PRELIMINARY PROSPECTUS DATED MARCH 25, 1983

PROSPECTUS

1,300,000 Units

UNIVERSITY GENETICS CO.

Each Unit Consists of One Share of Common Stock and One First Series Warrant

Minimum Investment: $ (1,000 Units)

All of the units offered hereby (the "Offering Units") are being sold by the Company. The Common Stock and the First Series Warrants comprising the Offering Units will not be separately transferable until six months after the date of this Prospectus or such earlier date as may be determined by Steiner Diamond & Co. Incorporated (the "Underwriter").

Each First Series Warrant entitles the holder to purchase for $3.25 (subject to anti-dilution adjustment), at any time after the First Series Warrants become separately transferable and until , 1986 (three years from the date of this Prospectus), a unit (the "Exercise Unit") consisting of one share of the Company's Common Stock and one Second Series Warrant. Each Second Series Warrant will entitle the holder to purchase one share of the Company's Common Stock at $5.00 (subject to anti-dilution adjustment) on or prior to , 1988 (five years from the date of this Prospectus). Shares required to be delivered on exercise of Second Series Warrants will be purchased by the Company from University Patents, Inc. ("UPAT") at $3.25 per share (subject to anti-dilution adjustment). First Series Warrants are redeemable by the Company after , 1984 (18 months from the date of this Prospectus) at $.50 per Warrant. Second Series Warrants (if issued) are redeemable by the Company after , 1987 (four years from the date of this Prospectus) at $.50 per Warrant.

Prior to this offering, there has been no public market for any of the Company's securities. It is currently estimated that the initial public offering price in this offering will be approximately $3.25 per Offering Unit. The initial public offering price of the Offering Units and the exercise prices of the First and Second Series Warrants have been determined by negotiation between the Company and the Underwriter and are not necessarily related to the Company's asset value, net worth, earnings, or any other established criteria of value. See "Underwriting." This offering involves immediate substantial dilution of the book value of the Common Stock from the offering price. See "Dilution."

By a separate prospectus it is planned that (i) UPAT, the parent of the Company, will distribute approximately 741,141 shares of the Company's Common Stock to the common stockholders of UPAT, and that (ii) DNA Limited Partnership ("DNA Partnership") will distribute to certain of its partners 632,653 shares of the Company's Common Stock. The Offering Units offered hereby will not be sold unless the distribution to UPAT stockholders is made. After the completion of such distribution and this offering, UPAT will continue to own, directly and through a wholly-owned subsidiary, substantially in excess of a majority of the aggregate number of outstanding shares of Class A Stock (with four votes per share) and Common Stock (with one vote per share) of the Company and will thus remain in control of the Company.

THE SECURITIES OFFERED HEREBY INVOLVE A HIGH DEGREE OF RISK AND SHOULD NOT BE PURCHASED BY ANYONE WHO CANNOT AFFORD THE LOSS OF HIS ENTIRE INVESTMENT. SEE "RISK FACTORS."

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
Per Offering Unit	$	$	$
Total (3)	$	$	$

Continued on following page

STEINER DIAMOND & CO.
INCORPORATED

The date of this Prospectus is May , 1983.

(1) Does not reflect the following items to be received by the Underwriter: (i) a non-accountable expense allowance of $65,000 ($.05 per Offering Unit); (ii) an allowance for Underwriter's attorneys' fees and disbursements of up to $32,500 ($.025 per Offering Unit); (iii) warrants to purchase 130,000 shares of Common Stock exercisable commencing one year after the completion of the offering at $ per warrant; and (iv) warrants to purchase a number of shares of Common Stock equal to 10% of the number of shares delivered upon exercise of the First Series Warrants (but [subject to anti-dilution adjustment] not to exceed 130,000 shares), such warrants to be issued and exercisable subsequent to the date on which the First Series Warrants cease to be outstanding, at $ per warrant. See "Underwriting."

(2) Before deducting expenses payable by the Company, estimated at approximately $ ($ per Offering Unit).

(3) The Company has granted to the Underwriter a 30-day option to purchase up to 130,000 additional Offering Units to cover over-allotments, if any. If all such additional Offering Units are purchased, the total price to public, underwriting discounts and commissions, and proceeds to Company will be increased by $, $ and $, respectively. See "Underwriting."

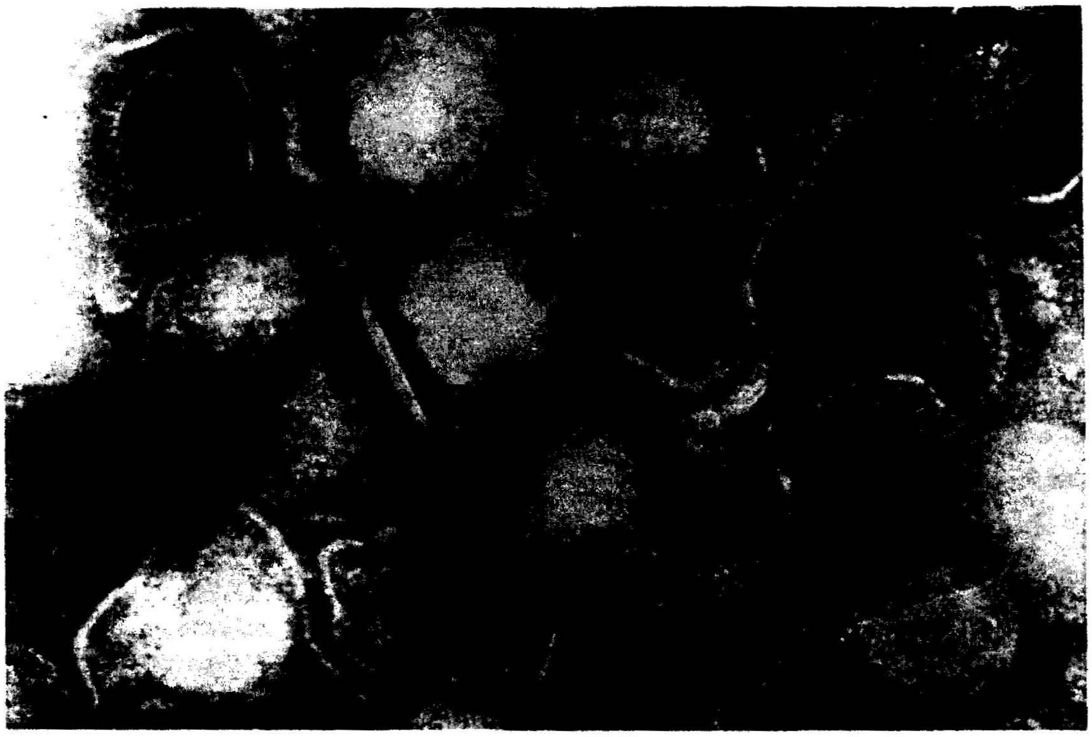
The Offering Units are offered by the Underwriter subject to receipt and acceptance by the Underwriter, the right of the Underwriter to reject any order in whole or in part, prior sale and certain other conditions. An investor must purchase a minimum of 1,000 Offering Units in this offering. It is expected that certificates for the shares of Common Stock and First Series Warrants comprising the Offering Units will be available for delivery on or about May , 1983 in New York, New York.

The Company will furnish to its stockholders annual reports containing audited financial statements and quarterly reports containing unaudited financial information. Reports will not be furnished separately to warrantholders who are not also stockholders.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OFFERING UNITS, COMMON STOCK AND/OR FIRST SERIES WARRANTS OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Growth hormone gene manipulation process leads to the development of large mammals. In this case, integration of growth "genes" leads to a mouse that is approximately twice normal size. UGEN has a beneficial interest in a patent application filed with respect to this process. This technology has not yet been licensed.

Frost Technology Corporation, which is in the formative stage, plans to use methodology for destroying ice nucleating bacteria on crops. In the picture, bean plants subjected to 20° F for 12 hours are shown. Plants on the right have been protected from frost damage by a treatment designed to eliminate ice nucleating bacteria.



Electron micrograph of herpes simplex virus. An experimental vaccine against herpes simplex 1 and 2 prepared from the viral coat protein has been optioned on behalf of UGEN to American Cyanamid/Lederle Labs. Clinical trials have not yet started.

Embryo transplant methodology is becoming common for the breeding of superior cattle. Interspecies transfer is also possible, as demonstrated by the picture of a Holstein cow with her newborn Indian wild ox. Sex selection of embryos by genetic engineering methods allows both the selection of breed and sex. Embryo sexing methodology has been licensed to Genetic Engineering Inc. of Colorado, which has commenced marketing embryos. Sales have not yet been made in substantial quantities.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information and financial statements appearing elsewhere in this Prospectus.

THE COMPANY

University Genetics Co. ("UGEN" or the "Company") is involved in the acquisition of rights to genetic engineering technologies which result from research activities originating in universities. The Company seeks to patent, license, fund or otherwise develop those technologies which it believes have commercial potential. UGEN was incorporated in October, 1980 and commenced business operations in December, 1981. UGEN is a majority owned subsidiary of University Patents, Inc. ("UPAT"), a publicly held company primarily engaged in patent development and commercial licensing of technologies from universities and other sources.

OFFERING UNITS

Each Offering Unit consists of one share of UGEN Common Stock and one First Series Warrant. Each First Series Warrant entitles the holder to purchase for $3.25 (subject to anti-dilution adjustment), at any time after the First Series Warrants become separately transferable (six months after the date of this Prospectus or such earlier date as may be determined by the Underwriter) and until , 1986 an Exercise Unit, consisting of one share of UGEN Common Stock and one Second Series Warrant. Each Second Series Warrant (if issued) will entitle the holder to purchase one share of UGEN Common Stock at $5.00 (subject to anti-dilution adjustment) on or prior to , 1988. Shares required to be delivered on exercise of Second Series Warrants will be purchased by UGEN from UPAT at $3.25 per share (subject to anti-dilution adjustment). First Series Warrants are redeemable by the Company after , 1984 at $.50 per Warrant. Second Series Warrants (if issued) are redeemable by the Company after , 1987 at $.50 per Warrant.

THE OFFERING

Units offered	1,300,000 Offering Units (1)
Minimum purchase by investor	1,000 Offering Units
Common equity to be outstanding after the offering	3,599,679 shares of Common Stock; 5,133,349 shares of Class A Stock; 1,300,000 First Series Warrants; and 130,000 Underwriter's Warrants (1) (2)
Estimated net proceeds to the Company	$
Use of proceeds	For operating expenses and to fund additional research contracts with universities
NASDAQ Listing	The Company intends to apply for listing of its Offering Units, Common Stock, First Series Warrants and (if issued) Second Series Warrants on the NASDAQ quotation system. The proposed NASDAQ symbol for the Common Stock is "UGEN."

(1) If the Underwriter's option to purchase up to 130,000 additional Offering Units to cover over-allotments is fully exercised, the offering will cover 1,430,000 Offering Units.

(2) Assumes no exercise of First Series Warrants, Underwriter's Warrants or over-allotment option or outstanding stock options. (If the over-allotment option is fully exercised, there will be outstanding 3,729,679 shares of Common Stock and 1,430,000 First Series Warrants.) There will also be outstanding stock options for 118,282 shares of Common Stock. All of the Class A Stock is and will

be owned by UPAT, and the Company will continue to be a majority owned subsidiary of UPAT after this offering.

SPECIAL RISKS

The securities offered hereby are speculative and involve a high degree of risk. See "Risk Factors" for a discussion of risk factors investors should carefully consider before purchasing Offering Units. Offering Units should not be purchased by anyone who cannot afford the loss of his entire investment.

SELECTED FINANCIAL INFORMATION

Summary Consolidated Statements of Operations

	October 1, 1980 (inception) through July 31, 1981(1)	Year ended July 31, 1982(1)	Six months ended January 31, 1982 (Unaudited)	Six months ended January 31, 1983 (Unaudited)
Revenues	$ —	$ 226,574	$ 29,082	$ 195,318
Net income (loss)	$ (5,246)	$ 48,874	$ (30,691)	$ 4,399
Net income (loss) per share of common stock	$ —	$ .006	$ (.003)	$ —
Weighted average number of common and common equivalent shares outstanding(2)	10,249,980	8,416,660	9,333,320	7,507,172

(1) The Company commenced business operations in December, 1981.

(2) 1,350,510 shares of Class A Stock and 1,399,470 shares of Common Stock were repurchased by the Company in December, 1981. See "Consolidated Statements of Changes in Shareholders' Interest."

Summary Consolidated Balance Sheets

	July 31, 1982	January 31, 1983 Actual (Unaudited)	January 31, 1983 As Adjusted(1) (Unaudited)
Net working capital	$ 83,937	$100,170	$
Total assets	900,093	634,618	
Total shareholders' interest	96,290	120,231	

(1) As adjusted to reflect estimated net proceeds of the sale of 1,300,000 Offering Units offered hereby.

INTRODUCTORY STATEMENT

It is contemplated that, pursuant to a separate prospectus of even date herewith, approximately 741,141 shares of the Common Stock of University Genetics Co. ("UGEN" or the "Company") held by University Patents, Inc. ("UPAT") will be registered under the Securities Act of 1933 and distributed by UPAT as a dividend to UPAT's common stockholders and that 632,653 shares of UGEN Common Stock held by DNA Limited Partnership ("DNA Partnership") will be registered under the Securities Act of 1933 and distributed by DNA Partnership to certain partners of said partnership. It is also contemplated that, pursuant to this Prospectus, 1,300,000 Offering Units (each consisting of one share of UGEN Common Stock and one First Series Warrant) will be sold by UGEN (exclusive of 130,000 Units subject to an over-allotment option) to the public through Steiner Diamond & Co. Incorporated (the "Underwriter"). Each First Series Warrant entitles the holder to purchase for $3.25 (subject to anti-dilution adjustment) on or prior to , 1986, a unit (the "Exercise Unit"), consisting of one share of UGEN Common Stock and one Second Series Warrant. Each Second Series Warrant (if issued) will entitle the holder to purchase one share of UGEN Common Stock at $5.00 (subject to anti-dilution adjustment) on or prior to , 1988. Shares required to be delivered on exercise of Second Series Warrants will be purchased by UGEN from UPAT at $3.25 per share (subject to anti-dilution adjustment). In connection with the offering made hereby, the Underwriter will receive Underwriter's Warrants as described elsewhere herein. See "Underwriting." The distributions will not be made unless 1,300,000 Offering Units are sold, and no such Units will be sold unless the distribution to UPAT stockholders takes place. After completion of the distribution and sale, UGEN will continue to be a majority owned subsidiary of UPAT.

