabilities are as follows:

Components of the purchase price:	
HEARx Common Stock	$ 25,129,000
HEARx Options and Warrants	1,600,000
Costs of Acquisition	1,800,000
Total purchase price	28,529,000
Allocation of purchase price:	
Tangible assets acquired and Liabilities assumed:	
Current assets	(7,305,976)
Property and equipment	(3,097,530)
Deferred income taxes	(1,409,432)
Other assets	(166,368)
Current liabilities	9,726,140
Long term debt	9,897,053
Net tangible liabilities	7,643,887
Identifiable intangible assets Acquired:	
Patient files	(7,775,000)
Trademarks and tradenames	(6,035,000)
Net identifiable intangible assets acquired	(13,810,000)
Cost in excess of net assets acquired	$ 22,362,887

2. To eliminate HEARx s investment in 4,853,932 shares of Helix s common stock purchased in January 2002, by exchanging $2,700,000 of promissory notes payable issued by Helix to HEARx in November 2001 and January 2002.

3. To reclassify the costs of acquisition incurred by HEARx as of March 30, 2002 of approximately $1,075,000 and to accrue the estimated acquisition costs to be incurred by HEARx of $725,000.

Note B. The pro forma adjustments to the condensed combined statements of operations are as follows:

The Financial Accounting Standards Board has adopted Statement No. 141, Business Combinations (SFAS 141) and Statement No. 142 Goodwill and Other Intangible Assets (SFAS 142). SFAS 141 requires the use of the purchase method of accounting for business combinations initiated after June 30, 2001 and for purchase business combinations completed after July 1, 2001, and requires that the Company recognize acquired intangible assets apart from goodwill, if the acquired intangible assets meet certain criteria. SFAS 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Accordingly, no amortization of goodwill for the proposed Helix acquisition is reflected in the Unaudited Pro Forma Condensed Combined Statements of Operations. In addition, patient files identified as intangible assets are being amortized over their estimated finite useful lives of fifteen years on a straight-line basis. Trademarks and tradenames are not being amortized as their lives are estimated to be indefinite under SFAS 142. See Note 15 Recent Accounting Pronouncements and Note 17(ix) in the historical consolidated financial statements of HEARx and Helix, respectively, contained elsewhere in this joint proxy statement/prospectus for a discussion of the impact of SFAS 141 and 142 on HEARx and Helix.

4. The estimated finite useful life of patient files intangible asset is fifteen years based upon the historical behavior of the patient populations included in the patient files. The adjustment to record amortization of patient files was approximately $130,000 and $518,000 for the

three months ended March 30, 2002, and year ended December 29, 2001, respectively.

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Notes to Pro Forma Condensed Combined Financial Statements (Unaudited) (Continued)

5. To eliminate the interest income and expense of approximately $5,000 and $10,000 for the three months ended March 30, 2002 and the year ended December 29, 2001, respectively, at 6% on the $700,000 promissory note payable issued by Helix to HEARx in November 2001, exchanged in January 2002 as part of the $2,700,000 purchase price of HEARx s investment in the common stock of Helix.

6. To eliminate HEARx s equity in the loss of Helix on HEARx s common stock investment in Helix from the acquisition date of January 14, 2002 through February 28, 2002, the end of Helix s first quarter.

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GENERAL INFORMATION

HEARx Special Meeting

Date, Time and Place

HEARx s special meeting will be held at [ ] on June , 2002, at a.m., local time.

Purpose of the HEARx Special Meeting

At the HEARx special meeting, HEARx stockholders will vote upon proposals to approve the issuance of the HEARx common stock in connection with the arrangement pursuant to the terms of the merger agreement, approve an employee flexible stock plan to facilitate the replacement of Helix options outstanding at the time of the arrangement with HEARx options and to adjourn the special meeting, if necessary, to permit further solicitation of proxies in the event there are not sufficient votes at the time of the special meeting to approve all of the HEARx proposals. Stockholders will also be asked to vote upon proposals to amend HEARx s restated certificate of incorporation:

to increase the authorized number of shares of HEARx common stock from 20,000,000 to 50,000,000 and the number of shares of preferred stock from 2,000,000 to 5,000,000; and

to change the name of HEARx to HearUSA, Inc.

HEARx knows of no other matter to be brought before the HEARx special meeting. If any other business should properly come before the HEARx special meeting, the persons named in the proxy card will vote in their discretion on such matter.

Record Date; Stock Entitled To Vote; Quorum

Only holders of record of HEARx common stock at the close of business on May 10, 2002, are entitled to receive notice of and to vote at the HEARx special meeting. On the record date, 15,540,743 shares of HEARx common stock were issued and outstanding and held by approximately 1,781 holders of record.

The presence in person or by proxy of a majority of the outstanding shares entitled to vote is required to constitute a quorum at the annual meeting. Abstentions are counted as shares present for purposes of determining the presence of a quorum, and have the effect of a vote against any matter as to which they are specified. Broker non-votes with respect to any matter are not considered shares present and will not affect the outcome of the vote on such matter.

Votes Required

The affirmative vote of a majority of the shares of HEARx common stock present in person or by proxy at the special meeting is required for approval of the issuance of the HEARx common stock as contemplated by the merger agreement, approval of the flexible stock plan and to adjourn the special meeting, if necessary, to solicit additional proxies. The affirmative vote of a majority of the outstanding shares of HEARx common stock is required for approval of the amendments to the restated certificate of incorporation.

The holders of HEARx common stock will be entitled to one vote for each share of HEARx common stock they hold.

Voting By HEARx Directors and Officers

At the close of business on the record date, directors and executive officers of HEARx beneficially owned and were entitled to vote an aggregate of approximately 3,837,082 shares of HEARx common stock, which represented approximately 22.49% of the shares of HEARx common stock outstanding on that date. These directors and executive officers have indicated that they intend to vote FOR the approval of the HEARx proposals.

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There are no agreements or arrangements regarding voting by HEARx or HEARx s directors and executive officers.

Adjournments

Adjournments may be made for the purpose of soliciting additional proxies. Any adjournment may be made by approval of the holders of shares representing a majority of the votes present in person or by proxy at the special meeting. A quorum is not needed for an adjournment. The persons named as proxies in the enclosed form of proxy may vote for one or more adjournments of the special meeting, including adjournments for the purpose of soliciting additional proxies. No proxy voted against all of the HEARx proposals will be voted in favor of any adjournment of the special meeting.

Helix Special Meeting

Date, Time and Place

The Helix special meeting will be held at , Canada on June , 2002, at a.m., Montreal time.

Purpose of the Helix Special Meeting

At the Helix special meeting, Helix stockholders will be asked to vote on a special resolution to approve the arrangement pursuant to the terms of the merger agreement between HEARx and Helix.

Helix knows of no other matter to be brought before the Helix special meeting. If any other business should properly come before the Helix special meeting, the persons named in the proxy card will vote in their discretion on such matter.

Record Date; Stock Entitled To Vote; Quorum

Only holders of record of Helix common shares at the close of business on May 20, 2002, are entitled to notice of and to vote at the Helix special meeting. On the record date, 46,161,190 Helix common shares were issued and outstanding and were held by 87 holders of record.

At least two persons holding or representing not less than 5% of the outstanding shares entitled to vote will constitute a quorum at the Helix special meeting. Abstentions are counted as shares present for purposes of determining the presence of a quorum, and have the effect of a vote against any matter as to which they are specified. Broker non-votes with respect to any matter are not considered shares present and will not affect the outcome of the vote on such matter.

Votes Required

The affirmative vote of two-thirds of the shares then represented at the special meeting and entitled to vote will constitute the act of the stockholders.

The holders of Helix common shares will be entitled to one vote for each Helix common share they hold.

Voting By Helix Directors and Officers

At the close of business on the record date, directors and executive officers of Helix beneficially owned or had voting control or direction over and were entitled to vote 20,268,024 Helix common shares, which represented approximately 42.16% of the Helix common shares outstanding on that date.

The principal stockholders of Helix, who together hold approximately 47% of the outstanding Helix common shares, have entered into a stockholders agreement with HEARx pursuant to which they each have granted an irrevocable proxy to Paul A. Brown, M.D. and Stephen J. Hansbrough to vote their Helix common shares in favor of the arrangement and against any acquisition proposal from a party other than HEARx. In

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addition, HEARx holds approximately 10.5% of currently outstanding Helix common shares, which it intends to vote in favor of the arrangement.

There are no other agreements or arrangements regarding voting by Helix or Helix s directors and executive officers.

Adjournments

Any adjournment may be made by approval of the holders of shares representing a majority of the votes present in person or by proxy at the special meeting. A quorum is not needed for an adjournment.

Voting By Proxy

How To Vote By Proxy

Complete, sign, date and return the enclosed form of proxy in the enclosed envelope. Proxies must be received prior to the date of the applicable meeting. The persons named as proxies in the enclosed form of proxy are members of your company s management. Each stockholder has the right to appoint a proxy, other than the persons designated on the enclosed form of proxy, to attend and act for such stockholder and on such stockholder s behalf at the meeting of stockholders. To exercise such right, the names of the proxies identified on the enclosed form of proxy may be crossed out and the names of the stockholders proxies legibly printed in the blank space provided in the form of proxy.

Voting of Proxies

You are urged to mark the appropriate boxes on the proxy card to indicate how your shares are to be voted. All shares of HEARx common stock and Helix common shares represented by properly executed proxies will be voted at the applicable stockholders meeting in the manner specified in the proxies. If a HEARx or Helix stockholder does not return a signed proxy card, that stockholder s shares will not be voted.

Properly executed proxies representing HEARx common stock that do not contain voting instructions will be voted:

FOR the approval of the issuance of shares of common stock in connection with the arrangement; and

FOR the approval of the amendment to HEARx s restated articles of incorporation to increase the number of shares of common stock and preferred stock authorized; and

FOR the approval of the amendment to HEARx s restated articles of incorporation in connection with the arrangement to change HEARx s name to HearUSA, Inc. ; and

FOR the approval of the HearUSA 2002 Flexible Stock Plan; and

FOR the adjournment of the special meeting, if necessary, to permit the solicitation of additional proxies in the event there are not sufficient votes at the time of the special meeting to approve the above proposals.

Properly executed proxies representing Helix common shares that do not contain voting instructions will be voted:

FOR the approval, with or without variation, of the special resolution approving the arrangement pursuant to section 192 of the Canada Business Corporations Act, all as more particularly described in the joint proxy statement/prospectus.

Properly executed proxies also will give discretion to the proxies to vote upon such other business as may properly come before the meetings, including any adjournment or postponement thereof.

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Revocability of Proxies

You may revoke your proxy at any time before your proxy is voted at the applicable stockholders meeting. You can do that by:

- attending the applicable stockholders meeting and voting in person;
- completing, signing and mailing in a new proxy card in time that the new proxy card is received before the applicable stockholders meeting; or
- sending a written notice to the applicable corporate Secretary of HEARx or Helix, stating that you are revoking your proxy in time that the notice is received prior to the applicable stockholders meeting.

Solicitation of Proxies

Each company will bear the cost of any proxy solicitation on its behalf. In addition to solicitation by mail, certain directors, officers, and regular employees of HEARx and Helix may, without compensation other than their regular salaries and fees, solicit proxies personally, by telephone, facsimile or e-mail. Brokerage houses and other custodians, nominees and fiduciaries will be requested to forward soliciting materials to the beneficial owners of HEARx common stock and Helix common shares owned of record by those organizations. HEARx and Helix will pay the reasonable expenses of forwarding such materials.

In addition, HEARx has retained Georgeson Shareholder Communications Inc. to assist in the solicitation of proxies. HEARx will pay Georgeson Shareholder Communications Inc. approximately $10,000 plus expenses.

Other Voting Matters

Abstention

You may specify an abstention on any or all of the proposals. If you submit a proxy with an abstention, you will be treated as present at the special meeting for purposes of determining the presence or absence of a quorum for the transaction of all business. An abstention will have the same effect as a vote against the proposal.

Subsequent Transferees of Helix Common Shares

A transferee of Helix common shares acquired after the record date will be entitled to vote at the Helix meeting if he or she produces properly endorsed share certificates for such shares or otherwise establishes that he or she owns such shares. Helix must also receive from the transferee, at least 10 days before the meeting, a demand that his or her name be included in the list prepared as of the record date of stockholders entitled to vote at the meeting.

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THE ARRANGEMENT

The Amended and Restated Merger Agreement

This section is a summary of the material terms of the amended and restated merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus. The following description does not purport to be complete and is qualified in its entirety by reference to the amended and restated merger agreement. HEARx stockholders and Helix stockholders should refer to the full text of the amended and restated merger agreement for details of the arrangement and the terms and conditions of the amended and restated merger agreement.

General

The merger agreement provides the legal framework for the acquisition of the outstanding Helix common shares by HEARx Canada Inc., an indirect wholly owned subsidiary of HEARx. It covers, among other things:

- the effective time of the arrangement;
- the corporate organization and governance of the combined companies after the arrangement;
- the exchange of Helix common shares and options, warrants and convertible securities into exchangeable shares or HEARx common stock, or HEARx options, warrants or convertible securities;
- representations and warranties of the parties;
- agreements as to what the parties must do and not do prior to the effective time of the arrangement;
- conditions that must be fulfilled before each party is obligated to complete the arrangement;
- the circumstances under which the merger agreement may be terminated and the effect of such termination; and
- various miscellaneous items, such as amendments to the merger agreement and expenses and fees associated with the merger agreement.

Background of the Arrangement

On or about March 17, 2000, representatives of HEARx contacted representatives of Helix to arrange a meeting to discuss business opportunities in relation to their respective businesses. Until that date, both Helix and HEARx had been major retailers operating independently in the hearing health care industry in the United States. The managements of both HEARx and Helix wished to explore options that would enable their respective companies to gain a national presence and thereby establish themselves as the single retail leader in the North American hearing retail market. Because there was no overlap in the territories served by the two companies, HEARx and Helix were seen as a strong match in establishing an increased national presence. In addition, both HEARx and Helix had decided to explore the creation of a network business strategy, and the managements of both companies recognized that by combining the two companies, the development of a network business could be accelerated.

HEARx considered alternative strategies, including the possibility of other acquisition targets and strategic partnerships. In fact, from time to time HEARx has had discussions with other industry participants about possible transactions. None of those, however, were considered by the HEARx board of directors to be in the best interests of the stockholders and the company s longer term strategic plan. Helix also considered alternative strategies, including maintaining its independence and attempting to launch a network business on its own based on the recently acquired HEAR USA division.

On November 28, 2000, an informal meeting was held during which both sides reached the conclusion that synergies and business opportunities were indeed possible between the two companies. It was decided to proceed with negotiations, due diligence examinations and, if the former were conclusive, to finalize an

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agreement upon terms and conditions acceptable to both parties. On November 30, 2000, a confidentiality agreement was signed by the parties to secure the exchange of proprietary information and documents.

Throughout November and December 2000 and January 2001, several meetings and conference calls were held between representatives of Helix and HEARx to further define the conditions of an eventual combination or merger between the parties. These discussions also addressed the necessity of obtaining appropriate financing to proceed with the proposed transaction. A meeting was called by HEARx on February 16, 2001, with the intention of introducing Siemens Hearing Instruments as a potential source of financing to the contemplated merger. As a result of this meeting, Siemens orally committed to financially support the merger upon its completion.

For the remainder of February and the beginning of March, further discussions were held in an attempt to finalize a letter of intent containing the terms and conditions under which both parties would be willing to proceed with the proposed transaction. These efforts culminated in the signing of a first letter of intent on March 6, 2001.

Soon after signing this first letter of intent, Helix and HEARx agreed to the procedures to allow them to conduct due diligence examinations. After agreeing on a common diligence list of items to verify, each side prepared a document room containing the required materials to be provided to the other party. A first diligence visit was made by HEARx to Helix in Montreal the week of April 9, 2001. In addition to the HEARx representatives, representatives of HEARx s financial and legal advisors participated in the due diligence. During the week of April 19, 2001, Helix representatives and their financial advisors visited the HEARx corporate office in West Palm Beach, Florida to conduct their due diligence. Following these visits, each party provided the other with a report of the outstanding items it had identified during its examination. Each party responded to the other s inquiries and most issues were to be addressed to both parties satisfaction in the final merger agreement.

While these exchanges were taking place, a meeting was held in Montreal on May 30 and 31, 2001 to begin the preparation of the projected common business plan. This business plan contains the projected results from the combined operations as well as the intended development of a network.

After further discussions regarding the due diligence findings and the business plan, from May 16 to May 21 the senior management representatives of the parties discussed revising the March 6, 2001 letter of intent. Although HEARx and Helix had agreed in the March 6, 2001 letter of intent to a basic resulting ownership percentage by their shareholders, after conducting due diligence and the completion of a common business plan, the companies reached modified understandings on the economics of the business combination under which HEARx would be the acquiror. The existence of HEARx s convertible preferred stock was seen by Helix as a detriment to HEARx s long term stock performance. Therefore, management of both HEARx and Helix agreed that under the business combination, Helix s shareholders would receive an amount of HEARx common stock sufficient to give them an equivalent 42% ownership of HEARx on a basis where (i) all vested derivative securities in the companies having a strike price under a $1.55 were counted as issued and outstanding shares of common stock, and (ii) all the outstanding and issued convertible preferred stock of HEARx was assumed to be converted to common stock at a conversion price of $1.55. The parties agreed that Helix shareholders would have the option to receive exchangeable shares or common stock of HEARx upon the exchange of their Helix common shares. This structure was agreed upon to provide Helix stockholders resident in Canada an opportunity to receive full or partial deferral of Canadian federal income tax. The parties agreed to and executed a new letter of intent on May 22, 2001. On May 23, 2001, the parties issued a press release announcing the signing of the new letter of intent. The parties then began to negotiate a definitive merger agreement and related documents. During this time, each party continued its due diligence investigation of the other.

On July 11, 2001, the board of directors of Helix met to review the final terms of the merger agreement and related agreements as well as to receive a presentation on the financial aspects of the proposed transaction. After discussing the proposed transaction, the board of directors approved entering into the merger agreement.

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On July 16, 2001, the board of directors of HEARx met to evaluate the terms of the merger agreement and related agreements as well as to receive an opinion from Raymond James as to the fairness from a financial point of view to the HEARx stockholders of the consideration to be paid to the stockholders of Helix pursuant to the arrangement.

On July 27, 2001, after completion of the disclosure schedules to the merger agreement and negotiation of the terms of the stockholders agreement with the individual stockholders party to the stockholders agreement, the board of directors of HEARx met to review the final terms of the merger agreement and related agreements as well as to receive an updated fairness opinion by Raymond James. The board of directors of HEARx then unanimously approved the merger agreement.

The merger agreement was executed by the parties on Friday, July 27, 2001 and was publicly announced prior to the opening of the markets on Monday, July 30, 2001.

On November 6, 2001, the parties amended and restated the merger agreement to reflect changes in the proposed management of HEARx after the arrangement.

On January 8, 2002, the board of directors of Helix met to review the possibility of updating the fairness opinion already rendered in connection with the arrangement and/or requesting other financial advisors to consider and opine on the fairness of the proposed transaction to the Helix shareholders. After discussing the available options and considering the amount of time that had elapsed since the initial fairness opinion of July 11, 2001, the board of directors of Helix approved engaging Yorkton Securities Inc. to consider and opine on the financial aspects of the proposed transaction to the Helix shareholders from a financial point of view.

On February 1, 2002, the board of directors of Helix met to review the then current draft of the joint proxy statement/prospectus as well as to receive an opinion from Yorkton as to the fairness from a financial point of view to the Helix stockholders of the consideration to be paid to the stockholders of Helix pursuant to the arrangement.

On April 30, 2002, the parties agreed to extend the outside termination date under the merger agreement from June 30, 2002 to September 30, 2002.

Effect of the Arrangement

When the arrangement becomes effective, each outstanding Helix common share, other than those owned by dissenting stockholders, will be exchanged for 0.3537 exchangeable shares or 0.3537 shares of HEARx common stock. Helix stockholders will no longer have rights as holders of Helix common shares and will have only the right to receive the arrangement consideration.

HEARx Canada Inc., HEARx s Canadian subsidiary, will become the holder of the common shares of Helix, other than shares held by HEARx or HEARx Acquisition ULC, and Helix will become an indirect subsidiary of HEARx.

Court Approval and Completion of the Arrangement

The arrangement requires approval of the Superior Court of Québec, District of Montreal, under the Canada Business Corporations Act. Before mailing this joint proxy statement/prospectus, Helix obtained an interim order of the court providing for the calling and holding of the special meeting and other procedural matters.

Subject to the approval of the arrangement by the Helix stockholders at the meeting, the hearing in respect of the final order is scheduled to take place on , 2002, at 10:00 a.m. (Montreal time) in room 2.16 of the Superior Court of Québec, District of Montreal, at 1 Notre-Dame Street East, Montreal, Québec. Any Helix stockholder who wishes to present evidence or arguments at the hearing must file and deliver an appearance and any affidavits on which it relies, in accordance with the rules of the court and the provisions of the interim order issued by the court. The court will consider, among other things, the fairness and reasonableness of the arrangement. The court may approve the arrangement unconditionally or subject to compliance with any conditions the court deems appropriate.

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The court has broad discretion under the Canada Business Corporations Act when issuing orders relating to the arrangement. The court may approve the arrangement either as proposed or as amended in any manner the court directs. Under Canadian law, for the court to grant the final order, the court must conclude, among other things, that the arrangement is fair and reasonable to all affected persons. No material amendment to the arrangement will be made without obtaining further Helix stockholder approval.

Effective Time of the Arrangement

The arrangement will be effective when the Director under the Canada Business Corporations Act issues a certificate of arrangement. If the final order obtained on , 2002, is satisfactory to Helix and HEARx, and all other conditions to the arrangement are satisfied or waived, we expect that the effective date of the arrangement will be , 2002.

Recommendations of the HEARx Board of Directors and Reasons for the Arrangement

The board of directors of HEARx believes that the combination of Helix and HEARx on the terms contained in the merger agreement will be beneficial to HEARx and its stockholders and that the consideration to be paid to Helix stockholders under the merger agreement is fair to HEARx stockholders. Accordingly, the board of directors, at a meeting held on July 27, 2001, unanimously approved the transaction and recommended that holders of HEARx common stock vote to approve the proposal for the arrangement and the issuance of HEARx common stock in connection with the arrangement.

In considering the arrangement, the board of directors of HEARx noted that the arrangement would offer the HEARx stockholders the opportunity to participate in any future growth and profitability of Helix s business.

In deciding to approve the arrangement, the board of directors considered a number of other factors, including:

historical information concerning HEARx s and Helix s businesses, financial performance and condition, operations, competitive positions and management;

HEARx s and Helix s current industries, market and economic conditions, including current financial market conditions and historical market prices, volatility and trading information of HEARx common stock;

the relationship between the market value of HEARx common stock and the consideration to be paid by HEARx to Helix stockholders in the arrangement, along with a comparison of comparable arrangement transactions;

the stronger financial condition of the combined companies, considering the infusion of cash from Siemens;

the results of the due diligence investigations of Helix conducted by HEARx s management and financial and legal advisors;

the expected accounting treatment of the arrangement;

the terms and conditions of the merger agreement, including the fact that five directors of HEARx will be appointed to the combined company s board of directors;

the risks and potential rewards associated with, as an alternative to the arrangement, continuing to execute HEARx s business and strategic plan as an independent entity;

the impact of the arrangement on HEARx s stockholders and employees;

the likelihood that the arrangement would be completed; and

presentations and advice of HEARx s senior management, financial advisor and legal counsel.

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The board of directors also considered potentially negative risks of the arrangement, including:

- despite the efforts of the combined companies, key management personnel might not remain employed by the combined companies;
- potential benefits sought in the arrangement might not be fully realized;
- risks associated with Helix s business and prospects including its continuing operating losses, significant outstanding debt and integration of its numerous recent acquisitions; and
- other risks described under the caption Risk Factors presented earlier in this joint proxy statement/prospectus.

This discussion is not intended to include all the factors considered by the board of directors. Each member of the board of directors may have considered different factors and may have assigned different relative weights to the factors considered. In addition, the board of directors did not quantify or reach any specific conclusion with respect to each of the factors considered or any aspect of any particular factor. Instead, the board of directors conducted an overall analysis of these factors.

Based on the considerations described above, the board of directors of HEARx has unanimously approved the arrangement and the issuance of HEARx common stock in connection with the arrangement and recommends that HEARx stockholders vote FOR the share issuance.

Recommendations of the Helix Board of Directors and Reasons for the Arrangement

The board of directors of Helix believes that the arrangement on the terms contained in the merger agreement will be beneficial to Helix and its stockholders and that the consideration to be paid to Helix stockholders under the merger agreement is fair to the Helix stockholders. Accordingly, Helix s board of directors approved the transaction and recommended that holders of Helix common shares vote to approve the merger agreement and the transactions contemplated by the merger agreement.

In deciding to approve the acquisition of Helix, the Helix directors considered a number of other factors, including:

- historical information concerning HEARx s and Helix s businesses, financial performance and condition, operations, competitive positions and management;
- HEARx s and Helix s current industries, market and economic conditions, including current financial market conditions and historical market prices, volatility and trading information of HEARx common stock;
- the relationship between the market value of HEARx common stock and the consideration to be paid by HEARx to Helix stockholders in the arrangement, along with a comparison of comparable arrangement transactions;
- the strong financial condition of the combined companies, considering the infusion of cash from Siemens;
- the results of the due diligence investigations of HEARx conducted by Helix s management and financial advisors;
- the expected accounting treatment of the arrangement;
- the terms and conditions of the merger agreement, including the fact that four directors of Helix will be appointed to the combined company s board of directors;
- the impact of the arrangement on Helix s stockholders and employees;
- the likelihood that the arrangement would be completed; and
- presentations and advice of Helix s senior management, financial advisor and legal counsel.

The Helix board of directors also considered potentially negative risks of the arrangement, including:

- any fluctuations in the price of HEARx common stock prior to the closing of the arrangement;
- the tax impact on Helix stockholders who may realize taxable gain on the exchange of their Helix shares or the exchangeable shares for HEARx common stock;
- despite the efforts of the combined companies, key management personnel might not remain employed by the surviving corporation;
- potential benefits sought in the arrangement might not be fully realized;
- certain members of Helix s management and board of directors may have interests in the arrangement in addition to the interests of the other Helix stockholders; and
- the other risks described under the caption Risk Factors presented earlier in this joint proxy statement/prospectus.

This discussion is not intended to include all of the factors considered by the Helix board of directors. Each member of the Helix board of directors may have considered different factors and may have assigned different relative weights to the factors considered. In addition, the Helix board of directors did not quantify or reach any specific conclusion with respect to each of the factors considered or any aspect of any particular factor. Instead, the Helix board of directors conducted an overall analysis of these factors.

Based on the considerations described above, the Helix board of directors has approved the merger agreement and recommends that Helix stockholders vote FOR the merger agreement and the transactions contemplated by the merger agreement.

Opinion of Raymond James

HEARx retained Raymond James to render an opinion to the HEARx board of directors as to the fairness from a financial point of view to the HEARx stockholders of the consideration to be paid to the stockholders of Helix pursuant to the arrangement. Raymond James is actively engaged in the investment banking business and regularly undertakes the valuation of investment securities in connection with public offerings, private placements, business combinations and similar transactions. HEARx chose Raymond James because of Raymond James significant experience in the valuation of securities in connection with business combinations and similar transactions, especially with respect to healthcare companies.

Presentation by Raymond James. The following summarizes the material financial analyses presented by Raymond James to HEARx s board of directors at its meeting on July 27, 2001, which were considered by Raymond James in rendering the opinion described below. This summary is not a complete description of the analyses underlying the opinion of Raymond James or the information presented at meetings between Raymond James and representatives of HEARx held before the consideration of the arrangement by the HEARx board of directors.

Transaction Summary. Raymond James presented to the HEARx Board an analysis of the consideration to be paid to the stockholders of Helix in connection with the arrangement.

Exchange ratio	0.3537
HEARx share price (as of May 22, 2001)	$1.65
Helix:	
common stock value per share	$0.58
shares outstanding*	41.3 million
equity value	$24.1 million
debt (as of June 30, 2001)	$15.3 million
cash and cash equivalents (as of June 30, 2001)	$1.4 million
enterprise value**	$38.0 million

* calculated using the treasury stock method to account for outstanding options and warrants

** enterprise value equals the market value of equity plus debt less cash and cash equivalents

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For purposes of its opinion, Raymond James did not attempt to determine a value for the HEARx common stock but instead assumed that its current price fairly reflects its value and that the exchangeable shares will have the same value as the underlying HEARx common stock into which they are exchangeable.

Historically Implied Exchange Ratios. Raymond James presented to the HEARx board a summary financial comparison of the implied exchange ratio between the common shares of Helix and the common stock of HEARx. The implied exchange ratio is calculated by dividing the price of a Helix common share by the price of a share of HEARx common stock adjusting for currency conversion at the prevailing exchange rate on the applicable day. The implied exchange ratio is 0.3537.

The results of the analysis for the following time periods are listed below:

Time Period	HEARx	Helix	Implied Exchange Ratio
May 22, 2001	$1.65	$0.88	0.5304
Average of 30-Days Prior	1.75	0.88	0.5023
Average of 60-Days Prior	1.79	0.87	0.4872
Average of 90-Days Prior	1.76	0.89	0.5044
Average of 180-Days Prior	1.73	0.96	0.5521
Average of 360-Days Prior	2.37	0.89	0.3763

Merger and Acquisition Price Premium Analysis. Raymond James reviewed the minimum, mean, and maximum stock price premiums paid in 78 transactions over the last year for 100% change of control transactions with target total enterprise values between $50 million and $250 million for 1, 15, 30, and 120 day(s) prior to a business combination transaction. The proposed transaction stock price premium (discount) was calculated based on the percentage difference between the proposed transaction stock price, or offer price, and the actual price of Helix common stock 1, 15, 30, and 120 day(s) prior to May 23, 2001. The results of the analysis comparing the minimum, mean and maximum stock price premiums from these transactions with the proposed arrangement during the following periods are listed below:

Premium (Discount) to Market on Transaction Date

Precedent Transactions

		Precedent Transactions		
Time Prior to Transaction Date	Proposed Transaction	Min	Mean	Max
1 Day	(33.7%)	(78.3%)	42.5%	200.4%
15 Days	(33.6%)	(90.5%)	56.5%	436.0%
30 Days	(28.4%)	(90.5%)	56.8%	236.5%
120 Days	(39.7%)	(76.5%)	43.3%	227.7%

Comparable Company Analysis. Raymond James presented to the HEARx board a summary financial comparison of Helix to five public healthcare retail oriented companies. Excluding Helix and HEARx, the only comparable public hearing aid retailer is Sonus Corp. In order to obtain a more representative universe of companies delivering healthcare products and services in a retail format, the universe of comparable companies was expanded to include public eyewear retailers, whose businesses appeared reasonably similar to Helix. The public companies considered consisted of:

Cole National Corp.
Emerging Vision, Inc.
Sight Resources Corp.
Sonus Corp.
U.S. Vision, Inc.

Raymond James examined the following four key financial multiples for these selected healthcare retail companies: enterprise value (market value plus debt less cash and cash equivalents) to revenues; enterprise value to earnings before interest, taxes, depreciation and amortization (EBITDA); enterprise value to earnings

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before interest and taxes (EBIT); and market value to book value. Revenue, EBITDA, EBIT and book value were calculated for the last twelve months reported (LTM) and for the last quarter annualized (LQA).

The comparable company analysis resulted in a calculated enterprise value to LTM revenue multiple range of 0.2x to 1.0x, with a mean of 0.4x and a median of 0.3x. The comparable company analysis also resulted in a calculated LQA revenue multiple range of 0.2x to 1.0x, with a mean of 0.4x and a median of 0.3x. The calculated enterprise value to LTM EBITDA multiple range was 4.9x to 21.0x with a mean of 11.4x and a median of 9.9x. The calculated enterprise value to LTM EBIT multiple range was 9.8x to 12.6x with a mean of 11.2x and a median of 11.2x. Lastly, the market value to book value multiple was calculated at 0.2x to 1.5x with a mean of 0.9x and median of 0.6x.

Using Helix s LTM revenue, LQA revenue and book value of $25.3 million, $33.2 million and $16.8 million, and applying the minimum, mean and maximum multiples derived from the selected publicly traded comparable companies, results in the following implied valuations:

	Min	Mean	Max
		($ millions)	
Enterprise value to LTM revenue			
multiple of comparable companies	0.2x	0.4x	1.0x
Implied enterprise value of Helix	$ 4.3	$11.1	$25.0
Implied equity value of Helix	$ (9.6)	$ (2.8)	$11.1
Enterprise value to LQA revenue			
multiple of comparable companies	0.2x	0.4x	1.0x
Implied enterprise value of Helix	$ 5.7	$14.3	$31.9
Implied equity value of Helix	$ (8.2)	$ 0.4	$18.0
Market value to book value			
multiple of comparable companies	0.2x	0.9x	1.5x
Implied enterprise value of Helix	$17.8	$28.4	$38.9
Implied equity value of Helix	$ 3.9	$14.5	$25.0
Transaction enterprise value to LTM revenue multiple of Helix		1.5x	
Transaction enterprise value to LQA revenue multiple of Helix		1.1x	
Transaction market value to book value multiple of Helix		1.4x	
Transaction enterprise value of Helix		$38.0	
Transaction equity value of Helix		$24.1	

Given that Helix had negative values for EBITDA and EBIT over the last twelve months and the last quarter, it was not possible to compare Helix to the comparable companies using these measures of historical performance. Furthermore, the basis for comparison and valuation is limited due to the limited availability of comparable hearing aid retailers.

Precedent Transaction Analysis. Raymond James presented to the HEARx board a summary of fifteen precedent merger transactions, greater than $10 million in enterprise value, that have closed since 1995 involving healthcare retail oriented companies, consisting of the following:

Acquirer	Target
Eye Care Centers of America	VisionWorks
Cole National Corp.	Pearle Vision
Pearle Trust B.V.	Pearle Vision (European Division)
Cole National Corp.	American Vision Centers
Eye Care Centers of America	Hour Eyes
Thomas H. Lee	Eye Care Centers of America
National Vision Associates	Frame & Lens
Eye Care Centers of America	Dr. Bizers Vision World
National Vision Associates	New West Eyeworks, Inc.
GN Resound	ReSound Corp.
Eye Care Centers of America	Vision Twenty-One
William Demant	Hidden Hearing
William Demant	AVADA
Amplifon	Acoudire BV
Luxottica Group (Lenscrafters)	Sunglass Hut

Due to limited financial disclosure regarding these transactions, and given that Helix had negative values for EBITDA and EBIT over the last twelve months and the last quarter, Raymond James only evaluated enterprise value to LTM revenue multiples. The calculated enterprise value to LTM revenue multiple had a range of 0.3x to 3.6x with a mean of 1.2x and a median of 1.0x.

Using Helix s LTM revenue, LQA revenue and book value of $25.3 million, $33.2 million and $16.8 million, and applying the minimum, mean and maximum multiples derived from the selected precedent transactions resulted in the following implied valuations:

	Min	Mean	Max
		($ millions)	
Enterprise value to LTM revenue multiple of comparable companies	0.3x	1.2x	3.6x
Implied enterprise value of Helix	$ 8.4	$31.4	$ 90.7
Implied equity value of Helix	$ (5.5)	$17.5	$ 76.8
Enterprise value to LTM revenue multiple of comparable companies	0.3x	1.2x	3.6x
Implied enterprise value of Helix*	$11.0	$41.2	$119.1
Implied equity value of Helix*	$ (2.8)	$27.4	$105.3
Transaction enterprise value to LTM revenue multiple of Helix		1.5x	
Transaction enterprise value to LQA revenue multiple of Helix		1.1x	
Transaction enterprise value of Helix		$38.0	
Transaction equity value of Helix		$24.1	

* calculated using Helix LQA revenues of $33.2 million

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Discounted Cash Flow Analysis. Raymond James presented to the HEARx board the results of a discounted cash flow analysis for fiscal years 2001 to 2006 to estimate the present value of the unleveraged free cash flows that Helix is expected to generate on a stand alone basis.

For purposes of this analysis, unleveraged free cash flows were defined as EBITDA, less capital expenditures and investment in working capital. Raymond James performed its analyses based on financial forecasts and assumptions provided by Helix.

Raymond James used 2006 as the terminal year for the analysis and calculated terminal values for Helix by applying a range of multiples of EBITDA for the fiscal year ending December 31. These multiples ranged from 11.0x to 15.0x. The unleveraged projected free cash flows and terminal values were then discounted using a range of discount rates from 12.0% to 16.0%, which reflect the projected cost of capital associated with executing Helix s business plan.

This analysis yielded implied equity values of Helix ranging from $13.6 million to $32.1 million or $0.33 to $0.78 per share. The proposed arrangement has an implied equity value for Helix of $24.1 million or $0.58 per share.

Analyses Summary. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. Raymond James believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering the analyses taken as a whole, would create an incomplete view of the process underlying the analyses set forth in its opinion. In addition, Raymond James considered the results of all such analyses and did not assign relative weights to any of the analyses, so the ranges of valuations resulting from any particular analysis described above should not be taken to be Raymond James view of the actual value of Helix.

In performing its analyses, Raymond James made numerous assumptions with respect to industry performance, general business, economic and regulatory conditions and other matters, many of which are beyond the control of HEARx and Helix. The analyses performed by Raymond James are not necessarily indicative of actual values, trading values or actual future results which might be achieved, all of which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of Raymond James analysis of the fairness of the arrangement to HEARx stockholders from a financial point of view and were provided to the HEARx board of directors. The analyses do not purport to be appraisals or to reflect the prices at which a company might attract investments or be sold. In addition, as described above, the opinion of Raymond James was one of many factors taken into consideration by the HEARx board of directors in making its determination to approve the arrangement. Consequently, the analyses described above should not be viewed as determinative of the HEARx board s or HEARx management s opinion with respect to the value of Helix. HEARx placed no limits on the scope of the analysis performed, or opinion expressed, by Raymond James.

As compensation for its services in connection with the arrangement, HEARx paid Raymond James a fee of $220,000 payable upon delivery of the Raymond James opinion. No portion of the fee was contingent upon the conclusions reached by Raymond James. HEARx also agreed to indemnify Raymond James and related persons against certain liabilities, including liabilities arising under federal securities laws, arising out of the engagement of Raymond James. In the ordinary course of business, Raymond James may trade in the securities of HEARx or Helix for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Opinion of Raymond James. At the July 27, 2001 meeting of the HEARx board, Raymond James gave its written opinion that, as of such date and based upon and subject to various qualifications and assumptions described with respect to its opinion, the consideration to be paid by HEARx to the stockholders of Helix pursuant to the arrangement was fair from a financial point of view to the HEARx stockholders.

The full text of the written opinion of Raymond James, dated July 27, 2001, which sets forth assumptions made, matters considered and limits on the scope of review undertaken, is attached as Annex G to this joint proxy statement/prospectus. HEARx stockholders are urged to read this opinion in its entirety. Raymond James opinion, which is addressed to the HEARx Board, is directed only to the fairness of the

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arrangement to HEARx stockholders from a financial point of view and does not constitute a recommendation to any HEARx stockholder as to how such stockholder should vote at the HEARx special meeting and does not address any other aspect of the proposed arrangement or any related transaction. The summary of the opinion of Raymond James set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

In connection with rendering its opinion, Raymond James has, among other things, reviewed Helix s and HEARx s audited financials and annual report to stockholders for fiscal years 1999 and 2000, Helix s and HEARx s quarterly reports to stockholders filed during fiscal years 1999 and 2000 and other publicly available financial information of Helix and HEARx; reviewed certain non-public information prepared by the management of Helix and HEARx, including financial statements, financial projections, and other financial and operating data concerning Helix and HEARx; discussed the past and current operations and financial condition and the prospects with senior executives from Helix and HEARx; reviewed publicly available financial and stock market data with respect to certain other companies in lines of business generally comparable to those of Helix and HEARx; considered the pro forma effects of the arrangement on HEARx s financial statements; reviewed the historical market prices of the Helix and HEARx common stock; compared the financial terms of the arrangement with the financial terms of certain other transactions which are generally comparable to the arrangement; reviewed a draft of the merger agreement; and conducted other financial analyses, studies, and investigations, and considered other information as Raymond James deemed necessary or appropriate.

In connection with its review, Raymond James did not assume any responsibility for independent verification for any of the information reviewed by Raymond James for the purpose of the opinion and relied on the information being complete and accurate in all material respects. In addition, Raymond James did not make or receive any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Helix, nor was Raymond James furnished with any such evaluation or appraisal. With respect to the financial forecasts, estimates, projections, pro forma effects, and other information referred to above, Raymond James assumed, at the direction of Helix, that they have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Helix. Raymond James relied upon each party to advise Raymond James promptly if any such information previously provided to or discussed with Raymond James became inaccurate or was required to be updated during the period of the review.

Raymond James opinion was based on economic, market, and other conditions as in effect on, and the information available to it as of, the date of its opinion. Raymond James did not express any opinion as to the range of prices at which the HEARx common stock might trade subsequent to the arrangement.

Opinion of Ernst & Young Corporate Finance Inc.

Helix retained EYCF in connection with its consideration of the proposed arrangement. Helix chose EYCF because of its qualifications, expertise and reputation.

Presentation by EYCF. The following summarizes the material financial analyses presented by EYCF to certain members of the Helix board of directors on July 11, 2001, which were considered by EYCF in rendering the opinion described below. This summary is not a complete description of the analyses underlying the opinion of EYCF or the information presented at meetings between EYCF and representatives of Helix held in advance of the consideration of the arrangement by the Helix board of directors.

Approach. In considering the fairness of the arrangement, from a financial point of view, to the shareholders of Helix, EYCF performed a variety of financial and comparative analyses, including:

1. Comparing the historic and current market prices and volume for the shares of both Helix and HEARx. From this analysis EYCF, among other things, took the following factors into account:

    a. Activity on Helix s shares is very low (average monthly volume approximates less than 1% of outstanding shares). Therefore, if a large block of shares was sold on the market it could have a depressing effect on the quoted market price.

b. Based on HEARx s historical trading volume, the shareholders should have a more liquid market available to them to dispose of their shares after the arrangement.

c. Historic and current market prices

The following table presents the results from this analysis and the implied per share value to Helix s shareholders based on the exchange ratio of 0.3537:

In USD	Helix Price	HEARx Price	Per share value to Helix shareholders
Low	$0.86	$1.70	$0.60
High	$0.99	$2.40	$0.85

2. Comparing the proposed exchange ratio to the relative value of Helix and HEARx implied by the analysis of value for both corporations as stand-alone entities (without acquisitions). Based on the exchange ratio of 0.3537, shareholders of Helix and HEARx will respectively own 42% and 58% of the merged entity after the arrangement. For this analysis, EYCF used the following methods and criteria: discounted cash flow, multiple of revenue, capitalization of operating earnings (before corporate expenses) and net tangible assets.

a. Discounted cash flow method

The application of the discounted cash flow method requires that estimation be made regarding the future cash flows of each corporation as stand-alone entities. Management of each company prepared these future cash flows. EYCF analyzed and discussed with management of each company these projections and their underlying assumptions. The discounted cash flow approach also required that assumptions be made regarding the discount rate and terminal value.

The terminal value at the end of fiscal year 2006 was calculated with two methods: through the application of a multiple of EBITDA of 5X and through the application of a terminal year multiplier based on a perpetual growth rate of 3.5%. EYCF used discount rates of 14.5% to 16.5% to discount the future cash flows and the terminal value. In determining the appropriate discount rates and terminal value, EYCF took into account the risk related to achieving the financial forecasts, the general conditions in the industry, the general economic conditions and rates of return available on other type of investments as well as the growth potential at the end of the projections period.

The following table presents the results of this analysis:

In USD	Helix Equity Value	HEARx Equity Value	Helix relative %	HEARx relative %
Low	$23M	$39M	37%	63%
High	$30M	$45M	40%	60%
Agreement Implied Ratio			42%	58%

b. Multiple of revenues and operating earnings (before corporate expenses):

For the analysis based on a multiple of revenue and the capitalization of operating earnings (before corporate expenses), EYCF reviewed the current and projected results for the next fiscal year and considered, among other things, trading multiples of comparable public companies, implied multiples from comparable transactions, general economic conditions and rates of return available on other types of investments. EYCF retained budgeted results for fiscal 2001 to account for Helix s recent transactions. Moreover, for the analysis based on the capitalization of operating earnings EYCF took into account the announced costs reduction.

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The following table presents the results of the analysis based on a multiple of revenues:

In USD	Helix Equity Value	HEARx Equity Value	Helix relative %	HEARx relative %
Low	$24M	$46M	34%	66%
High	$33M	$60M	36%	64%
Agreement Implied Ratio			42%	58%

The following table presents the results of the analysis based on a multiple of operating earnings (before corporate expenses):

In USD	Helix Equity Value	HEARx Equity Value	Helix relative %	HEARx relative %
Low	$17M	$37M	32%	68%
High	$30M	$58M	36%	64%
Agreement Implied Ratio			42%	58%

c. Net tangible asset

The net tangible asset for both corporations is not significant.

d. Sensitivity analyses

Finally, for all analyses, EYCF performed sensitivity analysis on certain key assumptions.

3. Comparing the value of Helix as a stand-alone entity before the arrangement with the value of the new combined entity belonging to Helix s shareholders after the arrangement:

a. The value of the new combined entity belonging to Helix s shareholders after the arrangement was derived from applying the proposed percentage ownership for Helix s shareholders to the value of the new combined entity. The value was based on the result of the application of the discounted cash flow method. Management of both corporations prepared together the future cash flows used in the discounted cash flow analysis. EYCF analyzed and discussed with management of each corporation these projections and their underlying assumptions. In determining the appropriate discount rates and terminal value, EYCF took into account the factors mentioned previously in the context of the combined entity;

b. The value of Helix was based on the result of the application of the discounted cash flow method as well as Helix s recent equity financings and prices that potential purchasers could be willing to pay for Helix. The discounted cash flow analysis was performed based on the financial forecasts prepared by management for Helix on a stand-alone basis;

c. Summary

In both cases, the analysis was done under two scenarios: (i) Helix makes no acquisitions; and (ii) Helix makes a number of acquisitions to grow its business.

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The following table presents the per share value to Helix s shareholders derived from this analysis:

In USD	Helix	Merged entity
Without acquisitions		
Low	$0.55	$0.90
High	$0.72	$1.10
With acquisitions		
Low	$0.71	$1.50
High	$1.16	$2.00
Recent financings		
Low	$0.92	n/a
High	$0.99	n/a

4. Considering any other factors or analyses which EYCF judged, based upon its experience, to be relevant in the circumstances.

In arriving at its opinion, EYCF did not attribute any particular weight to any specific analysis or factor considered, but rather has made a qualitative judgment based upon its experience in rendering such opinions and on the circumstances of the arrangement as well as the information, taken as a whole, concerning Helix, HEARx and the possible combined entity that was reviewed.

Opinion of EYCF. On July 11, 2001, EYCF met with members of the board of directors of Helix and gave its opinion that based on the proposed exchange ratio and on the current quoted market prices for the Helix common shares and the HEARx common stock, the arrangement results in an erosion of value for the shareholders. Accordingly, for Helix shareholders who want to dispose of a small block of their shares, the arrangement may not be fair, from a financial point of view, if the market value of the HEARx common stock, following the consummation of the arrangement, does not recover.

Subject to the foregoing, it was EYCF s opinion that, as of July 11, 2001, the arrangement was fair, from a financial point of view, to the Helix shareholders. EYCF based its opinion that the arrangement is fair, from a financial point of view, on a variety of factors, including, among others, its assessment of the inherent value of Helix, HEARx and of the combined entity as well as their respective profitability and prospects for growth.

EYCF believes that its analysis must be considered as a whole and that selecting portions of its analysis or the factors considered, without considering all factors and analyses together, could create a misleading view of the process underlying its opinion. The preparation of the opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on particular factors or elements of the analysis.

EYCF has relied upon, and has assumed the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions and representations obtained from public sources or provided to EYCF by Helix or HEARx s management or advisors or otherwise pursuant to its engagement. The opinion is conditional upon such completeness, accuracy and fair presentation. Subject to the exercise of professional judgment and except as expressly described in its opinion, EYCF has not attempted to verify independently the accuracy or completeness of any such information, data, advice, opinions or representations.

The opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date of the opinion and the condition and prospects, financial and otherwise, of Helix and HEARx as they were reflected in the information or the materials concerning Helix and HEARx reviewed by EYCF and as they were represented to EYCF in its discussions with the management of both Helix and HEARx. In its analyses and in connection with the preparation of its opinion, EYCF made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the arrangement.

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While EYCF believes that assumptions used are appropriate in the circumstances, some or all of the assumptions may prove to be incorrect.

As compensation for its services in connection with the arrangement, Helix paid EYCF a fee of CDN $90,000 payable upon delivery of the opinion. No portion of the fee was contingent upon the conclusions reached by EYCF. For the purposes of rendering its opinion, EYCF reviewed documents and information provided by Helix and HEARx. Helix has agreed to indemnify EYCF for any fees, damages or judgments incurred, claimed or rendered against EYCF in connection with: (i) an intentional or unintentional omission or inaccuracy contained in any reviewed document or information approved by Helix s authorized officer or director; or (ii) a legal or regulatory procedure instituted by a third party in connection with the EYCF fairness opinion.

The full text of the written opinion of EYCF, dated July 11, 2001, which sets forth assumptions made, matters considered and restrictions, is attached as Annex H to this joint proxy statement/prospectus. Helix stockholders are urged to read this opinion in its entirety. EYCF s opinion, which is addressed to the Helix board, is directed only to the fairness of the arrangement to Helix stockholders from a financial point of view and does not constitute a recommendation to any Helix stockholder as to how such stockholder should vote at the Helix special meeting and does not address any other aspect of the proposed arrangement or any related transaction. The summary of the opinion of EYCF set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

Opinion of Yorkton Securities Inc.

Helix retained Yorkton Securities Inc. on January 8, 2002, to consider whether the proposed arrangement was still fair to the Helix shareholders, from a financial point of view, given the time that had elapsed since the merger agreement was originally signed. Helix chose Yorkton because of its qualifications, expertise and reputation. The following summarizes the material financial analysis conducted by Yorkton and the opinion presented to the board of directors of Helix on February 1, 2002.

Opinion Process. In arriving at the opinion, Yorkton, among other things:

1. Reviewed certain publicly available business and financial information relating to Helix that Yorkton deemed to be relevant;

2. Reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities and prospects of Helix and HEARx, furnished to Yorkton by Helix and HEARx, respectively;

3. Conducted discussions with members of senior management and representatives of Helix and HEARx concerning the matters described in 1 and 2 above, as well as their respective business and prospects before and after giving effect to the transaction;

4. Reviewed the trading volumes, market prices and valuation multiples for Helix s and HEARx s common stock and compared them with those of certain publicly traded companies that Yorkton deemed to be relevant;

5. Compared the proposed financial terms of the transaction with the financial terms of certain other transactions that it deemed to be relevant;

6. Reviewed the potential pro forma impact of the transaction;

7. Reviewed the Amended and Restated Merger Agreement dated November 6, 2001; and

8. Reviewed Amendment No. 1 to the Form S-4 Registration Statement, filed by HEARx with the Securities and Exchange Commission on January 15, 2002.

In arriving at an opinion, Yorkton performed a comparable company analysis, a precedent transaction analysis, a discounted cash flow analysis and a market value analysis.

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Comparable Company Analysis. Yorkton compared the financial results of Helix and HEARx to eight public companies in four related areas of the healthcare industry. Outside of Helix and HEARx, there is only one other public hearing aid retailer, Sonus Corp. As such, additional public companies were considered in the areas of healthcare retail and service in order to obtain a more representative universe of companies. The companies reviewed include:

Eye Care Retailers

Cole National Corp.
Emerging Vision Inc.
Sight Resource Corp.
U.S. Vision Inc.

Dialysis Clinic Operators

DaVita Inc.
Renal Care Group Inc.

Hearing Aid Manufacturers

Sonic Innovations Inc.

Hearing Aid Retailers

Sonus Corp.

Yorkton examined the following four key financial multiples for the aforementioned healthcare companies: (1) enterprise value (market capitalization plus debt less cash and cash equivalents) (EV) to trailing twelve month (T12) revenue (actual revenue for the previous twelve months), (2) EV to run rate (RR) revenue (revenue for the most recently completed quarter annualized), and (3) market capitalization (Price) to T12 revenue and (4) Price to RR revenue.

The comparable company analysis yielded an EV to T12 revenue and an EV to RR revenue of 0.3x for those companies focused on the healthcare retail sector (Eye Care and Hearing Aid Retailers) and an adjusted average (excluding both the highest and lowest values) of 0.7x for all companies considered. The healthcare retail companies had Price to T12 revenue multiples and Price to RR revenue multiples of 0.2x and an adjusted average of 0.6x. In performing its analysis, Yorkton, without making any statement or recommendation as to the accounting treatment accorded to HEARx West, felt it prudent and in the best interest of Helix stockholders to consider the impact on its analysis of excluding that portion of HEARx West s revenue attributable to Kaiser Permanente under the joint venture between HEARx and Kaiser Permanente. The analysis excluding the Kaiser Permanente portion of the HEARx West revenue is shown in the third column below.