The management of UGEN believes that this program, if successfully concluded, will benefit UGEN in several ways. The sale will raise equity capital for UGEN, and the combination of the sale and the distribution to UPAT stockholders is expected to create a public market for UGEN Common Stock, which market might not be created (or might not be of sufficient breadth to constitute an established public trading market) if UGEN only completed the sale part of the program. (The distribution of shares of UGEN Common Stock to partners of DNA Partnership is required by agreement with UGEN. UGEN is not obligated to provide any marketing assistance with respect to the sale of such shares.) UGEN believes that if there is a public market for its Common Stock, UGEN will be in a better position to raise capital in the future and to attract and retain competent personnel. No assurance can be given that any of these benefits will be achieved.

THE COMPANY

UGEN is engaged in the identification, evaluation and exploitation of technologies in the field of genetic engineering. Such technologies form the basis on which products and systems having commercial potential may be developed.

UGEN obtains the rights to genetic engineering technologies principally through agreements with universities. UGEN also receives income rights to inventions in genetic engineering which are disclosed to UPAT by universities and other sources serviced by UPAT. In the past, UGEN, as subcontractor for DNA Partnership, has caused research to be performed at universities with funds provided by DNA Partnership. See "Business—Relationships Among UGEN, UPAT and DNA Partnership." The Company has also financed projects, using university facilities, from its own funds. The purpose has been to provide bridge funding for the development stage of projects to bring them to a point closer to commercial viability. The Company causes patent applications to be filed for inventions from such activities evaluated by the Company as having commercial potential and seeks to license such inventions to industry.

In the future, in addition to the foregoing activities, UGEN proposes to participate in the establishment of businesses to develop, manufacture and market products and processes arising from genetic engineering technologies where this is regarded as feasible and adequate separate funding is available.

UGEN is a Delaware corporation which was incorporated in October, 1980 and commenced business operations in December, 1981. It is a majority owned subsidiary of UPAT. UPAT is a publicly held company engaged in patent development and commercial licensing of technologies from universities and other sources. UGEN's executive offices are located at 537 Newtown Avenue, P.O. Box 6080, Norwalk, Connecticut 06852, telephone (203) 846-9012.

RISK FACTORS

The securities offered hereby are speculative and involve a high degree of risk. Prospective purchasers should consider, among other factors set forth in this Prospectus, the following risk factors and should be aware that they may sustain a substantial or total loss of their investment.

Limited Operating History. UGEN commenced business operations in December, 1981 and is in its early stages of development. Accordingly, there is no significant operating history on which investors may base an evaluation of the likely commercial performance of UGEN. Revenues received by UGEN to date have consisted almost entirely of UGEN's 25% retention of contract amounts received from DNA Partnership (see "Business—Relationships Among UGEN, UPAT and DNA Partnership"), interest income from short term investments, and certain option and advance royalty payments. Royalties arising from current commercial sales of products under licenses granted by UGEN constituted only approximately 1% of total revenues during calendar year 1982.

Speculative Nature of Activities. Research and development in the field of genetic engineering is extremely speculative in nature and involves the risk of partial or complete loss of investment. Since most genetic engineering technology is in the development stage, there is little or no information available to UGEN concerning the ultimate commercial value of such technology. The success of each project sponsored by UGEN, or contracted for on behalf of DNA Partnership, is dependent upon research and development and market acceptability of the products and processes resulting therefrom, if any. There is no assurance that any of the research will be successfully completed or that any inventions resulting therefrom will be commercially viable.

It should be noted that large sums of money have been expended by various companies on research and development activities in the field of genetic engineering. The examples of recognizably successful commercial products that have emerged to date are minimal. Since UGEN's profits will, to a large extent, be derived from the commercial exploitation of technologies to be developed, there is substantial risk that no significant profits will ever materialize for reasons including, but not limited to, the inability of UGEN to complete research and development projects or the inability of UGEN to exploit technologies if they are developed. See "Business—Business and Method of Operation of UGEN."

It should also be noted that UPAT has been engaged in the business of licensing and administering patents and patent applications for new technology for over ten years under its present management and it has not shown a profit from these activities during this time. Although UGEN's plan is to fund research and development and to obtain equity participation in suitable projects in the field of genetic engineering in addition to licensing, there can be no assurance that this approach will prove viable.

Conflicting Licenses. It is possible that some or all of the projects in which UGEN becomes involved may be funded in part by the United States Government. In this event, certain restrictions and limitations may apply, including but not limited to retention of a royalty free license by the Federal Government for its use as well as restrictions on the duration of any exclusive commercial licenses granted. In addition, there is a substantial possibility that there may be dominating patents with respect to which any licensee of UGEN must obtain a license in order to exploit UGEN's patents. There is no assurance that licenses from holders of dominating patents will be available.

Dependence on Universities. UGEN is primarily dependent upon research and development staffs at various universities. A diminution in the amount of research at universities as a result of decreased governmental or other funding could adversely affect the opportunities of UGEN to acquire rights to technologies. Concern has been expressed at some universities that relationships with industry may adversely affect basic research and academic autonomy and should therefore be avoided. UGEN believes that the relationships it has established with universities are structured in a manner that has reduced such concern, but there is no assurance that universities will be willing to enter into or renew research contracts with UGEN in the future. See "Business—Business and Method of Operation of UGEN."

Financial Requirements. It can be assumed that a number of the research projects at universities now being financed by UGEN or by UGEN on behalf of DNA Partnership will need additional nding to be brought to a commercially exploitable stage; and if such funding cannot be obtained, ich projects may have to be abandoned with the loss of monies previously invested. If UGEN rticipates in the formation of businesses which seek to commercialize new inventions by manufactur-ng and marketing, such businesses may need further funding after initial funds are exhausted; and if ich further funding cannot be obtained, such businesses may have to be abandoned with the loss of nonies previously invested. UGEN will also need continuing revenues to support its staff and overhead xpenses; and if its operations do not produce sufficient revenues, UGEN may be obliged to curtail or uspend its operations.

Patents and the Risk of Obsolescence. There is considerable risk that any given technology may be made obsolete by future discoveries and developments. The success of technologies identified, evaluated, financed or developed by UGEN is, to a great extent, dependent upon patent protection. UGEN is subject to the risks that the patents could be declared invalid, patent applications rejected, or that new and alternative technologies could render UGEN's patented technologies obsolete or otherwise not suitable for commercialization.

The interval between expenses incurred for patent protection and realization of royalty revenue can be a substantial number of years, particularly where an invention requires extensive testing and governmental approvals. U.S. patents expire 17 years from the date of issuance.

Reliance on Licensees. When a genetic engineering technology reaches the point where UGEN is able to license the technology, UGEN's future revenues, if any, from such technology will be dependent upon the efforts and expenditures of the licensee. In cases where UGEN does not itself participate in the management or ownership of the licensee, UGEN will have no control over the efforts and expenditures of such licensee. In all cases, development of new products by licensees involves high risk, as many new technologies do not yield commercially profitable products, despite the application of extensive developmental efforts by licensees. It may be assumed that problems will be encountered by licensees, and the generation of royalty income to UGEN will be contingent on the resolution of such problems.

Dependence on Key Personnel. UGEN has three full time employees (exclusive of secretarial personnel) currently engaged in managing its genetic engineering activities. In addition, UGEN purchases the time of patent attorneys, licensing executives, market evaluators and consultants on an "as needed" basis. Research activities are conducted by faculty and staff members at universities, usually using university facilities, pursuant to UGEN's agreements with universities. The principal employee of UGEN is Dr. Alan G. Walton, UGEN's president and chief executive officer. UGEN believes that the growth of its genetic engineering activities is dependent to a significant degree on Dr. Walton's know-how and abilities and that his loss could have an adverse effect on the future of such activities. See "Management."

Governmental Regulations. Genetic engineering has been the subject of controversy and is expected to remain subject to guidelines, regulations and testing requirements by Federal and state authorities, including (among others) the Food and Drug Administration ("FDA"), the Department of Agriculture and the National Institutes of Health. Domestically, the FDA imposes standards which could relate to the clinical testing, manufacture and marketing of certain products based on genetic engineering technologies. Compliance with such requirements, designed to establish standards regarding product safety, efficacy and labeling, is often expensive and time consuming. Furthermore, no assurance can be given that regulatory approvals required for the marketing of some products can be obtained. Also, in the manufacture of certain products, the FDA requires compliance with Good Manufacturing Practices before marketing activities can be undertaken; such compliance could delay or prevent such products from reaching the marketplace. Other countries usually impose regulatory requirements concerning the development, testing, marketing and manufacture of certain products, which could influence the overseas sales potential of these products. UGEN does not currently intend to manufacture or market products requiring extensive governmental approvals, but rather to rely on licensees to perform such function.

Division of Licensing Revenues. UGEN's royalty revenues from technologies arising from research at universities will be reduced by the share of such royalties to which the university will be entitled pursuant to its contract with UGEN. To the extent that a project is funded by DNA

Partnership or any other source outside of UGEN, royalties to UGEN will be further reduced by the share to be paid to the funding source. Royalties are typically only a small percentage of sales, and thus applying UGEN's interest to the royalty rates to be paid by any licensees means that correspondingly large sales of royalty-bearing products would be necessary for UGEN to earn significant royalties. See "Business."

Conflicts of Interest. Under an agreement between the Company and UPAT, services performed for UGEN by UPAT employees may be charged to UGEN. The amount of such charges will be based on the actual time spent on UGEN matters by UPAT employees billed at an hourly rate determined by the UPAT employee's salary and related costs. It is the belief of the Company's management that such services are being provided at rates below that which would be charged by an outside firm. Also, as a matter of policy, UPAT does not currently allocate or charge its subsidiaries for services provided by its executive officers. Conflicts of interest could arise between UPAT and UGEN regarding the rates charged for professional services, the time involved for completing such services, and expenses incurred in providing these services. Conflicts of interest could arise between UPAT and UGEN regarding the priority assigned to UGEN projects by UPAT professional personnel. Also, because UGEN will remain a subsidiary of UPAT, in the absence of sufficient earnings by UPAT conflicts of interest could arise between UPAT and UGEN regarding whether UGEN earnings should be retained by UGEN or paid as dividends.

If UGEN enters into arrangements for research and development with universities that are clients of UPAT, conflicts of interest could arise. Conflicts of interest could arise between UPAT and UGEN in the interpretation and amendment of the agreement by UPAT to assign genetic engineering rights to UGEN and in connection with the arrangement for lease of premises by UGEN from UPAT. Conflicts of interest could arise between UGEN and DNA Partnership in the interpretation and amendment of research contracts.

Counsel for UGEN in connection with this offering is also counsel to UPAT and DNA Partnership, and if conflicts were to arise which could not otherwise be resolved, withdrawal by said firm from representation of one or more of the conflicting interests with respect to the specific matter involved might be necessary. See "Business—Relationships among UGEN, UPAT and DNA Partnership."

Reliance on UPAT. To the extent that UGEN acquires rights in genetic engineering inventions from UPAT, UGEN will be dependent on UPAT's continued ability to maintain servicing agreements with universities. UGEN's business could be adversely affected by the non-performance or breach by UPAT under UPAT's servicing agreements under which the rights of UGEN arose, whether due to financial reverses suffered by UPAT (including bankruptcy or insolvency) or otherwise. See "Business—Relationships Among UGEN, UPAT and DNA Partnership" and "Description of UPAT."

Disproportionate Voting Rights in UGEN. Shares of UGEN Class A Stock owned by UPAT have four votes per share. The Common Stock of UGEN has only one vote per share. This is intended to satisfy "control" requirements so that UPAT may include UGEN in consolidated Federal income tax returns, and to assure that UGEN continues to be a subsidiary of UPAT for purposes of the Investment Company Act of 1940 notwithstanding future stock transactions which might reduce UPAT's percentage ownership of UGEN. The effect, however, will be to enable UPAT to control the selection of directors of UGEN and may remove restraints with respect to the management of UGEN which would be protective of UGEN stockholders. See "Description of Common Stock and Class A Stock."

Market for UGEN Securities. There is presently no market for the Common Stock of UGEN or the Offering or Exercise Units or Warrants referred to herein, and there can be no assurance that an active trading market will develop after the distribution and sale of the securities referred to herein. The market prices of UGEN securities following the offering may be highly volatile. Factors such as announcements of technological innovations, patent or proprietary rights developments, the success or failure of inventions or public concern as to the safety or propriety of genetic engineering may have a significant impact on the market prices of UGEN securities. Future sales of a substantial number of shares of Common Stock or Warrants could have a negative impact on market price. See "Shares Eligible for Future Sale."

Warrants, Options and Dilution. Upon completion of the offering and distributions referred to herein, there will be outstanding (assuming no exercise of Warrants, the Underwriter's over-allotment option or stock options) 1,300,000 First Series Warrants, 130,000 Underwriter's Warrants, and stock options for 118,282 shares of the Company's Common Stock. For the life of such Warrants and options, the holders thereof have been given the opportunity to profit from a rise in the market price of the Company's Common Stock, with a resulting dilution in the interest of holders of Common Stock. The terms on which the Company will be able to obtain additional capital during the life of such Warrants and options may be adversely affected, and the holders of such Warrants and options may be expected to exercise their rights at a time when the Company would, in all likelihood, be able to obtain any needed capital by a new offering of securities on terms more favorable to the Company than those provided by such Warrants and options. For a description of the dilution resulting from this offering, see "Dilution."

Tax Consequences for the Company on Expiration of Warrants. It appears to be the position of the Internal Revenue Service that if warrants expire unexercised, the issuer includes in income as short-term capital gain at the time such warrants expire an amount equal to the consideration received for issuing the warrants. There has not been a judicial determination whether that position is correct. If this position is upheld, the Company will be required to include in its gross income for 1986 (with respect to First Series Warrants) and 1988 (with respect to Second Series Warrants) as short-term capital gain the consideration, which may be substantial, it is deemed to have received upon the sale of any unexercised Warrants.

DILUTION

As of January 31, 1983, the Company had an unaudited net tangible book value of $120,231, representing the amount of total tangible assets less total liabilities. Without taking into account any changes in such net tangible book value after January 31, 1983, other than to give effect to the sale of 1,300,000 Offering Units by the Company, the Company's pro forma net tangible book value (before deduction of the estimated expenses of the offering) would be $, or $ per share. (Common Stock and Class A Stock are treated as identical in determining net tangible book value per share.) This represents an immediate increase in net tangible book value per share of $ to the present stockholders, and an immediate dilution in net tangible book value per share (the difference between the public offering price of the Offering Units and the net tangible book value per share after the offering) of $ to the persons purchasing such Units at the public offering price. The following table illustrates this dilution per share:

Public offering price per Unit to new investors		$
Net tangible book value per share before offering	$ .02	
Increase per share attributable to new investors		
Pro forma net tangible book value per share after offering		
Dilution per share to new investors		$

The following table summarizes at January 31, 1983 the difference between the number of shares (both Class A and Common) of the Company and the cash contribution (exclusive of the contribution of technology rights by UPAT) of existing stockholders and new investors. These computations assume no exercise of the Underwriter's over-allotment option, First Series Warrants or Underwriter's Warrants and are before deduction of underwriting discounts and commissions and other estimated expenses of the offering:

	Shares Purchased		Cash Contribution		Average Price Per Share
	Number	Percent	Amount	Percent	
Existing stockholders	7,513,028	85.2%	$72,284	— %	$ .01
New investors	1,300,000	14.8		—	
Total	8,813,028	100.0%	$	100.0%	$

All of the computations in this section assume non-exercise of outstanding stock options and an allocation (based on an estimate as to relative fair market values) of the total Unit offering price of $ of $ to the share and $ to the Warrant.

USE OF PROCEEDS

The net proceeds to the Company from this offering are estimated at approximately $ ($ if the over-allotment option granted to the Underwriter is exercised in full). The Company expects to use such proceeds approximately as follows:

Purpose	Amount (1)
Operating expenses	
Salaries and related expenses	$
Other operating expenses	
Total operating expenses	
Funding of biotechnology research and development	
Total estimated net proceeds	$

(1) Assumes non-exercise of over-allotment option.

Any proceeds received by the Company on exercise of First Series Warrants ($3.25 per Warrant), Second Series Warrants ($1.75 net per Warrant after payment of $3.25 to UPAT) or Underwriter's Warrants will be used for general corporate purposes. Until required for other purposes, the net proceeds of this offering will be invested in short-term interest-bearing securities. See "Business—Plan of Operation."

The Company is seeking to establish two new operating affiliates (see "Business—Future Plans"), but it is attempting to obtain financing from other sources for such affiliates and does not presently intend to use proceeds of this offering for such affiliates.

Concurrently with the offering made hereby, the Company by a separate prospectus of even date herewith is registering (i) approximately 741,141 shares of UGEN Common Stock to be distributed by UPAT as a dividend to UPAT's common stockholders, and (ii) 632,653 shares of UGEN Common Stock to be distributed by DNA Partnership to certain partners who may offer and sell such shares pursuant to such separate prospectus. No proceeds will be realized by the Company as a result of such transactions.

pursuant to such separate prospectus. No proceeds will be realized by the Company as a result of such

CAPITALIZATION

The following table sets forth the consolidated capitalization of the Company (unaudited) at January 31, 1983, and as adjusted to give effect to the dividend distribution by UPAT of UGEN Common Stock and the sale of 1,300,000 Offering Units as described elsewhere herein. The table does not include the Warrants included in such Units, the over-allotment Units, the Underwriter's Warrants, the stock which may be issued pursuant to any Warrants or the stock which may be issued pursuant to outstanding stock options.

	Outstanding	As Adjusted(1)
Class A Stock, \$.001 par value, 7,500,000 shares authorized, 5,874,490 shares issued and outstanding, and as adjusted 5,135,349 shares issued and outstanding	\$ 5,874	\$ 5,135
Common Stock, \$.001 par value, 16,000,000 shares authorized, 1,638,538 shares issued and 1,558,538 outstanding, and as adjusted 3,597,679 shares outstanding	1,639	
Capital in excess of par value	64,771	
Retained earnings	48,027	48,027
Common treasury stock—80,000 shares, at cost	(80)	(80)
Total shareholders' interest	\$120,231	\$

(1) As adjusted amounts reflect the conversion by UPAT as of January 31, 1983 of 739,141 shares of Class A Stock to an equal number of shares of Common Stock for distribution by UPAT as a dividend to common stockholders of UPAT. No adjustment has been made to reflect additional UGEN Class A Stock to be converted into Common Stock to cover dividends on UPAT common stock issued after January 31, 1983. At the date of this Prospectus an additional 2,000 shares are required to be so converted.

DIVIDENDS

The Company has paid no dividends to date. It currently intends to retain its earnings to assist in financing the development of its business and, accordingly, does not intend to pay cash dividends on shares of its Class A or Common Stock in the foreseeable future. Payment of dividends will depend upon results of operations, financial position, business conditions and such other factors as the Board of Directors of the Company may deem relevant. It should be noted that UPAT controls the selection of directors of the Company.

SHARES ELIGIBLE FOR FUTURE SALE

In addition to the 632,653 shares of UGEN Common Stock to be distributed by DNA Partnership to certain of its partners which are being registered for sale after 120 days from the date of this Prospectus, stockholders of UGEN will become eligible to sell, during the first year following the date of this Prospectus commencing 90 days after the date of this Prospectus, an aggregate of approximately 177,280 shares of the Company's Common Stock (subject to the volume limitations described below) in the public market pursuant to Rule 144 under the Securities Act of 1933 (the "Act"), assuming the requirements of said Rule are met. (Such requirements include the availability of adequate current public information about the Company.) This figure is comprised of 120,000 shares of UGEN Common Stock previously issued by UGEN, and approximately 57,280 shares of UGEN Common Stock to be distributed by UPAT (as part of its dividend to UPAT common stockholders) to UPAT stockholders who could be considered affiliates of UGEN. These figures exclude shares which will be held by Dr. Alan G. Walton, president of UGEN, and by UPAT and Genetic Technology Management, Inc. (a wholly owned subsidiary of UPAT). Dr. Walton has agreed to refrain from selling any UGEN securities for a period of one year following the date of this Prospectus without the consent of the Underwriter referred to herein. UPAT and Genetic Technology Management, Inc. have made a similar agreement, except for shares required on exercise of Second Series Warrants and shares to be distributed as a dividend to UPAT common stockholders.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned shares for at least two years, including persons who may be deemed "affiliates" of the Company as the term is defined under the Act, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of 1% of the Company's outstanding Common Stock, or the average weekly trading volume during the four calendar weeks preceding such sale. Sales of substantial amounts of such shares in the public market could adversely impact prevailing market prices.

At the date of this Prospectus an aggregate of 118,282 shares of UGEN Common Stock were subject to outstanding stock options issued to employees of UGEN and UPAT. The Company does not intend at this time to register the stock issuable upon exercise of such options.

The Underwriter, as holder of the Underwriter's Warrants, has registration rights which could result in additional shares being eligible for public sale upon the expiration of one year from the closing of this offering. See "Underwriting."

SELECTED FINANCIAL DATA

The selected financial data presented below as of and for the periods ended July 31, 1981 and 1982 and January 31, 1982 and 1983 are derived from the Consolidated Financial Statements of the Company. Information as of and for the six months ended January 31, 1982 and 1983 is unaudited, but includes, in the opinion of the Company's management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of such data.

The selected financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the Consolidated Financial Statements and Notes thereto presented elsewhere herein.

Operating Results

	October 1, 1980 (Inception) thru July 31, 1981(1)	Year Ended July 31, 1982(1)	Six Months Ended Jan. 31, 1982 (Unaudited)	Six Months Ended Jan. 31, 1983 (Unaudited)
Operating revenues:				
Contract revenues	$ —	$ 203,574	$ 29,082	$ 175,918
Retained royalties	—	23,000	—	19,400
	$ —	$ 226,574	$ 29,082	$ 195,318
Costs and expenses	$ 9,714	$ 221,549	$ 76,035	$ 218,294
Investment income	$ —	$ 55,831	$ 8,738	$ 28,103
Income (loss) before provision (credit) for income taxes	$ (9,714)	$ 60,856	$ (38,215)	$ 5,127
Net income (loss)	$ (5,246)	$ 48,874	$ (30,691)	$ 4,399
Net income (loss) per share of common stock	$ —	$ .006	$ (.003)	$ —
Weighted average number of common and common equivalent shares outstanding	10,249,980	8,416,660	9,333,320	7,507,172

Balance Sheet Data

	July 31, 1981	July 31, 1982	January 31, 1983 (Unaudited)
Net Working Capital	$ 10,824	$ 83,937	$ 100,170
Total Assets	$ 10,824	$ 900,093	$ 634,618
Total Shareholders' Interest	$ 10,824	$ 96,290	$ 120,231

(1) The Company commenced business operations in December, 1981.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

Operating Revenues

The major portion of the Company's revenues has been earned from two research and development contracts with DNA Partnership (see Note 3 to the Consolidated Financial Statements). Contract revenues for the period ended July 31, 1982 were approximately $204,000 and for the six months ended January 31, 1983 and 1982 amounted to approximately $176,000 and approximately $29,000, respectively. The relationship of amounts earned in each period, particularly the six month periods, reflects the number of months within each period such revenues were being amortized. During the year ended July 31, 1982, contract revenues were earned only during the last seven months; for the six months ended July 31, 1982 and 1983, such amounts were included for one month and six months, respectively. At January 31, 1983, approximately $379,000 or 84% of the total revenues expected to be earned under the agreements had been recognized. Such revenues are expected to continue into the first quarter of fiscal 1984. However, as a result of completion of research currently underway, the rate of such revenues will be lower than previous periods.

Additional operating revenues have been generated through the licensing of technologies in the area of genetic engineering assigned to the Company by its parent, UPAT. Through January 31, 1983, such amounts have principally represented option payments. Retained royalties amounted to $23,000 for the year ended July 31, 1982 (none in the period ended July 31, 1981) and $19,400 for the six months ended January 31, 1983 (none in the comparable prior period).

Costs and Expenses

The increase in costs and expenses to a total of approximately $222,000 for the year ended July 31, 1982 versus approximately $10,000 for the period ended July 31, 1981 reflects the commencement of operations in December, 1981. This increasing level of operations is also the primary cause of the increase in costs and expenses of approximately $142,000 between the six month periods ended January 31, 1983 and 1982 ($218,000 and $76,000, respectively).

During the period from inception through December 31, 1981, the Company's operations consisted of the initial solicitation and evaluation of technology for possible funding. Subsequent to December 31, 1981, the Company has continued this function, and is attempting to license or otherwise commercialize technologies developed through research funded by DNA Partnership or assigned to it by UPAT.

The principal components of operating costs are general and administration expenses, comprised mainly of personnel costs (salary and fringes), and commercialization expenses, including amounts accrued for future periods. The Company's expenses have been and will continue to be influenced by labor costs and staffing requirements. It is possible that future costs may increase due to additional personnel being hired to increase licensing efforts and that such increased expenses may precede the realization of revenues from such efforts.

Investment Income

Investment income is earned on short term investments (including advances to UPAT) and funds provided by the research contracts with DNA Partnership. Investment income earned from all sources was approximately $56,000 in the year ended July 31, 1982 (none in the prior period ended July 31, 1982) and approximately $28,000 and $9,000 for the six months ended January 31, 1983 and 1982, respectively. In view of the continued funding requirements and declining amounts of short term investments, the level of such revenues is expected to decrease in future periods.

Provision (Credit) for Income Taxes

Due to the tax sharing agreement between the Company and its parent, the Company has been able to recognize any benefits arising from operating losses on a current basis. See "Business—Relationships Among UGEN, UPAT and DNA Partnership."

Financial Condition

The Company's net working capital at July 31, 1982 and January 31, 1983 was $83,937 and $100,170, respectively. The most significant sources of working capital for the Company are the research and development contracts with DNA Partnership. The two contracts, executed in December, 1981 ($1,500,000) and September, 1982 ($300,000), provide a total of $450,000 in working capital ($375,000 during the period ended July 31, 1982) to fund the operations of the Company.

The research and development contracts generate working capital, in the form of contract revenue, by allowing the Company to retain 25% of the contract amount for its overhead and compensation. The retained amount is being amortized as research is performed. Cash balances generated as a result of these contracts, due to the timing of contract receipts usually preceding payments on research subcontracts, are invested in short term money market instruments.

Activity related to the accrual, collection, payment of contract receivables (from DNA Partnership) and the funds disbursed on contractual research obligations is the primary cause of the fluctuation of total assets and liabilities between periods. For the six months ended January 31, 1982, the period in which the first research contract and research subcontracts were signed, the receivable from DNA Partnership, less collections, amounted to $1,173,731, while contractual obligations, less payments, were $864,474. For the six months ended January 31, 1983, the period in which the second series of contracts was signed, there was a net decrease in the DNA Partnership receivable of $282,100, while contractual obligations decreased $233,963. At July 31, 1982 and January 31, 1983, the receivable from DNA Partnership represented 49% and 24%, respectively, of total current assets, while the contractual obligation was equal to 70% and 66%, respectively, of total current liabilities.