Applying these multiples to both Helix and HEARx results in the following implied relative exchange ratios:

Enterprise Value Analysis

	Helix			HEARx			HEARx*		
	Min		Max	Min		Max	Min		Max
T12 Revenue		$47.4			$82.0			$67.6	
EV/ T12 Revenue Multiple	0.3x		0.7x	0.3x		0.7x	0.3x		0.7x
Implied EV	$ 14.2		$33.2	$24.6		$57.4	$20.29		$47.35
Add: Cash		$ 2.8			$ 9.1			$ 9.1	
Less: Debt		$22.7			$12.3				$ 12.3
Implied Equity Value	$ (5.7)		$13.3	$21.5		$54.3	$ 17.2		$ 44.2
Shares Outstanding (million)		46.2			16.2			16.2	
Implied Value Per Share	$(0.12)		$0.29	$1.33		$3.35	$ 1.06		$ 2.73

Implied Exchange Ratio	(0.0929) - 0.0857	(0.1161) - 0.1052

* Excludes 50% of HEARx West revenue

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Notes:

1. All figures in CDN$ millions except for per share amounts

2. Helix financial numbers as at November 30, 2001; HEARx financial numbers as at September 29, 2001

3. Shares outstanding as at January 14, 2002

4. Based on exchange rate of 1.603 CDN$:US$

	Helix			HEARx			HEARx*		
	Min		Max	Min		Max	Min		Max
RR Revenue		$45.5			$79.8			$66.5	
EV/ RR Revenue Multiple	0.3x		0.7x	0.3x		0.7x	0.3x		0.7x
Implied EV	$ 13.7		$31.9	$23.9		$55.9	$19.96		$46.58
Add: Cash		$ 2.8			$ 9.1			$ 9.1	
Less: Debt		$22.7			$12.3			$12.3	
Implied Equity Value	$ (6.3)		$11.9	$20.8		$52.7	$ 16.8		$ 43.5
Shares Outstanding (million)		46.2			16.2			16.2	
Implied Value Per Share	$(0.14)		$0.26	$1.29		$3.26	$ 1.04		$ 2.68
Implied Exchange Ratio					(0.1054) - 0.0794			(0.1303) - 0.0964	

* Excludes 50% of HEARx West revenue
Notes:

1. All figures in CDN$ millions except for per share amounts

2. Helix financial numbers as at November 30, 2001; HEARx financial numbers as at September 29, 2001

3. Shares outstanding as at January 14, 2002

4. Based on exchange rate of 1.603 CDN$:US$
Market Capitalization Analysis

	Helix			HEARx			HEARx*		
	Min		Max	Min		Max	Min		Max
T12 Revenue		$47.4			$82.0			$67.6	
Price/ T12 Revenue Multiple	0.2x		0.6x	0.2x		0.6x	0.2x		0.6x
Implied Price	$ 9.5		$28.4	$16.4		$49.2	$13.5		$40.6
Shares Outstanding (million)		46.2			16.2			16.2	
Implied Value Per Share	$0.21		$0.62	$1.01		$3.04	$0.84		$2.51
Implied Exchange Ratio					0.2027			0.2457	

* Excludes 50% of HEARx West revenue
Notes:

1. All figures in CDN$ millions except for per share amounts

2. Helix financial numbers as at November 30, 2001; HEARx financial numbers as at September 29, 2001

3. Shares outstanding as at January 14, 2002

4. Based on exchange rate of 1.603 CDN$:US$

	Helix			HEARx			HEARx*		
	Min		Max	Min		Max	Min		Max
RR Revenue		$45.5			$79.8			$66.5	
Price/ T12 Revenue Multiple	0.2x		0.6x	0.2x		0.6x	0.2x		0.6x
Implied Price	$ 9.1		$27.3	$16.0		$47.9	$13.3		$39.9
Shares Outstanding (million)		46.2			16.2			16.2	
Implied Value Per Share	$0.20		$0.59	$0.99		$2.96	$0.82		$2.46
Implied Exchange Ratio					0.1999			0.2399	

* Excludes 50% of HEARx West revenue

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Notes:

1. All figures in CDN$ millions except for per share amounts

2. Helix financial numbers as at November 30, 2001; HEARx financial numbers as at September 29, 2001

3. Shares outstanding as at January 14, 2002

4. Based on exchange rate of 1.603 CDN$:US$

Additional multiples were considered such as EV to earnings before interest, taxes and depreciation and amortization (EBITDA) and EV to earnings before interest and taxes (EBIT). However, applying these multiples to both Helix and HEARx was not possible as each company had either negative or limited results for both EBITDA and EBIT during the last twelve months and in the most recent quarter.

Precedent Transaction Analysis. Yorkton analyzed seven precedent transactions including one transaction involving companies in the hearing care industry (Amplifon Group s purchase of Acoudire BV). The remaining six transactions involved companies in the eye care industry.

Acquirer	Target
Norcross Roberts Group	U.S. Vision
Luxottica Group	Sunglass Hut International
Amplifon Group	Acoudire BV
Eye Care Centers of America	Vision Twenty-One Inc.
National Vision Associates Ltd.	Frame-n-Lens Optical Inc.
National Vision Associates Ltd.	New West Eyeworks Inc.
Thomas H. Lee Co.	Eye Care Centers of America Inc.

Due to the limited financial disclosure available for these transactions combined with either the limited or negative results for Helix and HEARx for both EBITDA and EBIT over the last twelve months and the most recent quarter, the financial analysis performed concentrated on EV to T12 revenue and Price to T12 revenue for each company. The adjusted average for the seven transactions selected is 1.0x for EV to T12 revenue and 0.8x for price to T12 revenue implying the following relative exchange ratios for Helix shareholders:

Enterprise Value Analysis

	Helix			HEARx		
	Min		Max	Min		Max
T12 Revenue		$47.4			$82.0	
EV/ T12 Revenue Multiple	0.9x		1.1x	0.9x		1.1x
Implied EV	$42.7		$52.1	$73.8		$90.2
Add: Cash		$ 2.8			$ 9.1	
Less: Debt		$22.7			$12.3	
Implied Equity Value	$22.8		$32.2	$70.7		$87.1
Shares Outstanding (million)		46.2			16.2	
Implied Value Per Share	$0.49		$0.70	$4.36		$5.37
Implied Exchange Ratio					0.1130 - 0.1299	

Notes:

1. All figures in CDN$ millions except for per share amounts

2. Helix financial numbers as at November 30, 2001; HEARx financial numbers as at September 29, 2001

3. Shares outstanding as at January 14, 2002

4. Based on exchange rate of 1.603 CDN$:US$

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	Helix			HEARx		
	Min		Max	Min		Max
T12 Revenue		$47.4			$67.6	
EV/ T12 Revenue Multiple	0.9x		1.1x	0.9x		1.1x
Implied EV	$42.7		$52.1	$60.9		$74.4
Add: Cash		$ 2.8			$ 9.1	
Less: Debt		$22.7			$12.3	
Implied Equity Value	$22.8		$32.2	$57.8		$71.3
Shares Outstanding (million)		46.2			16.2	
Implied Value Per Share	$0.49		$0.70	$3.56		$4.40
Implied Exchange Ratio					0.1382 - 0.1587	

* Excludes 50% of HEARx West revenue
Notes:

1. All figures in CDN$ millions except for per share amounts

2. Helix financial numbers as at November 30, 2001; HEARx financial numbers as at September 29, 2001

3. Shares outstanding as at January 14, 2002

4. Based on exchange rate of 1.603 CDN$:US$

Market Capitalization Analysis

	Helix			HEARx		
	Min		Max	Min		Max
T12 Revenue		$47.4			$82.0	
Price/ T12 Revenue Multiple	0.7x		0.9x	0.7x		0.9x
Implied Price	$33.2		$42.7	$57.4		$73.8
Shares Outstanding (million)		46.2			16.2	
Implied Value Per Share	$0.72		$0.92	$3.54		$4.56
Implied Exchange Ratio				0.2027		

Notes:

1. All figures in CDN$ millions except for per share amounts

2. Helix financial numbers as at November 30, 2001; HEARx financial numbers as at September 29, 2001

3. Shares outstanding as at January 14, 2002

4. Based on exchange rate of 1.603 CDN$:US$

	Helix			HEARx		
	Min		Max	Min		Max
T12 Revenue		$47.4			$67.6	
Price/ T12 Revenue Multiple	0.7x		0.9x	0.7x		0.9x
Implied Price	$33.2		$42.7	$47.4		$60.9
Shares Outstanding (million)		46.2			16.2	

Implied Value Per Share	$0.72	$0.92	$2.92	$3.76
Implied Exchange Ratio		0.2457		

* Excludes 50% of HEARx West revenue
Notes:

1. All figures in CDN$ millions except for per share amounts

2. Helix financial numbers as at November 30, 2001; HEARx financial numbers as at September 29, 2001

3. Shares outstanding as at January 14, 2002

4. Based on exchange rate of 1.603 CDN$:US$

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Discounted Cash Flow Analysis. Yorkton performed a discounted cash flow analysis (DCF) for Helix, HEARx, and the combined entities for the years 2002 to 2006. The unlevered cash flows (EBITDA less capital expenditures and investment in working capital) were based on financial forecasts provided by Helix.

The unlevered cash flows were discounted using a range of discount rates from 14% to 16%, which reflects the internal rate of return (IRR) an average investor would seek taking into account the current status of each of the respective businesses. The terminal year used was 2006 with a perpetual growth rate of 3% applied to that year which was then discounted at rates discussed above.

The DCF analysis yielded an implied exchange ratio (Helix/ HEARx) ranging from 0.0862 to 0.1430 compared to the negotiated exchange ratio of 0.3537.

Market Value Analysis. Yorkton examined the relative exchange ratio over various time periods and compared that to the negotiated exchange ratio of 0.3537. The following table summarizes the historical relative exchange ratios (Helix/ HEARx):

	Helix	HEARx	Implied Ratio (HCA/EAR)
Spot Price (01/24/02)	$0.80	$1.92	0.4159
30-day Average	$0.80	$1.58	0.5062
60-day Average	$0.81	$1.56	0.5223
365-day Average	$1.10	$2.19	0.5018
Average			0.4865

In reviewing the relative exchange ratios outlined above, Yorkton also analyzed the liquidity in the trading of Helix shares. Although the proposed arrangement between Helix and HEARx does not qualify as a special transaction, Yorkton looked to the liquidity guidelines outlined under rule 61-501 of the Ontario Securities Act under Section 1.3 (Liquid Market in a Class of Securities). Specifically, Yorkton examined the following liquidity factors:

1. Number of shares outstanding

2. Number of shares traded over the last twelve months

3. Number of trades over the last twelve months

4. Aggregate value of the trades over the last twelve months

5. The total market capitalization of the company

The aggregated value of the trades over the last twelve months was only $3.9 million representing less than 15% of the current market value of Helix. Helix has never traded at a market capitalization greater than $75 million at any time over the last twelve months. This illiquidity of the Helix shares outlined above, reduced Yorkton s focus on the implied relative exchange ratios outlined above.

Analysis Summary. In preparation of the opinion, Yorkton assumed and relied on the accuracy and completeness of all information supplied or otherwise made available to it, discussed with or reviewed by or for it, or publicly available, and has not assumed any responsibility for independently verifying such information or undertaken an independent evaluation or appraisal of any of the assets or liabilities of Helix or HEARx. In addition, Yorkton has not assumed any obligation to conduct, nor has it conducted, any physical inspection of the properties or facilities of Helix or HEARx. With respect to the financial forecast information furnished by Helix or HEARx, Yorkton has assumed, at the direction of Helix, that the information has been reasonably prepared and reflects the best currently available estimates and judgements of Helix s or HEARx s management as to the expected future financial performance of Helix or HEARx, as the case may be. Yorkton relied upon each party to advise Yorkton promptly if any such information previously provided to or discussed with Yorkton became inaccurate or was required to be updated during the period of its review. Yorkton also assumes that the final form of the arrangement will be substantially similar to the last draft reviewed by it.

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Yorkton s opinion is necessarily based upon market, economic and other conditions as they exist and can be evaluated on, and on the information made available to them as of, the date hereof. Yorkton has assumed that in the course of obtaining the necessary regulatory or other consents or approvals (contractual or otherwise) for the transaction, no restrictions including any divestiture requirements or amendments or modifications, will be imposed that will have a material adverse effect on the contemplated benefits of the merger. In the event that there is any material change in any fact or matter affecting the opinion after the date of the opinion, Yorkton reserves the right to change, modify or withdraw the opinion.

In connection with the preparation of this opinion, Yorkton has not been authorized by Helix or the board of directors to solicit, nor has it solicited, third-party indications of interest for all or any part of Helix.

Helix has agreed to indemnify Yorkton for certain liabilities arising out of its engagement. In the ordinary course of its business, Yorkton may actively trade Helix s common stock, as well as HEARx s common stock for its own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities. As compensation for Yorkton s services in connection with the opinion, Helix paid Yorkton a fee of CDN $200,000 payable upon delivery of the opinion. No portion of the fee was contingent upon the conclusions reached by Yorkton.

In arriving at this opinion, Yorkton did not attribute any particular weight to any analysis or factor considered by it, but rather, made qualitative judgements as to the significance and relevance of each analysis and factor. Accordingly, Yorkton believes that its analyses must be considered as a whole and that selecting portions of its analyses, without considering all analyses, would create an incomplete view of the process underlying this opinion.

Opinion of Yorkton. On the basis of and subject to the foregoing, Yorkton is of the opinion that, as of February 1, 2002, the exchange ratio is fair, from a financial point of view, to the stockholders of Helix.

The full text of the written opinion of Yorkton, dated February 1, 2002, which sets forth assumptions made, matters considered and restrictions, is attached as Annex I to this joint proxy statement/prospectus. Helix stockholders are urged to read this opinion in its entirety. The Yorkton opinion which is addressed to the Helix board, is rendered only to the fairness of the arrangement to Helix stockholders from a financial point of view; it does not constitute a recommendation to any Helix stockholder as how such stockholder should vote at the Helix special meeting and does not address any other aspect of the proposed arrangement or any related transaction. The summary of the opinion of Yorkton set forth in this joint proxy statement/prospectus is qualified in its entirety by reference to the full text of such opinion.

Interests of Certain Persons in the Arrangement

The determinations of the boards of HEARx and Helix to participate in the arrangement may have been affected by interests that certain members of management and the board of directors of each of HEARx and Helix may have in the arrangement, including those referred to below. These interests may present those persons with actual or potential conflicts of interest in connection with the arrangement. The directors of HEARx and Helix were aware of these interests and considered them before their final unanimous approval of the arrangement.

Immediately following the effective time, the board of directors of HEARx will consist of a number of current directors of each of HEARx and Helix. In addition, under the terms of the merger agreement, HEARx has agreed to offer to retain some members of the management of Helix and to offer them employment agreements that will provide for payments to each of those employees in the event of termination of their employment without cause, or upon death, disability or resignation of or by the employee in certain instances at any time within five years of the date of their employment agreement. These employees will also be released, in such events, from the vesting and other conditions placed on their options or other securities on the date of grant or issuance thereof. The employment agreements will provide for the grant of certain rights to the employee in the event of a change of control of HEARx.

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Accounting Treatment

For financial reporting purposes, the arrangement is reflected as the acquisition by a wholly owned subsidiary of HEARx of the Helix common shares, at the value of those shares immediately before the announcement of the July 27, 2001 definitive agreement. The arrangement will be accounted for as a purchase. HEARx will become the continuing reporting entity and the financial statements of HEARx will incorporate the results of Helix from the date of consummation of the arrangement. Helix will cease to be a separate accounting entity at that date.

Consequences under Securities Laws; Resale of Exchangeable Shares and HEARx Shares

United States

The issuance of exchangeable shares to Helix stockholders will not be registered under U.S. federal securities laws. These shares will be issued in reliance upon the exemption provided by Section 3(a)(10) of the Securities Act of 1933. Section 3(a)(10) exempts securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of those securities have been approved by any court, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear.

In connection with the arrangement, the Superior Court of Québec, District of Montreal, will conduct a hearing to determine the fairness of the terms and conditions of the arrangement, including the proposed issuance of securities in exchange for other outstanding securities. The court rendered its interim order on May 17, 2002. If the arrangement is approved by the Helix stockholders, a hearing on the fairness of the arrangement will be held on , 2002 by the court. For more details, see The Arrangement The Amended and Restated Merger Agreement Regulatory Matters.

HEARx has registered under the Securities Act, pursuant to a registration statement of which this joint proxy statement/prospectus forms a part, 14.61 million shares of HEARx common stock that will be issued in the arrangement and that will be issued from time to time upon the exchange of the exchangeable shares and 4.2 million shares that may be issued upon the exercise of the replacement options, warrants and convertible securities. These share amounts were calculated by applying the exchange ratio to the number of shares of Helix outstanding, other than shares held by HEARx, as of the date of this joint proxy statement/prospectus and then adding the number of HEARx shares of common stock necessary for exercise of the replacement options, warrants and convertible securities of Helix derived by multiplying the exchange ratio by the number of Helix shares otherwise underlying such securities. In each case, the resulting number was rounded up to the next tenth of a million shares. HEARx has also registered pursuant to the registration statement of which this joint proxy statement/ prospectus forms a part an additional approximately 4 million shares to be issued from time to time under the HearUSA 2002 Flexible Stock Plan.

There will be no U.S. federal securities law restrictions upon the resale or transfer of the shares of HEARx common stock by Helix stockholders, except for those stockholders who are considered affiliates of HEARx, as that term is defined in Rule 144 and Rule 145 adopted under the Securities Act. Exchangeable shares and shares of HEARx common stock received by those stockholders who are considered to be affiliates of HEARx may be resold without registration only as provided by Rule 145 or as otherwise permitted under the Securities Act. Persons who may be considered to be affiliates of HEARx generally include individuals or entities that control, are controlled by, or are under common control with HEARx and may include the executive officers and directors of HEARx as well as its principal stockholders.

Canada

HEARx, HEARx Canada Inc. and Helix will apply for rulings or orders of certain securities regulatory authorities in Canada to permit the issuance of the exchangeable shares and the shares of HEARx common stock upon exchange of exchangeable shares and upon exercise of the replacement options, warrants and convertible securities. Application will be made to permit resale of those shares in various jurisdictions without restriction by persons other than control persons.

Fees and Expenses

The combined estimated fees and expenses of HEARx and Helix in connection with the arrangement, including financial advisors fees, filing fees, legal and accounting fees, soliciting fees and printing and mailing costs, is approximately $3.2 million. Approximately $1,075,000 of these fees and expenses were incurred by HEARx as of March 30, 2002 and approximately $1,121,000 of these fees and expenses were incurred by Helix as of February 28, 2002. These amounts are reflected in the unaudited pro forma condensed combined financial information included elsewhere in this joint proxy statement/prospectus.

Voting Agreement and Proxy

Pursuant to a stockholders agreement, 3319725 Canada Inc., Les Partenaires de Montreal, s.e.c., Duval Holdings, Inc., Steve Forget, Martin Cousineau, Richard Doucet, Luc Parent and Gestion Fremican Inc. have agreed to vote their Helix common shares in favor of the approval of the arrangement, the proposals set forth in this joint proxy statement/prospectus and any other transaction proposed by Helix. They have also agreed to vote their Helix common shares against any proposal for an extraordinary transaction with respect to Helix, including an arrangement or merger other than the arrangement described in this joint proxy statement/prospectus or a sale of a material amount of the assets of Helix. In addition, these stockholders have granted to Paul A. Brown and Stephen J. Hansbrough an irrevocable proxy to vote their Helix common shares in a manner consistent with the preceding sentence. See The Arrangement The Stockholders Agreement for a more detailed description of the terms of the stockholders agreement.

Stock Options

Helix s executive officers and directors hold options to acquire Helix common shares. At the effective time, all such options, whether or not exercisable, will be converted, based upon the exchange ratio, into and become rights with respect to HEARx common stock. HEARx will assume each such option in accordance with its terms and the related stock option agreement. At May 17, 2002, the directors and executive officers and affiliates of Helix collectively held options, whether or not then exercisable, to acquire a total of 1,957,400 Helix common shares at a weighted average exercise price of $1.40 per share.

Dissenters or Appraisal Rights

Under applicable law, HEARx stockholders do not have rights to dissent or to appraisal of the value of their shares in connection with the arrangement.

As indicated in the notice of the Helix meeting, any holder of Helix common shares is entitled to be paid the fair value of all, but not less than all, of those shares in accordance with section 190 of the Canada Business Corporations Act if the stockholder dissents to the arrangement and the arrangement becomes effective. A holder of Helix common shares is not entitled to dissent with respect to the arrangement if he votes any of such shares in favor of the proposal and the special resolution authorizing the arrangement. A holder may only object to the proposal in writing and not through the execution of a proxy. The execution or exercise of a proxy does not constitute a written objection for purposes of the Canada Business Corporations Act.

The following summary is not a complete statement of the procedures to be followed by a dissenting stockholder under the Canada Business Corporations Act. The Canada Business Corporations Act requires adherence to the procedures and failure to do so may result in the loss of all dissenter s rights. Accordingly, each stockholder who might desire to exercise dissenter s rights should carefully consider and comply with the provisions of section 190 and consult his legal adviser. The full text of section 190 of the Canada Business Corporations Act is set out in Annex J to this joint proxy statement/prospectus.

A dissenting stockholder who seeks payment of the fair value of his Helix common shares is required to send a written notice of objection to the special resolution to Helix prior to 5:00 p.m. (Montreal time) on the business day preceding the Helix meeting. A failure to vote against the proposal at or before the meeting does not constitute a waiver of dissent and appraisal rights as long as the written notice of objection is

transmitted to Helix at or before the meeting. The address for Helix for such purpose is Helix Hearing Care of America Corp., 7100 Jean-Talon East, Montreal, Québec, H1M 3S3, Attention: Secretary. A vote against the proposal, and therefore, the special resolution or withholding a vote does not constitute a written objection. A written objection is defined in Section 190 of the Canada Business Corporations Act.

Within 10 days after the proposal and the special resolution is approved by stockholders, Helix must so notify the dissenting stockholder who is then required, within 20 days after receipt of such notice, (or if he does not receive such notice within 20 days after he learns of the approval of the special resolution), to send to Helix a written notice containing his name and address, the number and class of shares in respect of which he dissents and a demand for payment of the fair value of such shares. Within 30 days after sending such written notice, the dissenting shareholder must send Helix or its transfer agent, Computershare Trust Company of Canada, the appropriate share certificate or certificates.

If the proposal contemplated in the special resolution becomes effective, Helix is required to determine the fair value of the shares and to make a written offer to pay such amount to the dissenting stockholder. If such offer is not made or not accepted within 50 days after the proposal and the special resolution becomes effective, Helix may apply to the court to fix the fair value of such shares. There is no obligation on Helix to apply to the court. If Helix fails to make such an application, a dissenting stockholder has the right to so apply within the next 20 days. If an application is made by either party, the dissenting stockholder will be entitled to be paid the amount fixed by the court. The fair value of the Helix common shares as determined for such purpose by a court will not necessarily be the same as, and could vary significantly from the fair market value, of such shares as determined for purposes of the arrangement.

Persons who wish to dissent and who are beneficial owners of Helix common shares registered in the name of a broker, custodian, nominee or other intermediary should be aware that ONLY A REGISTERED STOCKHOLDER IS ENTITLED TO DISSENT. A stockholder who beneficially owns Helix common shares but is not the registered holder thereof, should contact the registered holder for assistance.

Exchange of Helix Common Share Certificates

At the effective time of the arrangement, HEARx Canada Inc. will become the legal and beneficial owner of all of the Helix common shares other than Helix common shares held by HEARx or HEARx Acquisition ULC. Each certificate formerly representing Helix common shares will represent only the right to receive the exchangeable shares or the HEARx common stock issuable in the arrangement until those certificates are surrendered to the exchange agent. The exchange agent for the arrangement is Computershare Trust Company of Canada.

Helix stockholders will receive with this joint proxy statement/prospectus a letter of transmittal and election form for use in exchanging Helix common share certificates for exchangeable share certificates or HEARx common stock certificates. When a Helix stockholder surrenders his share certificates, together with a signed letter of transmittal and election form, he will receive in exchange, after the effective time of the arrangement, certificate(s) representing the whole exchangeable shares or shares of HEARx common stock to which he is entitled.

If you are a holder of Helix common shares and are contemplating voting against the arrangement and requesting dissenter s rights, please see The Arrangement Dissenters or Appraisal Rights above for a detailed explanation of the procedures for doing so.

Treatment of Outstanding Helix Stock Options, Warrants and Convertible Securities

On May 3, 2002, Helix had outstanding various options, warrants and convertible securities exercisable for up to 11,317,017 common shares. The options, when vested, would be exercisable to acquire a total of approximately 2,533,400 Helix common shares at prices between CDN$1.40 and CDN$1.45 with various expiration dates through December 31, 2005. The warrants are exercisable to acquire a total of approximately 3,687,212 Helix common shares at prices between CDN$1.55 and CDN$2.75 with various expiration dates to November 29, 2003. The convertible securities are exercisable to acquire a total of approximately 5,096,405 Helix common shares at a price of CDN$1.53 with various expiration dates to August 6, 2003.

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After completion of the arrangement, each outstanding Helix option will be exchanged for a replacement option issued under the HearUSA 2002 Flexible Stock Plan. Each replacement option will entitle its holder to purchase a number of shares of HEARx common stock equal to the number of common shares of Helix for which it is exercisable multiplied by the exchange ratio. The replacement option will provide for an exercise price per share of HEARx common stock equal to the exercise price per share of the Helix option immediately prior to the effectiveness of the arrangement converted from Canadian dollars to U.S. dollars at the noon spot rate announced by the Federal Reserve on the business day immediately preceding the effective date of the arrangement divided by the exchange ratio. The term to expiration of the option will be extended to ten years, but the vesting schedule will be unchanged. The replacement option will be subject to the terms and conditions of the HearUSA 2002 Flexible Stock Plan. See Other HEARx Special Meeting Proposals Adoption of the HearUSA 2002 Flexible Stock Plan for a detailed discussion of the plan.