Funds used in operations amounted to $5,246 for the period ended July 31, 1981. During the year ended July 31, 1982, funds provided from operations amounted to $50,267. For the six months ended January 31, 1982, funds used in operations were $30,691, while operations provided $7,613 in funds for the six months ended January 31, 1983.

Funds generated through the sale of capital stock, less repurchases, amounted to $22,420 since inception. Additionally, UPAT has contributed $45,242 of additional capital in the form of expenses incurred in connection with the Company's operations. Due to the Company's current focus as a service oriented organization, only a minimal amount of funds have been invested in non-current assets. Through July 31, 1982 and January 31, 1983, cumulative purchases of fixed assets, principally automobiles, amounted to $14,396 and $24,896, respectively.

The Company is currently seeking to raise additional funds through various sources to fund development of technologies in several areas. Such financings may take the form of additional research contracts wherein the Company will provide research management and evaluation expertise in exchange for compensation and a partial interest in developed technology or joint ventures whereby the Company will contribute rights to technology for development.

Funds used in operations amounted to $5,246 for the period ended July 31, 1981. During the year

BUSINESS

Nature of Genetic Engineering

Genetic engineering involves the modification of the genetic material of cells, thereby inducing the capability of biological synthesis of products to an extent uncharacteristic of a normal cell. Such products, which may be end products, intermediaries or components, can be collected and purified for subsequent use. Although in principle the genetic material of any cell may be altered for such purposes, in practice, only a few bacterial and yeast cells have so far been found useful in the development of biologically derived products or processes. The application of genetic engineering is significantly motivated by the possibility that techniques can be developed for the more economical production of compounds (such as bulk chemicals), and the production of complex compounds (such as proteins) where alternative methods are impractical.

In genetic synthesis a piece of genetic material, of either a natural or synthetic origin, is spliced into the existing cellular genetic material. The resultant properly located gene controls the synthesis of the desired product. Such products, which are of varying complexity, are typically amino acids, peptides, hormones, proteins and enzymes. Specific examples include proline and aspartic acid (amino acids), animal growth hormones, interferon, insulin and renin (peptides, proteins and enzymes). In addition, derivatives such as antibiotics and flavors and fragrances can be obtained indirectly by modifying the metabolism of certain cells.

In principle, the gene splicing methodology can be extended to more complex cells, including plants. Here synthetic routes to desirable end products such as vitamins and the incorporation of desirable characteristics such as resistance to herbicides are hindered by an inadequate understanding of basic plant cell biochemistry. Thus, the progress towards the commercialization of genetic engineering will be dependent on technological feasibility as well as the potential marketability of products.

The general areas to which genetic engineering technology is being applied by various entities are:

Medical/pharmaceutical

Some of the types of products having pharmaceutical applications that can be derived biologically have been mentioned above. In addition, a series of proteins or fragments thereof derived from the coats of virus particles generally offer the potential of creating vaccines against any viral infection. Enzymes and related proteins may be produced for alleviating blood clotting and certain metabolic disorders.

Many new diagnostic devices are being developed and produced which use proteins, antibodies or gene fragments, each of which can be produced by genetic engineering. Recently effective and more rapid home pregnancy detection tests and venereal disease detection kits have been announced by commercial companies.

Industrial Processes

Examples of genetic engineering processes that appear to have industrial potential include those using biologically modified bacteria that will degrade biomass, toxic chemicals or oil spills. Often, useful organic chemical by-products result. Newly developed enzymes may hold promise in certain food and biomass conversion processes through improved techniques which are more cost effective than existing methods.

Agricultural Uses

The perceived uses of gene modification in plants include those involving trait modification for yield enhancement or pest or disease damage resistance. The ability to manipulate (clone) plant cells and to alter the bacteria associated with the surfaces and roots of plants represent capabilities with shorter term potential.

Veterinary and Animal Genetics

Together with diagnostics and pharmaceuticals for the detection and treatment of animal diseases, potential exists in the development of superior breeds of animals used in food production. New developments allow the selective breeding of male or female animals of larger size and superior characteristics (e.g., milk production, weight gain and health).

Business and Method of Operation of UGEN

UGEN's activities involve the securing of rights to genetic engineering technologies, primarily through agreements with universities active in research in such areas. The Company is also the recipient of rights to genetic engineering technologies from UPAT. UGEN's activities have in the past been pursued primarily using funds derived from DNA Partnership (see "Relationships Among UGEN, UPAT and DNA Partnership"). Ongoing activities involve the securing of rights to, and licensing of, technologies in genetic engineering and, where appropriate, providing funding to selected projects. Such funding is designed to bring university based technology from the research stage to one of potential commercial exploitation. For those technologies showing commercial promise, UGEN seeks patent coverage and seeks licenses for their subsequent development by industry. In some instances, UGEN intends to establish or participate in new companies or joint ventures for the development of specific technologies.

Many university researchers having expertise of interest to UGEN are presently funded by the Federal Government to do basic research within a particular agency's (e.g., National Institutes of Health) program objectives. In most cases, the Federal agencies will not support subsequent development (aimed towards the commercialization) of a basic research discovery or idea. Since most academic researchers have only a limited amount of time to solicit private sector support for development projects, and since their primary objective is basic research, many of these ideas are left undeveloped. This results in an underexploitation of potential patent rights, and reduces the possibility of further investment and development of the technology by industry.

UGEN evaluates, selects and funds projects that it believes to be the most promising, in return for the acquisition of certain rights. In the course of commencing its operations in 1981-1982, UGEN reviewed some 200 contract proposals from a large number of universities. From these UGEN selected 21 projects at 18 universities which are currently being financed, either by DNA Partnership or by UGEN from its own funds.

Financing of research at universities is intended to take advantage of the highly skilled people and facilities available at such institutions, thus avoiding the internal duplication of such resources. As a result, UGEN believes that it is able to improve the productivity of its research investment compared with that which would be possible if it had to hire substantial numbers of permanent staff and invest capital in extensive laboratory facilities. There is no assurance that this approach, which reduces the usual fixed asset investment, will necessarily be successful.

Through the funding of research contracts, UGEN seeks to secure rights in inventions that are made and encourage university researchers. The university (and the collaborating university researcher) are asked to agree that in exchange for funding, they will assign such patent rights to UGEN (or to DNA Partnership where such partnership funded the contract). However, in cases where an assignment has not been obtainable, an exclusive license with the right to sublicense has been obtained. Revenues (if any) resulting from licensing or other exploitation of inventions are subject to payment of a share to the university conducting the research (generally 40%) and to DNA Partnership where partnership funding was used. See "Relationships Among UGEN, UPAT and DNA Partnership."

Through its relationship to UPAT, UGEN has access, at UPAT client universities, to genetic research not financed by DNA Partnership or UGEN. Approximately 20 options or licenses to date have been granted to companies in the United States and Europe. Under the agreements between the universities and UPAT, revenues (if any) from products or processes resulting from the research are divided—generally 60% to the client university and 40% to UGEN (under UGEN's agreement with UPAT). See "Description of UPAT" and "Relationships Among UGEN, UPAT and DNA Partnership."

UGEN also has the capability for utilizing university based researchers to solve specific problems. UGEN is able to identify investigators with the background, capability and interest to address genetic engineering problems that originate outside the university environment. Thus, through its university connections, UGEN can coordinate industrial and academic interest. For example, if an industrial entity requires the contract synthesis of a specific gene, UGEN can utilize its established network or establish a new university affiliation in the fulfillment of the contract. Contracts of the former type have been established (through UPAT) where the industrial company has paid option fees and/or advanced royalties. No contracts of the latter type have yet been established.

Disclosures, Patenting and Licensing

As an invention is made in genetic engineering, university based researchers may complete a disclosure of invention ("DOI") which is then sent to UPAT (in the case of UPAT client universities) or UGEN (contract projects). These inventions are examined by or on behalf of UGEN for market potential, patentability and protectability, and, if the DOI meets these requirements, a patent application is prepared and filed at the expense of UGEN. Currently, some fourteen patent applications have been filed in this area, and four more filings are expected shortly. These patent applications cover instruments, chemistry and methodology, and products—proteins, enzymes and vaccines. To date, no patents have been issued pursuant to such applications.

Technologies are presented for licensing under confidential disclosure and may be licensed or optioned with or without patent coverage. In some cases, material or technology is transferred with "know-how" only.

Products

Because of the broad spectrum of projects and disclosures submitted to UGEN, the Company has been able to develop programs in several major areas of potential interest, some of which are discussed below. The programs are at various stages of development ranging from basic research to the point of initial commercial exploitation. Products licensed by UPAT for the benefit of UGEN and which have been sold commercially are monoclonal antibodies, an instrument associated with gene synthesis chemistry and sexed cattle embryos. No sales of any products have yet been made in substantial quantities. No assurances can be given that sales in substantial quantities will be made or that programs in earlier stages of development will be successfully exploited commercially. For a discussion of some problems that are inherent in the development of UGEN's programs, see "Risk Factors."

Monoclonal Antibodies for Diagnostic Products and Immunotherapy

Monoclonal antibodies may be used in diagnostic kits to assay a wide range of viral, bacterial and protozoan infections; as substrates for the purification of important biological entities such as enzymes, and in the novel delivery of anticancer drugs to tumor sites. UGEN has evaluated many disclosures of monoclonals and currently has royalty rights to products licensed to various companies. In the cancer therapy area, a technetium labelling process that delivers a radio-opaque agent for tumor imaging has been licensed on behalf of UGEN to Summa Medical Corporation. Summa recently completed a series of human studies in Canada and has filed a New Drug Submission for marketing approval in Canada.

Other Medical and Pharmaceutical Products

UGEN is supporting research in, or has licensing or income rights to, several other medical/pharmaceutical products, including a subunit vaccine for herpes simplex virus types 1 and 2 (optioned to American Cyanamid/Lederle Labs), a herpes diagnostic test, the synthesis of a lymphoblastoid interferon gene, dental caries and malaria vaccines, tumor and cardiovascular control agents, and an appetite suppressant agent.

Industrial and Instrumentation

UGEN has royalty rights to certain gene synthesis chemistry and instrumentation (licensed to Applied Biosystems and Beckman Instrument Co.). Research into insecticides and into the biodegradation of wood by-products to produce specialty chemicals is also being supported. The Company has licensing rights to engineered bacteria for processing toxic waste products. UGEN is supporting research on human tissue preservative agents for potential cosmetic use.

Agriculture

The development of agricultural products by genetic engineering involves the insertion of genes into plant cells by protoplast fusion or by use of a bacterial plasmid. While UGEN is supporting work relating to these technologies, its primary activities involve the development of new vectors (vehicles for transferring genes) for the manipulation of plant chromosomes. Successful development of such methodologies would allow the manipulation of desirable traits in a wide range of plants. UGEN has accessed (through UPAT) a new system for achieving plant gene manipulation. So far, disease resistant genes have been successfully transferred into one strain of corn. There is no assurance that the methodology is yet of general utility.

Veterinary

UGEN has placed substantial emphasis on animal health and breeding. Aspects of breeding with which UGEN is involved are 1) early detection of bovine pregnancy; 2) sex selection of superior embryos; 3) genetic manipulation of embryos for breeding larger and more productive animals, and 4) diagnosis of disease in animals.

UGEN has royalty rights to embryo sexing technology for breeding of superior cattle (licensed to Genetic Engineering Inc.) and has similar rights to inventions in areas 1) and 3). UGEN as subcontractor for DNA Partnership is supporting research in the development of bovine disease diagnostic kits.

General

UGEN, as a subcontractor for DNA Partnership, is supporting work, or has rights to several fundamental processes relevant to the utilization of genetic engineering by industry. These processes involve new methods for inserting genes into cells (vectors), and the development of host systems (particularly yeast and mammalian cells) and new promoters (molecular switches for initiating and terminating genetic replication).

Relationships Among UGEN, UPAT and DNA Partnership

UPAT has entered into an agreement with UGEN under which all of UPAT's rights throughout the world in all present and future inventions in the field of genetic engineering (for a 25-year term from January 1, 1982) are assigned and transferred to UGEN; provided that if UPAT is prevented by prior agreement from assigning any of such inventions, then UPAT shall hold such inventions for the benefit of UGEN. See "Risk Factors—Reliance on UPAT."

In December, 1981, DNA Partnership raised $2,250,000 in a private placement. A net amount of approximately $1,800,000 was thus made available to fund payments for research and development, and UGEN is managing the expenditure of these funds. The general partners of DNA Partnership are Genetic Technology Management, Inc. ("GTM"), a wholly owned subsidiary of UPAT, and Novack Management, Inc., wholly owned by Martin M. Novack. Each general partner has a 1% interest in the profits, losses and distributions of DNA Partnership. A total of 15 limited partnership units of $150,000 each were sold in the private placement; UPAT owns two of such units and GTM owns one-half such unit.

DNA Partnership has entered into research contracts with UGEN pursuant to which UGEN identifies, evaluates, recommends and causes research to be performed in connection with certain technologies relating to genetic engineering. The objective is the invention and improvement of products and processes suitable for licensing to industry. UGEN has subcontracted the research to university or other research facilities. Such subcontracts are usually for a period of 12 months. Most of UGEN's current research projects are funded through such contracts with DNA Partnership. UGEN has retained for itself, as overhead and compensation, 25% of the contract amounts received from DNA Partnership. UGEN does not anticipate further research contracts with DNA Partnership.

Any net licensing revenues received from rights in inventions resulting from the research and development projects funded by DNA Partnership will be divided equally between UGEN and DNA Partnership until DNA Partnership has retained cumulative net licensing revenues in an amount such that the limited partners' share is equal to their total capital contribution ($2,250,000). Thereafter, 25% of any net licensing revenues will be retained by DNA Partnership and 75% will be paid to UGEN.