Each outstanding Helix warrant and convertible security will remain outstanding and be exercisable for exchangeable shares based on the exchange ratio. Each warrant and convertible security will entitle its holder to purchase the number of exchangeable shares equal to the number of common shares of Helix for which it was exercisable multiplied by the exchange ratio. The exercise price shall be the exercise price per share of such security immediately prior to the effective time of the arrangement divided by the exchange ratio. The term to expiration of the warrants and convertible securities and all other terms and conditions of the warrants and convertible securities will otherwise remain unchanged. Any document or agreement previously evidencing a Helix warrant or convertible security will remain unchanged, except that it will apply to exchangeable shares.

Actions of HEARx and Helix Prior to the Arrangement

The merger agreement contains covenants customary in transactions of this type for each of HEARx and Helix, which apply between July 27, 2001, and completion of the arrangement. The following summarizes some of these covenants:

to operate their businesses and to cause each of their subsidiaries to conduct their businesses in the usual, ordinary and regular course consistent with past practice and not to enter into any commitments of a capital expenditure nature or incur any contingent liability that would exceed CDN$100,000 in the aggregate;

not to issue, sell, pledge, lease, dispose of, encumber any additional shares of, or any options, warrants, calls, conversion privileges or rights of any kind to acquire any shares of capital stock or agree to do any of the foregoing or to sell any assets other than in the ordinary course of business;

not to amend or propose to amend their articles or certificate of incorporation or bylaws or those of any of their respective subsidiaries;

not to subdivide, consolidate or reclassify any outstanding securities or declare, set aside or pay any dividend or other distribution payable in cash, securities, property or otherwise with respect to any of their outstanding securities;

not to redeem, purchase or offer to purchase any outstanding securities;

not to reorganize, combine or merge with any other person;

not to reduce their stated capital;

not to acquire or agree to acquire (by merger, combination, acquisition of shares or assets or otherwise) any person, corporation, partnership or other business organization or division or acquire or agree to acquire any material assets,

not to satisfy any material claims or liabilities, repay (other than regularly scheduled principal and interest payments) any indebtedness for borrowed money or relinquish any material contractual rights, other than the repayment by Helix of certain of its convertible debt;

not to incur or commit to incur any indebtedness for borrowed money or issue any debt securities, or guarantee or otherwise become responsible for the obligations of any other person, corporation,

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partnership or other entity, organization or division whatsoever, or enter into any interest rate, currency or commodity swaps, hedges or other similar financial instruments;

not to enter into any new line of business, enter into any material transaction not in the ordinary course of business, enter into any material contract or agreement, or amend in any material respect any material contracts, including without limitation any agreements or arrangements with suppliers or vendors, or any real property leases;

not to take any action that is intended or that may reasonably be expected to result in any of their representations or warranties set forth in the merger agreement being or becoming untrue, or in any of the conditions of the arrangement not being satisfied;

not to change their methods of accounting except as required by changes in generally accepted accounting principles in concurrence with each of Helix and HEARx s independent auditors;

not to enter into any agreement or arrangement that would limit or restrict any of their or their respective subsidiaries or any successor thereto, from engaging or competing in any line of business or in any geographic area;

not to enter into or modify any employment, severance, collective bargaining, incentive stock option or similar agreements, policies or arrangements with, or grant any bonuses, salary increases, severance or termination pay to, any officers or directors other than pursuant to agreements, policies or arrangements in effect (without amendment) on July 27, 2001;

in the case of employees who are not officers or directors, not to take any action other than reasonable actions in the ordinary, regular and usual course of business and consistent with past practice with respect to the entering into or modifying of any employment, severance, collective bargaining or similar agreements, policies or arrangements or with respect to the grant of any bonuses, salary increases, stock options, pension benefits, retirement allowances, deferred compensation, severance or termination pay or any other form of compensation or profit sharing or with respect to any increase of benefits payable otherwise than pursuant to agreements, policies or arrangements in effect (without amendment) on the date of the merger agreement;

not to enter into or modify any consulting or similar commitment, agreement or arrangement;

not to hire any new employees at a rate of compensation including salary and bonuses in excess of US$75,000 annually;

to use their best efforts to cause their current insurance (or re-insurance) policies not to be canceled or terminated or any of the coverage thereunder to lapse, unless simultaneously with such termination, cancellation or lapse, replacement policies underwritten by insurance and re-insurance companies of nationally recognized standing providing coverage equal to or greater than the coverage under the canceled, terminated or lapsed policies for substantially similar premiums are in full force and effect;

to use their best efforts, and cause each of their subsidiaries to use its best efforts, to preserve intact their respective business organizations and goodwill, to keep available the services of their officers and employees as a group and to maintain satisfactory relationships with suppliers, agents, distributors, customers and others having business relationships with their or their subsidiaries;

to maintain all of their properties and assets in good repair, order and condition;

to maintain their books of account and records in the usual, regular and ordinary manner, in accordance with generally accepted accounting principles, consistently applied;

to comply with all laws, regulations and orders applicable to their and the conduct of their businesses;

not to take any action, or permit any of their subsidiaries to take any action that would render, or that reasonably may be expected to render, any representation or warranty made by their untrue at any time on or prior to the effective date;

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to confer on a regular basis each other with respect to operational matters and promptly notify the other orally and in writing of any material adverse change in the normal course of its or its subsidiaries businesses or in the operation of their or their subsidiaries businesses or properties (in each case on a consolidated basis), and of any material governmental or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated);

not to settle or compromise any claim brought by any present, former or purported holder of any of their securities or any party to any agreement with their in connection with the arrangement; and

to ensure that their board of directors refrains from taking any action pursuant to employment agreements or similar agreements between their and any of their officers or employees which would have the effect of permitting such persons to terminate their employment and to thereupon become entitled to receive payments from the other party, as a result of the arrangement or any other action contemplated hereby.

Covenant Regarding Non-Solicitation

Helix has agreed not to solicit any proposal to be acquired by another party. However, if another party does propose to acquire Helix and the Helix board of directors determines in good faith that the proposal is a superior proposal, then the board of directors can negotiate and approve the superior proposal and recommend it to the Helix stockholders. In that event, however, HEARx can terminate the merger agreement and Helix must pay HEARx the break-up fee of $1.0 million. An acquisition proposal will be considered superior if the board of directors determines in good faith, after receiving advice of its financial advisors and its outside counsel and after taking into account all relevant factors, that the proposal would result in a transaction financially superior for the Helix stockholders than the arrangement. Those factors can include the conditions to such proposal, the timing of the closing thereof, the risk it will not be consummated, the ability of the person making the proposal to finance the transaction and any required consents, filings and approvals.

In the event of a superior proposal, Helix has agreed to provide HEARx with five days prior notice and an opportunity to amend the merger agreement to provide for substantially similar financial terms to those included in the superior proposal.

Representations and Warranties

The merger agreement contains, subject to specified exceptions and qualifications, representations and warranties customary in transactions of this type for each of HEARx and Helix, including representations and warranties with regard to the following:

organization, qualification, standing and similar corporate matters for the Company and its subsidiaries;

its capital structure, including the number of authorized shares and the number of shares outstanding;

the authorization, performance and enforceability of the arrangement agreement;

the absence of any violation of its or the Company s subsidiaries governing instruments or applicable laws and agreements, governmental filings, authorizations and consents required to complete the arrangement;

the absence of any default or violation of its or the Company s subsidiaries judgments, decrees, orders, agreements and other instruments;

since the end of its most recently completed fiscal year, the Company and its subsidiaries have conducted their respective businesses only in the ordinary course of business, there has been;

material adverse changes relating to its financial condition, results of operations, prospects, assets, liabilities or material damage to the Company s or its subsidiaries business or properties;

- no payment of any dividend or other distribution in respect of its capital stock or redemption or repurchase of the same;
- no change in its capitalization;
- no material liability has been incurred;
- no disposal or acquisition of any property or assets other than in the ordinary course of business;
- no change to its accounting principals and practices or compensation of any of its employees;
- no material loans or advances and no payments to or agreements with any party not dealing at arm s length with the Company or its subsidiaries;
- the filing of all required securities reports and financial statements with securities regulators and the American Stock Exchange or The Toronto Stock Exchange;
- the absence of any untrue statements of material fact or omission of material facts in the documents filed with securities regulators;
- that its material contracts, employee compensation plans, employee agreements, intellectual property, debt instruments and guarantees are as stated in the schedules to the arrangement agreement;
- the disclosure of all material adverse information;
- the fair presentation of its financial condition in the financial statements filed with securities regulators;
- compliance with all material applicable laws and disclosure of all material litigation;
- that its environmental, tax matters, employee benefit matters, intellectual property matters and the title to its properties all are as stated in the arrangement agreement; and
- the absence of any broker or financial advisor fees to be paid by it in connection with the arrangement.

The representations and warranties will not be a basis for indemnity claims after the completion of the arrangement.

Conditions to Consummation

The obligations of HEARx to complete the arrangement are subject to satisfaction or waiver of the following conditions:

- the accuracy of the representations and warranties of Helix in all material respects at the effective time of the arrangement;
- the performance and compliance by Helix in all material respects of the covenants and agreements under the merger agreement;
- the approval of the respective stockholders of the arrangement and the transactions contemplated by the merger agreement;
- the absence of any act, action, suit or proceeding pending or threatened that could reasonably be expected to have the effect of making illegal, or otherwise restraining or prohibiting the arrangement or making it materially more costly, prohibiting or materially limiting the ownership or operation of all or any material portion of the business or assets of Helix or any of its subsidiaries, imposing or confirming limitations on the ability of HEARx, directly or indirectly, effectively to acquire or hold or to exercise full rights of ownership of the Helix common shares, requiring divestiture of any Helix common shares or material assets of Helix or any of its subsidiaries, or materially adversely affecting the business, financial condition or results of operations of Helix and its subsidiaries taken as a whole or the value of the Helix common shares to HEARx;

the absence of any prohibition at law against completion of the arrangement or of any breach or default under any loan agreement, indenture, mortgage, lease or other material agreement of HEARx or Helix resulting from the completion of the arrangement;

the absence of any change (or any condition, event or development involving a prospective change) in the business, operations, assets, capitalization, financial condition, licenses, permits, rights, privileges, prospects or liabilities (including without limitation any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), whether contractual or otherwise, of Helix or any of its subsidiaries which, in the sole judgment of HEARx, is or would be materially adverse to the business of Helix and its subsidiaries considered on a consolidated basis or to the value of the Helix common shares to HEARx;

HEARx shall have determined in its sole judgment that Helix has not taken or proposed to take any action, or publicly disclosed that it intends to take any action, and HEARx shall not have otherwise learned of any previous action taken by Helix which had not been publicly disclosed, which, in the sole judgment of HEARx, might make it inadvisable for HEARx to proceed with the Arrangement, or that would be materially adverse to the business of Helix and the Helix subsidiaries considered on a consolidated basis or to the value of the Helix common shares to HEARx; including, without limiting the generality of the foregoing, any action with respect to any agreement, proposal, offer or understanding relating to any material sale, disposition or other dealing with any of the assets or contracts of Helix or any of the Helix subsidiaries (other than any such sale, disposition or other dealing between Helix and any wholly owned Helix subsidiary), any issue of shares, options or other securities of Helix to any person other than a wholly owned Helix subsidiary, any material acquisition from a third party of assets or securities by Helix or any of the Helix subsidiaries, or any take over bid, amalgamation, statutory arrangement, capital reorganization, merger, business combination or similar transaction involving Helix or any of the Helix subsidiaries, or any material capital expenditure by Helix or any of the Helix subsidiaries not in the ordinary course of business;

all approvals or exemptions under the *Investment Canada Act* in connection with the arrangement shall have been obtained on terms and conditions satisfactory to HEARx in its sole determination;

any other requisite regulatory approvals (including without limitation those of any stock exchanges, securities authorities or other regulatory authorities) in connection with the arrangement shall have been obtained on terms satisfactory to HEARx, in its sole judgment;

it shall not have been publicly disclosed or HEARx shall not have otherwise become aware that beneficial ownership or control of 15% or more of the outstanding Helix common shares has been acquired by any person or group (including without limitation Helix or any of the Helix subsidiaries or affiliates), other than HEARx or any of its affiliates, or the board of directors of Helix or any committee thereof shall not have approved or recommended any proposal or any other acquisition of Helix common shares other than the arrangement, any corporation, partnership, person or other entity or group shall not have entered into a definitive agreement or an agreement in principle with Helix with respect to a take-over bid (other than the arrangement), tender offer or exchange offer, merger, sale of assets, amalgamation, plan of arrangement, reorganization, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction with or involving Helix or any of its subsidiaries, or the board of directors of Helix or any committee thereof shall not have resolved to do any of the foregoing;

if dissent rights have been granted in respect of the arrangement, holders of not more than 5% of the Helix common shares shall have exercised the right of dissent;

HEARx shall have obtained financing for a principal amount of no less than US$25,000,000 with a lender on terms reasonably acceptable to HEARx and Helix;

Helix shall have obtained the consent of SCC Canada Inc., as agent for Sirrom Capital Corporation and The Toronto Dominion Bank, and Les Partenaires de Montreal, s.e.c. to the arrangement and the transactions contemplated in connection with the arrangement on such terms and conditions as are reasonably acceptable to HEARx; and

Helix shall have terminated the subscription agreement between Helix and Les Partenaires de Montreal s.e.c., 175778 Canada Inc., Marcel Dutil, Gestion Fremican Inc., Steve Forget, Luc Parent, Martin Cousineau and Richard Doucet on such terms and conditions as are reasonably acceptable to HEARx.

The obligations of Helix to complete the arrangement are subject to satisfaction or waiver of the following conditions:

the accuracy of the representations and warranties of HEARx in all material respects at the effective time of the arrangement;

the performance and compliance by HEARx in all material respects of the covenants and agreements under the merger agreement;

the approval of the respective stockholders of HEARx and Helix of the arrangement and the transactions contemplated by the merger agreement;

the absence of any act, action, suit or proceeding pending or threatened that could reasonably be expected to have the effect of making illegal, or otherwise restraining or prohibiting the arrangement or making it materially more costly;

any requisite regulatory approvals (including without limitation those of any stock exchanges, securities authorities or other regulatory authorities) in connection with the arrangement shall have been obtained on terms reasonably satisfactory to Helix;

any other third party approvals and waivers necessary in connection with consummation of the arrangement and the transactions contemplated by the merger agreement, including the waiver of the right of first refusal by The Permanente Federation LLC in connection with the HEARx West LLC agreement as between The Permanente Federation LLC and HEARx, shall have been obtained by HEARx on terms reasonably satisfactory to Helix;

HEARx shall have obtained financing for a principal amount of no less than US$25,000,000 with a lender on terms reasonably acceptable to HEARx and Helix; and

HEARx shall have provided Helix with evidence that HEARx has provided its prior written approval of the arrangement to the rights agent under the HEARx rights agreement such that no benefits under that agreement will be received by any holders.

Termination of the Merger Agreement and the Payment of Fees

The merger agreement may be terminated and the merger contemplated by the merger agreement abandoned, at any time prior to the closing date of the merger agreement, as follows:

by mutual written agreement;

by either Helix or HEARx, if the transaction has not been consummated on or prior to September 30, 2002, so long as the terminating party has not failed to fulfill any material obligation under the arrangement agreement which caused or resulted in the transaction failing to be consummated by such date;

by HEARx, if the board of directors of Helix has withdrawn, redefined or changed any of its recommendations or determinations concerning the arrangement in a manner adverse to HEARx or shall have resolved to do so prior to the effective time and Helix pays a termination fee of US$1.0 million;

by HEARx, if the board of directors of Helix shall have failed to reaffirm its recommendation of the arrangement by press statement within 5 days after the public announcement or commencement of a proposal by another company to acquire Helix, and in a director s circular, if any, within 10 days after the mailing of any such proposal and Helix pays a termination fee of US$1.0 million;

by HEARx, if Helix consummates a merger or arrangement with another company and Helix pays a termination fee of US$1.0 million;

by HEARx, if Helix fails to comply with or breaches any of its any representations, warranties or covenants set forth in the merger agreement and Helix pays a termination fee of US$1.0 million;

by Helix, if the board of directors of HEARx has withdrawn, redefined or changed any of its recommendations or determinations concerning the arrangement in a manner adverse to Helix and HEARx pays a termination fee of US $1.0 million;

by Helix, if HEARx fails to comply with or breaches any of its any representations, warranties or covenants set forth in the merger agreement and Helix pays a termination fee of US$1.0 million; and

by HEARx if any Helix shares are issued after July 27, 2001, upon conversion of certain convertible debentures or upon exercise of certain preemptive or subscription rights.

In addition to the termination fee, Helix and HEARx have agreed that in the event the merger agreement is terminated prior to the effective time for the reasons set forth in bullets two (in the case of bullet two, if the termination is initiated by Helix) through six, HEARx will be granted a 49% interest in the HearUSA Network being formed through a joint venture among HEARx, Helix and Siemens Hearing Instruments, Inc. In the event the merger agreement is terminated prior to the effective time for any other reason, HEARx will have an option to purchase 49% of the HearUSA Network at its appraised fair market value.

Arrangement Mechanics

When the arrangement becomes effective, the following events will occur in the following order:

each outstanding Helix common share, other than shares held by dissenting stockholders who are ultimately entitled to be paid the fair value of their shares and shares held by HEARx, will be automatically transferred by the holder to HEARx Canada Inc. in exchange for, at the election of the holder, 0.3537 fully-paid and non-assessable exchangeable shares of HEARx Canada Inc. or 0.3537 shares of HEARx common stock, together with the associated purchase rights under the exchangeable share rights plan or the HEARx rights agreement, as the case may be. Holders of Helix common shares that are not Canadian residents will not be entitled to elect to receive exchangeable shares and any election otherwise will be deemed to be an election to receive HEARx common stock. The ratio of one Helix common share to 0.3537 exchangeable shares or shares of HEARx common stock is sometimes referred to as the exchange ratio. The exchange ratio is subject to adjustment to reflect any share split, reverse split, share dividend, reorganization, recapitalization or other like change;

each Helix option, other than Helix options held by dissenting holders who are ultimately entitled to be paid the fair value of its option, will be exchanged for a replacement option that is exercisable for a number of shares of HEARx common stock determined by multiplying the number of Helix common shares subject to such option by the exchange ratio at an exercise price per share of HEARx common stock equal to the exercise price per share of such Helix option immediately prior to the effective time of the arrangement (adjusted for conversion from Canadian dollars to US dollars) divided by the exchange ratio;

each outstanding Helix warrant or convertible security other than Helix warrants or convertible securities held by HEARx will become exercisable into a number of exchangeable shares based on the exchange ratio; and

HEARx will issue and deposit the special voting share with the trustee.

Immediately following the effectiveness of the arrangement, Helix s outstanding capital stock will consist of approximately 46.2 million common shares, all of which will be held by HEARx and HEARx Canada Inc. Based on the exchange ratio, the former holders of Helix common shares other than HEARx will hold an aggregate of approximately 14.61 million exchangeable shares and shares of HEARx common stock. Former holders of Helix common shares will initially have the power to vote approximately 48% of the outstanding votes at meetings of stockholders following the arrangement. On a fully diluted basis, assuming the exercise or conversion of all outstanding options or convertible securities of Helix and HEARx, former holders of Helix common shares will have the power to vote approximately 41% of the outstanding votes at meetings of stockholders following the arrangement.

The exchange ratio is subject to adjustment on any stock split, reverse stock split, stock dividend, recapitalization or other like change with respect to HEARx common stock or Helix common shares prior to the effectiveness of the arrangement.

No fractional exchangeable shares or shares of HEARx common stock will be delivered in exchange for Helix common shares pursuant to the arrangement. Any Helix stockholder otherwise entitled to a fractional interest in an exchangeable share or HEARx common stock, as the case may be, will receive a certificate adjusted to the next lower whole number of exchangeable shares or shares of HEARx common stock, as the case may be.

See The Arrangement Exchange of Helix Common Share Certificates for procedures to be followed to obtain certificates representing the exchangeable shares or HEARx common stock issuable in the arrangement.

Amendments

The merger agreement may be amended, modified or supplemented only in writing signed by the parties to the merger agreement.

Management and Board of Directors After the Arrangement

Immediately following the effective time of the arrangement, the board of directors of HEARx shall be composed of Paul A. Brown (Chairman), Steve Forget (Vice Chairman), Stephen J. Hansbrough, Thomas W. Archibald, Joseph L. Gitterman III, David J. MacLachlan, Michel Labadie, Mark Wayne and Pierre Bourgie. The executive committee of HEARx will be composed of Stephen J. Hansbrough, Steve Forget, Gino Chouinard, James Peklenk, Francois Tellier, Bryan Burgett and Donna Taylor.

The officers of HEARx will be Paul A. Brown (Chairman), Stephen J. Hansbrough (Chief Executive Officer), Steve Forget (President), James Peklenk (Co-Chief Financial Officer), Gino Chouinard (Co-Chief Financial Officer) and Donna Taylor (Division Chief Operating Officer).

The bylaws of HEARx will be amended as of the effective time to provide for a vote of seven out of nine members of the HEARx board of directors for the approval of the following matters:

A reorganization, merger, spin-off or sale, in whole or part, of HEARx or any of its affiliates, subsidiaries and divisions;

The issuance of capital stock or any other transaction involving HEARx capital stock;

Any equity or debt financing of more than US$5 million;

Any acquisition for a consideration of more than US$5 million;

Approval of an annual budget;

Material changes to the initial business plan for HEARx;

Appointment of the Chairman, Vice Chairman, Chief Executive Officer, President, Chief Operating Officer, Chief Financial Officer of HEARx and each of its subsidiaries or divisions;

Appointment of the members of the Compensation, Corporation Governance, Audit and Executive Committees; and

Any other actions that will or may result in the dilution of the stockholders of HEARx.

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Exchange Listing After the Arrangement

HEARx common stock is currently listed on the American Stock Exchange under the symbol EAR . HEARx plans to maintain the listing on the American Stock Exchange. HEARx intends to apply for the listing of its common stock and the exchangeable shares on The Toronto Stock Exchange. The approval of this listing will be under the terms of The Toronto Stock Exchange, subject to the satisfaction of its customary requirements. We do not currently intend to list the HEARx common stock or exchangeable shares on any other stock exchange in Canada or the United States.

Description of Exchangeable Shares

The plan of arrangement, including exchangeable share provisions, is attached to this joint proxy statement/prospectus as Annex K. The exchangeable shares will be exchangeable for HEARx common stock in the manner described below at the option of the holder. The exchangeable shares will be subject to mandatory exchange on and after the fifth anniversary of the arrangement, subject to earlier mandatory exchange in certain circumstances. Holders of exchangeable shares will also be entitled to receive, subject to applicable law, dividends equivalent to all dividends paid on the HEARx common stock, if any. Cash dividends will be payable in U.S. dollars or the Canadian dollar equivalent. The record date and payment date for dividends on the exchangeable shares will be the same as the relevant date for the corresponding dividends on the HEARx common stock. Holders of exchangeable shares will also be entitled to participate in any liquidation of HEARx through the automatic exchange right.

Retraction of Exchangeable Shares

Holders of exchangeable shares will be entitled at any time to require HEARx Canada Inc. to redeem any or all of their exchangeable shares for a retraction price per share equal to the exchangeable share consideration. The term exchangeable share consideration for purposes of a retraction, redemption or exchange means certificates representing the total number of shares of HEARx common stock required to be delivered, a check for any declared and unpaid cash dividends and any stock or property constituting any declared and unpaid non-cash dividends on the exchangeable shares. A holder may retract the exchangeable shares by presenting the certificates representing the exchangeable shares to HEARx Canada Inc. or the trustee, a retraction request indicating the number of exchangeable shares the holder desires to retract and the date on which the holder desires to receive the retraction price and any other documents required by the transfer agent.

When a holder requests HEARx Canada Inc. to redeem retracted shares, HEARx Acquisition ULC will have an overriding call right to purchase all of the retracted shares directly from the holder on the terms of the holder s retraction request. Upon receipt of a retraction request, HEARx Canada Inc. will immediately notify HEARx Acquisition ULC. HEARx Acquisition ULC must advise HEARx Canada Inc. within five business days as to whether it will exercise the retraction call right. If HEARx Acquisition ULC does not so advise HEARx Canada Inc., HEARx Canada Inc. will notify the holder as soon as possible that HEARx Acquisition ULC will not exercise the retraction call right. If HEARx Acquisition ULC advises Helix that it will exercise the retraction call right and the request to retract is not revoked by the holder, the request to retract will be considered to be an offer by the holder to sell the retracted shares to HEARx Acquisition ULC.

A holder may revoke its request to retract in writing at any time prior to the close of business on the business day preceding the retraction date. If the request is revoked, the retracted shares will not be purchased by HEARx Acquisition ULC or redeemed by HEARx Canada Inc. If the holder does not revoke its request to retract on the retraction date, the retracted shares will be purchased by HEARx Acquisition ULC or redeemed by HEARx Canada Inc. HEARx Acquisition ULC, HEARx Canada Inc. or the exchange agent will deliver the aggregate retraction price to the holder.

If solvency law requirements do not permit HEARx Canada Inc. to redeem all retracted shares and HEARx Acquisition ULC has not exercised the retraction call right, HEARx Canada Inc. will redeem only those retracted shares tendered by the holder, rounded down to a whole number of shares, as permitted by law. If the redemption would be contrary to law, HEARx Canada Inc. will redeem the shares on a pro rata basis.

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On the retraction date, HEARx Acquisition ULC will be required to purchase the retracted shares not redeemed by HEARx Canada Inc.

Redemption of Exchangeable Shares

The outstanding exchangeable shares will be redeemed by HEARx Canada Inc. for a redemption price per share equal to the exchangeable share consideration upon the date determined by HEARx Canada Inc. s board of directors at any time after the earlier of the fifth anniversary of the effective date of the arrangement; and the date on which the Canadian Income Tax Act is amended to permit holders of exchangeable shares who are Canadian residents and who hold their exchangeable shares as capital property for the purposes of the Canadian Income Tax Act to dispose of exchangeable shares to HEARx Acquisition ULC pursuant to the redemption call right in exchange for HEARx common stock on a tax-deferred basis.

When HEARx Canada Inc. is required to redeem the exchangeable shares, HEARx Acquisition ULC has an overriding redemption call right to purchase all of the exchangeable shares outstanding, excluding exchangeable shares held by HEARx and its subsidiaries, for a purchase price per share equal to the redemption price. Upon the exercise of the redemption call right, holders will be required to sell their exchangeable shares to HEARx Acquisition ULC and HEARx Canada Inc. s redemption obligation will terminate.