To the extent that UGEN relies upon UPAT for assistance in obtaining patent protection and in licensing patents, UGEN will undertake to reimburse UPAT for its costs and to pay reasonable charges for services rendered by UPAT employees.

UPAT files consolidated Federal income tax returns with its subsidiaries, which include UGEN. Pursuant to a tax sharing agreement, each member of the consolidated group will be responsible for payment to UPAT of an amount equal to any income tax for which it would have been liable as a separate taxpayer in the absence of such consolidation and will be entitled to payment from UPAT in an amount equal to any benefits to the group resulting from losses of such member. The tax sharing agreement also contains provisions governing tax liability in certain circumstances in the event UGEN ceases to be included in the UPAT consolidated Federal income tax return; such agreement will not cause UGEN's aggregate liability for taxes (computed under certain assumptions) and amounts payable thereunder to exceed the tax liability that would have resulted if UGEN had been taxed on all items of income that accrued to it.

Competition

Competition in the field of genetic engineering is intense. UGEN expects to compete with an increasing number of other companies, many of which have substantially greater human and financial resources than UGEN. The most notable competitors could be large foreign and domestic corporations which have substantial research and marketing capabilities, as well as greater resources and public recognition than UGEN.

Employees

The Company has four full time employees, all of whom are salaried and none of whom is represented by a labor union. In addition, the Company has available to it the staff of UPAT for patent application and licensing and administrative activities to the extent such activities are not conducted by UGEN employees. In reviewing proposed projects submitted from universities, the Company uses science advisor consultants at various universities on a fee basis as required. Seven individuals have agreed to act as such science advisors to UGEN during 1983. UGEN has a cooperative arrangement with Biotechnology Development Affiliates ("BDA") in Waltham, Massachusetts. BDA primarily evaluates the scientific merit and market potentials of various projects, ventures, etc. Approximately 60 research scientists at universities are currently conducting research under contracts between UGEN and such universities.

Property

The Company has its corporate office at a Norwalk, Connecticut location occupied by UPAT under a lease expiring in 1988. The space occupied by the Company is provided under an unwritten agreement between the Company and UPAT, which provides a base rent at a fair market rate, as well as an additional charge for use of facilities and other office overhead. UGEN expects to move to modestly larger offices within the near future.

Future Plans

The Company is in the process of seeking private sources of financing to establish the following two operating affiliates in which genetically engineered products or equipment associated with genetics could be produced and marketed.

Genetics Clinics Inc. ("Clinics") was incorporated in March, 1982 as a wholly owned subsidiary of UGEN, and a minority stock interest was subsequently issued to Clinics' prospective research director. The business proposed is the development of instrumentation and associated systems for prenatal screening and preventive medical diagnosis in humans. The research and development support to date has been furnished by UGEN from its own funds. It is planned that prototype instruments will be manufactured in the Washington, D.C. area. Negotiations are being conducted with An-Con Genetics, Inc. ("Ancon") of Long Island to establish a partnership for this project. The arrangement calls for the provision of $1.2 million by Ancon over a 16 month period to be used for research and development expenses. If Ancon makes the prescribed payments, it will be entitled to a share of partnership income (excluding from the computation any expenses to be funded by Ancon) equal to UGEN's share. If Ancon does not complete the payments, its interest in such partnership income will be reduced proportionately. The first payment of $25,000 was received from Ancon in February, 1983. Ancon is itself in the process of raising the majority of funds required for its contribution. No assurance is available that the financing from Ancon will continue or that the research and development will be successful.

Frost Technology Corporation ("FTC") is, at present, in the formative stage and has not yet been incorporated. The technology, received through UPAT, involves the application of proprietary fermented materials to crop surfaces to diminish frost damage. Crop damage by frost is a serious worldwide problem and FTC intends to produce sprays containing such materials to apply to crops for frost damage amelioration. At present, financing efforts are in progress and if completed will provide approximately $3 million to meet FTC's initial objectives. If FTC's financing is successful, UGEN will hold an equity interest in FTC, the exact amount of which is under negotiation. There can be no assurance of successful completion of the financing or of a commercially successful product.

Plan of Operation

UGEN expects that the cash proceeds from the offering covered by this Prospectus (assuming no exercise of Warrants) will cover the costs of operating the business for approximately three years. This expectation is based on certain assumptions, including the estimated cash flow during this period, and there can be no assurance that such expectation will prove to be accurate. Principal sources of funds are the proceeds from said offering, interest income from short term investments and royalties from licensed technologies. Principal expenditures are for the following categories: salary and related expenses, office operations, research and patent development expenses, travel expenses, legal expenses and various miscellaneous expenses. In the event that significant surplus funds are available, they would be used to fund additional research projects and the possible formation of specific subsidiaries to commercialize technologies considered by UGEN to be promising.

MANAGEMENT

Directors and Executive Officers

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

Name	Age	Position
Alan G. Walton, Ph.D., D.Sc.	47	President, Chief Executive Officer, Director
Gregory M. Morey	30	Vice President, Treasurer, Director
L. W. Miles	49	Chairman of the Board of Directors, Director
A. Sidney Alpert	44	Secretary, Director
Don C. Wukasch, M.D.*	46	Director
Donald K. Lourie*	56	Director
Norman J. Short*	53	Director

* Messrs. Wukasch, Lourie and Short are members of the compensation committee of the Board of Directors. The compensation committee also serves as the stock option committee. The Company does not have an audit committee.

Dr. Walton has been president and a director of the Company since June, 1981. For a period of more than five years prior to his assuming active employment duties as president in August, 1981, he was at Case Western Reserve University where he served as Professor of Macromolecular Science and Chemistry and Director of the Laboratory for Biological Macromolecules. During most of this period Dr. Walton also served as president of Tetron Corporation, engaged in contract research for major corporations in the biological area. Dr. Walton received a Ph.D. in Physical Chemistry (1960) and a D.Sc. in Biophysical Chemistry (1973) from Nottingham University in England.

Mr. Morey was employed by the Company in July, 1982 as vice president and was elected treasurer and a director in February, 1983. In 1980 he co-founded, and is currently a director of, Profile Investment Corporation, an investment organization targeted at energy related and real estate investments. From 1977 to 1982 he was employed with Peat, Marwick, Mitchell & Co. as a certified public accountant. He has a B.S. degree in Biology and Chemistry from Tulane University and an M.B.A. in Finance and Tax from Emory University.

Mr. Miles has been chairman of the board of the Company since June, 1981, and a director since the Company was incorporated in 1980. He was treasurer of the Company from June, 1981 to February, 1983. While he serves as an officer of UGEN, he is not an employee of UGEN. His principal occupation since 1972 has been chief executive officer of UPAT. In December, 1982, his title at UPAT was changed from president to chairman of the board. He is also president and a director of Genetic Technology Management, Inc., a wholly-owned subsidiary of UPAT. Before joining UPAT in 1972, Mr. Miles was the director of commercial development at IBM. In this capacity, he managed all of IBM's activities in the areas of patents, trademarks, copyrights, licensing, acquisitions and divestitures. Mr. Miles' current affiliations include chairman of the board of trustees of Fairfield University, director of the Center for Financial Studies, director of Light Signatures Inc. and director of H. L. Bouton Corp. Mr. Miles has a B.A. in Economics from Gettysburg College and an M.S. in Management Science from MIT.

Mr. Alpert has been secretary of the Company since June, 1981, and a director since the Company was incorporated in 1980. While he serves as an officer of UGEN, he is not an employee of UGEN. His principal occupation since 1972 has been with UPAT, where he has held the position of president and chief operating officer since December, 1982. Prior thereto he was vice president, operations and secretary of UPAT. Before joining UPAT he worked as senior patent and licensing attorney for IBM (1967-1972). Mr. Alpert is admitted to the Bars of the State of New York and the District of Columbia and to the U.S. Patent Bar. Mr. Alpert is also a director of UPAT. He has a B.S. in Industrial Engineering from the University of Florida and an LL.B. from George Washington University.

Dr. Wukasch has been a director of the Company since June, 1981. Since 1979 he has been president of Wukasch Technology Consultants, Ltd. (evaluation and investments in medical and scientific technology). Prior thereto he was a surgeon practicing in the fields of thoracic and cardiovascular surgery at the Texas Heart Institute of St. Luke's Episcopal and Texas Childrens Hospitals, from 1971 through 1979. Subsequently, he directed the initial operation of the Klokkenberg Heart Center, Breda, The Netherlands and currently serves as director of the Houstonian Preventive Medicine Center, Houston, Texas. Dr. Wukasch has served as a director of the Metropolitan National Bank, Houston, Texas, and as a member of the board of governors of the Houstonian, Inc. He is a director of Capital Bank West Loop, Houston, Texas.

Mr. Lourie has been a director of the Company since June, 1982. He is vice chairman and chief executive officer of Lescarden Ltd. (pharmaceutical research and development). In 1968, he founded and became chairman and chief executive officer of Bradford National Corp., a position that he relinquished in 1976. He is a director of Lescarden Ltd. Mr. Lourie has a B.A. from Princeton University and an LL.B. from the University of Michigan.

Mr. Short has been a director of the Company since June, 1982. He is president of Guardian Capital Group Limited of Toronto, Canada (investment company). Mr. Short is a director of Lescarden Ltd., Guardian Capital Group Limited and Chancellor Energy Resources Ltd. He has an M.A. in Economics from Oxford University.

Each director holds office until the next annual meeting of stockholders of the Company and until his successor is elected and qualified or until his earlier resignation or removal. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of shares entitled to cast a majority of the votes for the election of directors. Officers are elected annually by the Board of Directors at its first meeting after each annual meeting of stockholders and hold office until their successors are chosen and qualify or until their earlier resignation or removal. Any officer elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole Board of Directors, subject to the employment agreement with Dr. Walton described under "Remuneration" below. There is no family relationship between any director or executive officer of the Company. There are no written employment agreements with any officers other than Dr. Walton.

Other Significant Employee

Sherri L. Zillgitt, age 29, was employed by the Company in June 1982, as assistant to the president with responsibilities in the areas of market research and licensing. From 1976 to 1977 she performed post-graduate work in immunology at the University of Nottingham, England. From 1977 to 1980 she was employed with the Texas Heart Institute, Houston, Texas, where she served as a research assistant and editorial assistant. In 1981 she served as research coordinator at the Houstonian

Mr. Short has been a director of the Company since June, 1982. He is president of Guardian

Preventive Medicine Center, Houston, Texas. Ms. Zillgitt has a B.S. degree in Zoology from the University of Texas and an M.B.A. degree in Finance from the University of Houston.

Scientific Advisors to UGEN

UGEN uses consultants and advisors, on a per diem basis as required, for review of proposed projects. Currently the following individuals are acting as scientific advisors to UGEN:

Dr. S. Artavanis-Tsakonas
Dept. of Biology
Yale University
*Dr. Ronald A. Butow
Division of Molecular Biology
Dept. of Biochemistry
University of Texas/Dallas
Dr. J. Manley
Dept. of Biological Sciences
Columbia University
Dr. S. Michael Phillips
Dept. of Medicine
University of Pennsylvania
*Dr. Paul F. Lurquin
Dept. of Agronomy
Washington State University
Dr. Marcello Siniscalco
Dept. of Human Genetics
Memorial Sloan-Kettering Cancer Center
*Dr. Lily Y. Young
Dept. of Environmental Medicine & Microbiology
New York University

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* UGEN as subcontractor for DNA Partnership is currently funding research projects at these universities in which the named advisors are participating.

Remuneration

The following table sets forth certain information as to the only executive officer or director of the Company whose total cash and cash-equivalent remuneration exceeded $50,000 and as to all officers and directors of the Company as a group during the fiscal year ended July 31, 1982.

		Cash and Cash-Equivalent Forms of Remuneration	
Name of Individual or Number of Persons in Group	Capacities in Which Served	Salaries, Fees, Directors' Fees, Commissions, and Bonuses	Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits
Dr. Alan G. Walton	President	$ 57,150(1)	$ 556
All officers and directors as a group (nine persons, of whom four received remuneration)		$ 82,461(2)	$1,524

(1) In addition, Dr. Walton was paid $5,551 by UPAT for services provided to UPAT.

(2) In addition, an aggregate of $37,297 was paid by UPAT to two officers for services provided to UPAT.

As of March 1, 1983, UGEN entered into an employment agreement with Dr. Walton, subject to the successful completion of this offering, providing for continuation of his employment as chief executive officer for a term ending March 1, 1986 and for the payment of compensation to him at a minimum rate of $65,000 per year. The agreement also provides for automatic one year renewals unless terminated by either party. Dr. Walton has agreed that for a two year period following the termination of his employment, he will not compete with any business then being conducted by UGEN or any of its affiliates unless consented to by UGEN.

UGEN has a stock participation plan for its directors pursuant to which, on the first business day of January of each year for a period of five years commencing in 1983, each director who has been elected by the stockholders of UGEN, is not an employee of UGEN or UPAT and is serving as a director of UGEN on such date, is eligible to receive a number of shares of UGEN Common Stock (subject to proration for a partial year of service) equal to the lesser of (i) $5,000 divided by the per share fair market value of such stock on the date of issuance, or (ii) 1,500 shares. In January, 1983, an aggregate of 3,028 shares, with a market value of $1.50 per share as determined by the Board of Directors of UGEN, were issued to Messrs. Wukasch (1,500 shares), Lourie (764 shares) and Short (764 shares).

Stock Option Plan

The Company has reserved an aggregate of 250,000 shares of its Common Stock for issuance upon the exercise of stock options granted and to be granted under the terms of a key employees stock option plan which provides for the grant of either incentive stock options or non-qualified options to employees of the Company or any parent or subsidiary thereof, thus including employees of UPAT. (The stock option plan also authorizes the grant of stock appreciation rights, none of which have been granted to date.) In August, 1982 stock options for an aggregate of 67,000 shares of UGEN Common Stock at a per share exercise price of $1.50 were granted to certain employees of UGEN and UPAT, and in March, 1983, stock options for 51,282 shares of UGEN Common Stock were granted to Dr. Walton, the president of UGEN, at a per share exercise price of $2.925. In each case the exercise price was believed by the Board of Directors of the Company to be not less than 100% of fair market value at time of grant, although no market exists for UGEN Common Stock. No stock options have been exercised. The following table shows, as to the designated individual and all directors and officers of the Company as a group, the following information with respect to outstanding stock options:

Name	Number of Shares Issuable Upon Exercise of Options	Average Per Share Exercise Price
Dr. Alan G. Walton	51,282(1)	$2.925
All directors and officers of the Company as a group	98,282(1)	$2.24

(1) Options to Messrs. Miles (7,000) and Alpert (5,000) are non-qualified options. The options (86,282) to UGEN employees, including Dr. Walton, are incentive options. The table does not include options for 20,000 shares granted to other UPAT employees.

Deferred Compensation and Insurance Agreements

In September 1982, UPAT entered into deferred compensation and insurance agreements with its officers, additional key employees of UPAT and one officer of the Company, Dr. Walton. These agreements, in general, operate as follows:

(a) As contemplated by the agreements, UPAT has purchased preferred stocks of four issuers from an insurance company with moneys borrowed from the insurance company. The borrowings are represented by promissory notes of UPAT which are non-recourse as to principal, bear fixed interest (at rates somewhat in excess of the dividend rates on the preferred stock), and are secured by the preferred stock. The maturity dates on the notes range from 10 years to over 20 years. UPAT is to pay interest on these notes on a current basis. Proceeds from sinking fund or other redemptions of the preferred stock are to be applied to payment of the notes.

(b) UPAT is to use the net after-tax cash dividends from the preferred stock purchased under (a) to purchase additional shares of preferred stock, which shares are to be retained in a non-purpose margin account at a national brokerage firm. Any dividends received by UPAT from the additional shares, net after taxes, are to be used to purchase additional preferred shares.

(c) A life insurance policy has been obtained on the life of each participant, which policy is owned by the participant. UPAT plans each year to borrow from the margin account an amount equal to the annual premiums on the policies. These borrowings will be secured by the preferred stock held in the account, and the interest will be based on the then current brokers' call money rate.

(d) It is expected that the participant will borrow against the accumulated cash value of his insurance policy to obtain funds to pay the participant's income tax on the premium payments (which payments are compensation income to the participant), as well as the interest on the participant's borrowings, to the extent permitted by the Internal Revenue Code.

(e) Upon the retirement, death or disability of a participant, UPAT will pay deferred compensation benefits (designated as "Supplemental Income Benefits") in cash to the participant (or his beneficiary) in installments over a period of time, with UPAT's obligation to be limited to a fund created out of the net after-tax proceeds from the transactions described in paragraphs (a) to (c) above (after deduction of liabilities and costs).

UPAT has not charged to the Company nor does it expect to charge to the Company any amounts with regard to participation by Dr. Walton in these deferred compensation and insurance agreements.

Certain Transactions

Dr. Walton, president and a director of the Company, is (with his spouse) sole owner of Tetron Corporation ("Tetron"). UGEN has funded a research project originated by Dr. Walton for $15,525 through Dicar Corp. (primarily owned by Case Western Reserve University) involving a cell anti-aging agent. Dicar Corp. waived royalty rights in connection with the project. The project was first offered for funding to DNA Partnership but was declined on behalf of said Partnership by Novack Management, Inc., one of the general partners. Tetron has an agreement with UGEN to share any royalties arising from licensing of inventions from the project in the ratio of 40% to Tetron and 60% to UGEN. Tetron has, in turn, agreed to divide its share of the royalties with the scientist conducting the research. No technology has yet been licensed from this project and no royalties have been received. A further sum of $114,500 has been requested by the scientist conducting the research from UGEN for completion of the research.

Dr. Walton is indebted to UPAT in the principal sum of $70,000 represented by an unsecured demand note dated July 31, 1981 for such sum, together with interest at 9% on $30,000 of such principal sum from May 27, 1981 and interest at the same rate on $40,000 of such principal sum from June 18,1981. UPAT made this loan to Dr. Walton in order to assist him in purchasing a house in Connecticut at the time he became president of UGEN. When Dr. Walton sells his former residence in Ohio, it is anticipated that this loan will be repaid in full. No payment of either principal or interest has been made on the note. At February 28, 1983 the aggregate of principal and accrued interest on the note was $80,891.

DESCRIPTION OF UPAT

University Patents, Inc. ("UPAT"), the parent of UGEN, is a Delaware corporation incorporated in 1971 to succeed an Illinois business corporation incorporated in 1968. UPAT is engaged in licensing and administering patents and patent applications for new technology. In addition, UPAT is engaged (through a wholly-owned subsidiary) in the production and marketing of certain types of contact lenses, and (through a joint venture) in the licensing of entertainment properties.

Until 1980, UPAT was engaged in the manufacture and sale of bath and area rugs through a wholly-owned subsidiary, Regal Rugs, Inc. ("Regal"). Regal's operating income had been sufficient since 1973 to offset UPAT's patent services losses. On March 28, 1980, UPAT sold Regal and the after-tax proceeds of such sale, as well as other funds of UPAT, have been invested in government securities.

UPAT's patent services include the location and identification of technology concepts, an evaluation of the economic and technical feasibility of such concepts, the prosecution of applications for patents on concepts deemed economical and technically feasible where patents have not been already obtained, and licensing and administering the patents. The major product and process areas of UPAT's technology are medical/pharmaceutical, agriculture, animal health, chemicals, energy and electronics.

UPAT acts as patent and technology licensor for the University of Illinois Foundation and seven other universities—Arizona, Chicago, Colorado, Connecticut, New York University, Pennsylvania and Princeton—under servicing agreements with expiration dates ranging to January, 1988. In addition, UPAT evaluates technological concepts from other entities. The servicing agreements with the universities generally provide for division of royalties on the basis of 60% to the university and 40% to UPAT. Costs of obtaining U.S. patent protection are borne by UPAT. UPAT is generally entitled to reimbursement of foreign patent costs before the division of royalties becomes applicable.

UPAT believes that more than $20,000,000 is spent annually at its client universities on basic research and related activities in the field of genetic engineering. There can be no assurance that this rate of spending will continue.

While UPAT has engaged in certain research, development, manufacturing and marketing activities, it prefers as a matter of corporate policy, because of the large sums frequently required and the high risks associated with such activities, not to use its own resources for such activities. In prior years UPAT intended that such activities be undertaken by its licensees. However, in many cases licensees became reluctant to risk their own resources in such activities. As a result, UPAT formed UGEN (and participated in the establishment of DNA Partnership) as an appropriate vehicle to engage in research and development in the field of genetic engineering.

UPAT is subject to the information requirements of the Securities Exchange Act of 1934, and, in accordance therewith, files reports, proxy statements and other information with the Securities and Exchange Commission, Washington, D.C. Copies of such materials may be obtained from the Commission at prescribed rates or may be examined without charge at the office of the Commission.

PRINCIPAL SHAREHOLDERS

UGEN Stock

All shares of Class A Stock of UGEN outstanding are beneficially owned by UPAT, whose address is 537 Newtown Avenue, P.O. Box 6080, Norwalk, Connecticut 06852. Assuming the conversion of 741,141 shares of UGEN Class A Stock into Common Stock and its distribution by UPAT to its common stockholders, UPAT will hold 5,133,349 Class A shares, each of which is entitled to four votes.

The following table sets forth certain pro forma information, assuming the completion of the distributions to UPAT common stockholders and the partners of DNA Partnership, and further assuming no exercises of First Series Warrants or Underwriter's Warrants, with respect to all persons known to the Company to own beneficially more than 5% of the outstanding shares of UGEN Common Stock, each director of the Company and all directors and officers of the Company as a group. (This table also gives effect to the above-described conversion of Class A Stock.)

Name	Number of UGEN Common Shares Beneficially Owned (1)	Percent of UGEN Common Stock Prior to Sale of Offering Units	Percent of UGEN Common Stock After Sale of 1,300,000 Offering Units
UPAT	5,776,206(2)	77.7%	66.1%
Alan G. Walton c/o UGEN 537 Newtown Ave. P.O. Box 6080 Norwalk, CT 06852	201,352(3)	8.6%	5.5%
L. W. Miles	28,064(4)	1.2%	—
A. Sidney Alpert	8,379(5)	—	—
Don C. Wukasch	8,050	—	—
Donold K. Lourie	10,764	—	—
Norman J. Short	764	—	—
Gregory M. Morey	25,000(6)	1.1%	—
All directors and officers as a group (eight persons)	267,373(7)	11.2%	7.2%

(1) Exercisable UGEN stock options are included in the figures for shares of UGEN Common Stock to the extent shown in the notes which follow.

(2) Includes 5,133,349 Class A shares deemed converted into UGEN Common shares solely for the purpose of showing total shares owned by UPAT. Includes 100,000 UGEN shares to be distributed by DNA Partnership to UPAT. Also includes 542,857 UGEN shares (510,204 of which are presently owned and 32,653 of which will be distributed by DNA Partnership) owned by GTM, a wholly owned subsidiary of UPAT with the same address as UPAT.

(3) Includes UGEN stock options for 51,282 shares of UGEN Common Stock deemed exercised solely for purposes of showing total shares owned by such person. Also includes 120,000 UGEN shares subject to repurchase by UGEN at $.001 per share in the event of termination of employment in certain cases. Such right of repurchase terminates as to 30,000 shares each September in the years 1983-86.

(4) Includes UGEN stock options for 7,000 shares of UGEN Common Stock deemed exercised solely for purposes of showing total shares owned by such person.

(5) Includes UGEN stock options for 5,000 shares of UGEN Common Stock deemed exercised solely for purposes of showing total shares owned by such person.

(6) Includes UGEN stock options for 25,000 shares of UGEN Common Stock deemed exercised solely for purposes of showing total shares owned by such person.

(7) Includes UGEN stock options for 98,282 shares of UGEN Common Stock deemed exercised solely for purposes of showing total shares owned by such group.

Immediately prior to the date of this Prospectus there were nine holders of UGEN Common Stock.

UPAT Stock

The following table sets forth, as of March 24, 1983, information with respect to the shares of common stock ($.01 par value) of UPAT (the parent of UGEN) beneficially owned by each director of UGEN and by all directors and officers of UGEN as a group.

Name	Number of UPAT Shares Beneficially Owned (1)	Percent of Class
Alan G. Walton	350	—
L. W. Miles	157,822(2)	4.2%
A. Sidney Alpert	62,396(3)	1.7%
Don C. Wukasch	20,250	—
Donold K. Lourie	None	—
Norman J. Short	None	—
Gregory M. Morey	None	—
All directors and officers of UGEN as a group (eight persons)	240,818(4)	6.4%

(1) Exercisable UPAT stock options are included in the figures for shares of UPAT common stock to the extent shown in the notes which follow.

(2) Includes UPAT stock options for 52,500 shares of UPAT common stock deemed exercised solely for purposes of showing total shares owned by such person.

(3) Includes UPAT stock options for 45,500 shares of UPAT common stock deemed exercised solely for purposes of showing total shares owned by Mr. Alpert. Also includes 800 shares owned by Mr. Alpert's daughter as to which he disclaims beneficial ownership.

(4) Includes UPAT stock options for 98,000 shares of UPAT common stock deemed exercised solely for purposes of showing total shares owned by such group.

Mr. Alpert's daughter as to which he disclaims beneficial ownership

DESCRIPTION OF COMMON STOCK AND CLASS A STOCK

The authorized capital of the Company consists of 16,000,000 shares of Common Stock, $.001 par value per share, and 7,500,000 shares of Class A Stock, $.001 par value per share.

The holders of Common Stock and Class A Stock are entitled to receive dividends thereon, if and when declared payable by the Board of Directors of the Company from funds legally available for that purpose. Any dividend shall be declared and paid on the outstanding Common Stock and Class A Stock in equal amounts per share, concurrently and without preference or priority of any class over any other; provided that any dividend declared payable in shares of capital stock of the Company shall be payable in shares of the class on which paid.

The holders of Common Stock and Class A Stock have no preemptive or redemption rights, and upon liquidation of the Company, would be entitled to distribution of net assets in equal amounts per share. At the election of the holder, any shares of Class A Stock may be converted into an equal number of shares of Common Stock. Shares of Class A Stock may not be transferred without the consent of a majority of the holders of each class, except that such transfers may be made without consent to UPAT or any majority-owned subsidiary of UPAT.

Holders of Common Stock have one vote for each share, while holders of Class A Stock have four votes for each share. There are no cumulative voting rights. Thus, so long as UPAT owns all of the outstanding shares of Class A Stock and the number of such shares is in excess of 25% of the aggregate number of outstanding shares of Common Stock, UPAT can elect all of the directors of the Company, in which event the holders of the Common Stock will not be able to elect any directors.

The shares of Common and Class A Stock currently outstanding are, and the shares to be outstanding upon completion of this offering will be, when issued and paid for, fully paid and not liable for further call or assessment.

Transfer Agent

American Stock Transfer Company is the transfer agent for the Common Stock of the Company.

DESCRIPTION OF WARRANTS

First Series Warrants

No warrants of the Company are presently outstanding. Upon completion of the offering of Offering Units described elsewhere herein, the Company will have outstanding 1,300,000 First Series Warrants (1,430,000 if the Underwriter's over-allotment option is exercised in full). Each First Series Warrant entitles the holder to purchase one Exercise Unit (consisting of one share of the Company's Common Stock and one Second Series Warrant) at an exercise price of $3.25 per Exercise Unit.