On or before the redemption date, upon the holder s surrender of the certificates representing the exchangeable shares and proper transfer documents, HEARx Canada Inc. or HEARx Acquisition ULC will deliver the exchangeable share consideration to the holder by mailing it to the holder s address on file with the transfer agent or by holding the consideration for the holder to pick up at the registered office of HEARx Canada Inc. or the office of the transfer agent, as specified in the written notice of redemption. In each case, any amounts required to be withheld for tax may be deducted from the consideration.

Voting Rights of Exchangeable Shares

On the effective date of the arrangement, HEARx, HEARx Acquisition ULC, HEARx Canada Inc. and the trustee will enter into the voting and exchange trust agreement in substantially the form attached to this joint proxy statement/prospectus as Annex C. The holders of exchangeable shares will not be entitled to vote at any meeting of stockholders of HEARx except for certain approval rights intended to protect their rights and benefits. See The Arrangement The Voting and Exchange Trust Agreement below.

The holders of the exchangeable shares will be entitled to vote separately as a class in any voluntary liquidation, dissolution or winding up of HEARx Canada Inc.

Dividend Rights of Exchangeable Shares

Holders of exchangeable shares will be entitled to receive dividends as follows:

- in the case of a cash dividend declared on the HEARx common stock, an amount in cash for each exchangeable share corresponding to the cash dividend declared on each share of HEARx common stock;

- in the case of a stock dividend declared on the HEARx common stock to be paid in shares of HEARx common stock, the number of exchangeable shares for each exchangeable share equal to the number of shares of HEARx common stock to be paid on each share of HEARx common stock; or

- in the case of a dividend declared on the HEARx common stock in property other than cash or HEARx common stock, the type and amount of property as is the same as the type and amount of property declared as a dividend on each share of HEARx common stock.

Cash dividends on the exchangeable shares are payable in U.S. dollars or the Canadian dollar equivalent. The declaration date, record date and payment date for dividends on the exchangeable shares will be the same as the date for the corresponding dividends on the HEARx common stock.

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Liquidation Rights With Respect to HEARx Canada, Inc.

Holders of exchangeable shares will also be entitled to receive HEARx Canada Inc. s assets if HEARx Canada Inc. is liquidated, dissolved or wound up, before distribution of any assets to the holder of HEARx Canada Inc. common stock. If HEARx Canada Inc. is liquidated, dissolved or wound up, HEARx Acquisition ULC will have an overriding liquidation call right to purchase all of the exchangeable shares, other than exchangeable shares held by HEARx or its subsidiaries, from the holders for a purchase price equal to the exchangeable share consideration described above.

If HEARx Acquisition ULC chooses to purchase the exchangeable shares, it will give written notice to the transfer agent. The transfer agent will notify the holders as to whether HEARx Acquisition ULC will exercise this right. If HEARx Acquisition ULC does not choose to purchase the exchangeable shares, HEARx Canada Inc. will pay the exchangeable share consideration to each holder.

Ranking

The exchangeable shares will rank senior to the HEARx Canada Inc. common stock and any other shares ranking junior to the exchangeable shares with respect to the payment of dividends and the distribution of assets in the event of a liquidation, dissolution or winding up of HEARx Canada Inc., whether voluntary or involuntary.

Certain Restrictions

Approval of the holders of the exchangeable shares will be required for HEARx Canada Inc. to:

- pay any dividends on its common stock or any other shares ranking junior to the exchangeable shares, other than stock dividends payable in other shares ranking junior to the exchangeable shares;

- redeem, purchase or make any capital distribution on its common stock or any other shares ranking junior to the exchangeable shares with respect to the payment of dividends or on any liquidation distribution;

- redeem or purchase any other shares of HEARx Canada Inc. ranking equally with the exchangeable shares with respect to the payment of dividends or on any liquidation distribution; or

- issue any exchangeable shares or any other shares of HEARx Canada Inc. ranking equally with, or superior to the exchangeable shares, other than by way of stock dividends to holders of such shares, *pro rata* to the holders of exchangeable shares, as contemplated by the support agreement or pursuant to any agreements or rights in existence at the effective date of the arrangement.

These restrictions will not apply at any time when the dividends on the outstanding exchangeable shares corresponding to dividends declared and paid on the HEARx common stock have been declared and paid in full.

Amendment of Terms of Exchangeable Shares

The rights, privileges, restrictions and conditions attaching to the exchangeable shares may be amended only with the approval of two-thirds of the votes cast by holders of exchangeable shares entitled to vote at a duly called meeting at which a quorum is present.

Exchangeable Share Rights

Prior to the effective time of the arrangement, HEARx Canada Inc. will adopt an exchangeable share rights plan substantially equivalent to the HEARx rights agreement. Pursuant to the exchangeable share rights plan, each exchangeable share issued in the arrangement will have an associated exchangeable share right entitling the holder of such exchangeable share right to acquire additional exchangeable shares on terms and conditions substantially the same as the terms and conditions upon which a holder of HEARx common stock is entitled to acquire HEARx Series H Junior Participating Preferred Stock under the HEARx rights

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agreement. The definitions of beneficial ownership, the calculation of percentage ownership and the number of shares outstanding and related provisions will apply, as appropriate, to HEARx common stock and the exchangeable shares as though they were the same security. The exchangeable share rights are intended to have characteristics essentially equivalent in economic effect to the HEARx rights. See Description of HEARx Common Stock and Other Securities HEARx Rights Agreement.

The Stockholders Agreement

The stockholders agreement by and among HEARx, 3319725 Canada Inc., Les Partenaires de Montreal, s.e.c., Duval Holdings Inc., Steve Forget, Martin Cousineau, Richard Doucet, Luc Parent and Gestion Fremican Inc. is attached to this joint proxy statement/prospectus as Annex E. The stockholders agreement provides that each stockholder, at any meeting of the stockholders of Helix, however called, or in connection with any written consent of the holders of Helix common shares, will vote his Helix common shares (a) in favor of the approval and adoption of the merger agreement, the arrangement and all the transactions contemplated by the merger agreement and stockholders agreement and any other actions required in furtherance thereof and (b) against any other proposal relating to the acquisition of Helix and any actions in furtherance thereof. Each stockholder has granted an irrevocable proxy to Paul A. Brown and Stephen J. Hansbrough for the Helix common shares that such stockholder is entitled to vote at any meeting of stockholders of Helix or consent in lieu of such meeting on the matters described in (a) and (b) above.

The stockholders agreement further provides that each stockholder will exchange all of the Helix common shares then beneficially owned by such stockholder to HEARx Canada Inc. in exchange for HEARx common stock or exchangeable shares.

The stockholders agreement provides that each stockholder will immediately cease any discussions or negotiations relating to any proposal to acquire Helix, other than with respect to the arrangement. Each stockholder has agreed that it will not, directly or indirectly, and will instruct its representatives not to, directly or indirectly (i) solicit, initiate or encourage, or take any other action to facilitate, any inquiries, any expression of interest or the making of any proposals which constitutes any acquisition proposal or (ii) participate in any discussions or negotiations regarding any acquisition proposal; provided that a stockholder who is a director or officer of Helix will not be limited in exercising any of his rights or performing any of his duties as a director or officer of Helix.

Further, until and unless the stockholders agreement has been terminated, the stockholder may not, except as expressly provided for in the stockholders agreement, (a) sell, exchange, pledge, encumber or otherwise transfer or dispose of, or agree to sell, exchange, pledge, encumber or otherwise transfer or dispose of, any of its Helix common shares, or any interest therein, (b) deposit its Helix common shares into a voting trust or enter into a voting agreement or arrangement with respect to such shares or grant any proxy with respect thereto or (c) enter into any agreement, arrangement, understanding, or undertaking to do any of the foregoing. The agreement provides that Luc Parent may, upon prior written notice to HEARx, sell from time to time up to an aggregate of 200,000 Helix common shares on or before the effective date and the shares so sold will no longer be subject to the stockholders agreement. In addition, each stockholder waived any appraisal or other rights to dissent from the arrangement that such stockholder may have been entitled to. The covenants and arrangements contained in the stockholders agreement terminate upon the termination of the merger agreement in accordance with its terms.

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The Helix common shares subject to the terms and conditions of the stockholders agreement are those owned and acquired prior to the termination of the stockholders agreement. The shares owned by each of the stockholders as of July 27, 2001, are as follows:

Name	Shares
3319725 Canada Inc.	10,350,000
Les Partenaires de Montreal, s.e.c.	4,200,000
Duval Holdings, Inc.	3,200,000
Steve Forget	491,464*
Martin Cousineau	223,396
Richard Doucet	433,564**
Luc Parent	622,500***
Gestion Fremican Inc.	2,075,000

* On October 2, 2001, Steve Forget exercised 117,000 options at an exercise price of $0.10 per option.

** On September 12, 2001, Richard Doucet exercised 117,000 options at an exercise price of $0.10 per option. Thereafter, Richard Doucet transferred 58,500 common shares to his wife.

*** Between December 3, 2001 and March 28, 2002, Luc Parent sold 166,000 common shares.

The Voting and Exchange Trust Agreement

The form of voting and exchange trust agreement that will be entered into by HEARx, HEARx Acquisition ULC, HEARx Canada Inc. and the trustee on completion of the arrangement is attached to this joint proxy statement/prospectus as Annex C. Pursuant to the voting and exchange trust agreement, HEARx will issue a voting share to the trustee for the benefit of the holders of the exchangeable shares, other than HEARx and its subsidiaries. The voting share will have a number of votes, which may be cast at any meeting at which HEARx stockholders are entitled to vote. The votes will be equal to the number of outstanding exchangeable shares, other than exchangeable shares held by HEARx and its subsidiaries. Each holder of an exchangeable share on the record date for any meeting at which HEARx stockholders are entitled to vote will be entitled to instruct the trustee to exercise one of the votes attached to the voting share for each exchangeable share held by that holder. If a holder does not instruct the trustee how to vote, the trustee will not exercise those votes. A holder may instruct the trustee to give the holder a proxy entitling the holder to vote the voting shares directly at the relevant meeting. If the trustee has not been instructed to sign and deliver a proxy to the holder, the trustee will exercise its voting rights for that holder s shares either by proxy or in person.

The trustee will send to the holders of the exchangeable shares the notice of the meeting at which the HEARx stockholders are entitled to vote on the same day as HEARx sends the notice and materials to the HEARx stockholders. Additionally, the trustee will send the related meeting materials and a statement describing how the holder may instruct the trustee to exercise the votes attaching to the voting share. The trustee will also send to the holders of exchangeable shares copies of all information statements, interim and annual financial statements, reports and other materials sent by HEARx to the HEARx stockholders. If materials such as dissident proxy circulars and tender and exchange offer circulars sent by third parties to HEARx stockholders are provided to the trustee by HEARx, the trustee will send those materials to the holders of exchangeable shares as soon as possible.

All rights of a holder of exchangeable shares to exercise votes attached to the voting share will cease upon the exchange of the holders of exchangeable shares for shares of HEARx common stock. This includes rights by redemption, retraction or liquidation or through the exercise of the related call rights of the shares exchangeable for HEARx common stock.

The voting and exchange trust agreement contains provisions that require the trustee to effect an exchange of the exchangeable shares for HEARx common stock upon request of the holder and other provisions that parallel the rights and terms of the exchangeable shares.

The Support Agreement

The form of support agreement that will be entered into by HEARx, HEARx Acquisition ULC and HEARx Canada Inc. on completion of the arrangement is attached to this joint proxy statement/prospectus as Annex D. Pursuant to the support agreement, so long as any exchangeable shares, other than exchangeable shares held by HEARx or its subsidiaries, remain outstanding HEARx or HEARx Acquisition ULC will:

- not declare or pay dividends on the HEARx common stock unless HEARx Canada Inc. is able to declare and pay and simultaneously declares or pays an equivalent dividend on the exchangeable shares;

- advise HEARx Canada Inc. in advance of the declaration of any dividend on the HEARx common stock and ensure that the declaration date, record date and payment date for dividends on the exchangeable shares will be the same as that for the corresponding dividend on the HEARx common stock;

- ensure that the record date for any dividend declared on the HEARx common stock will not be less than ten business days after the declaration date of the dividend;

- pay to the holders of the exchangeable shares the applicable HEARx Canada Inc. liquidation amount, retraction price and redemption price in the event of a liquidation, dissolution or winding up of HEARx Canada Inc. or upon a retraction request by a holder of exchangeable shares or a redemption of exchangeable shares by HEARx Canada Inc., including the delivery of HEARx common stock;

- not exercise its vote as a stockholder of HEARx Canada Inc. to initiate, consent or to approve the voluntary liquidation, dissolution or winding up of HEARx Canada Inc. nor take any action that is designed to, or omit to take away action that would result in, the liquidation, dissolution or winding up of HEARx Canada Inc.; and

- not exercise its vote as a stockholder of HEARx Canada Inc. to authorize the continuance or other transfer of the corporate existence of HEARx Canada Inc. to any jurisdiction outside of Canada.

The support agreement requires that HEARx reserve for issuance out of its authorized and unissued capital stock such number of shares of HEARx common stock as is equal to the number of exchangeable shares outstanding immediately following the effective date of the arrangement. Upon notice of any event that requires HEARx Canada Inc. to cause to be delivered HEARx common stock to a holder of exchangeable shares, HEARx will deliver or cause to be delivered the requisite shares of HEARx common stock to the former holder of the exchangeable shares, and will take all necessary action to ensure that the HEARx common stock is and will remain duly registered, qualified or approved under United States and Canadian law.

In the event that a tender offer, share exchange offer, issuer bid, take-over bid or similar transaction is proposed by or to HEARx or its stockholders that is effected with the consent of the Board of Directors of HEARx, then HEARx will use reasonable efforts expeditiously and in good faith to take all such actions and do all such things as are necessary to permit holders of exchangeable shares to participate in such offer to the same extent and on an economically equivalent basis as the holders of HEARx common stock. If the continuing corporation is not bound by law to carry out the terms of the support agreement, then it must execute an agreement evidencing the assumption of the support agreement.

HEARx Canada Inc. is required to notify HEARx and HEARx Acquisition ULC:

- if HEARx Canada Inc. is liquidated, dissolved or wound up or threatened with a claim or proceeding for that purpose;

- if HEARx Canada Inc. becomes aware that the transfer agent has received a retraction request from a holder of exchangeable shares;

at least 130 days prior to any accelerated redemption date determined by the Board of Directors of HEARx Canada Inc. in accordance with the exchangeable share provisions; and

of the issuance by HEARx Canada Inc. of any exchangeable share or right to acquire any exchangeable share.

Under the support agreement, HEARx may not exercise any voting rights attached to the exchangeable shares owned by it or any of its subsidiaries on any matter considered at meetings of holders of exchangeable shares. HEARx will use its reasonable efforts to enable the exchangeable shares to remain listed on a Canadian stock exchange.

The support agreement may not be amended without the approval of the holders of the exchangeable shares unless it is amended to:

add covenants to protect the holders of the exchangeable shares;

make necessary amendments not inconsistent with the support agreement; or

cure ambiguities, inconsistencies or clerical errors.

The foregoing amendments may not be effected unless the boards of directors of all parties to the support agreement have concluded that these amendments are not prejudicial to the interests of the holders of the exchangeable shares.

FEDERAL INCOME TAX CONSIDERATIONS RELATING TO THE ARRANGEMENT

Canadian Federal Income Tax Considerations For Helix Stockholders

In the opinion of Fraser Milner Casgrain LLP, Canadian counsel to Helix, the following is a summary of the material consequences under the Canadian Income Tax Act generally applicable to a Helix stockholder who, for the purposes of the Canadian Income Tax Act and at all relevant times, holds Helix common shares and will hold any exchangeable shares and HEARx common stock, as capital property, and who deals at arm s length with, and is not and will not be affiliated with, any of Helix, HEARx, HEARx Acquisition ULC or HEARx Canada Inc. Helix common shares, exchangeable shares and HEARx common stock will generally constitute capital property to a holder thereof unless the holder holds such securities in the course of carrying on a business or has acquired such securities in a transaction or transactions considered to be an adventure in the nature of trade.

This summary does not apply to a Helix stockholder in respect of whom HEARx is or will be a foreign affiliate within the meaning of the Canadian Income Tax Act. The Canadian Income Tax Act contains provisions relating to securities held by certain financial institutions. This summary does not take into account these particular rules. **Stockholders that are financial institutions should consult their own tax advisors.**

This summary is based upon the current provisions of the Canadian Income Tax Act, the regulations thereunder and understanding of the current published administrative practices and policies of the Canada Customs and Revenue Agency, all in effect as of the date hereof. This summary also takes into account the specific proposals to amend the Canadian Income Tax Act and the regulations publicly announced by the Minister of Finance (Canada) prior to the date hereof and assumes that all such proposals will be enacted substantially as proposed. However, no assurances can be given that the proposals will be enacted as proposed, or at all. We also base this summary on officer s certificates obtained from HEARx and Helix.

This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for specific tax proposals publicly announced prior to the date hereof, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or any changes in the administrative practices or assessing policies of the Canada Customs and Revenue Agency. This summary does not take into account tax legislation of any province, territory or foreign jurisdiction. Provisions of provincial income tax legislation vary from province to province in Canada and may differ from federal income

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tax legislation. **No advance income tax ruling has been sought or obtained from the Canada Customs and Revenue Agency to confirm the tax consequences of any of the transactions herein described.**

This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular Helix stockholder. Accordingly, Helix stockholders should consult their own tax advisors for advice with respect to the income tax consequences to them of disposing of their Helix common shares pursuant to the arrangement, and holding and disposing of exchangeable shares and HEARx common stock having regard to their own particular circumstances.

For purposes of the Canadian Income Tax Act, all amounts relating to the acquisition, holding or disposition of HEARx common stock must be expressed in Canadian dollars, including dividends, adjusted cost base and proceeds of disposition. Amounts denominated in United States dollars must be converted into Canadian dollars based on the prevailing United States dollar exchange rate, at the time such amounts arise.

Helix Stockholders Resident in Canada

The first portion of this summary is applicable to a Helix stockholder who, for the purposes of the Canadian Income Tax Act and any applicable income tax convention, at all relevant times, is or is deemed to be a resident of Canada while holding Helix common shares, exchangeable shares or HEARx common stock. Reference should also be made to the Section entitled Proposed Amendments Relating to Foreign Investment Entities at the end of this summary.

A Helix stockholder may elect under the arrangement to receive exchangeable shares from HEARx Canada Inc. or HEARx common stock from HEARx Acquisition LLC for such Helix stockholder s Helix common shares. The resulting consequences are discussed separately below. Helix stockholders whose Helix common shares might not otherwise qualify as capital property may be able to make an irrevocable election under the Canadian Income Tax Act to have the Helix common stock and every Canadian security (as defined in the Canadian Income Tax Act) owned by such Helix stockholder in the taxation year of the election and in all subsequent taxation years deemed to be capital property. Please note that where a stockholder makes a section 85 election in respect of Helix common shares, as described below, the exchangeable shares received in exchange may not be Canadian securities for this purpose. As a result, on a subsequent disposition of exchangeable shares by the holder, capital gains treatment may not be available. **You should consult your own tax advisors for advice with respect to whether such election is available to you and any particular tax consequences in the case where such election is not available to you.**

Receipt of Ancillary Rights and Exchangeable Share Rights

A Helix stockholder who receives exchangeable shares under the arrangement will also receive the ancillary rights and exchangeable share rights. See The Arrangement The Voting and Exchange Trust Agreement The Support Agreement Exchangeable Share Rights. A Helix stockholder will be required to account for the ancillary rights and exchangeable share rights in determining the proceeds of disposition of such holder s Helix common shares. As a result, Helix stockholders receiving exchangeable shares pursuant to the arrangement will be required to determine the fair market value of the ancillary rights and exchangeable share rights received on the exchange along with the exchangeable shares on a reasonable basis for Canadian income tax purposes. Helix will take the position that the ancillary rights and exchangeable share rights have a nominal fair market value. Any such determination of value, however, is a factual determination and is not binding upon the Canada Customs and Revenue Agency. Because the determination of the fair market value of the ancillary rights and exchangeable share rights is a factual determination as opposed to a legal conclusion, counsel expresses no opinion as to the appropriateness or accuracy of Helix s position regarding the fair market value of such rights. Should the Canada Customs and Revenue Agency challenge such determination and ultimately succeed in establishing that the ancillary rights or the exchangeable share rights have a fair market value in excess of a nominal amount, the proceeds of disposition of your Helix common shares would be affected and other consequences may result as described in the following summary. A reference to exchangeable shares in the discussion that follows will be deemed to include a reference to ancillary rights and exchangeable share rights, where applicable.

Grant of Call Rights

Helix will take the position that the call rights have a nominal fair market value and that accordingly, no amount should be allocated to the call rights. See The Arrangement Description of Exchangeable Shares. Any such determination of value is a factual determination and is not binding upon the Canada Customs and Revenue Agency. Because the determination of the fair market value of the call rights is a factual determination and not a legal conclusion, counsel expresses no opinion as to the appropriateness or accuracy of Helix s position regarding the fair market value of such rights. Provided that the determination of nominal value with respect to such call rights is correct, the granting of the call rights will not result in any material adverse income tax consequences to a Helix stockholder. However, should the Canada Customs and Revenue Agency challenge this determination and ultimately succeed in establishing that the call rights have a fair market value in excess of a nominal amount, Helix stockholders will realize a capital gain in an amount equal to the fair market value of the rights.

Exchange of Helix Common Shares for HEARx Common Stock

A Helix stockholder who exchanges Helix common shares for HEARx common stock will be considered to have disposed of such Helix common shares for proceeds of disposition equal to the aggregate fair market value of the HEARx common stock and the related preferred share purchase rights acquired on the exchange. See Description of HEARx Common Stock and Other Securities HEARx Rights Agreement. HEARx will take the position that the related preferred share purchase rights have a nominal fair market value. Counsel expresses no opinion as to the appropriateness or accuracy of this position. Any such determination of value is a factual determination and is not binding upon the Canada Customs and Revenue Agency. Should the Canada Customs and Revenue Agency challenge such determination and ultimately succeed in establishing that the related preferred share purchase rights have a fair market value in excess of a nominal amount, the proceeds of disposition of your Helix common shares would be affected. Therefore, you will realize a capital gain or capital loss equal to the amount by which the proceeds of disposition of such Helix common shares, net of any reasonable costs of disposition, exceed or are less than the adjusted cost base to you of such Helix common shares. The cost to you of HEARx common stock acquired on the exchange will be equal to the fair market value of such HEARx common stock at the time of the acquisition, and such costs will be averaged at any given time with the adjusted cost base of any other HEARx common stock held by you as capital property for the purposes of determining your adjusted cost base of HEARx common stock.

Exchange of Helix Common Shares for Exchangeable Shares

Non-Rollover Transaction

A Helix stockholder who exchanges Helix common shares for exchangeable shares, ancillary rights and exchangeable share rights and who does not make the joint election under the Canadian Income Tax Act (as described below under the heading Section 85 Election) will be considered to have disposed of such Helix common shares for proceeds of disposition equal to the sum of (i) the fair market value of the exchangeable shares acquired by such Helix Stockholder on the exchange, and (ii) the fair market value of the ancillary rights and the exchangeable share rights acquired by such Helix Stockholder on the exchange. As a result, you will realize a capital gain or capital loss to the extent that such proceeds of disposition, net of any reasonable costs of disposition, exceed or are less than the adjusted cost base to you of such Helix common shares. The cost to you of exchangeable shares acquired on the exchange will be equal to the fair market value of such shares, and will be averaged at any given time with the adjusted cost base of any other exchangeable shares held by you as capital property for purposes of determining your adjusted cost base of such exchangeable shares. The cost to you of ancillary rights and exchangeable share rights acquired on the exchange will be equal to the fair market value of such rights at the time of the exchange. For these purposes, you will be required to determine the fair market value of the ancillary rights and exchangeable share rights received on the exchange on a reasonable basis. See Federal Income Tax Considerations Relating to the Arrangement Canadian Federal Income Tax Considerations for Helix Stockholders Helix Stockholders Resident in Canada Receipt of Ancillary Rights and Exchangeable Share Rights above.

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Rollover Transaction

A Helix stockholder who exchanges Helix common shares for exchangeable shares, ancillary rights and exchangeable share rights may make a joint election with HEARx Canada Inc. pursuant to section 85 of the Canadian Income Tax Act. Such election may result in the full or partial deferral of capital gains otherwise arising on the exchange of such Helix common shares, as described under the heading Non-Rollover Transaction above. You may elect not to realize a capital gain for the purposes of the Canadian Income Tax Act on the exchange provided that, on the effective date, the adjusted cost base to you of such Helix common shares, plus any reasonable costs of disposition, equals or exceeds the fair market value of the ancillary rights and exchangeable share rights acquired on the exchange. The amount elected will be determined by each Helix stockholder who makes such a joint election, subject to the limitations set forth in the Canadian Income Tax Act and described generally under the heading Section 85 Election below.

Exchange of Helix Common Shares for a Combination of HEARx Common Stock and Exchangeable Shares

Non-Rollover Transaction

A Helix stockholder who exchanges Helix common shares for a combination of HEARx common stock received from HEARx Acquisition ULC and exchangeable shares received from HEARx Canada Inc. will realize, in respect of each such disposition, a capital gain or capital loss equal to the amount by which the proceeds of disposition for such Helix common shares, net of any reasonable costs of disposition, exceed or are less than the adjusted cost base to the Helix Stockholder of such Helix common shares. In the absence of a joint election under the Canadian Income Tax Act as described below under Section 85 Election , your proceeds of disposition for the Helix common shares that are exchanged for exchangeable shares will be equal to the sum of (i) the fair market value, at the time of acquisition, of any exchangeable shares received on the exchange, and (ii) the fair market value of ancillary rights and exchangeable share rights acquired by you on the exchange. Your proceeds of disposition of the Helix common shares that are exchanged for HEARx common stock will be equal to the sum of (i) the fair market value, at the time of acquisition, of any HEARx common stock received on the exchange, and (ii) the fair market value of the preferred share purchase rights related to the HEARx common stock acquired by you on the exchange. The cost of HEARx common stock and related preferred share purchase rights and the cost of exchangeable shares, ancillary rights and exchangeable share rights acquired by you will be the respective fair market values thereof at the time of the acquisition, and such costs will be averaged at any given time with the respective adjusted cost bases of any other HEARx common stock and related preferred share purchase rights, exchangeable shares, ancillary rights or exchangeable share rights held by you as capital property for purposes of determining your adjusted cost base of such HEARx common stock and related preferred share purchase rights, exchangeable shares, ancillary rights and exchangeable share rights.