Each of the First Series Warrants is exercisable commencing on the date on which the First Series Warrants become separately transferable (six months after the date of this Prospectus or such earlier date as may be determined by the Underwriter) and until 3:00 P.M., New York time, on , 1986, at which time the First Series Warrants will expire. The First Series Warrants may be redeemed in whole, at the election of the Company, at any time on or after , 1984, at a redemption price of $.50 per First Series Warrant, upon not less than 30 days prior written notice to registered holders of the First Series Warrants.

The First Series Warrants may be exercised with respect to the whole or any lesser number of whole Exercise Units covered thereby. They contain provisions for adjustments in certain contingencies of the number of Exercise Units purchasable thereunder and the purchase price thereof, designed to protect the First Series Warrant exercise price against dilution.

Fractional Exercise Units will not be issued upon exercise of First Series Warrants and, in lieu thereof, a cash adjustment based on the market price of the Common Stock on the date of exercise will be made.

Second Series Warrants

Second Series Warrants will be issued only if and to the extent that First Series Warrants are exercised. Each Second Series Warrant will entitle the holder to purchase one share of the Company's Common Stock at an exercise price of $5.00 per share. The Company and UPAT have agreed that UPAT will sell to the Company at $3.25 per share (subject to anti-dilution adjustment) sufficient shares of outstanding stock of UGEN held by UPAT or its subsidiaries to enable UGEN to furnish shares of UGEN Common Stock on exercise of Second Series Warrants without having to increase the number of shares of UGEN Common Stock outstanding. Upon the closing of the offering of Offering Units, UPAT will deposit in escrow with the Warrant Agent referred to below, as escrowee, a number of shares of UGEN stock (which may include Class A Stock with authority granted to the escrowee to convert such stock into UGEN Common Stock as required) equal to the full number of First Series Warrants outstanding. Thus, upon the exercise of each Second Series Warrant, the Company will retain $1.75 and will pay the balance ($3.25) of the exercise price to UPAT.

Each of the Second Series Warrants is exercisable before 3:00 P.M., New York time, on , 1988, at which time the Second Series Warrants will expire. The Second Series Warrants may be redeemed in whole, at the election of the Company, at any time on or after , 1987, at a redemption price of $.50 per Second Series Warrant, upon not less than 30 days prior written notice to registered holders of Second Series Warrants.

The Second Series Warrants may be exercised with respect to the whole or any lesser number of whole shares of Common Stock covered thereby. They contain provisions for adjustments in certain contingencies of the number of shares purchasable thereunder and the purchase price thereof, designed to protect the Second Series Warrant exercise price against dilution.

Fractional shares will not be issued upon exercise of Second Series Warrants and, in lieu thereof, a cash adjustment based on the market price of the Common Stock on the date of exercise will be made.

No Rights as Stockholders; No Reports or Notices of Expiration

The holders of First Series Warrants and Second Series Warrants have no voting, dividend or other rights as stockholders of the Company unless and until such Warrants are exercised. The

Company's annual and quarterly reports will not be furnished separately to warrantholders who are not also stockholders.

The Company is not required to give advance notice or warning of the expiration dates of either the First or Second Series Warrants. Each warrantholder should make his own arrangements to keep track of the expiration dates of said Warrants.

Warrant Agent; Exercise of Warrants

The First and Second Series Warrants will be issued under warrant agreements with American Stock Transfer Company as Warrant Agent. A First or Second Series Warrant may be exercised upon the surrender of a duly completed certificate on or prior to its expiration at the office of the Warrant Agent, accompanied by cash or a certified or official bank check or postal or express money order payable to the order of the Company for the respective exercise price.

Underwriter's Warrants

For a description of the Underwriter's Warrants, see "Underwriting."

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, the Company has agreed to sell to Steiner Diamond & Co. Incorporated (the "Underwriter"), and the Underwriter has agreed to purchase from the Company, a total of 1,300,000 Offering Units. The Underwriter is committed to purchase all of such Units if any are purchased.

The Company has been advised by the Underwriter that the Underwriter proposes to offer part or all of the Offering Units purchased by it directly to the public at the initial public offering price set forth on the cover page of this Prospectus and any balance of such Units to certain dealers at a price which represents a concession of not in excess of $ per Unit. The Underwriter has advised the Company that it does not intend to sell any Units offered hereby to any accounts over which it exercises discretionary authority by exercise of such authority.

The Company has granted an option to the Underwriter, exercisable for a 30-day period after the date of this Prospectus, to purchase up to a maximum of 130,000 additional Offering Units at the public offering price, less the underwriting discount, for the sole purpose of covering over-allotments.

The Company has agreed to pay to the Underwriter a non-accountable allowance of $65,000 to cover expenses (other than legal fees) in connection with this offering, and has also agreed to pay an allowance for the fees and disbursements of the Underwriter's attorneys of up to $32,500. The Company has further agreed to use its best efforts (if requested by the Underwriter) to cause the election to the Board of Directors of the Company within 12 months after the closing date of this offering of a nominee designated by the Underwriter who will be an officer or employee of the Underwriter.

The Company has agreed to sell to the Underwriter or its designees, at a price of $.001 per warrant, (i) warrants to purchase 130,000 shares of the Company's Common Stock at an exercise price of $ per warrant (120% of 90% of the initial price to the public of the Offering Units) (such 90% figure being the percentage of such price of said Units deemed attributable to the Common Stock comprising a portion of such Units); and (ii) warrants, to be issued and exercisable subsequent to the date on which the First Series Warrants cease to be outstanding, to purchase, at an exercise price of $ per warrant (120% of 90% of the sum of (a) the exercise price of the First Series Warrants and (b) 10% of the initial price to the public of the Offering Units), a number of shares of the Company's Common Stock equal to the lesser of 10% of the number of shares delivered upon exercise of the First Series Warrants or (subject to anti-dilution adjustment) 130,000 shares. Such warrants (collectively, the "Underwriter's Warrants") are exercisable until five years after the date of this Prospectus and may be exercised with respect to the whole or any lesser number of whole shares of Common Stock covered thereby. They contain provisions for adjustments in certain contingencies of the numbers of shares of Common Stock purchasable thereunder and the purchase prices thereof, designed to protect the Underwriter's Warrant exercise prices against dilution. The holders of the Underwriter's Warrants have no voting, dividend or other rights as stockholders of the Company unless and until such Warrants are exercised. The Underwriter's Warrants may not be exercised for a period of one year following the closing date of this offering and are subject to certain restrictions as to their issuance, sale, transfer, assignment or hypothecation. The issuance of the Underwriter's Warrants will give the Underwriter, at nominal cost, the opportunity to profit from a rise in the market value of the Company's Common Stock with a resulting dilution of the interest of the other holders of the Company's Common Stock.

The Company has granted the Underwriter the right to have the Common Stock of the Company issued or issuable upon exercise of the Underwriter's Warrants included in any registration statement under the Securities Act of 1933 (the "Act"), the effectiveness of which is maintained by the Company on a form appropriate for inclusion and sale of such Common Stock, and absent such effective registration statement to require one registration of such Common Stock under the Act, at the Company's expense, within nine years following the expiration of one year from the closing of this offering.

The Underwriter was organized and registered as a broker-dealer in 1980. Since that time it has successfully underwritten several private placements of securities. Also, the Underwriter has acted as an underwriter and as a dealer in many public offerings of securities, but has not heretofore served as the sole or managing underwriter in any such offering. At March 15, 1983, an aggregate of 39,000 shares of UPAT common stock were owned beneficially by the Underwriter and its officers.

The Company has agreed to indemnify the Underwriters against certain liabilities under the Securities Act of 1933, as amended.

Pricing of the Offering

Prior to this offering there has been no public market for any securities of the Company. The public offering price of Offering Units to investors in this Prospectus and the exercise prices of the First and Second Series Warrants have been determined by negotiations between the Underwriter and the management of UGEN and are not necessarily related to UGEN's asset value, net worth, earnings, or any other established criteria of value. Among the factors considered in determining such prices were prevailing market conditions, the Company's past and present operations, its current financial condition and the prospects for future earnings, prices of publicly traded common stocks of companies engaged in genetic engineering and believed by the Company and the Underwriter to be somewhat comparable to or competitive with it, and an assessment of the past and present operations and earnings of such companies.

Separate Distribution

By a separate prospectus it is planned that UPAT will distribute as a dividend to its common stockholders approximately 741,141 shares of UGEN Common Stock and that DNA Partnership will distribute to certain of its partners 632,653 shares of UGEN Common Stock now owned by said Partnership. *The Offering Units offered to investors by this Prospectus will not be sold unless and until the distribution by UPAT to its stockholders is made.*

LEGAL OPINIONS

The legality of the securities offered hereby will be passed upon for the Company by D'Ancona & Pflaum, 30 North LaSalle Street, Chicago, Illinois 60602.

Certain legal matters relating to the securities offered hereby will be passed upon for the Underwriter by Sonnenschein Carlin Nath & Rosenthal, 8000 Sears Tower, Chicago, Illinois 60606.

EXPERTS

The consolidated balance sheets of the Company at July 31, 1981 and 1982 and the related consolidated statements of operations and changes in financial position and shareholders' interest for the period from October 1, 1980 (inception) to July 31, 1981 and the year ended July 31, 1982 appearing in this Prospectus and Registration Statement have been examined by Arthur Young & Company, certified public accountants, as stated in their report included herein. Such consolidated financial statements have been so included in reliance upon such report and upon the authority of said firm as experts in auditing and accounting.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission in Washington, D.C., a Registration Statement under the Securities Act of 1933 with respect to the securities distributed and offered by this Prospectus. This Prospectus does not contain all the information set forth in the Registration Statement. For further information with respect to the Company and such securities, reference is made to the Registration Statement and to the exhibits and schedules filed therewith. The Registration Statement, together with its exhibits and schedules, may be inspected at the Public Reference Room at the Commission's office at 450 Fifth Street, N.W., Washington, D.C. and copies of all or any part thereof may be obtained from the Commission upon payment of the prescribed fees.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
University Genetics Co.

We have examined the consolidated balance sheets of University Genetics Co. at July 31, 1982 and 1981 and the related consolidated statements of operations and changes in financial position and shareholders' interest for the period from October 1, 1980 (inception) to July 31, 1981 and the year ended July 31, 1982. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

University Genetics Co. is a subsidiary of University Patents, Inc. and has had significant transactions with its parent and with other related entities.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of University Genetics Co. at July 31, 1982 and 1981 and the consolidated results of operations and changes in financial position for the periods then ended in conformity with generally accepted accounting principles applied on a consistent basis during the period.

ARTHUR YOUNG & COMPANY

Stamford, Connecticut
October 18, 1982

UNIVERSITY GENETICS CO.

CONSOLIDATED BALANCE SHEETS

	July 31, 1981	July 31, 1982	January 31, 1983 (Unaudited)
Assets			
Current assets:			
Cash and money market investments (Note 2)	$10,824	$453,865	$381,992
Receivable from DNA (Note 3)	—	433,225	151,125
Receivable from UPAT (Note 4)	—	—	81,212
Total current assets	10,824	887,090	614,329
Equipment and automobiles (Note 7)	—	13,003	20,289
	$10,824	$900,093	$634,618
Liabilities and Shareholders' Interest			
Current liabilities:			
Accounts payable	$ —	$ 5,083	$ 5,500
Taxes payable (Note 6)	—	21,788	22,516
Accrued commercialization expenses	—	40,783	70,000
Contractual obligations (Note 3)	—	564,073	345,635
Unamortized contract fee (Note 3)	—	171,426	70,508
Total current liabilities	—	803,153	514,159
Minority interest	—	650	228
Shareholders' interest (Note 5):			
Class A stock, $.001 par value	7,500	5,874	5,874
Common stock, $.001 par value	2,750	1,626	1,639
Capital in excess of par value	5,820	45,242	64,771
Retained earnings (deficit)	(5,246)	43,628	48,027
Treasury stock	—	(80)	(80)
Total shareholders' interest	10,824	96,290	120,231
	$10,824	$900,093	$634,618

See accompanying notes.

UNIVERSITY GENETICS CO.

CONSOLIDATED STATEMENTS OF OPERATIONS

	October 1, 1980 (Inception) to July 31, 1981	Year ended July 31, 1982	Six months ended January 31, 1982 (Unaudited)	Six months ended January 31, 1983 (Unaudited)
Revenues:				
Contract revenues (Note 2)	$ —	$ 203,574	$ 29,082	$ 175,918
Retained royalties	—	23,000	—	19,400
	—	226,574	29,082	195,318
Costs and expenses:				
General and administration expenses	9,714	165,306	70,202	157,451
Research and development	—	14,017	—	15,525
Commercialization expenses (Note 4)	—	40,833	5,833	42,104
Depreciation	—	1,393	—	3,214
	9,714	221,549	76,035	218,294
Operating profit (loss)	(9,714)	5,025	(46,953)	(22,976)
Investment income	—	55,831	8,738	28,103
Income (loss) before provision (credit) for income taxes	(9,714)	60,856	(38,215)	5,127
Provision (credit) for income taxes (Note 6)	(4,468)	11,982	(7,524)	728
Net income (loss)	$ (5,246)	$ 48,874	$ (30,691)	$ 4,399
Net income (loss) per share of common stock	$ —	$ .006	$ (.003)	$ —
Weighted average number of common and common equivalent shares outstanding	10,249,980	8,416,660	9,333,320	7,507,172

See accompanying notes.

UNIVERSITY GENETICS CO.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

	For the period from October 1, 1980 (Inception) to July 31, 1981	Year Ended July 31, 1982	Six months ended January 31 1982 (Unaudited)	Six months ended January 31 1983 (Unaudited)
Source of Funds:				
Funds provided from (used in) operations				
Net income (loss)	$(5,246)	$ 48,874	$ (30,691)	$ 4,399
Depreciation	—	1,393	—	3,214
	(5,246)	50,267	(30,691)	7,613
Additional capital contributed by UPAT (Note 4)	5,246	39,996	39,996	—
Minority interest in subsidiary	—	650	—	—
Stock issued under Directors Stock Participation Plan	—	—	—	4,542
Proceeds from the sale of capital stock and warrants	10,824	—	—	15,000
	10,824	90,913	9,305	27,155
Use of funds:				
Repurchase of capital stock and warrants	—	3,404	3,324	—
Repurchase of minority interest in subsidiary	—	—	—	422
Purchase of equipment and automobiles	—	14,396	305	10,500
	—	17,800	3,629	10,922
Increase in working capital	$10,824	$ 73,113	$ 5,676	$ 16,233
Changes in components of working capital				
Increase (decrease) in current assets:				
Cash and money market investments	$10,824	$443,041	$ 69,792	$ (71,873)
Receivable from DNA	—	433,225	1,173,738	(282,100)
Receivable from UPAT	—	—	—	81,212
	10,824	876,266	1,243,530	(272,761)
Increase (decrease) in current liabilities:				
Accounts payable	—	5,083	—	417
Taxes payable	—	21,788	21,629	728
Accrued commercialization expenses	—	40,783	5,833	29,217
Contractual obligations	—	564,073	864,474	(218,438)
Unamortized contract revenue	—	171,426	345,918	(100,918)
	—	803,153	1,237,854	(288,994)
Increase in working capital	$10,824	$ 73,113	$ 5,676	$ 16,233

See accompanying notes.

UNIVERSITY GENETICS CO.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' INTEREST

October 1, 1980 (Inception) to January 31, 1983

	Class A Stock		Common Stock		Capital in Excess of Par Value	Retained Earnings (Deficit)	Common Treasury Stock	Total Shareholders' Interest
	Shares	Amount	Shares	Amount				
Sale of capital stock to UPAT	7,500,000	$7,500	—	$ —	$ —	$ —	$ —	$ 7,500
Sale of capital stock to GTM	—	—	1,111,102	1,111	—	—	—	1,111
Sale of capital stock and warrants to organizer of General Partner of DNA	—	—	1,388,878	1,389	574	—	—	1,963
Sale of capital stock to officers	—	—	250,000	250	—	—	—	250
Additional capital contributed by UPAT (Note 4)	—	—	—	—	5,246	—	—	5,246
Net (loss) for period	—	—	—	—	—	(5,246)	—	(5,246)
Balance at July 31, 1981	7,500,000	7,500	2,749,980	2,750	5,820	(5,246)	—	10,824
Transfer upon conversion of Class A stock to common stock by UPAT	(275,000)	(275)	275,000	275	—	—	—	—
Repurchase and cancellation of capital stock and warrants	(1,350,510)	(1,351)	(1,399,470)	(1,399)	(574)	—	—	(3,324)
Repurchase of 80,000 shares of common stock held in treasury	—	—	—	—	—	—	(80)	(80)
Additional capital contributed by UPAT (Note 4)	—	—	—	—	39,996	—	—	39,996
Net income for period	—	—	—	—	—	48,874	—	48,874
Balance at July 31, 1982	5,874,490	5,874	1,625,510	1,626	45,242	43,628	(80)	96,290
For the six months ended January 31, 1983 (Unaudited)								
Sale of capital stock to Director	—	—	10,000	10	14,990	—	—	15,000
Stock issued under Directors' Stock Participation Plan	—	—	3,028	3	4,539	—	—	4,542
Net income for period	—	—	—	—	—	4,399	—	4,399
Balance at January 31, 1983	5,874,490	$5,874	1,638,538	$1,639	$64,771	$48,027	$ (80)	$120,231

See accompanying notes.

UNIVERSITY GENETICS CO.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Interim financial information presented in the accompanying notes to the consolidated financial statements is unaudited.

Note 1. Organization

University Genetics Co. ("UGEN" or the "Company") is engaged in funding selected research and development projects at universities in the field of genetic engineering and seeking to patent and commercialize genetic engineering inventions, principally through licensing. UGEN was incorporated on October 1, 1980 and commenced business operations in December 1981. The Company is a majority-owned subsidiary of University Patents, Inc. ("UPAT"), a publicly held company engaged in technology transfer.

Note 2. Summary of Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company's majority-owned subsidiary, Genetic Clinics Inc. (GCI).

Contract income and expenses

Contract revenues, representing the amortization of unearned revenue on research and development agreements, are included in income over the life of the contract (see Note 3).

Expenses related to the research and development agreements, including a provision for estimated future commercialization costs, are charged to earnings as incurred.

Depreciation

The cost of depreciable assets is charged to operations on a straight-line basis over their estimated useful lives, generally three years for automobiles and five years for office equipment.

Money market investments

Money market investments are stated at cost plus accrued income, which equals redemption value.

Income taxes

The Company is included in UPAT's consolidated federal income tax return. Pursuant to a tax sharing agreement between the Company and UPAT, the Company pays UPAT the amount of taxes it would be liable for were it a separate taxpayer. In addition, UPAT reimburses the Company for any tax benefit realized in the consolidated return as a result of any losses or tax credit of UGEN included in such return. The Company provides for deferred taxes arising from timing differences between income for financial statement purposes and taxable income. Investment tax credits are accounted for as a reduction in federal income taxes in the year eligible property is placed in service.

Net income per share

Net income per share is computed based on the weighted average number of Common and Common equivalent shares outstanding. Common equivalent shares include the Class A stock as well as shares issuable upon the exercise of stock options.

Note 3. Research and Development Contracts

In December 1981 and September 1982, the Company entered into two one-year research and development contracts with DNA Limited Partnership (the Partnership, see Note 4). Under the terms of the agreements, the Company is required to perform or to have research performed on approved projects and to use its best efforts to commercialize any technology developed from these projects. Costs for the commercialization of developed technology are to be borne by the Company. Property rights to developed technology will be assigned to the Partnership. Future net revenues, if any, will be shared between the Company and the Partnership, with the Company receiving 50% of such revenues until the Partnership has recovered $2,295,918, at which point the limited partners' share would be equal to their total capital contribution ($2,250,000). Thereafter the Company will receive 75% of such revenues.

The contracts entered into in December 1981 and September 1982, provide for payments to UGEN of $1,500,000 and $300,000, respectively. From these payments, the Company was obligated to spend 75% or $1,125,000 and $225,000, respectively, on research and is allowed to retain the net amounts of $375,000 and $75,000 as compensation for its services and to cover its operating costs which may include expenses to commercialize developed technology. At July 31, 1982 and January 31, 1983, substantially all of the research obligation had been satisfied through research commitments. The balance payable on executed research commitments at July 31, 1982 and January 31, 1983 was $564,073 and $345,635, respectively.

At July 31, 1982 and January 31, 1983 the amounts receivable from the Partnership, representing installment payments on the contracts plus interest, were $433,225 and $151,125, respectively.

Note 4. Related Parties

University Patents, Inc.

University Patents, Inc. (UPAT or the Parent) is the majority shareholder of the Company. UPAT owns all outstanding shares of the Class A stock and because of the voting rights of that class (see Note 5), has voting control of the Company.

UPAT has assigned to UGEN its right, title and interest (for a 25 year period beginning January 1, 1982) in all inventions in the field of genetic engineering; provided that if UPAT is prevented by prior agreement from assigning any of such inventions, then UPAT shall hold such inventions for the benefit of UGEN. UGEN is entitled to 100% of UPAT's share of any royalties from these inventions. The assignment was made at no cash cost to UGEN.

The Company occupies offices in premises leased by the Parent. In addition, UPAT provides professional services in connection with the patenting and licensing operations of the Company. Amounts charged to the Company by UPAT amounted to $11,277 and $18,846 for the periods ended July 31, 1982 and January 31, 1983, respectively.

In addition, certain expenses were incurred by the Parent on behalf of the Company prior to the Company's entering into its initial research and development contract in December 1981. These expenses, consisting principally of salaries and related costs for personnel involved in the evaluation of technology for possible funding, amounted to $9,714 ($5,246 net of income tax benefit) and $49,802 ($39,996 net of income tax benefit) for the periods ended July 31, 1981 and 1982, respectively. The amounts net of income tax benefit are included in capital in excess of par value.

The Company has made cash advances, bearing interest at the rate earned by the Company on its money market investments, to its parent. The agreement under which funds were advanced expired March 22, 1983, at which time all outstanding amounts were repaid, and was not renewed.

Dr. Walton, President and a Director of the Company, is indebted to UPAT under the terms of an unsecured demand note. At January 31, 1983, the aggregate principal amount and accrued interest was approximately $80,000.

DNA Limited Partnership

The Partnership and the Company have entered into research and development agreements (see Note 3) which represent the Company's major source of revenues. The Partnership owns 765,306 shares of the Company's Common Stock. Such shares were part of a total of 815,306 shares purchased by a General Partner of the Partnership for $.001 a share. In the event a public market is established for the Company's stock, such shares will be distributed to the individual partners.

University Patents, Inc. and its wholly-owned subsidiary, Genetic Technology Management, Inc. (see below) purchased two and one-half of the fifteen partnership units sold by the Partnership.

Genetic Technology Management, Inc.

Genetic Technology Management, Inc. (GTM), a wholly-owned subsidiary of UPAT, serves as one of two general partners of the Partnership and owns 510,204 shares of the Company's Common Stock. Such shares were purchased at $.001 a share. In addition, as noted above, GTM purchased one-half unit of the Partnership at the time of the Partnership's formation.

Dicar—Tetron

In November 1982 the Company funded $15,525 in research to be performed by the Dicar Corporation (Dicar), a research facility affiliated with Case Western Reserve University. The amount funded has been charged to operations as research and development expense.

Property rights to the subject technology are partially owned by the Tetron Corporation (Tetron). Under the terms of the research funding agreement Dicar has waived any royalty rights to any technology developed by the project. Such royalties, if any, will be shared by the Company (60%) and Tetron (40%). Tetron has agreed to share its portion of any royalties with the inventor. No technology has yet been licensed from the project and no royalties or option payments have been received.

Dr. Walton, President and a Director of the Company, is with his spouse, sole owner of Tetron.

Note 5. Capital Stock

The Company has two classes of authorized capital stock consisting of Common Stock (16,000,000 shares authorized) and Class A Stock (7,500,000 shares authorized). The two classes are identical except that Class A Stock is entitled to four votes per share while Common Stock is entitled to one vote per share.

The Class A Stock outstanding is owned by the Parent and is nontransferable (unless converted into Common Stock in a share for share exchange) except among the Parent and its majority-owned subsidiaries.

Stock Option Plan

The Company has a Key Employees' Stock Option Plan (the "Option Plan") adopted in June 1982 and expiring in June 1992. Under the terms of the Option Plan, either nonqualified or incentive stock options, as defined in the Economic Recovery Tax Act of 1981, to purchase an aggregate of 250,000 shares of the Company's Common Stock, may be granted to key employees of the Company or its Parent. Options granted under the Option Plan are granted with an exercise price equal to the fair market value, as determined by the Company's Board of Directors, on the date of grant and become exercisable three months after the date of grant.

In August 1982, options to purchase 67,000 shares of Common Stock were awarded with an exercise price of $1.50 per share. Through January 31, 1983 no options had been exercised, and, as of that date, options as to 67,000 shares were exercisable and 250,000 shares were reserved for issuance upon the exercise of options.

In March 1983, an incentive stock option to purchase 51,282 shares of Common Stock was awarded to Dr. Walton with an exercise price of $2.925 per share.

Directors' Stock Participation Plan

Under the terms of the Directors' Stock Participation Plan, directors who are not employees of the Company or its Parent are eligible to receive each January 1, from 1983 through 1987, shares of the Company's Common Stock. The number of shares issuable to each director for each year of service, subject to proration for a partial year of service, will be the lesser of 1,500 shares or $5,000 divided by the per share fair market value of such stock on the date of issuance. As of January 1, 1983, eligible directors were issued 3,028 shares of Common Stock with a fair market value of $4,542, which amount was charged to operations. At January 31, 1983, 46,972 shares of Common Stock were reserved for future issuance under the Plan.

Note 6. Income Taxes

The provision (credit) for income taxes, which is substantially federal, for the periods October 1, 1980 (inception) through July 31, 1981 and the year ended July 31, 1982 consists of the following components:

	October 1, 1980 (Inception) to July 31, 1981	Year ended July 31, 1982
Current	$(4,468)	$26,220
Deferred	—	(14,238)
	$(4,468)	$11,982

The provision (credit) for the income taxes differs from the amount calculated using statutory federal income tax rate of 46% as a result of the following factors:

	October 1, 1980 (Inception) to July 31, 1981	Year ended July 31, 1982
Expected tax benefit at federal statutory rate	$(4,468)	$ 27,994
Effect of graduated federal rates	—	(15,277)
Investment tax credit	—	(735)
	$(4,468)	$ 11,982

The deferred income taxes primarily result from expenses accrued before deductible for tax purposes and the use of accelerated depreciation methods for income tax purposes.

Note 7. Equipment and Automobiles

Equipment and automobiles and the allowance for depreciation at July 31, 1982 were as follows:

Automobiles	$12,255
Equipment	2,141
	14,396
Accumulated depreciation	(1,393)
	$13,003

Note 8. Interim Financial Information (Unaudited)

Interim financial information presented in the accompanying financial statements and notes thereto is unaudited.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to SEC Rules and Regulations.

In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial statements for the periods in conformity with generally accepted accounting principles consistently applied have been made.

No dealer, salesman or any other person has been authorized to give any information or to make any representation in connection with this offering other than those contained in this Prospectus, and if given or made, such information or representation must not be relied upon as having been authorized by the Company or the Underwriter. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby by anyone in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

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Until August , 1983 (90 days after the date of this Prospectus), all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a Prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

1,300,000
Units

Each Unit Consists of
One Share of Common Stock
and One First Series Warrant

UNIVERSITY GENETICS CO.

PROSPECTUS

STEINER DIAMOND & CO.
INCORPORATED

May , 1983