Rollover Transaction

A Helix stockholder who exchanges Helix common shares for a combination of exchangeable shares received from HEARx Canada Inc. and HEARx common stock received from HEARx Acquisition ULC may obtain a full or partial tax deferral in respect of the disposition of the Helix common stock to HEARx Canada Inc. by making a joint election with HEARx Canada Inc. as described below under Section 85 Election and no tax deferral may be obtained in respect of the disposition of the Helix common shares to HEARx Acquisition ULC. See the above sub-title Non-Rollover Transaction for tax treatment of disposition of Helix common shares to HEARx Acquisition ULC. Subject to the limitations contained in the Canadian Income Tax Act regarding the elected amount as discussed below under Section 85 Election , if the elected amount is equal to the aggregate of the adjusted cost base, determined immediately before the disposition, of the Helix common shares disposed to HEARx Canada Inc. and any reasonable costs of disposition, no capital gain or capital loss will be realized by you on such disposition. To the extent that the elected amount in respect of such shares exceeds or is less than the aggregate of the adjusted cost base and any reasonable costs of disposition thereof, you will realize a capital gain or capital loss.

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Section 85 Election

Subject to the limitations and conditions described in the Canadian Income Tax Act and those, if any, contained in corresponding provisions of any applicable provincial tax legislation, HEARx Canada Inc. will make a joint election under subsection 85(l) or 85(2) of the Canadian Income Tax Act, as applicable and the corresponding provisions of any applicable provincial tax legislation, with a Helix stockholder who receives exchangeable shares at the amount selected by the Helix stockholder. The joint election may allow you to elect an amount which will be treated for the purposes of the Canadian Income Tax Act as your proceeds of disposition of your Helix common shares. Neither HEARx Canada Inc. nor the transfer agent will be responsible for the proper completion or filing of any election and you will be solely responsible for the payment of any late filing penalty. HEARx Canada Inc. agrees only to execute any properly completed election and to forward such election by mail within 30 days after the receipt thereof by the transfer agent to you. **With the exception of execution of the election by HEARx Canada Inc., compliance with the requirements for a valid election will be your sole responsibility.** Accordingly, neither HEARx Canada Inc. nor the transfer agent will be responsible or liable for any taxes, interest, penalties, damages or expenses resulting from the failure by anyone to properly complete any election or to properly file such election within the time prescribed and in the form prescribed under the Canadian Income Tax Act or the corresponding provisions of any applicable provincial tax legislation.

In order to make an election, you must provide to the transfer agent, on behalf of HEARx Canada Inc., three signed copies of the necessary election forms on or before 90 days after the effective date, duly completed with the details of the number of Helix common shares transferred and the applicable elected amount for the purposes of the election. The forms will be returned to you, signed by HEARx Canada Inc., for filing by you with the Canada Customs and Revenue Agency or with the applicable provincial tax authority. Certain provincial jurisdictions may require that a separate joint election be filed for provincial income tax purposes. HEARx Canada Inc. will also make a provincial joint election with you under the provisions of any relevant provincial income tax legislation with similar effect to subsection 85(l) or 85(2) of the Canadian Income Tax Act, subject to the same limitations and conditions described in the Canadian Income Tax Act. **You should consult your tax advisor to determine whether separate election forms must be filed with any provincial or territorial tax authority.** It will be your responsibility to obtain the necessary provincial election forms and to submit such forms to the transfer agent for execution by HEARx Canada Inc.

The relevant federal tax election form is Canada Customs and Revenue Agency form T2057 or, in the event that the Helix common shares are held as partnership property, Canada Customs and Revenue Agency form T2058. If you are subject to tax in Québec, Revenue Québec form TP-518V or, in the event that the Helix common shares are held as partnership property, Revenue Québec form TP-529V will also be required. A tax election package, consisting of the relevant federal tax election forms, may be obtained from the transfer agent. If you are interested in making an election, you should so indicate on the letter of transmittal and election form accompanying this circular in the space provided therein and a tax election package will be sent to you.

The Canadian Income Tax Act and any applicable provincial tax legislation contain particular rules with respect to filing where Helix common shares are held in joint ownership or as partnership property. **You should consult your own tax advisors to determine whether these rules are applicable to you.**

In general, where an election is made, the elected amount must comply with the following rules in respect of those Helix common shares that are the subject of the election:

(a) the elected amount may not be less than the aggregate fair market value of any ancillary rights and exchangeable share rights received under the arrangement;

(b) the elected amount may not be less than the lesser of the adjusted cost base to you of such Helix common shares disposed of, as determined immediately before the time of the disposition, and the fair market value of such Helix common shares, disposed of at that time; and

(c) the elected amount may not be greater than the fair market value at the time of the disposition of such Helix common shares so disposed of.

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Elected amounts which do not comply with the foregoing limitations will be automatically adjusted pursuant to the provisions of the Canadian Income Tax Act.

In order for the Canada Customs and Revenue Agency and where applicable, the Ministère du Revenu du Québec to accept a tax election without a late filing penalty being paid by you, the required tax election forms must be received by such revenue authorities on or before the day that is the earliest of the days on which either HEARx Canada Inc. or you is required to file an income tax return for the taxation year in which the exchange of the Helix common shares occurs. HEARx has advised Helix that the current taxation year of HEARx Canada Inc. is scheduled to end on the last Saturday in December of each year. Thus, where the exchange occurs prior to December 28, 2002, the tax election forms will, in the case of a Helix stockholder who is a non-deceased individual other than a trust, have to be received by the Canada Customs and Revenue Agency on or before April 30, 2003, which is the last day for filing the tax returns for the individual s 2002 taxation year. **Helix stockholders are urged to consult their own advisors as soon as possible respecting the deadlines applicable to their own particular circumstances. However, regardless of such deadline, the tax election forms must be received by the transfer agent no later than the 90th day after the effective date.**

If you do not ensure that the transfer agent has received three duly completed tax election forms on or before the 90th day after the effective date, you will not be able to benefit from the rollover provisions of the Canadian Income Tax Act. Accordingly, if you wish to enter into an election with HEARx Canada Inc., you should give immediate attention to this matter. The instructions for requesting a tax election package are set out in the letter of transmittal and election form. Helix stockholders wishing to make the election should consult their own tax advisors. The comments herein with respect to such elections are provided for general assistance only. The law in this area is complex and contains numerous technical requirements.

As discussed above, please note that the tax election forms will be executed by HEARx Canada Inc. on the basis that the fair market value of the ancillary rights and exchangeable share rights is a nominal amount per exchangeable share issued on the exchange. See Federal Income Tax Considerations Relating to the Arrangement Canadian Federal Income Tax Considerations for Helix Stockholders Helix Stockholders Resident in Canada Receipt of Ancillary Rights and Exchangeable Share Rights above.

Holders of Exchangeable Shares and HEARx Common Stock

Dividends on Exchangeable Shares

In the case of a Helix stockholder who is an individual, dividends received or deemed to be received on the exchangeable shares will be required to be included in computing the Helix stockholder s income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from a corporation resident in Canada. Subject to the discussion below as to the denial of the dividend deduction and to certain other restrictions contained in the Canadian Income Tax Act, in the case of a Helix stockholder that is a corporation, other than a specified financial institution as defined in the Canadian Income Tax Act, dividends received or deemed to be received on the exchangeable shares will be included in computing the corporation s income and will be deductible in computing its taxable income. In the case of a Helix stockholder that is a specified financial institution, such stockholders should consult their own tax advisor to determine the tax treatment on dividends.

If HEARx or any other person with whom HEARx does not deal at arm s length including HEARx Canada Inc., is a specified financial institution at the time that dividends are paid on the exchangeable shares, subject to the exemption described below, dividends received or deemed to be received by a Helix stockholder that is a corporation will not be deductible in computing taxable income but will be fully includable in taxable income. Helix and HEARx have informed counsel that they are of the view that neither they nor any person with whom Helix or HEARx does not deal at arm s length is a specified financial institution at the current time. This denial of the dividend deduction for a Helix stockholder that is a corporation will not apply if, at the time the dividends are received or deemed to be received, the exchangeable shares are listed on a prescribed stock exchange in Canada, HEARx and HEARx Acquisition ULC are related to HEARx Canada Inc. for the purposes of the Canadian Income Tax Act and dividends are not paid to the recipient (together with persons with whom the recipient does not deal at arm s length or any trust or partnership of which the recipient or any such person is a beneficiary or member) in respect of more than 10% of the issued and outstanding exchangeable shares held by persons other than HEARx and its affiliates. **Specified financial institutions should consult their own professional advisors regarding the tax treatment of holding exchangeable shares.**

A Helix stockholder that is a private corporation as defined in the Canadian Income Tax Act or any other corporation resident in Canada and controlled or deemed to be controlled by or for the benefit of an individual other than a trust or a related group of individuals other than trusts may be liable under Part IV of the Canadian Income Tax Act to pay a refundable tax of 33 1/3% on dividends received or deemed to be received on the exchangeable shares to the extent that such dividends are deductible in computing the Helix stockholder s taxable income. A Helix stockholder that is a Canadian-controlled private corporation as defined in the Canadian Income Tax Act may be liable to pay an additional refundable tax of 6 2/3% on dividends or deemed dividends that are not deductible in computing taxable income. Dividends received or deemed to be received by a private corporation on the exchangeable shares will not be subject to the 10% tax under Part IV.1 of the Canadian Income Tax Act.

Dividends on HEARx Common Stock

Dividends received or deemed to be received on HEARx common stock will be required to be included in the recipient s income for purposes of the Canadian Income Tax Act. Such dividends received by a Helix stockholder who is an individual will not be subject to the gross-up and dividend tax credit rules contained in the Canadian Income Tax Act. A Helix stockholder that is a corporation will be required to include such dividends in computing its income and will not be entitled to deduct the amount of such dividends in computing its taxable income. A Helix stockholder that is a Canadian-controlled private corporation may be liable to pay an additional refundable tax of 6 2/3% on such dividends.

Redemption, Retraction, Purchase or Exchange of Exchangeable Shares

On the redemption, including a retraction, of an exchangeable share by HEARx Canada Inc., the holder of that exchangeable share will be deemed to have received a dividend equal to the amount, if any, by which the redemption proceeds (the fair market value at that time of HEARx common stock and related preferred share purchase rights, received by the Helix stockholder from HEARx Canada Inc. on the redemption plus the dividend amount, if any) exceeds the paid-up capital for purposes of the Canadian Income Tax Act of the exchangeable share at the time the exchangeable share is so redeemed. The amount of any such deemed dividend will be subject to the tax treatment described above under Dividends on Exchangeable Shares . On the redemption, the holder of an exchangeable share will also be considered to have disposed of the exchangeable share for proceeds of disposition equal to the redemption proceeds less the amount of any deemed dividend. A holder will realize a capital gain or a capital loss equal to the amount by which the adjusted cost base to the holder of the exchangeable share is less than or exceeds such proceeds of disposition, net of any reasonable costs of disposition. In the case of a Helix stockholder that is a corporation, the amount of any deemed dividend may in some circumstances be treated as proceeds of disposition and not as a dividend.

On the exchange of an exchangeable share by the holder thereof with HEARx Acquisition ULC for HEARx common stock and related preferred share purchase rights, the holder will realize a capital gain or a capital loss to the extent the proceeds of disposition of the exchangeable share, net of any reasonable costs of disposition, exceed or are less than the adjusted cost base to the holder of the exchangeable share. For these purposes, the proceeds of disposition will be the aggregate of the fair market value, at the time of the exchange, of the HEARx common stock and related preferred share purchase rights received on the exchange. The proceeds of disposition may also include any dividend amount unless such dividend amount is required to be included in computing income of the holder as a dividend. **Holders should consult their own tax advisors in this regard.**

Because of the existence of the call rights, the exchange right and the automatic exchange right, a holder of exchangeable shares cannot control whether such holder will receive HEARx common stock by way of redemption (including a retraction) of the exchangeable shares by HEARx Canada Inc. or by way of purchase of the exchangeable shares by HEARx Acquisition ULC. As described above, the Canadian federal income tax consequences of a redemption (including a retraction) differ from those of a purchase.

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Acquisition and Disposition of HEARx Common Stock

The cost of HEARx common stock received on the redemption (including a retraction) or exchange of an exchangeable share will be equal to the fair market value of such HEARx common stock, at the time of such event, to be averaged with the adjusted cost base of any other HEARx common stock held at that time as capital property for the purpose of determining the adjusted cost base of all HEARx common stock held by the holder.

A disposition or deemed disposition of HEARx common stock by a holder other than to HEARx will result in a capital gain or capital loss to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed or are less than the adjusted cost base to the holder of those HEARx common stock, immediately before the disposition.

Disposition of Exchangeable Shares other than on a Redemption or Retraction

A disposition or deemed disposition or exchange of exchangeable shares by a holder, including on the exchange of an exchangeable share by the holder thereof with HEARx Acquisition ULC for HEARx common stock and related preferred share purchase rights, other than on the redemption (including a retraction), will result in a capital gain or capital loss to the extent that the proceeds of disposition, net of any reasonable costs of disposition, exceed or are less than the adjusted cost base to the holder of those exchangeable shares immediately before the disposition.

Taxation of Capital Gain or Capital Loss

Pursuant to the Canadian Income Tax Act, you will be required to include in income for the year of disposition one-half of any capital gain (a taxable capital gain) and will be entitled to deduct one-half of any capital loss (an allowable capital loss) from taxable capital gains realized in the year by you or in any subsequent year to the extent and in the circumstances described in the Canadian Income Tax Act. In addition, the portion of any such allowable capital loss, computed in accordance with the rules provided for in the Canadian Income Tax Act, which is not otherwise deducted from taxable capital gains realized in the year, may be deducted from taxable capital gains realized in any of the three preceding years to the extent and in the circumstances described in the Canadian Income Tax Act. Any such capital loss may in certain circumstances be reduced by the amount of any dividends, including deemed dividends, which have been received by you on such shares to the extent and in the manner provided for in the Canadian Income Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns such shares, or where a trust or partnership of which a corporation is a beneficiary or a member is a member of a partnership or a beneficiary of a trust that owns such shares.

Capital gains realized by an individual or trust, other than certain trusts, may give rise to alternative minimum tax under the Canadian Income Tax Act. A Helix stockholder that is a Canadian-controlled private corporation as defined in the Canadian Income Tax Act may be liable to pay an additional refundable tax of 6 2/3% on taxable capital gains.

Foreign Property Information Reporting

In general, a specified Canadian entity, as defined in the Canadian Income Tax Act, for a taxation year or fiscal period whose total cost amount of specified foreign property, as defined in the Canadian Income Tax Act, at any time in the year or fiscal period exceeds $100,000, is required to file an information return for the year or period disclosing prescribed information, including the cost amount, any dividends received in the year, and any gains or losses realized in the year, in respect of such property. With some exceptions, a taxpayer resident in Canada in the year will be a specified Canadian entity. Exchangeable shares and HEARx common stock will constitute specified foreign property to a holder. **Accordingly, holders of exchangeable shares and HEARx common stock should consult their own advisors regarding compliance with these rules**.

Dissenting Helix Stockholders

A dissenting Helix stockholder is entitled, if the arrangement becomes effective, to receive the fair value of Helix common shares held by him. The dissenting Helix stockholder will be considered to have disposed of the Helix common shares for proceeds of disposition equal to the amount received by a him less the amount of

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any deemed dividend referred to below and any interest awarded by a Court. As any amount received by a dissenting Helix stockholder will be paid by Helix, the dissenting Helix stockholder also will be deemed to receive a taxable dividend equal to the amount by which the amount received other than in respect of interest awarded by a Court exceeds the paid-up capital for purposes of the Canadian Income Tax Act of such Helix stockholder s Helix common shares. In the case of a Helix stockholder that is a corporation, in some circumstances, the amount of any such deemed dividend may be treated as proceeds of disposition and not as a dividend. Any interest awarded to a dissenting Helix stockholder by a Court will be included in the dissenting Helix stockholder s income for purposes of the Canadian Income Tax Act.

Helix Optionholders Resident in Canada

The second portion of this summary is applicable to holders of Helix options who, for the purposes of the Canadian Income Tax Act and any applicable income tax convention, at all relevant times, are resident or deemed to be resident in Canada, deal at arm s length with, are not affiliated with any of Helix, HEARx, HEARx Acquisition ULC or HEARx Canada Inc., are current or former employees of Helix or any wholly-owned subsidiary thereof, deal at arm s length with such corporations and received their Helix options in respect of, in the course of, or by virtue of, such employment and at a time when Helix was not a Canadian-controlled private corporation within the meaning of the Canadian Income Tax Act.

Exercise of Helix Options

Helix optionholders who exercise their Helix options prior to the effective time will be subject to income tax consequences arising on such exercise which are not addressed in this summary and which may be relevant to a Helix optionholder s decision as to whether to exercise his or her Helix options prior to the effective time. **If you are considering the exercise of your Helix options, you should consult your own tax advisors to determine the tax consequences to you of the exercise.**

Exchange of Helix Options for Replacement Options

The terms of the arrangement provide that Helix options that are not exercised will be exchanged for replacement options. If you exchange your Helix option for a replacement option, you would not be considered to have disposed of your Helix option under the Canadian Income Tax Act provided (i) the only consideration received by you on the exchange is a replacement option, (ii) the total value of HEARx common stock you are entitled to acquire under the replacement option immediately after the exchange (in excess of the total amount payable by you to acquire the HEARx common stock) does not exceed the total value of the Helix common shares you were entitled to acquire under the Helix option immediately before the exchange (in excess of the amount payable by you to acquire the Helix common shares), and (iii) Helix and HEARx do not deal at arm s length immediately after the exchange.

Helix Stockholders not Resident in Canada

The third portion of the summary is applicable to holders of Helix common shares who, for purposes of the Canadian Income Tax Act and any applicable income tax convention, have not been and will not be resident or deemed to be resident in Canada at any time while they have held Helix common shares and who do not use or hold, are not deemed to use or hold and did not use or hold (or deemed to) the Helix common shares in carrying on a business in Canada. Special rules, which are not discussed in this summary, may apply to a non-resident Helix stockholder that is an insurer carrying on business in Canada and elsewhere.

Disposition of Helix Common Shares

A non-resident Helix stockholder will not be subject to capital gains tax under the Canadian Income Tax Act on the exchange with HEARx Acquisition ULC of Helix common shares for HEARx common stock provided that the Helix common shares either do not constitute taxable Canadian property or constitute taxable Canadian property that is treaty-protected property of the holder for purposes of the Canadian Income Tax Act.

Helix common shares will not be taxable Canadian property at a particular time provided that such Helix common shares are not deemed to be taxable Canadian property to the holder and such shares are listed on a

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prescribed stock exchange (which currently includes The Toronto Stock Exchange), and the holder, persons with whom such holder does not deal at arm s length, or the holder together with such persons, has not owned (or had under option or an interest in) 25% or more of the issued shares of any class or series of the capital stock of Helix at any time during the five-year period immediately preceding the particular time. Even if such Helix common shares are considered to be taxable Canadian property, such shares will be considered treaty-protected property of a holder at any time for purposes of the Canadian Income Tax Act if any income or gain from the disposition of such shares by the holder at that time would be exempt from tax in Canada under the terms of an applicable income tax convention.

Dissenting Helix Stockholders

Where a non-resident Helix stockholder receives an amount of interest or a taxable dividend upon the exercise of dissent rights, such amount will be subject to Canadian withholding tax at a rate of 25% unless the rate is reduced under the provisions of an applicable income tax convention. See Federal Income Tax Considerations Relating to the Arrangement Canadian Federal Income Tax Considerations for Helix Stockholders Helix Stockholders Resident in Canada Dissenting Helix Stockholders.

The comments herein with respect to the non-resident Helix stockholders are provided for general assistance only. The law in this area is complex and contains numerous technical requirements. Non-resident Helix stockholders are urged to consult their own tax advisor for advice with respect to the tax consequences to them of disposing of Helix common shares.

Proposed Amendments Relating to Foreign Investment Entities For information purposes only

On June 22, 2000, the Minister of Finance (Canada) released draft income tax legislation relating to the taxation of certain interests held by Canadian residents in certain non-resident entities. On September 7, 2000, the Department of Finance (Canada) issued a press release advising of amendments to the proposals and delaying implementation to taxation years commencing after December 31, 2001. On August 2, 2001, the Department of Finance (Canada) released a revised draft of the proposed income tax legislation. On December 17, 2001, the Department of Finance (Canada) issued a press release delaying implementation by one additional year, generally to take effect for taxation years that begin after 2002. The discussion that follows is solely based upon the draft legislation in its current form as revised by the August 2, 2001 release.

In general, the proposed rules would apply *inter alia* to persons owning shares, or rights to acquire shares, of a foreign investment entity , subject to certain exemptions (including an exempt interest that is, *inter alia*, shares, or rights to acquire shares, of widely held public companies if specific conditions are satisfied, or shares, or rights to acquire shares, of a corporation that is a qualifying entity). If HEARx were treated as a foreign investment entity, the HEARx common stock and exchangeable shares would potentially be subject to the proposed rules. It is proposed that the proposed rules will initially take effect for a holder s 2003 taxation year.

The proposed rules would require an annual determination of whether HEARx is a foreign investment entity and, if it is such an entity, whether HEARx satisfies the conditions for the public company exemption referred to above or any other exemption. Each of these determinations would be based primarily on the nature of HEARx s assets and activities. HEARx has advised Helix that for purposes of the proposed rules, if the arrangement were completed today, HEARx would not be a foreign investment entity and in any event, the HEARx common stock would be exempt interests.

You are advised that the proposed rules (if enacted in their current form and depending on future factual circumstances) could apply to the exchangeable shares and the HEARx common stock at the time the proposed rules will first be effective. However, a definitive conclusion cannot be made until the legislation is enacted in its final form and the relevant time for determining HEARx s status as a foreign investment entity occurs. Moreover, as the proposed rules require an annual determination of whether HEARx is a foreign investment entity and, if so, whether HEARx satisfies the conditions for the public company exemption or for any other exemption, no assurance can be given with respect to the application of the proposed rules in any particular year.

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If the proposed rules are applicable to the exchangeable shares or the HEARx common stock, the tax consequences of holding these shares as described above would be modified in certain respects as described below.

The following is a brief summary of the general rules that would be applicable to you if you hold exchangeable shares or HEARx common stock and such shares are subject to the proposed rules. **The comments herein with respect to such proposed rules are provided for general assistance only. You should consult your own tax advisors for advice with respect to the proposed rules and your own particular situation. The proposed rules are complex and contain technical requirements.**

Exchangeable Shares

The tax consequences of the exchange of Helix common shares for consideration that includes exchangeable shares would be as described above under the headings Exchange of Helix Common Shares for Exchangeable Shares and Exchange of Helix Common Shares for a Combination of HEARx Common Stock and Exchangeable Shares . For the 2003 taxation year and subsequent taxation years, if you continue to hold exchangeable shares, you would be required to include in (or deduct from) your income, on an annual basis, any increase (or decrease) in the value of the exchangeable shares during the year. The taxation of any gain that has accrued to December 31, 2002 on the exchangeable shares will be deferred until the exchangeable shares are disposed of. Assuming that the fair market value of the exchangeable shares at December 31, 2002, is not less than the fair market value of the exchangeable shares on the effective date, the deferred gain will include the entire accrued gain on Helix common shares that is deferred by reason of an election under section 85 of the Canadian Income Tax Act. On a disposition of an exchangeable share (including a redemption or retraction), you would be required to include in (or deduct from) your income, the amount by which the proceeds of disposition exceed (or are exceeded by) the fair market value of the exchangeable share at the commencement of the taxation year in which the disposition occurs. In addition, in the taxation year in which a disposition of an exchangeable share occurs, you would be required to include in your income an amount equal to the deferral amount in respect of the exchangeable share.

HEARx Common Stock

The tax consequences of the exchange of Helix common shares for consideration that includes HEARx common stock would be as described above under the headings Exchange of Helix Common Shares for HEARx Common Stock and Exchange of Helix Common Shares for a Combination of HEARx Common Stock and Exchangeable Shares . For the 2003 taxation year and subsequent taxation years, you would be required to include in (or deduct from) your income, on an annual basis, any increase (or decrease) in the value of the HEARx common stock during the year and any amounts received from HEARx in respect of the HEARx common stock. On a disposition of a HEARx common stock, you would be required to include in (or deduct from) your income, the amount by which the proceeds of disposition exceed (or are exceeded by) the fair market value of the HEARx common stock at the commencement of the taxation year in which the disposition occurs, plus the deferral amount in respect of the HEARx common stock, if any.

Alternatively, if you so elect and the requisite information is available to you, you would be required to include in (or, to the extent of the cumulative net inclusions for prior years, deduct from) your income your share of HEARx s income (or loss) for the year (calculated in accordance with the proposed rules) other than the portion of such income that, in effect, has been subject to tax at Canadian tax rates. Any amount so included (or deducted) in computing your income would be added (or deducted) in computing the adjusted cost base of your HEARx common stock. If this election were made, the tax consequences of a disposition of the HEARx common stock would be as described above under the heading Exchangeable Shares and HEARx Common Stock Acquisition and Disposition of HEARx Common Stock . HEARx is under no obligation to provide you with the information that would be required to permit you to make this election.

Tax-Exempt Holders

The proposed rules will not apply to most taxpayers exempt from tax under the Canadian Income Tax Act.

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Eligibility for Investment in Canada

Provided the exchangeable shares are listed on a prescribed stock exchange in Canada (which currently includes The Toronto Stock Exchange), the exchangeable shares and exchangeable share rights will be qualified investments under the Canadian Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans. HEARx common stock will be qualified investments under the Canadian Income Tax Act for such plans provided such shares remain listed on the American Stock Exchange (or are listed on another prescribed stock exchange). The ancillary rights and the preferred share purchase rights related to the HEARx Common Stock will not be qualified investments under the Canadian Income Tax Act. However, as stated above, Helix is of the view that the fair market value of the ancillary rights is nominal and HEARx is of the view that the fair market value of the preferred share purchase rights related to the HEARx Common Stock is nominal. See Federal Income Tax Considerations Relating to the Arrangement Canadian Federal Income Tax Considerations for Helix Stockholders Helix Stockholders Resident in Canada Receipt of Ancillary Rights and Exchangeable Share Rights Exchange of Helix Common Shares for HEARx Common Stock above.

Provided the exchangeable shares are listed on a prescribed stock exchange in Canada (which currently includes The Toronto Stock Exchange) and provided HEARx Canada Inc. maintains a substantial Canadian presence within the meaning of the Canadian Income Tax Act, the exchangeable shares and exchangeable share rights will not be foreign property under the Canadian Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or for certain other persons to whom Part XI of the Canadian Income Tax Act is applicable. HEARx common stock will be foreign property under the Canadian Income Tax Act. The ancillary rights and the preferred share purchase rights related to the HEARx Common Stock will be foreign property under the Canadian Income Tax Act. However, as stated above, Helix is of the view that the fair market value of the ancillary rights is nominal and HEARx is of the view that the fair market value of the preferred share purchase rights related to the HEARx Common Stock is nominal. See Federal Income Tax Considerations Relating to the Arrangement Canadian Federal Income Tax Considerations for Helix Stockholders Helix Stockholders Resident in Canada Receipt of Ancillary Rights and Exchangeable Share Rights Exchange of Helix Common Shares for HEARx Common Stock above.

Each Helix stockholder should consult his own professional advisors regarding the tax treatment of acquisitions of property through such plans (and any other plans).

United States Federal Income Tax Considerations

In the opinion of Bryan Cave LLP, United States counsel to HEARx, the following is a summary of the material U.S. federal income tax considerations with respect to the ownership and disposition of HEARx stock by United States Holders (as described below) and the material U.S. federal income and estate tax considerations relating to the ownership and disposition of HEARx stock by Non-United States Holders (as described below). This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the Code), applicable Treasury Regulations thereunder, current administrative pronouncements and judicial decisions, all of which are subject to change, possibly with retroactive effect. It does not contain a complete analysis of all the potential tax considerations relating thereto. This summary is limited to stockholders who hold the HEARx stock as capital assets (in general, assets held for investment). Special situations, such as the following, are not addressed:

- tax consequences to holders who may be subject to special tax treatment, such as tax-exempt entities, dealers in securities, financial institutions, insurance companies, regulated investment companies, or traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;

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- tax consequences to holders holding HEARx stock as part of a hedging, integrated, constructive sale or conversion transaction or a straddle or other risk reduction transaction;

- tax consequences of holders whose functional currency is not the U.S. dollar;

- tax consequences of holders who received their Helix common shares pursuant to the exercise of employee stock options or otherwise as compensation;

- tax consequences to holders who have ceased to be United States citizens or to be taxed as resident aliens; or

- any state, local or foreign tax consequences.

As used herein, the term United States Holder means a holder of HEARx stock that is for U.S. federal income tax purposes:

- a citizen or resident of the United States,

- a corporation, partnership or other entity created or organized in the United States or under the laws of the United States or of any political subdivision thereof,

- an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source, or

- a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

Stockholders should consult their own tax advisors in determining the tax consequences to them of the arrangement including the application of the U.S. federal income tax laws to their particular situation as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Stockholders that are United States Holders

Subject to the foregoing, the following is a discussion of the material United States federal income tax considerations to you if you are a United States Holder.

Exchange of Helix Common Shares

The exchange of your Helix common shares for shares of HEARx common stock will result in recognition of gain or loss. The amount of any such gain or loss is equal to the difference between (i) the fair market value of the HEARx common stock (other than HEARx common stock received for declared but unpaid dividends) and (ii) your adjusted basis in the Helix common shares surrendered. Any such capital gain or loss from the exchange of Helix common shares will be long-term capital gain or loss if you have held your Helix common shares for more than one year at the effective time of the exchange and otherwise will be short-term capital gain or loss. The fair market value of any HEARx common stock you receive for declared but unpaid dividends will be treated as ordinary income.

Tax Basis and Holding Period of HEARx Common Stock

Your initial tax basis in HEARx common stock you receive in connection with the arrangement will be the fair market value of that HEARx common stock on the closing date of the arrangement, and your holding period for the HEARx common stock will commence on the closing date of the arrangement.

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Distributions on HEARx Common Stock

If dividend distributions are made on your HEARx common stock, you will be required to include in gross income as ordinary income the amount of the dividend to the extent of current or accumulated earnings and profits of HEARx. Distributions that exceed the current and accumulated earnings and profits of HEARx will be treated as a non-taxable return of capital to you to the extent of your adjusted basis in the HEARx common stock and as capital gain thereafter.

Disposition of HEARx Common Stock

Upon your taxable sale, exchange or other disposition of HEARx common stock held as a capital asset, you will recognize a capital gain or loss in an amount equal to the difference between the amount realized on such sale, exchange or other disposition (i.e., the amount of cash and the fair market value of other property you receive) and your adjusted basis in that HEARx common stock. Such capital gain or loss will be long-term capital gain or loss if you have held HEARx common stock for more than one year at the time of the taxable sale, exchange or other disposition and otherwise will be short-term capital gain or loss.

You should consult your own tax adviser with respect to the application of the U.S. federal income tax laws to your particular situation as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Stockholders that are Non-United States Holders

The following is a general discussion of the material U.S. federal income and estate tax considerations with respect to the ownership and disposition of HEARx common stock applicable if you are a Non-United States Holder.

Exchange of Helix Common Shares

You will not be subject to U.S. federal income tax on any gain recognized upon the exchange of Helix common shares so long as:

- the gain is not effectively connected with a trade or business within the United States; or

- if you are an individual, you hold Helix common shares as a capital asset, and either are not present in the United States for 183 days or more in the taxable year of the exchange or do not have a tax home in the United States for U.S. federal income tax purposes and meet certain other requirements.

You may be subject to tax on the disposition of Helix common stock if at the time of such disposition Helix is (or has been within the preceding five years and while you held your Helix common stock) a United States real property holding corporation as defined in the Code. Helix believes that it is not and has not been within the preceding five years a United State real property holding corporation.

Distributions on HEARx Common Stock

In general, dividends paid to you will be subject to U.S. withholding tax at a rate of 30% of the gross amount, which rate may be subject to reduction by an applicable income tax treaty. Under the current income tax treaty between the United States and Canada, the U.S. withholding rate is 15% on dividends paid to residents of Canada or 5% on dividends paid to Canadian shareholders who own more than 10% of HEARx voting stock. Except to the extent that an applicable tax treaty otherwise provides, you will be taxed in the same manner as a United States Holder on dividends paid that are effectively connected with a trade or business within the United States carried on by you. If you are a foreign corporation, you may also be subject to a United States branch profits tax on such effectively connected income at a rate of 30%, or such lower rate as may be specified by an applicable income tax treaty. Even though such effectively connected dividends are

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subject to income tax, and may be subject to the branch profits tax, they will not be subject to U.S. withholding tax if you provide the required IRS forms to the payor.

Gain on Sale or Other Disposition of HEARx Common Stock

In general, you will not be subject to U.S. federal income tax on any gain recognized upon the sale or other taxable disposition of your shares of HEARx common stock so long as:

the gain is not effectively connected with a trade or business carried on by you within the United States;

if you are an individual, you hold shares of HEARx common stock as a capital asset, and either are not present in the United States for 183 days or more in the taxable year of disposition or do not have a tax home in the United States for U.S. federal income tax purposes and meet certain other requirements;

you are not subject to tax under the provisions of the Code regarding the taxation of U.S. expatriates; and

HEARx believes it is not and has not been within the preceding five years a United States real property holding corporation.

Although HEARx considers it unlikely that it will become a United States real property holding corporation, there can be no assurances as to this issue. If HEARx were to become a United States real property holding corporation, then any gain on the sale or other disposition of HEARx common stock by a Non-United States Holder generally would not be subject to U.S. federal income tax provided that the HEARx common stock was regularly traded on an established securities market and such holder does not actually or constructively own more than 5% of the HEARx common stock during the shorter of five-year period preceding the disposition or the holder s holding period.

Estate Tax

HEARx common stock owned or treated as owned by an individual who is not a citizen or resident, as defined for U.S. federal estate tax purposes, of the United States at the time of death will be includable in the individual s gross estate for U.S. federal estate tax purposes and therefore may be subject to U.S. federal estate tax, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

HEARx must report annually to the Internal Revenue Service (IRS) and to each Non-United States Holder the amount of dividends paid to, and the tax withheld with respect to, each Non-United States Holder. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable tax treaty. Copies of this information also may be made available under the provisions of a specific treaty or agreement with the tax authorities in the country in which the Non-United States Holder resides or is established.

Backup withholding tax is imposed at the rate of 30% (subject to periodic reductions through 2006) on applicable payments to persons that fail to furnish the information required under the U.S. information reporting requirements. Certain noncorporate United States Holders may be subject to backup withholding if (i) the United States Holder fails to furnish its Taxpayer Identification Number (TIN), which, for an individual, would be his Social Security number, (ii) the Company is notified by the IRS that the United States Holder furnished an incorrect TIN, (iii) the Company is notified by IRS that the United States Holder has failed to report properly payments of interest and dividends or (iv) the United States Holder fails to certify, under penalty of perjury, that he has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. United States Holders should consult their tax advisors regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption, if applicable.

Under Treasury Regulations, the payment of dividends or the payment of proceeds from the disposition of HEARx common stock to a Non-United States Holder may be subject to information reporting and backup withholding unless the recipient satisfies the certification requirements of the Treasury Regulations by proving its non-U.S. status or otherwise establishes an exemption.

The payment of proceeds from the disposition of HEARx common stock to or through a U.S. office of a broker is subject to both backup withholding and information reporting unless the beneficial owner provides the payer with its name and address and certifies under penalties of perjury that it is a Non-United States Holder, or otherwise establishes an exemption. In general, backup withholding and information reporting will not apply to payment of the proceeds of a sale or other disposition of HEARx common stock by or through a non-U.S. office of a broker. Such payments, however, will be subject to information reporting but not backup withholding if such broker is (i) a U.S. person; (ii) a controlled foreign corporation for U.S. federal income tax purposes; (iii) a foreign person 50% or more of whose gross income from a specified period is effectively connected with a U.S. trade or business; or (iv) a foreign partnership and at any time during its tax year: one or more of its partners are United States persons, as defined for U.S. federal income tax purposes, who in the aggregate hold more than 50% of the income or capital interests in the partnership or the foreign partnership is engaged in a U.S. trade or business unless such broker has documentary evidence in its records that the beneficial owner is a Non-United States Holder and certain other conditions are met or the beneficial owner otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules can be refunded or credited against a holder s U.S. federal income tax liability, if any, provided that the required information is furnished to the IRS in a timely manner.

You should consult your own tax adviser with respect to the application of the U.S. federal income tax laws to your particular situation as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

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DESCRIPTION OF HEARx COMMON STOCK AND OTHER SECURITIES

The HEARx certificate of incorporation authorizes the issuance of 20,000,000 shares of common stock, $0.10 par value per share, and 2,000,000 shares of preferred stock, $1.00 par value per share. As of May 3, 2002, 15,540,743 shares of common stock and 4,796 shares of preferred stock were outstanding. As of May 3, 2002, there were outstanding stock options and warrants to purchase up to 3,572,271 shares of common stock.

HEARx Common Stock

The holders of HEARx common stock have one vote per share on all matters submitted to a vote of HEARx stockholders. Holders of HEARx common stock do not have cumulative voting rights in the election of directors. Under the bylaws of HEARx, the holders of a majority of the outstanding shares of HEARx common stock, if present in person or by proxy, represent a quorum for the transaction of business at our stockholders meetings. In most instances, if holders of a majority of the common stock present in person or by proxy at any meeting vote for a matter, the matter passes.

Holders of HEARx common stock are entitled to receive any dividends on the common stock declared by the Board of Directors of HEARx out of funds legally available for dividend payments. If HEARx is dissolved, liquidated or winds up its business, the holders of HEARx common stock will be entitled to share ratably in the assets legally available for distribution to stockholders after payment of liabilities and subject to the prior rights of any holders of preferred stock then outstanding. The holders of HEARx common stock have no conversion, redemption or sinking fund rights. All outstanding shares of HEARx common stock are validly issued, fully paid and nonassessable.

The holders of HEARx common stock do not have any rights to acquire or subscribe for additional shares. Accordingly, if you receive shares of HEARx common stock as a result of the proposed arrangement and HEARx later decides to sell additional shares, you will have no right to purchase any of those additional shares. Therefore, your percentage interest would be reduced.

HEARx Preferred Stock

Under the certificate of incorporation of HEARx, the Board of Directors of HEARx may issue shares of preferred stock without stockholder approval. The Board of Directors may set the rights, privileges and preferences of any series of preferred stock it decides to issue. This includes the dividend rate and voting rights, redemption rights, sinking fund, liquidation preferences and conversion rights. Therefore, the rights of any preferred stock the Board of Directors may decide to issue could adversely affect the voting power or other rights of the holders of HEARx common stock.

Series I Convertible Preferred Stock

On May 9, 2000, HEARx completed a private placement of 500 shares of 7% Series I Convertible Preferred Stock, par value $1.00 per share, and warrants to acquire 203,390 shares of HEARx s common stock for an aggregate purchase price of $5.0 million.

The Series I Preferred Stock was convertible into HEARx common stock. Upon conversion, holders were entitled to receive a number of shares of HEARx common stock determined by dividing the sum of the stated value of the Series I Preferred Stock ($10,000 per share), plus accrued and unpaid dividends by the lesser of $4.46 and the then market price. Market price is defined as the average of the five lowest closing prices for the 30 trading days preceding the conversion date. The dividends payable upon conversion were equal to 7% of the stated value of the Series I Preferred Stock per annum in cash or by accretion to the stated value, at HEARx s discretion subject to limited exceptions. The Series I Preferred Stock could be converted by holders any time prior to May 9, 2003, and would automatically convert on such date. In the event of liquidation, dissolution or winding up of HEARx prior to the conversion of the Series I Preferred Stock, holders of the Series I Preferred Stock would be entitled to receive an amount equal to the stated value per share before any distribution was made to the holders of any junior securities but after any distribution to holders of senior securities.

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The warrants issued to the purchasers of the Series I Preferred Stock were exercisable for shares of HEARx common stock. Upon exercise, holders would be entitled to receive shares of common stock for an exercise price of $4.46 per share. The warrants would expire on May 9, 2005.

In connection with this transaction, HEARx also entered into a Registration Rights Agreement with the purchaser under which HEARx was required to file a registration statement on Form S-3 covering the resale of the shares of HEARx common stock underlying all of the Series I Preferred Stock and warrants. That resale registration statement was declared effective by the Securities and Exchange Commission on June 19, 2000.

The net proceeds to HEARx after payment of finders fees, placement fees, legal and accounting expenses were approximately $4,500,000. In connection with the placement of the Series I Preferred Stock, HEARx also issued finders warrants to purchase an aggregate of 131,695 shares of HEARx common stock at an exercise price equal to $4.46. All of the shares underlying the finders warrants were included in the registration statement on Form S-3 filed by HEARx.

All of the shares of the Series I Convertible Preferred Stock were redeemed and exchanged on December 13, 2001, as described below, and no such shares remain outstanding.

Series J Preferred Stock

On December 13, 2001, HEARx completed an exchange and redemption of all outstanding shares of Series I Convertible Preferred Stock and 203,390 associated common stock purchase warrants for approximately $2 million in cash, 233 shares of newly created Series J Preferred Stock, and 470,530 shares of common stock.

The Series J Preferred Stock has a stated value of $10,000 per share and is not convertible. The holders of the Series J Preferred Stock are entitled to receive cumulative dividends, in cash, at a rate of 6% per year. Dividends earned but not paid on the applicable dividend payment date will bear interest at a rate of 18% per year payable in cash unless the holders and HEARx agree that such amounts may be paid in common stock.

At any time HEARx has the right to redeem all or a portion of the Series J Preferred Stock for a redemption price equal to the stated value plus accrued and unpaid dividends. If there is a change in control of HEARx, only upon or after the approval thereof by the HEARx Board of Directors, the holders of the Series J Preferred Stock have the right to require HEARx to redeem the Series J Preferred Stock at a price of 120% of the stated value plus any accrued and unpaid dividends. The parties have agreed that the acquisition of Helix by HEARx shall not be deemed to be a change in control for this purpose.

In the event of the liquidation, dissolution or winding up of HEARx prior to the redemption of the Series J Preferred Stock, holders of the Series J Preferred Stock will be entitled to receive the stated value per share plus any accrued and unpaid dividends before any distribution or payment is made to the holders of any junior securities but after payment is made to the holders of the 1998 Convertible Preferred Stock if any. In the event that the assets of HEARx are insufficient to pay the full amount due the holders of the Series J Preferred Stock and any holders of securities equal in ranking, such holders will be entitled to share ratably in all assets available for distribution.

In connection with this transaction, HEARx also entered into a Registration Rights Agreement with the holder under which HEARx is required to file a registration statement on Form S-3 covering the resale of the 470,530 shares of HEARx common stock issued in connection with the exchange and redemption. The 470,530 shares of common stock issued in the transaction, together with 129,470 shares currently held by the same holder, have been placed in escrow and are subject to resale restrictions based on the trading price of the common stock and appropriate resale registration. No shares can be sold until the closing price of the stock exceeds $2.46 for five consecutive trading days, at which time up to 15 percent of the previous four-week average weekly trading volume can be sold in any given week. After January 1, 2004, if the holder holds fewer than 200,000 shares, the shares will no longer be subject to trading restrictions. If after January 1, 2004, the holder holds greater than 200,000 shares, the volume limitations remain in effect until the position is reduced below 200,000 shares.

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1998 Convertible Preferred Stock

On August 27, 1998, HEARx completed a private placement of 7,500 units of 1998 Convertible Preferred Stock, stated value $1,000 per share, and warrants. Net proceeds to HEARx after the payment of placement fees, legal and accounting expenses was $6,975,000.

The 1998 Convertible Preferred Stock ranks prior to all of HEARx s common stock, prior to any class or series of capital stock of HEARx thereafter created specifically ranking by its terms junior to the 1998 Convertible Preferred Stock, and after any class or series of capital stock of HEARx thereafter created and specifically ranking by its terms senior to the 1998 Convertible Preferred Stock.

The 1998 Convertible Preferred Stock is convertible into HEARx common stock. Upon the conversion, holders are entitled to receive a number of shares of common stock determined by dividing the sum of the stated value of the 1998 Convertible Preferred Stock, plus a premium (unless HEARx elects to pay that premium in cash), by a conversion price equal to the lesser of the average closing bid prices for the HEARx common stock during a five-day period prior to conversion, and $18.00, subject to adjustment upon occurrence of certain dilutive events. The premium payable upon conversion is equal to 8% of the stated value of 1998 Convertible Preferred Stock from the date of issuance until one year following such date, and increases by 0.5% each year, commencing on the date that is one year following the date of issuance. The 1998 Convertible Preferred Stock may be converted by holders at any time prior to August 27, 2003, and automatically converts on such date.

In the event of the liquidation, dissolution or winding up of HEARx prior to conversion of the 1998 Convertible Preferred Stock, holders of 1998 Convertible Preferred Stock will be entitled to share ratably in all assets available for distribution prior to distributions to holders of HEARx common stock. In addition, no distributions may be made to holders of HEARx common stock until holders of 1998 Convertible Preferred Stock shall have received a liquidation preference equal to the sum of the stated value of the 1998 Convertible Preferred Stock plus an amount equal to ten percent per annum of such stated value for the period from the date of issuance until the date of final distribution. Since 1999, a total of 2,623 shares of the 1998 Convertible Preferred Stock plus accrued dividends of $373,336 have been converted into 1,262,114 shares of HEARx common stock. In addition, as of May 3, 2002, 214 shares of the 1998 Convertible Preferred Stock plus accrued dividends of approximately $70,000 and an 8% premium of approximately $17,000 have been redeemed for cash totaling approximately $301,000.

For each share of 1998 Convertible Preferred Stock purchased, an investor received warrants to acquire 7.5 shares of HEARx common stock. Upon exercise, holders are entitled to receive shares of common stock for an exercise price of $18.00 per share. The warrants will expire on August 27, 2003. In connection with this transaction, HEARx issued 56,250 warrants with an exercise price of $18.00 to individuals who served as finders for the placement of preferred shares with the investors. All related warrants remain outstanding as of May 3, 2002. Shares of common stock underlying the 1998 Convertible Preferred Stock and the related warrants were registered for resale on Form S-3.

HEARx Rights Agreement

On December 14, 1999, the Board of Directors of HEARx declared a dividend of one preferred share purchase right for each outstanding share of HEARx common stock. The dividend distribution was payable on December 31, 1999, to the stockholders of record on that date. Each right entitles the registered holder to purchase from HEARx one one-hundredth of a share of Series H Junior Participating Preferred Stock, par value $1.00 per share, at a price of $28.00 per one one-hundredth of a share of Preferred Stock, subject to adjustment. The description and terms of the rights are set forth in a Rights Agreement dated as of December 14, 1999, as the same may be amended from time to time, between HEARx and The Bank of New York, as rights agent. Prior to the effective time of the arrangement, HEARx and the rights agent will amend and restate the rights agreement to, among other things, give effect to the issuance of the exchangeable shares, as voting stock of HEARx, and to otherwise take into account the effects of the arrangement.

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Until the earlier to occur of (i) the close of business on the tenth business day following the date of public announcement or the date on which HEARx first has notice or determines that a person or group of affiliated or associated persons (other than HEARx, any subsidiary of HEARx, any employee benefit plan of HEARx or the trustee appointed under the voting trust and exchange agreement) has acquired, or obtained the right to acquire, 15% or more of the outstanding shares of voting stock of HEARx without the prior express written consent of HEARx executed on behalf of HEARx by a duly authorized officer of HEARx following express approval by action of at least a majority of the members of the Board of Directors then in office or (ii) the close of business on the tenth business day (or such later date as may be determined by action of the Board of Directors but not later than the stock acquisition date) following the commencement of a tender offer or exchange offer, without the prior written consent of HEARx, by a person (other than HEARx, any subsidiary of HEARx or an employee benefit plan of HEARx and certain affiliated entities) which, upon consummation, would result in such party s control of 15% or more of HEARx s voting stock (the earlier of the dates in clause (i) or (ii) above being called the distribution date), the rights will be evidenced, with respect to any of the HEARx common stock certificates outstanding as of the record date, by such common stock certificates.

The Rights Agreement provides that, until the distribution date (or earlier redemption or expiration of the rights), the rights will be transferred with and only with HEARx common stock. Until the distribution date (or earlier redemption, exchange or expiration of the rights), new HEARx common stock certificates issued after the record date upon transfer or new issuances of common stock will contain a notation incorporating the Rights Agreement by reference. Until the distribution date (or earlier redemption, exchange or expiration of the rights), the surrender for transfer of any certificates for shares of HEARx common stock outstanding as of the record date, even without such notation or a copy of this summary of rights, will also constitute the transfer of the rights associated with the common stock represented by such certificate.

The rights are not exercisable until the distribution date. The rights will expire, if not previously exercised, on December 31, 2009, unless the date is extended or unless the rights are earlier redeemed or exchanged by HEARx.

The purchase price payable, and the number of shares of preferred stock or other securities or property issuable, upon exercise of the rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of the preferred stock, (ii) upon the grant to holders of the preferred stock of certain rights or warrants to subscribe for or purchase preferred stock at a price, or securities convertible into preferred stock with a conversion price, less than the then-current market price of the preferred stock or (iii) upon the distribution to holders of the preferred stock of evidences of indebtedness or assets (excluding regular periodic cash dividends or dividends payable in preferred stock) or of subscription rights or warrants (other than those referred to above).

The number of outstanding rights and the number of one one-hundredths of a share of preferred stock issuable upon exercise of each right are also subject to adjustment in the event of a stock split of the HEARx common stock or a stock dividend on the common stock payable in shares of common stock or subdivisions, consolidations or combinations of the common stock occurring, in any such case, prior to the distribution date.

Shares of preferred stock purchasable upon exercise of the rights will not be redeemable and junior to any other series of preferred stock HEARx may issue (unless otherwise provided in the terms of such stock). Each share of preferred stock will have a preferential dividend in an amount equal to 100 times any dividend declared on each share of HEARx common stock. In the event of liquidation, the holders of the preferred stock will receive a preferred liquidation payment of equal to the greater of $100 and 100 times the payment made per share of HEARx common stock. Each share of preferred stock will have 100 votes, voting together with the HEARx common stock. In the event of any merger, consolidation or other transaction in which shares of HEARx common stock are converted or exchanged, each share of preferred stock will be entitled to receive 100 times the amount and type of consideration received per share of HEARx common stock. The rights of the preferred stock as to dividends, liquidation and voting, and in the event of mergers and consolidations, are protected by customary antidilution provisions.

Because of the nature of the preferred stock s dividend, liquidation and voting rights, the value of the one one-hundredth interest in a share of preferred stock purchasable upon exercise of each right should approximate the value of one share of common stock.

If any person or group (other than HEARx, any subsidiary of HEARx, any employee benefit plan of HEARx or the trustee) acquires 15% or more of HEARx s outstanding voting stock without the prior written consent of the Board of Directors of HEARx, each right, except those held by such persons, would entitle each holder of a right to acquire such number of shares of HEARx common stock as shall equal the result obtained by multiplying the then current purchase price by the number of one one-hundredths of a share of preferred stock for which a right is then exercisable and dividing that product by 50% of the then current per-share market price of Company common stock.

If any person or group (other than HEARx, any subsidiary of HEARx, any employee benefit plan of HEARx or the trustee) acquires more than 15% but less than 50% of the outstanding HEARx common stock without prior written consent of the Board of Directors of HEARx, each right, except those held by such persons, may be exchanged by the Board of Directors of HEARx for one share of HEARx common stock.

If HEARx were acquired in a merger or other business combination transaction where HEARx is not the surviving corporation or where HEARx common stock is exchanged or changed or 50% or more of HEARx s assets or earnings power is sold in one or several transactions without the prior written consent of the Board of Directors of HEARx, each right would entitle the holders thereof (except for the acquiring person) to receive such number of shares of the acquiring company s common stock as shall be equal to the result obtained by multiplying the then current purchase price by the number one one-hundredths of a share of preferred stock for which a right is then exercisable and dividing that product by 50% of the then current market price per share of the common stock of the acquiring company on the date of such merger or other business combination transaction.

At any time prior to the time an acquiring person becomes such, the Board of Directors of HEARx may redeem the rights in whole, but not in part, at a price of $0.01 per right. The redemption of the rights may be made effective at such time, on such basis and with such conditions as the Board of Directors of HEARx in its sole discretion may establish. Immediately upon any redemption of the rights, the right to exercise the rights will terminate and the only right of the holders of rights will be to receive the redemption price.

The terms of the rights may be amended by the Board of Directors of HEARx without the consent of the holders of the rights, including, but not limited to, an amendment to lower certain thresholds described above to not less than the greater of (i) any percentage greater than the largest percentage of the voting power of all securities of HEARx then known to HEARx to be beneficially owned by any person or group of affiliated or associated persons and (ii) 10%, except that from and after such time as any person or group of affiliated or associated persons becomes an acquiring person no such amendment may adversely affect the interests of the holders of the rights.

Until a right is exercised, the holder thereof, as such, will have no rights as a stockholder of HEARx, including, without limitation, the right to vote or to receive dividends.

Special Voting Share

The special voting share will be authorized for issuance and issued to the trustee appointed under the voting trust and exchange agreement pursuant to the plan of arrangement. The special voting share will be a preferred share of HEARx and will have a par value of $1.00. Except as otherwise required by law, the special voting share will be entitled to a number of votes equal to the number of outstanding exchangeable shares from time to time outstanding and not owned by HEARx or its subsidiaries. These votes may be exercised for the election of directors and on all other matters submitted to the vote of HEARx stockholders. The holders of HEARx common stock and the holder of the special voting share will vote together as a single class on all matters, except to the extent voting as a separate class is required by applicable law or the HEARx certificate of incorporation. The holder of the special voting share will not be entitled to receive dividends from HEARx. In the event of any liquidation, dissolution or winding-up of HEARx, the holder of the special voting share will not be entitled to share in the assets available for distribution to stockholders. At such time as there are no exchangeable shares outstanding not owned by HEARx or its subsidiaries, the special voting share will be canceled.

Warrants and Options

HEARx currently has outstanding common stock purchase warrants and options entitling the holders thereof to purchase an aggregate of up to 3,572,271 shares of HEARx common stock.

Delaware Law and Certain Provisions of the HEARx Certificate of Incorporation and Bylaws

In addition to the rights agreement described above, some of the provisions of Delaware law and the certificate of incorporation and bylaws of HEARx, summarized in the following paragraphs, may be considered to have an anti-takeover effect and may delay, deter or prevent a tender offer, proxy contest or other takeover attempt that a stockholder might consider to be in such stockholder s best interest, including such an attempt that might result in payment of a premium over the market price for shares held by stockholders.

Prohibition on Certain Business Combinations

HEARx is subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, section 203 prohibits publicly held Delaware corporations from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner or unless the interested stockholder acquired at least 85% of the corporation s voting shares (excluding shares held by certain designated stockholders) in the transaction in which it became an interested stockholder. For purposes of section 203, a business combination includes a merger, asset sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an interested stockholder is a person who, together with affiliates and associates, owns, or with the previous three years did own, 15% or more of the corporation s voting shares.

Preferred Stock

The certificate of incorporation of HEARx authorizes the board of directors to establish one or more series of preferred stock, and to determine the terms of that series at the time of issuance. See Description of HEARx Common Stock and Other Securities Preferred Stock above.

Special Meetings of Stockholders

The bylaws of HEARx provide that a special meeting of stockholders may only be called by one of the following, subject to compliance with specified procedures:

- the Chairman of the Board of Directors; or
- a majority of the Board of Directors.

Advance Notice Requirements

The bylaws of HEARx require that stockholders give advance notice to the corporate secretary of any nominations for director or other business to be brought by stockholders at any meeting of stockholders and comply with procedural requirements specified in the bylaws.

Transfer Agent for HEARx

The transfer agent for HEARx common stock is American Stock Transfer & Trust Company, 59 Maiden Lane, New York, New York 10007. Its telephone number is (800) 937-5449.

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DESCRIPTION OF HELIX COMMON STOCK AND OTHER SECURITIES

The authorized capital of Helix consists of an unlimited number of common shares, without par value and an unlimited number of First Preferred Shares and an unlimited number of Second Preferred Shares. As of May 3, 2002, Helix had an aggregate of 46,161,190 common shares issued and outstanding.

Helix Common Shares

The holders of Helix common shares are entitled to one vote per common share on all matters submitted to a vote of Helix shareholders, except those matters as to which only holders of a specified class of shares are entitled to vote. Holders of Helix common shares are entitled to receive ratably such dividends as may be declared by the Board of Directors of Helix out of funds legally available therefor, subject to preferences that may be applicable to any outstanding preferred shares. In the event of a liquidation, dissolution or winding up of Helix, holders of Helix common shares are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any outstanding preferred shares. Holders of Helix common shares have no preemptive, redemption or conversion rights. Two persons present and holding or representing by proxy five percent of the shares entitled to vote at the meeting constitute a quorum at any meeting of holders of Helix common shares. If a quorum is not present at the opening of the meeting of Helix shareholders, the shareholders present or represented may adjourn the meeting to a fixed time and place but may not transact any other business. Unless otherwise required by law, all questions to be voted on by Helix shareholders shall be determined by a majority of the votes cast.

Helix Preferred Shares

Helix has two classes of preferred shares, each class having identical characteristics. The holders of preferred shares are entitled to dividends as and when declared by the Board of Directors of Helix, to one vote per share at meetings of Helix shareholders and, upon liquidation, to receive the redemption value (as defined) per preferred share together with any accrued and unpaid dividends in priority to any money, property or assets being distributed to holders of any Helix common shares or other shares in the capital of Helix ranking junior to the preferred shares.

Helix has the right to redeem or purchase for cancellation, at any time, or from time to time, any part of, then outstanding preferred shares. A holder of preferred shares has the right to require Helix to redeem, at any time or times, all or any part of such shares registered in such holder s name.

No distribution shall be made to the holders of any Helix common shares, if such distribution would result in Helix having insufficient net assets to redeem or purchase preferred shares. No class of Helix shares may be created ranking as to capital or dividends in priority to or on a parity with the preferred shares without the consent or approval of the holders of preferred shares.

Transfer Agent and Registrar for Helix

The transfer agent and registrar for the Helix common shares is Computershare Trust Company of Canada through its office in Montreal, Quebec at 1500 University Street, Suite 700.

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COMPARISON OF STOCKHOLDERS   RIGHTS

General

Helix is incorporated under the Canada Business Corporations Act. HEARx was incorporated under the Delaware General Corporation Law. Each company is governed by the laws under which it was incorporated, as well as its articles or certificate of incorporation and bylaws. Upon completion of the arrangement, holders of Helix common stock will receive HEARx common stock or exchangeable shares for their Helix shares. Helix common stockholders will have the right to exchange their exchangeable shares for the same number of shares of HEARx common stock.

The rights and privileges of HEARx stockholders will differ from those of Helix stockholders because of differences between Delaware and Canadian law, between the Delaware General Corporation Law and the Canada Business Corporations Act and between the HEARx certificate of incorporation and bylaws and the Helix articles of incorporation and bylaws.

The following is a summary of the material differences in stockholder rights. The following does not include a complete description of all differences among the rights of stockholders, nor does it include a complete description of the specific rights of stockholders. In addition, the identification of some differences in the rights of stockholders is not intended to indicate that other differences that are important do not exist.

Voting Rights

Each holder of HEARx common stock is entitled to cast one vote for each share held of record on all matters submitted to a vote of stockholders, including the election of directors. Holders of common stock have no cumulative voting rights.

Each holder of Helix common stock is entitled to cast one vote for each share held of record on all matters submitted to a vote of shareholders, including the election of directors. Holders of common stock have no cumulative voting rights.

Number of Directors

Delaware law permits the board of directors to change the authorized number of directors by amendment to the bylaws or in the manner provided in the bylaws unless the number of directors is fixed in the certificate of incorporation, in which case a change in the number of directors may be made only by amendment to the certificate of incorporation. HEARx s certificate of incorporation provides that the number of directors shall be as specified in HEARx s bylaws. HEARx s bylaws currently provide that the number of directors of the corporation shall consist of not less than one nor more than ten members, which shall be determined by resolution of the Board of Directors. An amendment to HEARx s certificate of incorporation requires the vote or written consent of holders of a majority of the shares entitled to vote. HEARx s bylaws may be amended by either the board of directors or by the vote or written consent of holders of a majority of the shares entitled to vote.

Helix s articles of incorporation provide that the number of directors of the corporation shall consist of a minimum of three and a maximum of fifteen members until changed by amendment of Helix s articles of incorporation. Such an amendment requires that a special resolution be passed. A special resolution is passed by a vote of at least two-thirds of the votes cast by stockholders who voted. In the event that the number of directors is less than the maximum authorized by the articles of incorporation, Helix s articles provide that the directors may appoint one or more directors to hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed one-third of the number of directors elected at the previous annual meeting of shareholders.

Removal of Directors

HEARx s directors are generally elected to hold office until the expiration of the term for which they are elected and until their successors have been duly elected and qualified. However, under Delaware law and

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HEARx s bylaws, (unless otherwise restricted by statute, HEARx s certificate of incorporation or an amendment to the bylaws) any director or the entire board of directors may be removed with or without cause by the holders of a majority of the shares then entitled to vote at an election of directors.

Under the Canada Business Corporations Act, provided that articles of the corporation do not provide for cumulative voting, shareholders of a corporation may by ordinary resolution passed at a special meeting remove any director or directors from office. If holders of a class or series of shares have the exclusive right to elect one or more directors, a director elected by them may only be removed by an ordinary resolution at a meeting of the shareholders of that class or series.

Filling Vacancies on the Board of Directors

Under HEARx s bylaws, vacancies and newly created directorships resulting from an increase in the authorized number of directors may be filled by a majority of the remaining members of the board of directors. This is true even if the majority is less than a quorum, or there is a sole remaining directors. Each director elected in this manner holds office until his or her successor is elected at the next succeeding annual meeting of stockholders or at a special meeting called for the purpose. If, at the time of filling any vacancy or any newly created directorship, the directors then in office constitute less than a majority of the whole board, a Delaware court may, upon application of any stockholder or stockholders holding at least ten percent of the total number of shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill such vacancies or newly created directorship.

Under the Canada Business Corporations Act, subject to the articles of the corporation, a vacancy among the directors may be filled at a meeting of shareholders or by a quorum of directors except when the vacancy results from an increase in the number or minimum number of directors or from a failure to elect the appropriate number of directors required by the articles. Each director appointed holds office until his or her successor is elected at the next meeting of shareholders of the corporation unless his or her office is vacated earlier.

Advance Notice Provisions for Stockholder Nominations and Proposals

The HEARx bylaws allow stockholders to nominate candidates for election to HEARx s board of directors or propose other business at any annual or special stockholders meeting. To be properly brought before an annul or special meeting, nominations for the election of directors or other business proposals must be:

specified in the notice of meeting, or any supplemental material, given by or at the direction of the board of directors;

otherwise properly brought before the meeting by or at the direction of the board of directors; or

otherwise properly brought before the meeting by a stockholder.

However, nominations and proposals may only be made by a stockholder who has given timely written notice to the secretary of HEARx before the annual or special stockholder meeting.

Under HEARx s bylaws, to be timely, notice of stockholder nominations or proposals to be made at a stockholder meeting must be received by the secretary of HEARx no less than 90 days nor more than 120 days prior to the anniversary of the last annual meeting of stockholders, and in the case of a special meeting, not less than 10 days immediately following the giving of notice of the special meeting. If, however, there is less than 100 days notice or prior public disclosure of the date of the meeting given to the stockholders, the stockholder notice will be considered timely if the proposal is received by the close of business on the tenth day following the notice of the meeting.

Under the Canada Business Corporations Act, proposals with respect to the nomination of candidates for election to the board of directors may be made at or before any annual meeting of the corporation.

Dividends; Liquidation

Holders of HEARx common stock are entitled to receive proportionately any dividends as may be declared by its Board of Directors. Holders of HEARx Series J Preferred Stock are entitled to receive cumulative cash dividends at the rate per share of 6% per annum, payable quarterly. Upon any liquidation, dissolution or winding up of HEARx, the holders of common stock are entitled to receive on a pro rata basis the assets of HEARx which are legally available for distribution, after payment of all debts and other liabilities and subject to the rights of the holders of HEARx s 1998 Convertible Preferred Stock and HEARx s Series J Preferred Stock. Upon any liquidation, dissolution or winding up of HEARx, the holders of HEARx s 1998 Convertible Preferred Stock will receive a liquidation preference equal to the stated value per share ($1,000) plus an amount equal to ten percent (10%) per annum of the stated value for the period from the date of issuance until the date of final distribution, before any distribution is made to common stock. The Series J Preferred Stock will be entitled to receive the stated value per share ($10,000) plus any accrued and unpaid dividends before any distribution is made to the holders of common stock but after payment is made to the holders of the 1998 Convertible Preferred Stock.

Holders of Helix common stock are entitle to receive proportionately any dividends as may be declared by the Helix Board of Directors, subject to any preferential rights of outstanding preferred stock. Upon the liquidation, dissolution or winding up of Helix, the holders of Helix common stock will be entitled to receive proportionately Helix s net assets available after payment of all debts and other liabilities and subject to any prior rights of any outstanding preferred stock.

Accordingly, HEARx and Helix stockholders generally have the same dividend and liquidation rights, although HEARx currently has preferred stock outstanding with rights superior to the HEARx common stock and Helix does not.

Vote Required for Extraordinary Transactions

The Canada Business Corporations Act requires certain extraordinary corporate actions to be approved by special resolution. These actions include:

- certain combinations (other than with a wholly owned subsidiary);
- continuances;
- sales, leases or exchanges of all or substantially all the property of a corporation other than in the ordinary course of business; and
- other extraordinary corporate actions such as liquidations, dissolutions and arrangements ordered by a court.

A special resolution is a resolution passed at a meeting by at least two-thirds of the votes cast by stockholders who voted on the resolution. In some circumstances, a special resolution is also required to be approved separately by the holders of a class or series of shares. This may be the case even where the class or series of shares does not otherwise have voting rights.

The Delaware General Corporation Law requires a majority of the outstanding shares entitled to vote to authorize a merger, consolidation, dissolution or sale of substantially all of the assets of a corporation. The vote of shareholders of a corporation surviving a merger is not required (unless required by the certificate of incorporation), if:

- the corporation s certificate of incorporation is not amended by the merger;
- each share of the corporation s stock outstanding immediately prior to the effective date of the merger will be an identical outstanding or treasury share of the surviving corporation after the effective date of the merger; and
- either,
  - no shares of common stock, or securities or obligations convertible into common stock, of the surviving corporation are to be issued or delivered under the plan of merger; or
  - the authorized unissued shares or the treasury shares of common stock of the surviving corporation to be issued and delivered in the merger plus shares issuable upon conversion of any other securities or obligations to be issued in the merger, do not exceed 20% of the surviving corporation s outstanding common stock immediately prior to the effective date of the merger.

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In limited circumstances, stockholder approval is not required to authorize a merger with or into a single direct or indirect wholly owned subsidiary. In addition, stockholder approval is not required for a parent corporation to merge or consolidate with a subsidiary where the parent owns 90% or more of the subsidiary s outstanding shares.

Calling a Stockholders Meeting

Under the Canada Business Corporations Act, holders of at least 5% of a corporation s issued shares having the right to vote may request the directors call a stockholders meeting. If the request meets the technical requirements of the Act, the directors of the corporation must call the meeting. If the directors do not do so, the stockholders who made the request may call the meeting.

Under the Delaware General Corporation Law, special meetings of stockholders may be called by the board of directors or by persons authorized to do so by the certificate of incorporation or bylaws. Under the HEARx bylaws, HEARx stockholders are not permitted to call (or to require the HEARx board of directors to call) a special stockholders meeting.

Amendment to Governing Documents

Under the Canada Business Corporations Act, an amendment to the articles of incorporation generally requires approval by special resolution. The Act provides that, unless the articles or by-laws provide otherwise, the directors may make, amend or repeal any by-laws by resolution. Such action must be submitted at the next meeting of stockholders, and the stockholders may confirm, reject or amend the new by-law, amendment or repeal by an ordinary resolution. An ordinary resolution is a resolution passed by a majority of the votes cast by stockholders who voted.

The Delaware General Corporation Law requires any amendment to the certificate of incorporation to be approved by the board of directors and a majority of the outstanding stock entitled to vote on the amendment, unless the certificate of incorporation requires a greater vote. By-laws may be adopted, amended or repealed by the board of directors if the certificate of incorporation so provides. The HEARx certificate of incorporation gives the board the power to adopt, amend or repeal the by-laws.

Dissenters Rights

The Canada Business Corporations Act provides that stockholders who are entitled to vote on some matters may exercise dissent rights and receive the fair value for all their shares. The Act does not distinguish for this purpose between listed and unlisted shares. The matters on which dissent rights may be exercised include:

- any amalgamation with another corporation, other than with certain affiliated corporations;
- an amendment to the articles of incorporation to add, change or remove provisions restricting the issue, transfer or ownership of shares;
- an amendment to the articles of incorporation to add, change or remove restrictions on the corporation s business;
- a continuance under the laws of another jurisdiction;
- a sale, lease or exchange of all or substantially all the property of the corporation other than in the ordinary course of business;
- a court order permitting a stockholder to dissent, if issued in connection with an order approving a proposed arrangement; and
- certain amendments to the articles of a corporation which require a separate class or series vote.

Under the Delaware General Corporation Law, in some circumstances, shareholders have the right to dissent from a merger or consolidation (but not from a sale or transfer of assets) by demanding cash payment for their shares. The payment amount will be equal to the fair value of the shares, as determined by a court in an action timely brought by the corporation or the dissenters. The determination of fair value will exclude any value arising from the conclusion or expectation of the merger or consolidation.

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Dissent rights will generally not apply under the Delaware General Corporation Law if the corporation s shares are listed on a national securities exchange or Nasdaq or held by more than 2,000 stockholders of record. Dissent rights will still apply, however, if the agreement of merger or consolidation requires shareholders to accept for their shares anything other than:

- stock of the surviving corporation;
- shares of stock of another corporation whose shares of stock are listed on a national securities exchange or Nasdaq or held by more than 2,000 stockholders of record;
- cash in lieu of fractional shares; or
- a combination of the above.

Finally, dissent rights are not available to stockholders of a surviving corporation in a merger that did not require the vote of such stockholders.

Oppression Remedy

The Canada Business Corporations Act provides for an oppression remedy that allows a court to intervene in corporate affairs to protect the reasonable expectations of stockholders and other approved complainants. The oppression remedy is available where:

- any act or omission of the corporation or an affiliate effects a result, or
- the business or affairs of the corporation or an affiliate are or have been carried on or conducted in a manner, or
- the powers of the directors of the corporation or an affiliate are or have been exercised in a manner, that is,

oppressive or unfairly prejudicial to, or unfairly disregards, the interest of any security holder, creditor, director or officer of the corporation.

The court s jurisdiction under the oppression remedy does not necessarily require a finding of breach of fiduciary duty or conduct that is contrary to a complainant s legal rights. The court may order a corporation to pay the interim expenses of a complainant, but may require the complainant to reimburse the corporation upon final disposition of the action.

The Delaware General Corporation Law does not provide for a similar remedy.

Derivative Action

Under the Canada Business Corporations Act, a complainant may bring an action on behalf of a corporation or any subsidiary, or intervene in an existing action involving the corporation, for the purpose of prosecuting, defending or discontinuing the action on behalf of the corporation. The complainant must give reasonable notice to the directors of the corporation or its subsidiary if:

- the directors of the corporation or its subsidiary do not bring, diligently prosecute or defend or discontinue the action;
- the complainant is acting in good faith; and
- it appears to be in the interests of the corporation or its subsidiary that the action be brought, prosecuted, defended or discontinued.

In a derivative action under the Act, the court may make any order in its discretion, including an order that requires a corporation or its subsidiary to pay the complainant s interim costs (including reasonable legal fees and disbursements). A complainant will not be required to put up security for interim costs in a derivative action, even though he or she may be held accountable for such costs on final disposition of the action.

Derivative actions may be brought by a stockholder on behalf of, and for the benefit of, a corporation governed by the Delaware General Corporation Law. The stockholder must state in the complaint that he or she was a stockholder of the corporation at the time of the transaction of which he or she complains, or that his or her stock was acquired by operation of law. A stockholder may not sue derivatively unless he or she first

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demands that the corporation bring suit and is refused, unless it is shown that a suit by the corporation would have been futile.

Director Qualifications

The Canada Business Corporations Act requires a board of directors of a publicly traded corporation be composed of no fewer than three directors, at least two of whom are not officers or employees of that corporation or any of its affiliates, and that at least 25% of the directors of every corporation be resident Canadians. However, if the corporation has less than four directors, at least one director must be a resident Canadian. The Delaware General Corporation Law does not contain any independence or residency requirements for directors.

Stockholder Consent In Lieu of Meeting

Under the Canada Business Corporations Act, stockholder action without a meeting may only be taken by written resolution signed by all stockholders who would be entitled to vote on the action at a meeting.

Under the Delaware General Corporation Law, unless otherwise provided in the certificate of incorporation, any action required or permitted to be taken at an annual or special meeting of stockholders may be taken by consent without a meeting and without prior notice. The consent must be in writing and signed by the stockholders having at least the minimum number of votes that would be necessary to authorize the action at a meeting where all shares entitled to vote were present and voted. The restated certificate of incorporation of HEARx does not otherwise limit this ability to take action by written consent.

Fiduciary Duties of Directors

Under the Canada Business Corporations Act, directors must act honestly and in good faith with a view to the best interests of the corporation. Directors must also exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Directors of corporations incorporated or organized under the Delaware General Corporation Law must act in accordance with the duties of due care and loyalty . The duty of care requires that directors act in an informed and deliberative manner. They must inform themselves of all material information reasonably available to them prior to making a business decision. The duty of loyalty is the duty to act in good faith in a manner that the directors reasonably believe to be in the best interests of the corporation and its stockholders.

Indemnification of Officers and Directors

Under the Canada Business Corporations Act, a corporation may indemnify certain persons associated with the corporation against all costs, charges and expenses (including an amount paid to settle an action or satisfy a judgment) reasonably incurred by him or her in respect of certain civil, criminal or administrative actions to which he or she is made a party by reason of being or having been a director or officer of such corporation. Indemnifiable persons are current and former directors or officers, persons who act or acted at the corporation s request as a director or officer of a company of which the corporation is or was a stockholder or creditor, and those persons heirs and legal representatives.

Indemnification is permitted only if the indemnifiable person:

- acted honestly and in good faith with a view to the best interests of the corporation; and
- in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing his or her conduct to be lawful.

With the approval of the court, a corporation may also indemnify an indemnifiable person in respect of an action by or on behalf of the corporation. Helix s by-laws provide for indemnification of directors and officers.

The Delaware General Corporation Law provides that a corporation may indemnify its present and former directors, officers, employees and agents against all reasonable expenses (including attorneys fees) incurred in defending an action to which he or she is a party in that capacity. Except in actions initiated by or in the right of the corporation, the corporation may indemnify such persons against all judgments, fines and amounts paid in settlement of actions brought against them.

Indemnification is permitted only if the individual acted in good faith and in a manner that he or she reasonably believed to be in, or not opposed to, the best interests of the corporation. In the case of a criminal proceeding, the individual must have had no reasonable cause to believe his or her conduct was unlawful. In addition, a corporation must indemnify a current or former director or officer to the extent that he or she is successful on the merits or otherwise in the defense of any claim.

The Delaware General Corporation Law allows for the advance payment of an indemnified person s expenses prior to the final disposition of an action. In the case of a current director or officer, the indemnified person must undertake to repay any amount advanced if it is later determined that he or she is not entitled to indemnification. Neither the Canada Business Corporations Act nor the Helix by-laws expressly provides for such advance payment.

The HEARx by-laws provide for indemnification of directors and officers to the fullest extent authorized by the Delaware General Corporation Law.

No Preemptive Rights

Neither the Delaware General Corporation Law nor the Canadian Business Corporations Act provides for preemptive rights to acquire a corporation s unissued stock. However, such rights may be granted to the stockholders in a corporation s certificate or articles of incorporation. Neither the HEARx certificate of incorporation nor the Helix articles of incorporation provide for preemptive rights.

Anti-Takeover Provisions and Interested Stockholders

The Delaware General Corporation Law prohibits, in certain circumstances, a business combination between the corporation and an interested stockholder within three years of the stockholder becoming an interested stockholder. An interested stockholder is a stockholder that either directly or indirectly controls 15% or more of the corporation s outstanding voting stock, or is an affiliate of the corporation and owned 15% or more of the outstanding voting stock at any time in the last three years. A business combination means a merger, consolidation, sale or other disposition of assets with an aggregate value of more than 10% of the consolidated assets, the aggregate market value of the consolidated assets or outstanding stock of the corporation. A business combination also includes certain transactions that would increase an interested stockholder s proportionate stock ownership in the corporation.

The business combination will not be prohibited where:

- the business combination or the transaction that resulted in the stockholder becoming an interested stockholder is approved by the corporation s board of directors prior to the time the interested stockholder acquired its 15% interest;
- at the time of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the corporation s outstanding voting stock;
- the business combination is approved by a majority of the board of directors and two-thirds of the outstanding votes entitled to be cast by disinterested stockholders at an annual or special meeting;
- the corporation does not have a class of voting stock that is listed on a national securities exchange, authorized for quotation on Nasdaq, or held by more than 2,000 stockholders of record;
- the corporation has opted out of this provision; or
- in certain other limited circumstances.

HEARx has not opted out of this provision.

The Canada Business Corporations Act does not contain a comparable provision. Policies of certain Canadian securities regulatory authorities, however, including Policy 61-501 of the Ontario Securities

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Commission and Policy Q-27 of the Québec Securities Commission, address related party transactions. In a related party transaction, an issuer acquires or transfers an asset or treasury securities, or assumes or transfers a liability, from or to a related party in one or any combination of transactions. A related party is defined in the policies to include directors, senior officers and holders of at least 10% of the issuer s voting securities.

The policies require more detailed disclosure in the proxy material sent to security holders in connection with a related party transaction. In addition, subject to certain exceptions, the policies require the proxy material to include a formal valuation of the subject matter of the related party transaction and any non-cash consideration and a summary of the valuation. The policies also require that the stockholders of the issuer, other than the related party and its affiliates, separately approve the transaction by either a simple majority or two-thirds of the votes cast, depending on the circumstances.

Director Liability

Under the Delaware General Corporation Law, the certificate of incorporation may limit or eliminate the liability of directors for monetary damages for breach of fiduciary duties as a director. This is permitted so long as the liability does not arise from:

breach of the duty of loyalty;

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

the payment of unlawful dividends or expenditure of funds for unlawful stock repurchases;

or redemptions or transactions for which such director derived an improper personal benefit.

The HEARx certificate of incorporation limits the liability of its directors to the fullest extent permitted by the Delaware General Corporation Law.

The Canada Business Corporations Act does not permit such a limitation of director liability.

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OTHER HEARx SPECIAL MEETING PROPOSALS

Amendment of the Certificate of Incorporation to Increase Authorized Capital Stock

The HEARx certificate of incorporation currently authorizes the issuance of up to 2,000,000 shares of HEARx preferred stock and 20,000,000 shares of HEARx common stock. As of May 3, 2002, 19,208,704 shares of HEARx common stock were issued and outstanding or reserved for issuance, as follows: